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

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020

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: 001-39724

LIQUIDIA CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**85-1710962**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. 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**

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, $0.001 par value per share	LQDA	The Nasdaq Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒ Smaller Reporting Company ☒
Emerging Growth Company ☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of common stock held by non-affiliates of the registrant on June 30, 2020, which was the last business day of the registrant's most recently completed second fiscal quarter, was $212,930,004 based on a $8.42 closing price per share as reported on the Nasdaq Capital Market.

As of March 15, 2021, there were 43,336,277 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Liquidia Corporation Definitive Proxy Statement with respect to the 2021 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year ended December 31, 2020 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated therein. Except with respect to information specifically incorporated by reference in the Form 10-K, each document incorporated by reference herein is deemed not to be filed as part hereof.

LIQUIDIA CORPORATION

This Annual Report on Form 10-K, or this Annual Report, includes our trademarks, trade names and service marks, such as Liquidia, the Liquidia logo and PRINT, or Particle Replication In Non-wetting Templates, which are protected under applicable intellectual property laws and are the property of Liquidia Corporation. This Annual Report also contains trademarks, trade names and service marks of other companies, which are the property of their respective owners. Solely for convenience, trademarks, trade names and service marks referred to in this Annual Report may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements. All statements other than statements of historical facts contained in this Annual Report may be forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations", but are also contained elsewhere in this Annual Report. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "should," "expects," "plans," "anticipates," "could," "would," "intends," "targets," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- those identified and disclosed in our public filings with the U.S. Securities and Exchange Commission ("SEC") including, but not limited to (i) the timing of and our ability to obtain and maintain regulatory approvals for our product candidates, including plans regarding our anticipated resubmission of the NDA for LIQ861 following our receipt of a Complete Response Letter in November 2020 from the U.S. Food and Drug Administration ("FDA") and the potential for, and timing regarding, eventual FDA approval of and our ability to commercially launch, LIQ861, including the potential impact of regulatory review, approval, and exclusivity developments which may occur for competitors; (ii) the timeline or outcome related to our current patent litigation with United Therapeutics pending in the U.S. District Court for the District of Delaware or its *inter partes* review with the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office; (iii) our ability to predict, foresee, and effectively address or mitigate future developments resulting from the COVID-19 pandemic or other global shutdowns, which could include a negative impact on the availability of key personnel, the temporary closure of our facility or the facilities of our business partners, suppliers, third-party service providers or other vendors, or delays in payments or purchasing decisions, or the interruption of domestic and global supply chains, liquidity and capital or financial markets; and (iv) our ability to continue operations as a going concern without obtaining additional funding;

- successfully integrating our and Liquidia PAH, LLC's (formerly known as RareGen, LLC) businesses, and avoiding problems which may result in our company not operating as effectively and efficiently as expected;

- the possibility that the expected benefits of the recently completed merger transaction with RareGen, LLC (the "Merger Transaction"), will not be realized within the expected timeframe or at all, including without limitation, anticipated revenue, expenses, earnings and other financial results, and growth and expansion of our operations, and the anticipated tax treatment;

- our ability to retain, attract and hire key personnel;

- prevailing economic, market and business conditions;

- the cost and availability of capital and any restrictions imposed by lenders or creditors;

- changes in the industry in which we operate;

- the failure to renew, or the revocation of, any license or other required permits;

- unexpected charges or unexpected liabilities arising from a change in accounting policies, or the effects of acquisition accounting varying from our expectations;

- the risk that the credit ratings of our company or our subsidiaries may be different from what the companies expect, which may increase borrowing costs and/or make it more difficult for us to pay or refinance our debts and require us to borrow or divert cash flow from operations in order to service debt payments;

- fluctuations in interest rates;

- the effects on the businesses of the companies resulting from uncertainty surrounding the Merger Transaction, including with respect to customers, suppliers, licensees, collaborators, business partners, employees, other third parties or the diversion of management's time and attention, that could affect our financial performance;

- adverse outcomes of pending or threatened litigation or governmental investigations, if any, unrelated to the Merger Transaction;

- the effects on the companies of future regulatory or legislative actions, including changes in healthcare, environmental and other laws and regulations to which we are subject;
- conduct of and changing circumstances related to third-party relationships on which we rely, including the level of credit worthiness of counterparties;
- the volatility and unpredictability of the stock market and credit market conditions;
- conditions beyond our control, such as disaster, global pandemics such as COVID-19, or acts of war or terrorism;
- variations between the stated assumptions on which forward-looking statements are based and our actual experience;
- other legislative, regulatory, economic, business, and/or competitive factors;
- our plans to develop and commercialize our product candidates;
- our planned clinical trials for our product candidates;
- the timing of the availability of data from our clinical trials;
- the timing of our planned regulatory filings;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- the clinical utility of our product candidates and their potential advantages compared to other treatments;
- our commercialization, marketing and distribution capabilities and strategy;
- our ability to establish and maintain arrangements for the manufacture of our product candidates and the sufficiency of our current manufacturing facilities to produce development and commercial quantities of our product candidates;
- our ability to establish and maintain collaborations;
- our estimates regarding the market opportunities for our product candidates;
- our intellectual property position and the duration of our patent rights;
- our estimates regarding future expenses, capital requirements and needs for additional financing; and
- our expected use of proceeds from prior public offerings and the period over which such proceeds, together with cash, will be sufficient to meet our operating needs.

You should refer to the "Risk Factors" section of this Annual Report on Form 10-K for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements, including, but not limited to, the impact of the COVID-19 outbreak on our company and our financial condition and results of operations. The forward-looking statements in this Annual Report are only predictions, and we may not actually achieve the plans, intentions or expectations included in our forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements.

These forward-looking statements speak only as of the date of this Annual Report. While we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should therefore not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Annual Report on Form 10-K.

Unless the context otherwise requires, references in this Annual Report on Form 10-K to "we," "us", "our", "Liquidia" and the "Company" refer to Liquidia Corporation, a Delaware corporation, and unless specified otherwise, include our wholly owned subsidiaries, Liquidia Technologies, Inc., a Delaware corporation, or Liquidia Technologies, and Liquidia PAH, LLC (formerly known as RareGen, LLC, or RareGen), a Delaware limited liability company, or Liquidia PAH.

PART I

Item 1. Business.

Overview

We are a biopharmaceutical company focused on the development, manufacturing and commercialization of products that address unmet patient needs, with current focus directed towards the treatment of pulmonary hypertension (PH). We operate as a single entity through our two wholly owned operating subsidiaries, Liquidia Technologies and Liquidia PAH (formerly known as RareGen).

We generate revenue pursuant to a Promotion Agreement between Liquidia PAH and Sandoz Inc. ("Sandoz"), sharing profit derived from the sale of the first-to-file fully substitutable generic treprostinil injection ("Treprostinil Injection") in the United States. Liquidia PAH has the exclusive rights to conduct commercial activities to encourage the appropriate use of Treprostinil Injection. We employ a targeted sales force calling on physicians and hospital pharmacies involved in the treatment of pulmonary arterial hypertension (PAH), as well as key stakeholders involved in the distribution and reimbursement of Treprostinil Injection. Strategically, we believe that our commercial presence in the field will enable an efficient launch of LIQ861 upon approval, leveraging existing relationships and further validating our reputation as a company committed to supporting PAH patients.

We conduct research, development and manufacturing of novel products by applying our proprietary PRINT® technology, a particle engineering platform, to enable precise production of uniform drug particles designed to improve the safety, efficacy and performance of a wide range of therapies. We have development experience in inhaled therapies, vaccines, biologics, and implants, among others.

We are currently developing two product candidates for which we hold worldwide commercial rights: LIQ861 to treat PAH, and LIQ865 to treat post-operative pain and are evaluating formulations of additional molecules to support new product candidates.

Our most advanced development product, LIQ861, is an inhaled dry powder formulation of treprostinil designed to improve the therapeutic profile of treprostinil by enhancing deep lung delivery and achieving higher dose levels than current inhaled therapies while using a convenient, easy-to-use dry-powder inhaler (DPI). We submitted the New Drug Application (NDA) for LIQ861 in January 2020 and we are actively preparing our reply to the Complete Response Letter (CRL) issued by the U.S. Food and Drug Administration (FDA) in November 2020.

Our second product candidate, LIQ865, is designed to deliver sustained release of bupivacaine, a non-opioid anesthetic, to treat local post-operative pain for three to five days through a single administration. We have completed two Phase 1 clinical trials and additional toxicology studies to help enable continued clinical development in Phase 2 studies of LIQ865. We will seek to advance LIQ865 through a strategic collaboration with an external partner in order for Liquidia to focus its efforts on its lead asset, LIQ861, and commercial efforts to support Treprostinil Injection.

Merger with RareGen, LLC (now Liquidia PAH, LLC)

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 Corporation, Liquidia Technologies, RareGen (now Liquidia PAH), Gemini Merger Sub I, Inc. ("Liquidia Merger Sub"), Gemini Merger Sub II, LLC ("RareGen Merger Sub"), and PBM RG Holdings, LLC, as Members' Representative. Pursuant to the Merger Agreement, Liquidia Merger Sub, a then-wholly owned subsidiary of Liquidia Corporation, merged with and into Liquidia Technologies (the "Liquidia Technologies Merger") and RareGen Merger Sub, a then-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 continued as wholly owned subsidiaries of Liquidia Corporation.

Following the Merger Transaction, Liquidia Corporation is the successor issuer to Liquidia Technologies pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Pursuant to Rule 12g-3(a) under the Exchange Act, shares of Liquidia Corporation common stock, $0.001 par value per share ("Liquidia Corporation Common Stock"), are deemed to be registered under Section 12(b) of the Exchange Act, and Liquidia Corporation is subject to the informational requirements of the Exchange Act, and the rules and regulations promulgated thereunder. The Liquidia Corporation Common Stock is now listed on Nasdaq under the symbol "LQDA" following the removal from listing of Liquidia Technologies Common Stock by the Nasdaq Stock Market LLC.

On February 24, 2021, upon the filing of a Certificate of Amendment to its Certificate of Formation with the Secretary of State of Delaware, RareGen changed its name to Liquidia PAH.

Our Products and Candidates for PH

PH is divided into five groups based on the criteria of the World Health Organization (WHO) as defined at the 5th World Symposium on Pulmonary Hypertension in Nice, France. WHO Group I is comprised of individuals with PAH.

PAH is a rare, chronic, progressive disease caused by hardening and narrowing of the pulmonary arteries that can lead to right heart failure and eventually death, with an estimated prevalence in the United States of approximately 30,000 patients. There is currently no cure for PAH, so the goals of existing treatments are to alleviate symptoms, maintain or improve functional class, delay disease progression and improve quality of life. Drugs targeting the prostacyclin pathway are central to PAH therapy. Prostacyclin analogs, like treprostinil, have been developed for continuous infusion, either intravenously or subcutaneously, inhalation using a nebulizer and oral administration in the form of tablets. The maximal efficacy benefit of any one drug in the prostacyclin pathway is partially limited by its specific safety profile.

Delivering prostacyclin analogs locally to the lungs by inhalation has been effective and causes fewer systemic side effects. Inhalation of prostacyclin analogs supplements the endogenous production of prostacyclin where it is normally synthesized, near the targeted pulmonary arteries. As a result, inhalation of prostacyclin analogs helps avoid side effects related to off-target tissues and takes advantage of binding key prostacyclin receptors that are preferentially expressed in the lung. The only inhaled prostacyclin analogs approved by the FDA are Tyvaso® (treprostinil) and Ventavis® (iloprost), which both require nebulizers.

Parenteral delivery of prostacyclin analogs is considered the most effective treatments for PAH; however, the inconvenience of external pumps and side-effect profiles have limited their use to the most severely ill patients. Remodulin® (treprostinil) can be administered subcutaneously or intravenously. United Therapeutics reported that its class of treprostinil-based products generated net revenue of $1.48 billion in 2020, of which Tyvaso® contributed $483.3 million from predominately U.S. net sales and Remodulin® contributed $516.7 million with $64.3 million in net revenue coming from non-U.S. sales.

Prostacyclin based therapies have only been approved for WHO Group I patients; however, prostacyclin analogs may have utility in the treatment of PH in other categories. United Therapeutics is awaiting the potential FDA approval of Tyvaso® in 2021 for a sub-population of patients in WHO Group III with Interstitial Lung Disease (ILD), which they estimate to be 30,000 patients. If Tyvaso® is approved for additional indications, the market for inhaled treprostinil products may increase with an increased addressable patient population.

LIQ861, Treprostinil Powder for Inhalation to Treat PAH

Our lead product candidate, LIQ861, is an inhaled dry powder formulation of treprostinil designed using our PRINT technology to enhance deep lung delivery using a convenient DPI, the RS00 Model 8 DPI. This device and its variants have been used in at least eight marketed products globally since 2001, including Novartis's Foradil Aerolizer® for the treatment of asthma and chronic obstructive pulmonary disease (COPD).

We believe LIQ861 can overcome the limitations of current inhaled therapies and has the potential to maximize the therapeutic benefits of inhaled treprostinil in treating PAH by safely delivering higher doses into the lungs. If approved, we believe LIQ861 will have the potential to increase the number of patients using the inhaled route of administration for PAH by providing the benefits of inhaled prostacyclin therapy earlier in a patient's disease progression as well as delaying the burden of starting continuously infused agents.

We are developing LIQ861 under the 505(b)(2) regulatory pathway using the nebulized form of treprostinil, Tyvaso®, as the reference listed drug. This regulatory pathway allows us to rely in part on the FDA's previous findings of efficacy and safety of Tyvaso® and the active ingredient treprostinil.

We submitted an NDA to the FDA for LIQ861 in January 2020, which was accepted for review in April 2020 and provided a Prescription Drug User Fee Act (PDUFA) goal date of November 24, 2020. On November 25, 2020, we announced the FDA issued a CRL, for our NDA for LIQ861. The CRL identified the need for additional information and clarification on chemistry, manufacturing and controls (CMC) data pertaining to the drug product and device biocompatibility. The FDA also reconfirmed the need to conduct on-site prior approval inspections ("PAIs") of two U.S. manufacturing facilities before our NDA can be approved. The FDA noted it had been unable to conduct these inspections during the initial review cycle due to COVID-19 related travel restrictions. The CRL did not cite the need to conduct further clinical studies, nor did the FDA indicate that additional studies related to toxicology or clinical pharmacology would be necessary. We conducted a Type A meeting with the FDA on January 29, 2021, and we intend to respond to the CRL in mid-2021.

FDA approval and launch of LIQ861 are directly impacted by resolution of the CRL and the pending Hatch-Waxman litigation commenced by United Therapeutics on June 4, 2020. As a result, the FDA may not issue a final approval for the LIQ861 NDA until the expiration of a 30-month regulatory stay in October 2022 or earlier judgment unfavorable to United Therapeutics by the court. When the FDA is precluded from approving a 505(b)(2) application due to a 30-month stay, it is generally possible that the FDA could issue "tentative approval" of an NDA if all requirements for approval have been met. The FDA's tentative approval can be subject to change based on new information that may come to FDA's attention between such time as the tentative and final approval. A new drug product may not be marketed until the date of final approval.

Our NDA submission was based in part upon the results of our pivotal, open-label Phase 3 clinical trial, Investigation of the Safety and Pharmacology of Dry Powder Inhalation of Treprostinil, for LIQ861 ("INSPIRE"). The primary objective of the INSPIRE study was to evaluate the long-term safety of LIQ861 with a primary endpoint to assess safety and tolerability through Month 2. The study enrolled patients who have either (a) been under stable treatment with Tyvaso® (nebulizer-delivered treprostinil) for at least three months and transitioned to LIQ861 under the protocol ("Transition patients"), or (b) patients who had been under stable treatment with no more than two non-prostacyclin oral PAH therapies for at least three months and then had their treatment regimen supplemented with LIQ861 under the protocol ("Add-On patients"). Transition patients started at a dose comparable to their prior nebulized treprostinil dose and were titrated to higher doses as warranted by their clinical disease. Add-On patients started on a dose of 26.5 mcg of LIQ861, with most (>80%) titrating to a 79.5 mcg dose or higher within the first two months of treatment. Of the 121 patients enrolled in the study, 55 were Transition patients and 66 were Add-On patients.

LIQ861 was observed to be well-tolerated and treatment-emergent adverse events (TEAEs) were mostly mild to moderate in nature at Month 2 up to doses of 159 mcg of LIQ861, the highest dose studied at Month 2. Of the 121 PAH patients, 113, or 93%, completed their two-month visit. The most common reported TEAEs (reported in ≥ four percent) were cough (42%), headache (26%), throat irritation (16%), dizziness (11%), diarrhea (9%), chest discomfort (8%), nausea (7%), dyspnea (5%), flushing (5%) and oropharyngeal pain (4%). Durability of therapy with LIQ861 appeared to be favorable, with 96% of Transition patients and 91% of Add-On patients remaining on study drug at the Month 2 timepoint.

Our NDA submission also include results from pharmacokinetic (PK) studies in healthy volunteers indicating that the 79.5 mcg dose of LIQ861 provides comparable PK with nine breaths of Tyvaso, the maximum recommended label dose of Tyvaso.

Clinical results from LIQ861 have been presented at various international scientific meetings such as the American Thoracic Society (ATS), International Society of Heart Lung Transplantation (ISHLT), Pulmonary Vascular Research Institute (PVRI), American College of Chest Physicians (ACCP) in 2019 and 2020.

We continued to treat patients who chose to remain on LIQ861 beyond the Month 2 timepoint of the primary endpoint. At the completion of the INSPIRE study, the patient with the longest duration of treatment had been on LIQ861 therapy for 18 months and the highest dosing reached in the INSPIRE study was 212 mcg of treprostinil given four times per day.

To provide for continuity of treatment, patients from INSPIRE were provided the opportunity to continue receiving treatment in an extension study, which is currently ongoing (LTI-302). Currently, more than 75 patients have now received therapy with LIQ861 for more than two years. We have also observed that more than 75 percent of patients who have been enrolled in the INSPIRE and extension studies have received LIQ861 doses of 100 mcg or more.

In addition to the studies submitted in the NDA for FDA review, we have been conducting a clinical study, known as LTI-201, at certain investigational sites in France and Germany to characterize the hemodynamic dose-response relationship to LIQ861. In December 2020, we decided to terminate the study earlier than planned due to challenges related to the COVID-19 pandemic. French sites were closed in the second quarter of 2020 and will not re-open for enrollment. German sites are no longer enrolling patients, but remain open as we transition patients from LIQ861 to currently approved therapies. We are considering conducting other clinical trials to generate additional data on LIQ861, including a clinical trial in pediatric patients.

Treprostinil Injection, a Generic Version of Remodulin®

Remodulin® is treprostinil administered through continuous intravenous and subcutaneous infusion, as approved by the FDA in 2002 and 2004, and marketed by United Therapeutics. Patients must use external pumps manufactured by third parties to deliver Remodulin®. Smiths Medical ASD, Inc. ("Smiths Medical") manufactures the pumps used by most patients in the United States to administer Remodulin®, including the CADD-MS® 3 (MS-3) pump used to deliver subcutaneous Remodulin®, and the CADD-Legacy® pump to deliver intravenous Remodulin®. It is estimated that 3,000 patients are treated annually with branded Remodulin® which generated approximately $452 million in U.S. revenue in 2020 (and approximately $516.7 million in total, including approximately $64.3 million of non-U.S. sales), split between the two routes of administration.

There are serious side effects associated with Remodulin®. For example, when infused subcutaneously, Remodulin® causes varying degrees of infusion site pain and reaction, such as redness and swelling, in most patients. Patients who cannot tolerate the infusion site pain related to the use of subcutaneous Remodulin® may instead use intravenous Remodulin®. Intravenous Remodulin® is delivered continuously through a surgically implanted central venous catheter, similar to Flolan®, Veletri® and generic epoprostenol. Patients who receive therapy through implanted venous catheters have a risk of developing blood stream infections and a serious systemic infection known as sepsis. Other common side effects associated with both subcutaneous and intravenous Remodulin® include headache, diarrhea, nausea, jaw pain, vasodilation and edema.

In August 2018, Sandoz partnered with Liquidia PAH (then known as RareGen) on an exclusive basis to market and commercialize its generic Treprostinil Injection, which was subsequently launched as the first-to-file, fully-substitutable generic treprostinil for parenteral administration in March 2019. Liquidia PAH promotes the appropriate use of Treprostinil Injection for the treatment of PAH in the United States and works jointly with Sandoz on commercial strategy for the product. Sandoz retains all rights in and to Treprostinil Injection. As the Abbreviated New Drug Application (ANDA) holder, Sandoz maintains responsibility for compliance with FDA regulatory and healthcare laws including any regulatory communications with the FDA or any other regulatory authorities. In consideration for Liquidia PAH conducting certain responsibilities associated with the commercialization of Treprostinil Injection, Liquidia PAH receives a portion of the net profits generated from the sales of the product.

Treprostinil Injection contains the same active ingredient, same strength, same dosage forms and same inactive ingredient amounts as Remodulin®, and at the same service and support, but at a lower price. The treprostinil is supplied in 20 mL multi-dose vials in four strengths — containing 20 mg, 50 mg, 100 mg, or 200 mg (1 mg/mL, 2.5 mg/mL, 5 mg/mL or 10 mg/mL) of treprostinil, respectively.

Sandoz's Treprostinil Injection, as well as competing generics approved by FDA from Teva Pharmaceuticals Industries Ltd ("Teva"), Par Pharmaceutical, Inc ("Par Pharmaceutical"), Dr. Reddy's Laboratories Inc. ("Dr. Reddy's"), and Alembic Pharmaceuticals, Ltd ("Alembic"), are currently used for intravenous administration only. In April 2019, Liquidia PAH and Sandoz alleged in outstanding litigation that Smiths Medical and United Therapeutics blocked access to cartridges necessary for administering the generic treprostinil through the CADD MS-3 pump manufactured by Smiths Medical for use in the administration of subcutaneous infusions of generic treprostinil. On November 6, 2020, Sandoz, Liquidia PAH and Smiths Medical entered into a binding settlement term sheet in order to resolve the outstanding litigation solely with respect to disputes between Smiths Medical, Liquidia PAH and Sandoz. Pursuant to the term sheet, Smiths Medical has paid $4.25 million to Sandoz and former RareGen members, and the parties have agreed to negotiate in good faith to reduce the term sheet to a definitive settlement agreement.

Sandoz, a Novartis division, is a global leader in generic pharmaceuticals and biosimilars. Sandoz's purpose is to pioneer novel approaches to help people around the world access high-quality medicine. Sandoz's broad portfolio of high-quality medicines, covering all major therapeutic areas, accounted for 2019 sales of $9.7 billion. Sandoz's headquarters are in Holzkirchen, in Germany's Greater Munich area.

LIQ865, sustained-release formulation of bupivacaine to treat post-surgical pain

LIQ865 is our proprietary injectable, sustained-release formulation of bupivacaine, a non-opioid pain medication. We have engineered the size and composition of the LIQ865 PRINT particles to release bupivacaine over three to five days through a single administration for the management of local post-operative pain after a surgical procedure.

We completed a Phase 1a clinical trial of LIQ865 in Denmark in 2017 and a Phase 1b clinical trial in the United States in 2018. Our Phase 1a trial was a randomized, double-blind, controlled, single ascending dose trial of two different PRINT formulations of bupivacaine, LIQ865A and LIQ865B. We observed a dose-response relationship in this trial, and all doses were well-tolerated. All adverse events were mild to moderate in severity, and most adverse events were limited locally at the site of injection, with most related to sensory block of underlying sensory branches of the saphenous nerve in the leg. The results from this trial helped inform our selection of LIQ865A for further investigation in the United States. We conducted our U.S. Phase 1b clinical trial in an experimental pain model in healthy male and female subjects with quantitative sensory testing after an injection of LIQ865. We observed that LIQ865 was well-tolerated across the range of doses. All adverse events were mild to moderate, and no dose-limiting toxicities were noted. The pharmacokinetic profile was similar to that observed in the Phase 1a trial. Pharmacodynamic effects were highly variable and inconclusive, which we associated with the experimental design of the pain model used in this Phase 1b trial.

We initiated Phase 2-enabling toxicology studies in 2019 to assess LIQ865 in multiple non-clinical tissue models. Results from a study to assess incision tensile strength after healing were acceptable and not statistically different from controls. A nonclinical study to examine soft tissue healing was also completed, and the results were acceptable and comparable to vehicle-treated, saline-treated, and Marcaine-treated sites. We believe this data supports progression to Phase 2 hernia repair studies.

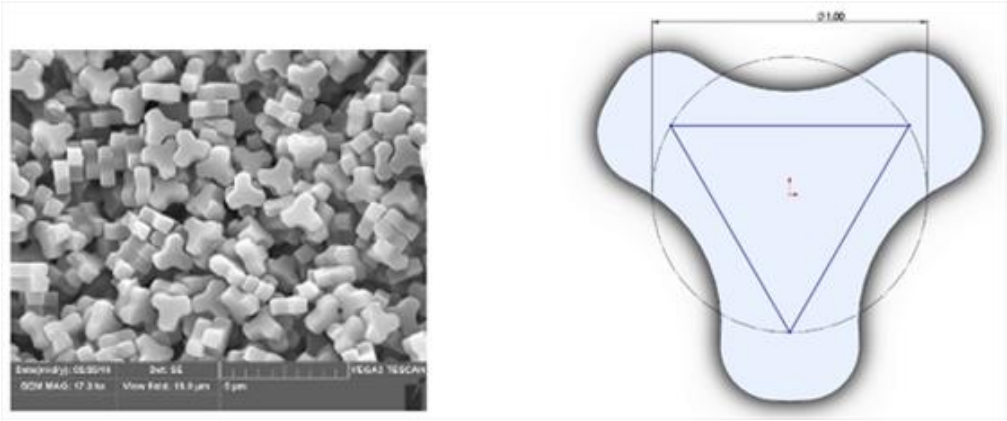
In a toxicology study to assess bone fracture healing, we observed dose-dependent delayed healing at the two LIQ865 doses studied; however, there were no adverse effects noted on surrounding soft tissues. We have completed an additional non-Good Laboratory Practice ("non-GLP") study to investigate bone fracture healing using the same animal model with lower doses of LIQ865. This additional non-GLP study has established a no adverse effect level (NOAEL) on bone healing and provides evidence that LIQ865 could proceed into a GLP toxicology study to support Phase 2 clinical activities.

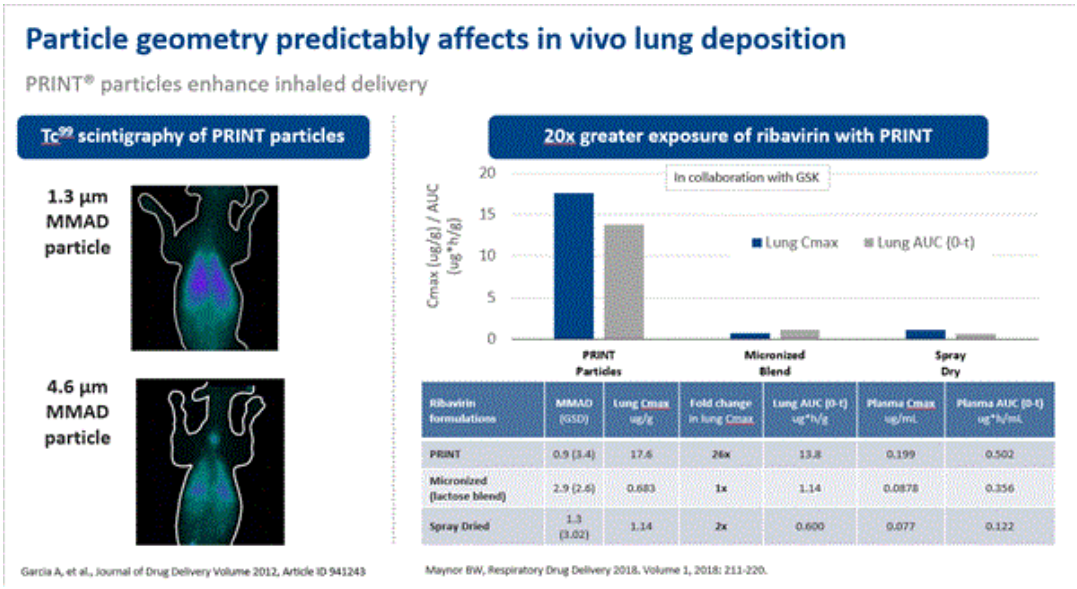
Considering our focus in advancing our lead asset, LIQ861, we will seek to advance LIQ865 through a strategic collaboration with an external partner. We believe LIQ865, if successfully developed and approved, has the potential to provide significantly longer local post-operative pain relief compared to currently marketed formulations of bupivacaine.

Our PRINT Technology

Both LIQ861 and LIQ865 are being developed using our proprietary PRINT particle engineering technology, which allows us to engineer and manufacture highly uniform drug particles with precise control over the size, three-dimensional geometric shape and chemical composition of the particles. By controlling these physical and chemical parameters of particles, PRINT enables us to engineer desirable pharmacological benefits into product candidates, including prolonged duration of drug release, increased drug loading, more convenient routes of administration, the ability to create novel combination products, enhanced storage and stability and the potential to reduce adverse side effects. Our manufacturing equipment and materials used in the production of our drug particles are proprietary and protected by our patent portfolio and trade secret know-how.

An example of the precise particle engineering enabled by PRINT technology is demonstrated in LIQ861. Each particle is designed to enhance delivery and deep-lung penetration with a precise size and highly uniform shape inspired by a naturally occurring pollen. LIQ861 PRINT particles have a one micrometer trefoil-shape measured by an inscribed one micrometer circle as shown in the figure below. In vitro studies suggest that the uniformity of size and shape allow our inhaled particles to target delivery into the lungs with less deposition in the upper airways. The figures below depict LIQ861, with the figure on the left showing size and shape consistency among particles and the figure on the right showing their trefoil shape:





Ribavirin formulations	MMAD (GSD)	Lung Cmax ug/g	Fold change in lung Cmax	Lung AUC (0-t) ug*h/g	Plasma Cmax ug/mL	Plasma AUC (0-t) ug*h/mL
PRINT	0.9 (3.4)	17.6	26x	13.8	0.199	0.502
Micronized (lactose blend)	2.9 (2.6)	0.683	1x	1.14	0.0878	0.356
Spray Dried	1.3 (3.02)	1.14	2x	0.600	0.077	0.122

Development, Regulatory and Commercial Strategy

We believe that our PRINT technology can be applied to a wide range of therapeutic areas, molecule types, routes of administration and novel or generic products. To date, our internal pipeline has focused on the development of improved and differentiated drug products containing FDA-approved active pharmaceutical ingredients (APIs) with established efficacy and safety profiles, which we believe are eligible for the 505(b)(2) regulatory pathway to seek marketing approval in the United States. The 505(b)(2) regulatory pathway can be capital efficient and potentially enable a shorter time to approval, subject to certain risks associated with this regulatory pathway. If our product candidates receive marketing approval, we plan to commercialize them in the United States either by ourselves or through partnership or licensing arrangements with other pharmaceutical companies. Outside of the United States, we may pursue regulatory approval and commercialization of our product candidates in collaboration with pharmaceutical companies with regional expertise. We intend to manufacture our product candidates using in-house capabilities. Where appropriate, we will rely on contract manufacturing organizations (CMOs) to produce, package and distribute our approved drug products on a commercial scale.

We intend to focus our commercial efforts initially on the U.S. market in the treatment of PAH. We have started to build a commercial presence with the acquisition and merger of Liquidia PAH (formerly RareGen) in November 2020. We employ a small, targeted sales force for Treprostinil Injection calling on physicians involved in the treatment of PAH in the US, as well as key stakeholders involved in the distribution and reimbursement of Treprostinil Injection. Strategically, we believe that our commercial presence in the field will enable an efficient launch of LIQ861 if and when we obtain approval, leveraging existing relationships and further validating our reputation as a company committed to supporting PAH patients. As we have success increasing the utilization of Treprostinil Injection and advancing LIQ861 to FDA approval, we will increase our efforts to pursue the highly concentrated target market of PAH centers of excellence and high prescribers of PAH therapies. Our physician call points within these sites of care will include cardiologists, pulmonologists and their supporting staff. We believe that we can effectively commercialize LIQ861, if approved, with an expanded specialty field team. We also expect to further develop our internal resources and functional areas to support other types of communication. For example, we may utilize medical science liaisons and reimbursement specialists to support the proper conveying of scientific and medical information, and healthcare economic information regarding, and utilization of, LIQ861.

Manufacturing and Supply

We operate from a 45,000 square foot facility in Morrisville, North Carolina in which we design, formulate and manufacture engineered drug particles using PRINT particle fabrication lines as well as supportive activity including research and development, analytical development, quality control and production of mold templates that enable our production processes. Our three operational PRINT particle fabrication lines are located within class ISO7 clean rooms that operate under applicable ISO and current good manufacturing practices (cGMP) air quality and environmental requirements. Our current operational fabrication lines are scaled and capable of producing the necessary materials to support our clinical trials and, if approved, commercial demand for our products. We utilize contract manufacturers to finish production and package our drug product for clinical and commercial use.

We depend on third-party suppliers for clinical supplies, including active pharmaceutical ingredients which are used in our product candidates. For example, we currently rely on a sole supplier, LGM Pharma, LLC, for treprostinil, the active pharmaceutical ingredient of LIQ861, and we currently rely on a sole supplier, Plastiape S.p.A (“Plastiape”), for RS00 Model 8 DPI, the DPI used to administer LIQ861. We also rely on a sole supplier, Xcelience LLC (now a Lonza Group Ltd company), for encapsulation and packaging services. If and when we receive marketing approval for our product candidates, we may, from time to time, rely on third-party CMOs to manufacture, package and distribute some or all of our approved drug products on a commercial scale.

Supply of Treprostinil Injection is managed directly by our partner Sandoz, who retains the ANDA, manages inventory and records gross revenue on product sales. Sandoz is either the manufacturer or contracted party for the entire supply chain. We collaborate with Sandoz on a regular basis to plan appropriate inventory production and management based on the demand for Treprostinil Injection and observations in the field. Additionally, we have engaged Carelife USA Inc. to develop a medication cartridge for use with CADD-MS® 3 (MS-3) ambulatory infusion pumps and enable subcutaneous administration of Treprostinil Injection when ready for commercial sale.

Our Collaboration and Licensing Agreements

Sandoz Promotion Agreement

RareGen (now Liquidia PAH) entered into a Promotion Agreement with Sandoz on August 1, 2018, as amended on May 8, 2020, which engaged Liquidia PAH on an exclusive basis to promote the appropriate use of Sandoz’s treprostinil, Treprostinil Injection, referred to as the “Product” in the Promotion Agreement, for the treatment of PAH in the United States, including its commonwealths, territories, possessions and military bases. Liquidia PAH works jointly with Sandoz on commercial strategy for Treprostinil Injection and has responsibility for identifying, manufacturing and developing medical devices, including pumps and cartridges, that may be used to administer the Product. Sandoz retains all rights in and to the Product. Sandoz is the holder of the ANDA for the Product. As the ANDA holder, Sandoz maintains responsibility for compliance with FDA regulatory and healthcare laws including any regulatory communications with the FDA or any other regulatory authorities.

Under the Promotion Agreement, Sandoz retains responsibility for: the specifications, manufacture and supply, distribution and future development of treprostinil; regulatory submission and interactions with the FDA pertaining to treprostinil, including maintaining all necessary regulatory approvals; reporting to the FDA or other regulatory authorities on matters relating to manufacturing, sale or promotion, such as any safety events involving treprostinil; internally reviewing and, as it determines appropriate, approving promotional materials developed by Liquidia PAH, and making submissions to the FDA's Office of Prescription Drug Promotion; handling safety activities including adverse event reporting, and initiating and managing any recalls of treprostinil.

Liquidia PAH's activities and obligations related to regulatory matters conducted under the Promotion Agreement include: promotional and non-promotional activities, including sales and marketing activities for treprostinil, and engagement of healthcare professionals for advisory boards; developing, with prior written approval from Sandoz, marketing and educational materials consistent with FDA approved labeling and applicable laws; notifying Sandoz of notices from governmental authorities about adverse event reports or regulatory inquiries related to the safety of treprostinil, product complaints or alleged defects, unsolicited requests for off-label medical information; providing certain data and information to Sandoz in order to fulfill its transparency and reporting obligations under the Physician Payment Sunshine Act; complying with applicable laws relevant to the activities conducted under the Promotion Agreement; establishing a compliance program and mechanism for disclosure of any violations of Liquidia PAH policies and procedures and submission of an annual report and certification to Sandoz of its compliance activities; and managing, with oversight and participation from Sandoz, negotiations and arrangements for managed care activities.

The Promotion Agreement, unless earlier terminated, initially extends until the eight (8)-year anniversary of the first commercial sale of the Product by Sandoz, which occurred on or about March 25, 2019. The Promotion Agreement automatically renews for successive two-year terms unless earlier terminated.

Liquidia PAH paid Sandoz an initial payment of $10 million on August 1, 2018 and, upon the successful quality release by Sandoz of 9,000 units of the Product on August 3, 2018, Liquidia PAH paid Sandoz an additional $10 million as further consideration for the right to conduct the activities as contemplated in the Promotion Agreement and to receive a portion of the "Net Profits" (as defined in the Promotion Agreement). The portion of Net Profits are allocated to Liquidia PAH as follows: (i) for that portion of aggregate Net Profits less than or equal to $500 million, Liquidia PAH shall receive between 50-80% of all such Net Profits; and (ii) for that portion of aggregate Net Profits greater than $500 million, Liquidia PAH shall receive 75% of all such Net Profits.

Liquidia PAH and Sandoz may terminate the Promotion Agreement for cause upon a number of customary events, such as a material breach of the Promotion Agreement that remains uncured, complete withdrawal of marketing approval of the Product or upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings with respect to the other party. Further, either party may terminate the Promotion Agreement upon written notice to the other party at any time after the initial eight (8) year term in the event Sandoz is then procuring 100% of its supply of Product from a single third party upon (a) expiration of the supply agreement with such third party and (b) Sandoz's failure, after exercise of commercially reasonable efforts, to secure continued supply of the Product from such third party or other third parties within 12 months of the termination of such supply agreement. Liquidia PAH and Sandoz also each have a right to terminate the Promotion Agreement on not more than 90 days' written notice in the event that Net Profits in the last calendar year are less than $5 million.

Sandoz may terminate the Promotion Agreement on not more than 90 days' written notice after the conclusion of any full 12-month calendar year in the event that Net Profits in such calendar year are less than or equal to 10% of the net sales in such calendar year; *provided*, *however*, that Sandoz may not terminate the Promotion Agreement in such instance unless and until (i) aggregate amounts received by Liquidia PAH under the sharing of Net Profits have reached $32.5 million, or (ii) both (x) Net Profits or the profit margin were adversely affected in such calendar year by any temporary event or circumstance and (z) the joint steering committee makes a determination that such profit margin deficiency is not likely to continue in the subsequent calendar year. Sandoz may also terminate the Promotion Agreement upon a change of control of Liquidia PAH.

Liquidia PAH may terminate the Promotion Agreement on not more than 90 days' written notice after the conclusion of any full 12-month calendar year in the event that Liquidia PAH's share of the Net Profits in such calendar year are less than or equal to Liquidia PAH's operating expenses relating to the Product for such calendar year; *provided*, *however*, that Liquidia PAH may not terminate the Promotion Agreement in such instance unless and until (i) aggregate amounts received by Sandoz under the share of Net Profits have reached $28.125 million, or (ii) both (x) Net Profits or its operating expenses relating to the Product were adversely affected in such calendar year by a temporary event or circumstance and (z) the joint steering committee makes a determination that Liquidia PAH's share of the Net Profits is not likely to continue to be less than its operating expenses relating to the Product in the subsequent calendar year.

The University of North Carolina at Chapel Hill

In December 2008, we entered into the Amended and Restated License Agreement with The University of North Carolina at Chapel Hill ("UNC") for the use of certain patent rights and technology relating to initial innovations of our PRINT technology (the "UNC License"). Under the terms of the UNC License, we have an exclusive license to such patent rights and technology for our drug products. The UNC License grants us the right to grant sublicenses to the technology as well as control the litigation of any infringement claim instituted by or against us in respect of the licensed patent rights. We are also responsible for the costs of all expenses associated with the prosecution and maintenance of the patents and patent applications. Such filings and prosecution will be carried out by UNC and in UNC's name but under our control.

Under the UNC License, we are required to pay UNC royalties equal to a low single digit percentage of all net sales of our drug products whose manufacture, use or sale includes any use of the technology or patent rights covered by the UNC License, as well as tiered royalty percentages ranging in the low single digits of sales by our sublicensees for any product covered by rights under a sublicense agreement granted pursuant to the UNC License. Under the UNC License, we are also required to pay UNC certain fees other than royalties that we collect and are attributable to UNC sublicensed intellectual property. We also reimburse UNC for its costs of procuring and maintaining the patents we license from UNC. Effective November 2017, we satisfied all substantive milestones associated with our UNC License other than semi-annual and annual reporting-based milestones that continue through the term of the UNC License. The UNC License expires (i) on the expiration of the last to expire patent included in the patent rights or (ii) if no patents mature from such patent rights, in December 2028.

We have the right to terminate the UNC License upon a specified period of prior written notice. UNC may terminate the UNC License in certain circumstances, including if we fail to pay royalty or other payments on time or if we fail to sublicense in accordance with the terms of the UNC License. Upon termination of the UNC License, we must pay any royalty obligations due upon termination.

Aerie Pharmaceuticals

We have also exclusively licensed our PRINT technology to Aerie Pharmaceuticals, Inc., which in 2017 acquired most of the assets of Envisia Therapeutics, Inc., an entity which we formed in 2013, for broad usage in the design and commercialization of small molecule and biologic ophthalmic therapies.

GlaxoSmithKline

Previously, we had collaborated with GlaxoSmithKline plc (“GSK”) on the use of our PRINT technology in respiratory disease. In June 2012, we entered into an Inhaled Collaboration and Option Agreement (the “GSK ICO Agreement”) with GSK to collaborate on research regarding the application of our PRINT technology to specified inhaled therapies. Pursuant to the GSK ICO Agreement, we granted GSK exclusive options and licenses to further develop and commercialize such inhaled therapies using our PRINT technology. In September 2015, GSK exercised its option to obtain an exclusive, worldwide license to certain of our know-how and patents relating to our PRINT technology for the purpose of developing inhaled therapeutics. In connection with the grant of this license, we received a one-time option exercise fee and were also entitled to continued research and development funding, certain milestone payments, and tiered royalties on the worldwide sales of the licensed products. In February 2016, we received a payment from GSK upon the achievement of a clinical development milestone related to the development of an inhaled antiviral for viral exacerbations in COPD. However, in July 2018, GSK notified us of its plans to discontinue development of this compound after completion of the related Phase 1 clinical trial.

In June 2019, we and GSK executed an amendment to the collaboration agreement providing us with rights to develop and commercialize three specified molecular entities for application in inhaled programs using our PRINT technology at our sole expense. This amendment also provides a mechanism for us to acquire rights to develop and commercialize further molecular entities for inhaled applications. New inhaled programs developed under this amendment would carry milestone and royalty payments due to GSK upon initiation of Phase 3 studies and subsequent commercialization, respectively.

In January 2020, we notified GSK of our intent to terminate the GSK ICO Agreement based upon GSK's lack of continued performance under the original agreement, which we believe constitutes a material breach of the agreement. In February 2020, we received a letter from GSK disputing our basis for termination. The parties are currently attempting to resolve the dispute pursuant to the terms of the GSK ICO Agreement and are discussing a possible amendment to this agreement.

Intellectual Property

The proprietary nature and protection of our product candidates, their methods of use and our platform technology that enables our product candidates are an important part of our business strategy of rapidly developing and commercializing new medicines that address areas of significant unmet medical needs.

Our policy is to seek patent protection of our proprietary product candidates and technology by filing U.S., international and certain foreign patent applications covering certain of our proprietary technology, inventions, improvements and product candidates that are important to the growth and protection of our business. We also rely on a combination of trade secrets, know-how, trademarks and contractual restrictions to protect aspects of our business that are not amenable to patent protection or where we do not consider patent protection to be adequate or applicable.

Our success depends, in part, on our ability to obtain and maintain patent and other protection for our product candidates, enabling technology, inventions and know-how and our ability to defend and enforce these patents, preserve the proprietary nature of our trade secrets and trademarks and operate our business without infringing valid and enforceable patent and other proprietary rights of third parties. We pursue both composition-of-matter patents and method-of-use patents for our product candidates. We are also pursuing patents covering our proprietary PRINT micro- and nano-particle fabrication technology.

We are the owner or exclusive licensee of patents and applications relating to our proprietary technology platform and our product candidates and are pursuing additional patent protection for these and for our other product candidates and technology developments.

We have a total of 159 patents and pending patent applications in our patent portfolio which protect our PRINT Technology and drug products in development. As of December 31, 2020, we were the sole owner of 14 patents in the United States and 41 patents in foreign jurisdictions, as well as approximately 16 additional pending patent applications, including provisional patent applications, in the United States, Europe, Japan and other jurisdictions. In addition to the patents and patent applications owned solely by us, our patent portfolio also includes 72 patents and 16 patent applications licensed from third parties. As of December 31, 2020, we had an exclusive, worldwide license from UNC to 18 U.S. patents and 53 foreign patents, as well as six additional patent applications in the United States or selected foreign jurisdictions. Five of the patents and two of the patent applications in the portfolio licensed from UNC are jointly owned by us. LIQ861 is specifically protected by 12 issued patents, the longest-lived of which will expire in 2037. LIQ865 is specifically protected by 10 issued patents and an international patent application, PCT/US17/31397 which has entered into the national/regional stage in Europe, Japan and the United States. Any patents that may issue from PCT/US17/31397 are expected to expire in 2037, absent any patent term adjustments or extensions and assuming payment of all maintenance fees.

We hold multiple U.S. trademark registrations and have numerous pending trademark applications. Issuance of a federally registered trademark creates a rebuttable presumption of ownership of the mark; however, it is subject to challenge by others claiming first use in the mark in some or all the areas in which it is used. Federally registered trademarks have a perpetual life so long as they are maintained and renewed on a timely basis and used properly as trademarks, subject to the rights of third parties to seek cancellation of the trademarks if they claim priority or confusion of usage. We believe our patents and trademarks are valuable and would provide us certain benefits in marketing our products.

Competition

The pharmaceutical industry is intensely competitive, subject to rapid and significant technological change and places emphasis on the value of proprietary products. While we believe that our technologies and experience provide us with a competitive advantage, our competitors include organizations such as major multinational pharmaceutical companies, established biotechnology companies, biopharmaceutical companies and generic drug companies. Many of our competitors have greater financial and other resources than we have, such as more commercial resources, larger research and development staffs and more extensive marketing and manufacturing organizations. As a result, these companies may obtain marketing approval more rapidly than we are able and may be more effective in selling and marketing their products. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaboration arrangements with large, established companies.

Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future. Our competitors may succeed in developing, acquiring or licensing, on an exclusive basis, technologies and drug products that are more effective or less costly than products that we are currently developing or that we may develop, which could render our products obsolete and non-competitive. We expect any products that we develop and commercialize to compete on the basis of, among others, efficacy, safety, convenience of administration and delivery, price and the availability of reimbursement from government and other third-party payors. We also expect to face competition in our efforts to recruit and retain qualified personnel, establish clinical trial sites and secure patient enrollment in our clinical trials, and identify appropriate collaborators to help commercialize any approved products in our target commercial markets.

Competition in PAH

Our products and develop programs directed toward the treatment of PAH compete with several approved classes of drugs that target the prostacyclin pathway, the nitric oxide pathway and the endothelin pathway. We also expect continued development by competitors of new mechanisms of action that may be approved during the period of time that our products are being commercialized. Drugs targeting each of the clinically validated pathways may be used alone or in combination with each other to treat patients with PAH. Drugs targeted to the prostacyclin pathway, like Treprostinil Injection and LIQ861, are usually added to oral therapies targeting different mechanisms and their use could be impacted by changes in pricing or medical information Specifically, PDE-5 inhibitors, such as tadalafil, marketed by United Therapeutics, and sildenafil, marketed by Pfizer Inc., now compete with generic versions of both tadalafil and sildenafil; endothelin receptor antagonists, such as bosentan and macitentan, both marketed by Actelion Pharmaceuticals Ltd (“Actelion”) and ambrisentan, marketed by Gilead Sciences, Inc, compete with generic version of bosentan and ambrisentan; and soluble guanylate cyclase (sGC) stimulator, such as riociguat marketed by Bayer, has seen increased since its U.S. approval in 2013.

Within the prostacyclin pathway, our products face competition from specific products and development programs described below.

Competition with parenteral prostacyclin analogs

The Treprostinil Injection product faces competition primarily from the continued use of the branded Remodulin® sold by United Therapeutics as well as additional generic treprostinil products offered by Teva, Par Pharmaceutical, Dr. Reddy's and Alembic. Generic drug prices may decline dramatically as competitors seek to secure preferential utilization though the specialty pharmacy and hospital distribution channels in which parenteral prostacyclin products are sold.

We expect United Therapeutics to continue to defend its leadership position vigorously through, among other actions, life cycle management, marketing agreements with third-party payors, and pharmacy benefits managers. In February 2021, United Therapeutics announced the commercial launch of the Remunity™ pump for Remodulin®, which uses a small subcutaneous pump for patients starting or on a stable dose of Remodulin® and can use prefilled Remodulin® cassettes. The Remunity™ pump also has a water-resistant casing, which may be considered more convenient than the CADD-MS3 currently used to deliver treprostinil subcutancously. United Therapeutics is also developing RemoPro™, a prodrug of treprostinil designed to be inactive in the subcutaneous tissue and activated once metabolized in the blood, decreasing site pain currently associated with subcutaneous Remodulin® (treprostinil).

In addition to continuously infused treprostinil products, use of Treprosntil Injection may face competition from other orally-delivered products in the prostacyclin pathway, including Orenitram®, sold by United Therapeutics, and Uptravi®, a selective IP agonist sold by Janssen Pharmaceuticals/Actelion. These oral products are perceived to be more convenient than infused products, although their use is targeted earlier in a patient's disease progression.

Other agents that utilize the prostacyclin pathway include parenteral epoprostenol, which is marketed by multiple companies as generic and branded products.

Competition with inhaled prostacyclin analogs

If approved for marketing, we expect that LIQ861 will face competition from the following inhaled treprostinil therapies that are either currently marketed or in clinical development.

- Tyvaso® (inhaled treprostinil) marketed by United Therapeutics, has been approved for the treatment of PAH in the United States since 2009. Tyvaso® is administered via a proprietary nebulizer four times per day. Tyvaso is the reference listed drug in our NDA for LIQ861. Following patent litigation, United Therapeutics and Watson Pharmaceuticals, Inc., or Watson Pharmaceuticals, reached a settlement whereby Watson Pharmaceuticals will be permitted to enter the market with a generic version of Tyvaso beginning on January 1, 2026.

- Ventavis® (inhaled iloprost) marketed in the United States by Actelion, a division of Johnson & Johnson, and in Europe by Bayer Schering Pharma AG., has been approved for the treatment of PAH in the United States since 2004. Ventavis® is administered via a proprietary nebulizer six to nine times per day.

- Tyvaso DPI™, a dry-powder, inhaled formulation of treprostinil which United Therapeutics licensed from MannKind Corporation. In January 2021, United Therapeutics announced that it had demonstrated safety and tolerability of Tyvaso DPI™ in patients with PAH transitioning from Tyvaso® Inhalation Solution, and it had demonstrated comparable treprostinil exposure between Tyvaso DPI™ and Tyvaso® Inhalation Solution. We anticipate the NDA filing of Tyvaso DPI™ in April 2021 with priority review. Under the license agreement, United Therapeutics is responsible for global development, regulatory and commercial activities. MannKind will manufacture clinical supplies and initial commercial supplies of the product while long-term commercial supplies will be manufactured by United Therapeutics.

- Treprostinil Palmitil Inhalation Powder (TPIP), a dry-powder formulation of a treprostinil prodrug being developed by Insmed Incorporated ("Insmed"). Insmed announced the completion of an initial Phase 1 study in February 2021 which demonstrated that TPIP was generally safe and well tolerated, with a pharmacokinetic profile that supports once-daily dosing. Insmed intends to initiate Phase 2 trials studying patients diagnosed with PAH, Pulmonary Hypertension associated with Interstitial Lung Diseases (PH-ILD), and patients Idiopathic Pulmonary Fibrosis (IPF).

There are also a variety of investigational PAH therapies in the later stages of development that target new or clinically-validated mechanism of actions that may benefit patients. The approval of some or any of these could change the treatment paradigm and impact the utilization of treprostinil products and the prostacyclin pathway at large.

Competition in Post-Surgical Pain

Opioids are the mainstay of post-operative pain management, but due to an epidemic of abuse, physicians, payors and the U.S. federal government have prioritized pain management strategies that minimize the use of opioids, including the use of multi-modal therapy including NSAIDs and other non-opioids for pain relief. Local anesthetics such as bupivacaine hydrochloride (Marcaine) and lidocaine have been safely used for post-operative pain for decades, but have a duration of effect limited to less than eight hours. As a result, the market for local, long-acting non-opioid products in increasing in competition to deliver on unmet needs of patients.

The primary competitor for LIQ865, if approved, would be liposomal bupivacaine, marketed as EXPAREL® by Pacira Pharmaceuticals, Inc. Generic equivalents of EXPAREL® may also enter the market when EXPAREL® loses patent protection, potentially as early as December 2021. Physicians report that EXPAREL® typically provides post-surgical analgesia for only 24 to 36 hours in practice, though it is labeled for pain relief up to 72 hours.

We also anticipate that Heron Therapeutics, Inc. ("Heron") may secure FDA approval in 2021 of HTX-011, an investigational long-acting, extended-release formulation of the local anesthetic bupivacaine in a fixed-dose combination with the anti-inflammatory meloxicam for the management of post-operative pain. HTX-011 was granted both breakthrough therapy and fast track designations, as well as priority review by the FDA, and has demonstrated utility across a range of surgical procedure.

Durect Corporation and Innocoll Holdings plc each secured FDA approval in 2020 for long-acting bupivacaine products which may present competition in certain narrow or specific surgical procedures, though the demand for these products is not yet obvious. In addition to long-acting local anesthetics, there are a number of indirect competitors in various stages of research and development, including opioids and other molecules that target the treatment of pain through alternative pathways.

Human Capital

As of February 28, 2021, we employed 51 persons, all of whom are located in the United States and full-time. We have no collective bargaining agreements with our employees, and we have not experienced any work stoppages. We consider our relations with our employees to be good.

We believe that our future success largely depends upon our continued ability to attract and retain highly skilled employees. We provide our employees with competitive salaries and bonuses, opportunities for equity ownership, development programs that enable continued learning and growth and a robust employment package that promotes well-being across all aspects of their lives, including health care, retirement planning and paid time off. In addition, we conduct an annual employee survey to gauge employee engagement and identify areas of focus.

Much of our success is rooted in the diversity of our teams and our commitment to equity and inclusion. We value diversity at all levels and continue to focus on extending our diversity and inclusion initiatives across our entire workforce, from working with managers to develop strategies for building diverse teams to promoting the advancement of leaders from different backgrounds.

In response to the COVID-19 pandemic, we implemented the safety measures for our employees, as well as the communities in which we operate. These measures included, but were not limited to, substantially restricting travel, limiting access to our headquarters and asking most of our staff to work remotely.

Facilities

Our corporate headquarters is located in Morrisville, North Carolina, and consist of approximately 45,000 square feet of space under a lease that expires on October 31, 2026 and includes an option for us to renew for an additional five years through October 31, 2031, as amended. The primary use of this location is general office, laboratory, research and development and light manufacturing. We believe that our facilities are adequate for our current needs and for the foreseeable future; however, we will continue to seek additional space as needed to accommodate our growth.

Corporate Information

We were incorporated in Delaware on June 17, 2020. Our principal executive offices are located at 419 Davis Drive, Suite 100, Morrisville, North Carolina 27560 and our telephone number is (919) 328-4400. Our website is www.liquidia.com. The information on or that can be accessed through our website is not incorporated by reference into this Annual Report, and you should not consider any such information as part of this Annual Report or in deciding whether to purchase our common stock. This Annual Report and all of our filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including copies of annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, are available free of charge through our website on the date we file those materials with, or furnish them to, the U.S. Securities and Exchange Commission (SEC). Such filings are also available to the public on the internet at the SEC's website at www.sec.gov.

Please see the section above entitled "Merger with RareGen, LLC (now Liquidia PAH, LLC)" for a description of the Merger Transaction completed in November 2020.

Government Regulation

Government Regulation and Product Approval

Government authorities in the United States at the federal, state and local level and in other countries, extensively regulate, among other things, the research, development, testing, manufacture, (including manufacturing changes), quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing, export and import of products such as those we are developing. The processes for obtaining regulatory approvals in the United States and in foreign countries, along with subsequent compliance with applicable statutes and regulations, require the expenditure of substantial time and financial resources.

U.S. Drug Development Process

In the United States, the FDA regulates drugs under the United States Federal Food, Drug, and Cosmetic Act (FDCA) and the FDA's implementing regulations.

Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval may subject an applicant to administrative or judicial sanctions. These sanctions could include the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, untitled or warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests, animal studies and formulation studies according to Good Laboratory Practices regulations;
- submission to the FDA of an Investigational New Drug application (IND) which must become effective before human clinical studies may begin;
- approval by an independent IRB at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical studies according to Good Clinical Practice (GCP), regulations, to establish the safety and efficacy of the proposed drug for its intended use;
- preparation and submission to the FDA of an NDA, containing the results of product development, preclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the drug product, proposed labeling and other relevant information, to request approval to market the drug product;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug product, or components thereof, are produced to assess compliance with cGMP to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity;
- satisfactory completion of FDA audits of clinical trial sites to assure compliance with GCPs and the integrity of clinical data;
- FDA review and approval of the NDA;
- payment of fees, including annual program fees for each drug product on the market; and
- ongoing compliance with any post approval requirements, including risk evaluation and mitigation strategy (REMS) and post approval studies required by the FDA.

The testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all.

Once a pharmaceutical product candidate is identified for development, it enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry, toxicity, formulation and stability, as well as animal studies. When a sponsor wants to proceed to test the product candidate in humans, it must submit an IND in order to conduct clinical trials.

An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data and any available clinical data or literature, to the FDA as part of the IND. The sponsor must also include a protocol detailing, among other things, the objectives of the initial clinical study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated if the initial clinical study lends itself to an efficacy evaluation. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions related to a proposed clinical study and places the study on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical study can begin. Clinical holds also may be imposed by the FDA at any time before or during clinical studies due to safety concerns or non-compliance, and may be imposed on all product candidates within a certain pharmaceutical class. The FDA also can impose partial clinical holds, for example, prohibiting the initiation of clinical studies of a certain duration or for a certain dose.

All clinical studies must be conducted under the supervision of one or more qualified investigators in accordance with GCP regulations. These regulations include the requirement that all research subjects provide informed consent in writing before their participation in any clinical study. Further, an IRB must review and approve the plan for any clinical study before it commences at any institution, and the IRB must conduct continuing review and reapprove the study at least annually. An IRB considers, among other things, whether the risks to individuals participating in the clinical study are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the information regarding the clinical study and the consent form that must be provided to each clinical study subject or his or her legal representative and must monitor the clinical study until completed.

Each new clinical protocol and any amendments to the protocol must be submitted for FDA review, and to the IRBs for approval. Protocols detail, among other things, the objectives of the clinical study, dosing procedures, subject selection and exclusion criteria and the parameters to be used to monitor subject safety.

Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health (NIH) for public dissemination on their ClinicalTrials.gov website.

Human clinical studies are typically conducted in three sequential phases that may overlap or be combined:

- *Phase 1.* The product is initially introduced into a small number of healthy human subjects or patients and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion and, if possible, to gain early evidence on effectiveness. In the case of some products for severe or life-threatening diseases, especially when the product is suspected or known to be unavoidably toxic, the initial human testing may be conducted in patients.

- *Phase 2.* Involves clinical studies in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage and schedule.

- *Phase 3.* Clinical studies are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical study sites. These clinical studies are intended to establish the overall risk/benefit relationship of the product and provide an adequate basis for product labeling.

Progress reports detailing the results of the clinical studies must be submitted at least annually to the FDA and safety reports must be submitted to the FDA and the investigators for serious and unexpected suspected adverse events. Phase 1, Phase 2 and Phase 3 testing may not be completed successfully within any specified period, if at all. The FDA or the sponsor may suspend or terminate a clinical study at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical study at its institution if the clinical study is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients.

There are FDA-imposed limitations on communications about investigational drugs. The FDA prohibits companies from making promotional claims of safety or effectiveness of the drug for a use for which it is under investigation, and from "commercialization" of the drug before it is approved for commercial marketing and distribution, and otherwise regulates communications about products in clinical trials. FDA law prohibits "misbranding" of drugs and establishes related rules and policies on communications about promotional and non-promotional (educational, scientific) communications. Interactions with or communications directed to healthcare professionals (HCPs), patients or patient- or disease-advocates or advocacy groups, and payors, are subject to heightened scrutiny by the FDA. Relative to non-promotional communications, for example, there are specific and limited FDA accommodations for non-promotional, truthful and non-misleading sharing of information regarding products in development and off-label uses including dissemination of peer-reviewed reprints, support of independent continuing medical education (CME) and healthcare economic discussions with payors. In a competitive environment, a company's communications about products in development may also be subject to heightened scrutiny.

Concurrent with clinical studies, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

U.S. Review and Approval Processes

Assuming successful completion of the required clinical testing, the results of product development, preclinical studies and clinical studies, along with descriptions of the manufacturing process, analytical tests conducted on the drug, proposed labeling and other relevant information, are submitted to the FDA as part of an NDA for a new drug, requesting approval to market the product.

The submission of an NDA is subject to the payment of a substantial application user fee although a waiver of such fee may be obtained under certain limited circumstances. For example, the agency will waive the application fee for the first human drug application that a small business or its affiliate submits for review. The sponsor of an approved NDA is also subject to annual program user fees.

In addition, under the Pediatric Research Equity Act of 2003 (PREA) an NDA application (or a supplement to an application) for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration must contain a Pediatric Assessment. If so, the submission must contain data from pediatric studies that are adequate to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective, unless the applicant has obtained a waiver or deferral. PREA applies only to products developed for diseases that occur in both adult and pediatric populations, and generally does not apply to products with Orphan Drug Designation or to ANDAs for generic drugs.

A sponsor who is planning to submit a marketing application for a drug product that is subject to the PREA requirements must submit an initial Pediatric Study Plan (PSP). The FDA encourages all applications to submit the PSP as soon as possible in the drug development process, and to discuss the plan with FDA at critical points in the development process. For products intended for life-threatening or severely debilitating illnesses, applicants are encouraged to discuss the PSP at the Pre-IND meeting and End-of-Phase 1 meeting. For products not intended for such illnesses, the FDA recommends that sponsors submit and discuss the PSP no later than the End-of-Phase 2 (EOP2) meeting. The initial PSP must include an outline of the pediatric study or studies that the sponsor plans to conduct, including study objectives and design, age groups, relevant endpoints and statistical approach, or a justification for not including such detailed information. The FDA and the sponsor must reach agreement on the PSP. A sponsor can submit amendments to an agreed-upon initial PSP at any time if changes to the pediatric plan need to be considered based on data collected from preclinical studies, early phase clinical studies or other clinical development programs. The sponsor may submit a request for a deferral of pediatric assessments or a full or partial waiver of the requirement to provide data from pediatric studies along with supporting information. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of data or full or partial waivers. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of data or full or partial waivers. It is critical that sponsors are in compliance with the PREA, as non-compliance may result in the FDA considering the drug product misbranded solely on that basis.

The FDA also may require submission of a REMS to mitigate any identified or suspected serious risks. The REMS could include medication guides, physician communication plans, assessment plans and elements to assure safe use, such as restricted distribution methods, patient registries or other risk minimization tools.

The FDA reviews all NDAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing. The FDA may request additional information rather than accept an application for filing. In this event, the application must be re-submitted with the additional information. The re-submitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review.

The FDA reviews an NDA to determine whether a product is safe and effective for its intended use, which includes assessment of preclinical and clinical data; proposed labeling; CMC data; and an assessment of whether the manufacturing processes and facilities meet the appropriate requirements and comply with the applicable regulations (including cGMP requirements and adequate assurance for consistent commercial production of the product within required specifications). There are numerous FDA personnel assigned to review different aspects of an NDA, exercising judgment, discretion, and interpretation of data relative to the review process.

The FDA may approve an NDA only if, among other things, the methods used in, and the facilities and controls used for, the manufacture processing, packing and testing of the product are adequate to ensure and preserve its identity, strength, quality and purity.

Before approving an NDA, the FDA often will inspect the facility or facilities where the product is or will be manufactured.

The FDA may refer the NDA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. An advisory committee is a panel of experts, including clinicians and other scientific experts, who provide advice and recommendations when requested by the FDA. The FDA is not bound by the recommendation of an advisory committee, but it considers such recommendations when making decisions.

Additionally, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure clinical data supporting the submission were developed in compliance with GCP.

The approval process is lengthy and difficult, and the FDA may refuse to approve an NDA if the applicable regulatory criteria are not satisfied, or may require additional preclinical, clinical or CMC data or other data and information. Even if such data and information are submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data obtained from clinical studies, as well as other types of supporting data, are not always conclusive and the FDA may interpret data differently than an applicant interprets the same data.

After the FDA's evaluation of an application, the FDA may issue an approval letter or a complete response letter to indicate that the review cycle is complete and that the application is not ready for approval. A complete response letter generally contains a statement of specific conditions that must be met to secure final approval of the application and may require additional clinical or preclinical testing for the FDA to reconsider the application. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical studies. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the application, addressing all of the deficiencies identified in the letter, or withdraw the application, or request an opportunity for a hearing.

Even with submission of additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. In addition, the FDA may require post-approval studies, including Phase 4 clinical studies, to further assess safety and effectiveness after approval and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements and FDA review and approval.

New Drug Applications

Most drug products obtain FDA marketing approval pursuant to an NDA (described above) for innovator products, or an abbreviated new drug application, or ANDA, for generic products. Relevant to ANDAs, the U.S. Drug Price Competition and Patent Term Restoration Act of 1984, as amended (the "Hatch-Waxman Act"), amendments to the FDCA established a statutory procedure for submission and FDA review and approval of ANDAs for generic versions of branded drugs previously approved by the FDA (such previously approved drugs are also referred to as listed drugs). Because the safety and efficacy of listed drugs have already been established by the brand company (sometimes referred to as the innovator), the FDA does not require new human clinical trials to establish safety and efficacy of generic products. Rather, a generic manufacturer is typically required to conduct bioequivalence studies of its test product against the listed drug. The bioequivalence studies for orally administered, systemically available drug products assess the rate and extent to which the active pharmaceutical ingredient is absorbed into the bloodstream from the drug product and becomes available at the site of action. Bioequivalence is established when there is an absence of a significant difference in the rate and extent for absorption of the generic product and the listed drug. For some drugs, including locally acting drugs such as topical anti-fungals, other means of demonstrating bioequivalence may be required by the FDA, especially where rate and/or extent of absorption are difficult or impossible to measure. In addition to the bioequivalence data, an ANDA must contain patent certifications and chemistry, manufacturing, labeling and stability data.

A third alternative is a special type of NDA, commonly referred to as a 505(b)(2) NDA, which enables the applicant to rely, in part, on the FDA's findings of safety and efficacy of an existing product, or published literature, in support of its application. 505(b)(2) NDAs often provide an alternate path to FDA approval for new or improved formulations or new uses of previously approved products. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The applicant may rely upon the FDA's findings with respect to certain preclinical or clinical studies conducted for an approved product. The FDA may also require companies to perform additional studies or measurements to support the change from the approved product. The FDA may then approve the new product candidate for all or some of the label indications for which the referenced product has been approved, as well as for any new indication sought by the 505(b)(2) applicant.

In seeking approval for a drug through an NDA, including a 505(b)(2) NDA, applicants are required to list with the FDA certain patents of the applicant or that are held by third parties whose claims cover the applicant's product. Upon approval of an NDA, each of the patents listed in the application for the drug is then published in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the "Orange Book"). Any subsequent applicant who files an ANDA seeking approval of a generic equivalent version of a drug listed in the Orange Book or a 505(b)(2) NDA referencing a drug listed in the Orange Book must make one of the following certifications to the FDA concerning patents: (1) the patent information concerning the reference listed drug product has not been submitted to the FDA; (2) any such patent that was filed has expired; (3) the date on which such patent will expire; or (4) such patent is invalid, unenforceable or will not be infringed upon by the manufacture, use or sale of the drug product for which the application is submitted. This last certification is known as a paragraph IV certification. A notice of the paragraph IV certification must be provided to each owner of the patent that is the subject of the certification and to the holder of the approved NDA to which the ANDA or 505(b)(2) application refers. The applicant may also elect to submit a "section viii" statement certifying that its proposed label does not contain (or carves out) any language regarding the patented method-of-use rather than certify to a listed method-of-use patent.

If the reference NDA holder or patent owners assert a patent challenge directed to one of the Orange Book listed patents within 45 days of the receipt of the paragraph IV certification notice, the FDA is prohibited from approving the application until the earlier of 30 months from the receipt of the paragraph IV certification expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to the applicant. The ANDA or 505(b)(2) application also will not be approved until any applicable non-patent exclusivity listed in the Orange Book for the branded reference drug has expired as described in further detail below. Thus approval of a 505(b)(2) NDA or ANDA can be prevented until all the listed patents claiming the referenced product have expired, until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired, and, in the case of a Paragraph IV certification and subsequent patent infringement suit, until the earlier of 30 months, settlement of the lawsuit or a decision in the infringement case that is favorable to the ANDA or 505(b)(2) applicant.

Combination Products

Medical products containing a combination of new drugs, biological products, or medical devices are regulated as "combination products" in the United States. A combination product generally is defined as a product comprised of components from two or more regulatory categories, such as drug/device, device/biologic or drug/biologic. The term combination product includes: (i) a product comprised of two or more regulated components (i.e., drug/device, biologic/device, drug/biologic or drug/device/biologic, that are physically, chemically or otherwise combined or mixed and produced as a single entity); (ii) two or more separate products packaged together in a single package or as a unit and comprised of drug and device products, device and biological products or biological and drug products; (iii) a drug, device or biological product packaged separately that according to its investigational plan or proposed labeling is intended for use only with an approved individually specified drug, device or biological product where both are required to achieve the intended use, indication or effect and where upon approval of the proposed product the labeling of the approved product would need to be changed, such as to reflect a change in intended use, dosage form, strength, route of administration, or significant change in dose; or (iv) any investigational drug, device or biological product packaged separately that according to its proposed labeling is for use only with another individually specified investigational drug, device, or biological product where both are required to achieve the intended use, indication or effect.

Each constituent part of a combination product is subject to the requirements established by the FDA for that type of constituent part, whether a new drug, biologic or device. In order to facilitate pre-market review of combination products, the FDA designates one of its centers to have primary jurisdiction for the pre-market review and regulation of the overall product based upon a determination by FDA of the primary mode of action of the combination product, and typically one application, such as for a drug/device combination product assigned to the FDA's Center for Drug Evaluation and Research (CDER) an NDA, will be made.

A device with the primary purpose of delivering or aiding in the delivery of a drug and distributed containing a drug (i.e., a "prefilled delivery system") is typically evaluated by CDER using drug authorities and device authorities, as necessary.

A device with the primary purpose of delivering or aiding in the delivery of a drug and that is distributed without the drug (i.e., unfilled) is typically evaluated by the FDA's Center for Devices and Radiological Health and CDER, respectively, unless the intended use of the two products, through labeling, creates a combination product.

The FDA has indicated that dry powder inhalers, such as our lead product candidate, LIQ861, are drug/device combination products.

Post-Approval Requirements

Drugs manufactured or distributed pursuant to FDA approvals are subject to extensive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping (including certain electronic record and signature requirements), periodic reporting, drug supply chain security surveillance and tracking requirements, product sampling and distribution, advertising and promotion and reporting of certain adverse experiences, deviations and other problems with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There are also, under The Prescription Drug User Fee Act, continuing, annual FDA "program fee" requirements for products once they are approved, as well as new application fees for supplemental applications with clinical data.

The FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market. Products may be promoted only for the approved indications and in accordance with the provisions of the approved label. Further, manufacturers must continue to comply with cGMP requirements, which are extensive and require considerable time, resources and ongoing investment to ensure compliance. In addition, changes to the manufacturing process generally require prior FDA approval before being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

Manufacturers and certain other entities involved in the manufacturing and distribution of approved products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws. The cGMP requirements apply to all stages of the manufacturing process, including the production, processing, sterilization, packaging, labeling, storage and shipment of the product. Manufacturers must establish validated systems to ensure that products meet specifications and regulatory standards, and test each product batch or lot prior to its release. Combination products are subject to FDA regulation to ensure the quality of both the constituent parts and the finished product.

Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

The FDA may impose a number of post-approval requirements as a condition of approval of an application. For example, the FDA may require post-marketing testing, including Phase 4 clinical trials, and surveillance to further assess and monitor the product's safety and effectiveness after commercialization.

The FDA may withdraw a product approval if compliance with regulatory requirements is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, problems with manufacturing processes, or failure to comply with regulatory requirements, may result in restrictions on the product or even complete withdrawal of the product from the market.

Potential implications include required revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label. As a compliance best practice and risk mitigation measure, pharmaceutical companies typically train their sales force regarding the limitations on promotion of products relative to their approved indications for use and concerns regarding potential "off-label promotion." However, a physician may use products off-label, when in the physician's independent professional medical judgment he or she deems it appropriate. Recent court decisions have impacted FDA's enforcement activity regarding off-label promotion in the light of First Amendment considerations; however, there are still significant risks in this area in part due to the potential for False Claims Act exposure. Further, the FDA as not materially changed its position on off-label promotion following legal setbacks on First Amendment grounds and the U.S. Department of Justice has consistently asserted in False Claims Act briefings that "speech serves as a conduit for violations of the law is not constitutionally protected."

The distribution of commercial prescription drugs is subject to the Drug Supply Chain Security Act (DSCSA), which regulates the distribution of the products at the federal level, and sets certain standards for federal or state registration and compliance of entities in the supply chain and regulation of manufacturers and repackagers, wholesale distributors, third-party logistics providers, and dispensers. The DSCSA preempts certain previously enacted state pedigree laws and upon taking effect superseded the pedigree requirements of the Prescription Drug Marketing Act (PDMA). Trading partners within the drug supply chain must now ensure certain product tracing requirements are met, and are required to exchange transaction information, transaction history, and transaction statements. Product identifier information (an aspect of the product tracing scheme) is also now required. The DSCSA requirements, development of standards, and the system of product tracing have been and will continue to be phased in over a period of years through 2023, and subject companies will need to continue their implementation efforts. Many states still have in place licensure and other requirements for manufacturers and distributors of drug products. The distribution of product samples continues to be regulated under the PDMA, and some states also impose regulations on drug sample distribution.

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the approval, manufacturing and marketing of products regulated by the FDA. In addition to new legislation, FDA regulations, guidance and policies are often revised or reinterpreted by the agency in ways that may significantly affect our business and our product candidates. It is impossible to predict whether further legislative or FDA regulation or policy changes will be enacted or implemented and what the impact of such changes, if any, may be.

Patent Term Restoration

Depending upon the timing, duration and specifics of FDA approval of the use of our product candidates, some of our U.S. patents may be eligible for limited PTE under the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term effectively lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of an NDA plus the time between the submission date of an NDA and the approval of that application, except that the review period is reduced by any time during which the applicant failed to exercise due diligence. Only one patent applicable to an approved drug is eligible for the extension. Extensions are not granted as a matter of right and the extension must be applied for prior to expiration of the patent and within a sixty-day period from the date the product is first approved for commercial marketing. The USPTO, in consultation with the FDA, reviews and approves the application for any PTE or restoration. In the future, we may apply for PTEs, defined as the length of the regulatory review of products covered by our granted patents, for some of our currently owned or licensed applications and patents to add patent life beyond their current expiration dates. Such extensions will depend on the length of the regulatory review; however, there can be no assurance that any such extension will be granted to us.

Marketing Exclusivity

Market exclusivity provisions under the FDCA can also delay the submission or the approval of certain applications. The specific scope varies, but fundamentally the FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to gain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an ANDA or a 505(b)(2) NDA submitted by another company for another version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example, for new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the conditions of use associated with the new clinical investigations and does not prohibit the FDA from approving applications for drugs containing the original active agent. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical studies necessary to demonstrate safety and effectiveness.

Pediatric exclusivity is another type of exclusivity in the United States. Pediatric exclusivity, if granted, provides an additional six months to the term of any existing regulatory exclusivity, including the non-patent exclusivity periods described above. This six-month exclusivity may be granted based on the voluntary completion of a pediatric clinical study that "fairly responds" to an FDA-issued "Written Request" for such a clinical study.

Pharmaceutical Coverage, Pricing and Reimbursement

In the United States, sales of any products for which we may receive regulatory approval for commercial sale will depend in part on the availability of coverage and reimbursement from third-party payors. Third-party payors include government authorities, managed care providers, private health insurers and other organizations.

Significant uncertainty exists as to the coverage and reimbursement status of any products for which we may obtain regulatory approval. Some of the additional requirements and restrictions on coverage and reimbursement levels imposed by third-party payors influence the purchase of healthcare services and products. The process for determining whether a third-party payor will provide coverage for a product may be separate from the process for establishing the reimbursement rate that such a payor will pay for the product. Third-party payors may limit coverage to specific drugs on an approved list, or formulary, which might not include all of the FDA-approved drugs for a particular indication, or place drugs at certain formulary levels that result in lower reimbursement levels. Moreover, a payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. Further, one payor's determination to provide coverage does not assure that other payors will also provide coverage and reimbursement for the product, and the level of coverage and reimbursement may differ significantly from payor to payor as there is no uniform policy of coverage and reimbursement for drug products among third-party payors.

Reimbursement may also impact the demand for drug products that obtain marketing approval. If coverage for a drug product is obtained by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Further, third party payors require onerous prior approvals or implement other forms of restricted access that make it difficult for patients to utilize our drug products. Patients who are prescribed medications for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with their prescription drugs. Prescribing physicians are unlikely to use or prescribe drug products unless coverage is provided and reimbursement is adequate to cover all or a significant portion of the cost of those drug products. If reimbursement is not available, or is available only to limited levels, a drug product which has obtained marketing approval may not be successfully commercialized.

Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. In order to obtain and maintain coverage and reimbursement for any product that might be approved for sale, we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of any products, in addition to the costs required to obtain regulatory approvals. Our product candidates may not be considered medically necessary or cost-effective. If third-party payors do not consider a product to be cost-effective compared to other available therapies, they may not cover the product after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow a company to sell its products at a profit.

The U.S. government and state legislatures have shown significant interest in implementing cost containment programs to limit the growth of government-paid healthcare costs, including price controls, restrictions on reimbursement and coverage and requirements for substitution of generic products for branded prescription drugs. There has been increasing legislative and enforcement interest in the United States with respect to drug pricing practices. For example, U.S. federal prosecutors have issued subpoenas to pharmaceutical companies seeking information about pricing practices in connection with an investigation into pricing practices being conducted by the DOJ. Several state attorneys general also have commenced drug pricing investigations and filed lawsuits against pharmaceutical companies, and the U.S. Senate has publicly investigated a number of pharmaceutical companies relating to price increases and pricing practices. Proposed legislation has been designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. Federal budget proposals have included measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. With the change in administration it is possible that President Biden may issue Executive Orders with the potential to change a number of prior executive branch actions on drug pricing. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Adoption of government controls and measures, and tightening of restrictive policies in jurisdictions with existing controls and measures, could exclude or limit our drugs and product candidates from coverage and limit payments for pharmaceuticals. We continue to monitor the potential impact of proposals to lower prescription drug costs at the federal and state level, and anticipate that current and future U.S. federal and state legislative proposals may result in additional downward pressure on drug pricing and reimbursement, which could have a significant impact on our business.

In addition, we expect that the increased emphasis on managed care and cost containment measures in the United States by third-party payors and government authorities to continue and will place pressure on pharmaceutical pricing and coverage. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Other Healthcare Laws and Compliance Requirements

Healthcare providers, physicians and third-party payors often play a primary role in the recommendation and prescription of any drug products for which we may obtain marketing approval, or for which we may provide contracted promotional services to third parties. Our current and future arrangements with healthcare providers, physicians, third-party payors and customers, and our sales, marketing and educational activities, may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations (at the federal and state level) that may constrain our business or financial arrangements and relationships through which we market, sell, or distribute drug products.

Among the laws and regulations that may affect our ability to operate and may present risk to our business are those, at the federal and state level, on topics including: anti-kickback, false claims, and other healthcare fraud, waste, and abuse matters; drug pricing and price reporting; advertising, promotion, and other types of communications regarding pharmaceutical products; limitations on and transparency regarding financial relationships with healthcare professionals; and data privacy and security. *See Item 1A. Risk Factors – General Risk Related to Healthcare Regulation.*

Healthcare Reform

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. There have been a number of federal and state proposals during the last few years regarding the pricing of pharmaceutical and biopharmaceutical products, limiting coverage and reimbursement for drugs and other medical products, government control and other changes to the healthcare system in the United States including the Patient Protection and Affordable Care Act (ACA).

On December 15, 2019, a federal district court in Texas struck down the ACA in its entirety, finding that the Tax Cuts and Jobs Act of 2017 (the "TCJA") rendered the individual mandate unconstitutional. On December 14, 2018, the United States District Court for the Northern District of Texas struck down the ACA, deeming it unconstitutional given that Congress repealed the individual mandate in 2017; on July 9, 2019, the U.S. Court of Appeals for the Fifth Circuit heard arguments on appeal in this matter (formerly *Texas v. Azar*, now *California v. Texas*). On December 18, 2019, the Fifth Circuit ruled that the ACA's individual mandate is unconstitutional given that the TCJA eliminated the tax penalty associated with the individual mandate. In concluding that the individual mandate is unconstitutional, the question remains whether, or how much of, the rest of the ACA is severable from that constitutional defect. The Fifth Circuit further remanded the case to the U.S. District Court for the Northern District of Texas to further analyze whether the other provisions of the ACA are severable as they currently exist under the law. It is unclear how the eventual decision from this appeal, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA and Following appeal of the Fifth Circuit's decision, the Supreme Court heard oral arguments in *California v. Texas* on November 2, 2020. The Court has yet to issue its opinion, and we cannot say for certain what the decision will be or what impact, if any, it may have on our business.

In the future, there may continue to be additional proposals relating to the reform of the U.S. healthcare system, some of which could further limit the prices we will be able to charge for our product candidates, or the amounts of reimbursement available for our product candidates. If future legislation were to impose direct governmental price controls or access restrictions, it could have a significant adverse impact on our business. Managed care organizations, as well as Medicaid and other government agencies, continue to seek price discounts. Some states have implemented, and other states are considering, measures to reduce costs of the Medicaid program, and some states are considering implementing measures that would apply to broader segments of their populations that are not Medicaid-eligible. Due to the volatility in the current economic and market dynamics, we are unable to predict the impact of any unforeseen or unknown legislative, regulatory, payor or policy actions, which may include cost containment and healthcare reform measures. Such policy actions could have a material adverse impact on our profitability.

These and other healthcare reform initiatives may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on our financial operations. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

Foreign Regulation of Drugs

In order to market any product outside of the United States, we will need to comply with numerous and varying regulatory requirements of other countries and jurisdictions regarding development, approval, commercial sales and distribution of our products, and governing, among other things, clinical trials, marketing authorization, commercial sales and distribution of our products, if approved. Whether or not we obtain FDA approval for a product, we must obtain the necessary approvals by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies between countries and jurisdictions and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries and jurisdictions might differ from and be longer than that required to obtain FDA approval. Regulatory approval in one country or jurisdiction does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country or jurisdiction may negatively impact the regulatory process in others.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this Annual Report on Form 10-K, including our financial statements and the related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the information contained under the heading "Cautionary Note Regarding Forward-Looking Statements" before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the market price of our common stock could decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. We may update these risk factors in our periodic and other filings with the SEC.

The following is a summary of the principal risk factors described in this section:

- We expect to incur significant expenses and operating losses for the foreseeable future as we advance our product candidates through clinical trials, seek regulatory approval and pursue commercialization of any approved product candidates. The future viability of our company is dependent on our ability to raise additional capital to finance our future operations.
- We have a history of losses, have not commenced commercial operations to date and our future profitability remains uncertain following our acquisition of RareGen (now Liquidia PAH).
- We are primarily dependent on the success of our lead product candidate, LIQ861, for which we filed an NDA with, and recently received a CRL from, the FDA, and to a lesser degree, LIQ865, which is still in clinical development, and these product candidates may fail to receive marketing approval (in a timely manner or at all) or may not be commercialized successfully.
- United Therapeutics has initiated a lawsuit against us in which it claims that LIQ861 is infringing three of its patents, which may result in our company being delayed in its efforts to commercialize LIQ861.
- Liquidia PAH does not hold the FDA regulatory approval for the Product and is dependent on Sandoz to manufacture and supply the Product in compliance with FDA requirements, and is more broadly dependent on Sandoz's FDA and healthcare compliance relative to the Product.
- Our ability to sell the Product is dependent on market acceptance of generic treprostinil for parenteral administration by patients, health care providers and by third-party payors, while interactions with these persons and entities are subject to compliance requirements. The commercial success of the Product may also be impacted by increasing generic competition which may result in declining prices for the Product.
- We expect that we will need further financing for our existing business and future growth, which may not be available on acceptable terms, if at all. Failure to obtain funding on acceptable terms and on a timely basis may require us to curtail, delay or discontinue our product development efforts or other operations. The failure to obtain further financing may also prevent us from capitalizing on other potential product candidates or indications which may be more profitable than LIQ861 and LIQ865 or for which there may be a greater likelihood of success.
- We face significant competition from large pharmaceutical companies, among others, in developing our products and in gaining regulatory approval to bring them to market in time to achieve commercial success, and our operating results will suffer if we are unable to compete effectively.
- Our credit facility with Silicon Valley Bank ("SVB") contains operating and financial covenants that restrict our business and financing activities, and is subject to acceleration in specified circumstances, which may result in SVB taking possession and disposing of any collateral.
- Our products may not achieve market acceptance.
- Our product candidates are based on our proprietary, novel technology, PRINT, which has not been the subject of FDA manufacturing inspections, making it difficult to predict the time and cost of development and of subsequently obtaining regulatory approval.
- Our business and operations are likely to be adversely affected by the evolving and ongoing COVID-19 global pandemic.
- We may not be able to build a commercial operation, including establishing and maintaining marketing and sales capabilities or enter into agreements with third parties to market and sell our drug products.
- We depend on third parties for clinical and commercial supplies, including single suppliers for the active ingredient, the device, encapsulation and packaging of LIQ861.
- We rely on third parties to conduct our preclinical studies and clinical trials.
- We may become involved in litigation to protect our intellectual property or enforce our intellectual property rights, which could be expensive, time-consuming and may not be successful.
- We depend on skilled labor, and our business and prospects may be adversely affected if we lose the services of our skilled personnel, including those in senior management, or are unable to attract new skilled personnel.
- We expect that the market price of our common stock may be volatile, and you may lose all or part of your investment.
- As a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting and any failure to do so may adversely affect investor confidence in us and, as a result, the trading price of our shares. The results of our 2020 assessment of the effectiveness of internal control over financial reporting ("ICFR") indicate that we had multiple material weaknesses which have not been fully remedied as of December 31, 2020.

Risks Related to our Financial Position and Need for Additional Capital

We expect to incur significant expenses and operating losses for the foreseeable future as we advance our product candidates through clinical trials, seek regulatory approval and pursue commercialization of any approved product candidates. The future viability of our company is dependent on our ability to raise additional capital to finance our future operations.

We are subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, the impact of the COVID-19 coronavirus, and the ability to secure additional capital to fund operations. We expect to incur significant expenses and operating losses for the foreseeable future as we advance product candidates through clinical trials, seek regulatory approval and pursue commercialization of any approved product candidates. In addition, if we obtain marketing approval for any of our product candidates, we would incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. These efforts require significant amounts of additional capital, adequate personnel and infrastructure, and extensive compliance-reporting capabilities. Even if our development efforts are successful, it is uncertain when, if ever, we will realize significant revenue from product sales. The future viability of our company is dependent on its ability to raise additional capital to finance our future operations. We will seek additional funding through public or private financings, debt financing or collaboration. The inability to obtain funding, as and when needed, would have a negative impact on our financial condition and ability to pursue our business strategies.

We have a history of losses, have not commenced commercial operations to date and our future profitability remains uncertain following our acquisition of RareGen (now Liquidia PAH).

We have incurred net losses of $59.8 million during the year ended December 31, 2020 and $47.6 million and $53.1 million during the years ended December 31, 2019 and 2018, respectively. We also had negative operating cash flows for each of these periods. As of December 31, 2020, we had an accumulated deficit of $275.0 million.

Since our incorporation, we have invested heavily in the development of our product candidates and technologies, as well as in recruiting management and scientific personnel. To date, we have not commenced the commercialization of our product candidates and all of our pre-acquisition revenue has been derived from up-front fees and milestone payments made to us in connection with licensing and collaboration arrangements we have entered into. These up-front fees and milestone payments have been, and combined with revenue generated from the Product may continue to be, insufficient to match our operating expenses. We expect to continue to devote substantial financial and other resources to the clinical development of our product candidates and, as a result, must generate significant revenue to achieve and maintain profitability or raise additional capital to fund clinical development. We may continue to incur losses and negative cash flow and may never transition to profitability or positive cash flow.

We expect that we will need further financing for our existing business and future growth, which may not be available on acceptable terms, if at all. Failure to obtain funding on acceptable terms and on a timely basis may require us to curtail, delay or discontinue our product development efforts or other operations. The failure to obtain further financing may also prevent us from capitalizing on other potential product candidates or indications which may be more profitable than LIQ861 and LIQ865 or for which there may be a greater likelihood of success.

We anticipate that we will need to raise additional funds to meet our future funding requirements for the continued research, development and commercialization of our product candidates and technology. In the event that funds generated from our operations are insufficient to fund our future growth, we may raise additional funds through the issuance of equity or debt securities or by borrowing from banks or other financial institutions. We cannot assure you that we will be able to obtain such additional financing on terms that are acceptable to us, or at all. Global and local economic conditions could negatively affect our ability to raise funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect your rights as a stockholder. Such financing, even if obtained, may be accompanied by restrictive covenants that may, among others, limit our ability to pay dividends or require us to seek consent for payment of dividends, or restrict our freedom to operate our business by requiring consent for certain actions.

If we fail to obtain additional financing on terms that are acceptable to us, we will not be able to implement our growth plans, and we may be required to significantly curtail, delay or discontinue one or more of our research, development or manufacturing programs or the commercialization of any approved product. Furthermore, if we fail to obtain additional financing on terms that are acceptable to us, we may forgo or delay the pursuit of opportunities presented by other potential product candidates or indications that may later prove to have greater commercial potential than the product candidates and indications that we have chosen to pursue.

Our credit facility with SVB contains operating and financial covenants that restrict our business and financing activities, and is subject to acceleration in specified circumstances, which may result in SVB taking possession and disposing of any collateral.

Our credit facility contains restrictions that limit our flexibility in operating our business. Under the terms of the loan and security agreement dated as of February 26, 2021 (“LSA”) with SVB, pursuant to which SVB extended a $20.5 million term loan facility to us, of which $10.5 million was received on March 1, 2021 in an initial tranche and up to an aggregate of $10.0 million may be received in two equal tranches subject to our satisfaction of certain conditions thereunder, we may not, among others, without the prior written consent of SVB, (a) pay any dividends or make any other distribution or payment or redeem, retire or purchase any capital stock, except in certain prescribed circumstances, (b) create, incur, assume, or be or be liable with respect to any indebtedness except certain permitted indebtedness, or make or permit any payment on any subordinated debt, except under certain limited circumstances, or (c) merge or consolidate with any other person, other than certain limited exceptions. Additionally, in the event that we do not maintain the applicable Minimum Cash Balance, which is currently $30.0 million, under our facility with SVB for any calendar quarter, we are required, during the term of the LSA to maintain to have at all times cumulative “Cash Burn” (as defined in the LSA) for the periods ending March 31, 2021, June 30, 2021, September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022 and for each calendar quarter thereafter equal to $10.5 million, $17.0 million, $23.0 million, $28.5 million, $33.5 million and $38.0 million, respectively; *provided*, *however*, that the above amounts shall be increased by an amount equal to 75% of the aggregate net cash proceeds received by us from the sale of our equity securities on or prior to the last day of such calendar quarter; *provided*, *further*, that upon the date of funding the Term C loan, the Cash Burn covenant shall no longer apply. Our facility with SVB is collateralized by all of our assets excluding our intellectual property, on which we have granted a negative pledge.

If we breach certain of our debt covenants and are unable to cure such breach within the prescribed period or are not granted waivers in relation to such breach, it may constitute an event of default under the LSA, giving SVB the right to require us to repay the then outstanding debt immediately, and SVB could, among other things, foreclose on the collateral granted to them to collateralize such indebtedness, which excludes our intellectual property, if we are unable to pay the outstanding debt immediately.

Our management has broad discretion in using the net proceeds from prior equity offerings and may not use them effectively.

We are using the net proceeds of our July 2020 public offering and prior public and private equity offerings for ongoing commercial development of LIQ861, for continued development of LIQ865 and for general corporate purposes. We are not using any material proceeds from prior offerings to fund the operations of Liquidia PAH. Our management has broad discretion in the application of such proceeds and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our equity. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, diminish cash flows available to service our debt, cause the value of our equity to decline and delay the development of our product candidates. Pending their use, we may invest such proceeds in short-term, investment-grade, interest-bearing securities, which may not yield favorable returns.

Our ability to use our net operating loss carry forwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change", generally defined as a greater than 50.0% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. With our July 2020 equity offering, our December 2019 private placement, issuances under our prior at-the-market facility, our March 2019 follow-on equity offering and our July 2018 initial public offering, as well as other past transactions, we may have already triggered an "ownership change" limitation. We have not completed a formal study to determine if any "ownership changes" within the meaning of IRC Section 382 have occurred. If "ownership changes" within the meaning of Section 382 of the Code have occurred, and if we earn net taxable income, our ability to use our net operating loss carryforwards and research and development tax credits generated since inception to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us and could require us to pay U.S. federal income taxes earlier than would be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes.

Liquidia Technologies is a late-stage clinical biopharmaceutical company with no approved products and no historical product revenue, which may make it difficult for you to evaluate its business, financial condition and prospects.

Liquidia Technologies is a late-stage clinical biopharmaceutical company with no history of commercial operations upon which you can evaluate our prospects. Drug product development involves a substantial degree of uncertainty. Our Liquidia Technologies operations to date have been limited to developing our PRINT technology, undertaking preclinical studies and clinical trials for our product candidates and collaborating with pharmaceutical companies, including GSK, to expand the applications for our PRINT technology through licensing as well as joint product development arrangements. We have not obtained marketing approval for any of our product candidates and, accordingly, have not demonstrated an ability to generate revenue from pharmaceutical products or successfully overcome the risks and uncertainties frequently encountered by companies undertaking drug product development. Consequently, your ability to assess our business, financial condition and prospects may be significantly limited. Further, the net losses that we incur may fluctuate significantly from quarter-to-quarter and year-to-year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. Other unanticipated costs may also arise.

Liquidia PAH does not hold the FDA regulatory approval for the Product and is dependent on Sandoz to manufacture and supply the Product in compliance with FDA requirements, and is more broadly dependent on Sandoz's FDA and healthcare compliance relative to the Product.

Sandoz holds the FDA approval (the ANDA) for and controls the Product and is responsible among other things for the compliant manufacture, distribution, labeling, and advertising of the Product. Our role is one of a specialized service provider to Sandoz. As a result, we are dependent on Sandoz to manufacture and supply the Product, and dependent on Sandoz for the continued FDA compliance of the Product. We do not have control over Sandoz's compliance with laws and regulations applicable to drug manufacturers and ANDA holders (for example, applicable current good manufacturing practices (GMPs); FDA labeling, promotional labeling, and advertising requirements; pharmacovigilance and adverse event reporting; and other ongoing FDA reporting and submission requirements), nor over its compliance with healthcare compliance and fraud, waste, and abuse laws, or similar regulatory requirements and other laws and regulations, such as those related to environmental health and safety matters. In addition, we have no control over the ability of Sandoz to maintain adequate quality control, quality assurance and qualified personnel, or other personnel with roles related to the regulatory compliance of the Product and its labeling, promotion, and advertising or of Sandoz's activities in relation to government healthcare programs. If the FDA or a comparable foreign regulatory authority finds deficiencies with the manufacture or quality assurance of the Product or identifies safety or efficacy concerns related to the Product, or if Sandoz otherwise is unable to comply with applicable laws, regulations and standards, Sandoz's ability to manufacture, sell and supply the Product could be limited.

Sandoz's ability to consistently manufacture and supply the Product in a timely manner may also be interrupted by production shortages or other supply interruptions, including as a result of the ongoing COVID-19 pandemic. Our share of net profits under the Promotion Agreement is reduced by certain manufacturing costs and other write-offs related to Sandoz's inability to sell the Product, including in the event that the Product expires prior to sale. Currently, the Product expires 24 months after the date of manufacture.

Our ability to sell the Product is dependent on market acceptance of generic treprostinil for parenteral administration by patients, health care providers and by third-party payors, while interactions with these persons and entities are subject to compliance requirements. The commercial success of the Product may also be impacted by increasing generic competition which may result in declining prices for the Product.

Our ability to sell the Product is dependent on market acceptance of generic treprostinil for parenteral administration by patients, health care providers and by third-party payors. If the Product does not achieve an adequate level of acceptance, we may not generate sufficient revenue to offset our cost of revenue.

At the same time, arrangements with healthcare providers, physicians, third-party payors and customers, and our sales, marketing and educational activities, may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain its business or financial arrangements and relationships.

The degree of market acceptance of the Product will depend on a number of factors, including:

- the efficacy, safety and potential advantages compared to alternative treatments;
- our ability to offer the Product for sale at competitive prices (generic drug prices, after initial generic entry, have been observed to decline with the entrance of additional generic competition);
- the convenience and ease of administration compared to alternative treatments;
- whether the Product may be administered subcutaneously;
- product labeling or product insert requirements of the FDA or foreign regulatory authorities, including any limitations or warnings contained in a product's approved labeling, including any black box warning;
- the willingness of the target patient population to try new treatments, including the generic version of a brand, and of physicians to prescribe such treatments;
- our ability to hire and retain sales and marketing personnel and their ability to support Sandoz under the Promotion Agreement;
- the strength of Sandoz's manufacturing and distribution support;
- the requirement by third-party payors to use generic treprostinil for parenteral administration in place of Remodulin®;
- the availability of third-party coverage and adequate reimbursement for the Product;
- the prevalence and severity of any side effects;
- any restrictions on the use of the Product together with other medications; and
- the services provided by specialty pharmacies related to use of the Product.

Our business may also be impacted by the need to maintain compliant operations (including oversight and monitoring of personnel and our activities) in relation to interactions with the persons and parties noted above, relative to FDA and healthcare law requirements.

Medical devices, which we do not control, are necessary for the administration of the Product.

In order for the Product to be administered with patients, patients must use certain other medical equipment, including pumps, cartridges and infusion sets. We do not manufacture or control such medical equipment, which is manufactured by third parties and owned and dispensed by specialty pharmacies, hospitals or other third parties. Our ability to serve patients is dependent upon the ability of specialty pharmacies to maintain sufficient inventory of such medical equipment to provide to patients. If manufacturers cease to manufacture or support medical equipment or if specialty pharmacies are unable to obtain or maintain sufficient inventories of such medical equipment, our sales may be adversely impacted.

We are seeking to work with third parties to develop or procure pumps and cartridges that can be used to administer the Product. Such pumps and cartridges may require FDA 510(k) clearance before they can be sold. There is no guarantee that we or a third party will receive FDA 510(k) clearance. Failure by us or third parties to successfully develop or supply the medical equipment or to obtain or maintain regulatory approval or clearance of such medical equipment could negatively impact the market acceptance of and sales of the Product.

Our ability to use our net operating loss carry forwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change", generally defined as a greater than 50.0% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. With our Merger Transaction, our July 2020 equity offering, our December 2019 private placement, issuances under our prior ATM facility, our March 2019 follow-on equity offering and our July 2018 initial public offering, as well as other past transactions. We have not completed a formal study to determine if any "ownership changes" within the meaning of IRC Section 382 have occurred. If "ownership changes" within the meaning of Section 382 of the Code have occurred, and if we earn net taxable income, our ability to use our net operating loss carryforwards and research and development tax credits generated since inception to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us and could require us to pay U.S. federal income taxes earlier than would be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes.

Risks Related to the Commercialization of our Product Candidates and Generic Treprostinil Product

United Therapeutics has initiated a lawsuit against us in which it claims that LIQ861 is infringing three of its patents, which may result in our company being delayed in its efforts to commercialize LIQ861.

We are developing LIQ861 under the 505(b)(2) regulatory pathway with Tyvaso® as the reference listed drug. Accordingly, under the Hatch-Waxman Amendments to the Food, Drug and Cosmetic Act, we were required to, in the NDA for LIQ861, certify that patents listed in the Orange Book for Tyvaso® are invalid, unenforceable or will not be infringed by the manufacture, use or sale of LIQ861. Two of these patents are U.S. Patent No. 9,604,901 (the "'901 Patent"), entitled "Process to Prepare Treprostinil, the Active Ingredient in Remodulin®", and U.S. Patent No. 9,593,066 (the "'066 Patent"), entitled "Process to Prepare Treprostinil, the Active Ingredient in Remodulin®", both of which are owned by United Therapeutics. A notice of the paragraph IV certification was required to be provided to United Therapeutics as the owner of the patents that are the subject of the certification to which the NDA for LIQ861 refers. On June 4, 2020, United Therapeutics, as the holder of such patents, asserted a patent challenge directed to the '901 Patent and the '066 Patent by filing a complaint against us in the U.S. District Court for the District of Delaware (Case No. 1:20-cv-00755-UNA) (the "Hatch-Waxman Litigation"), thereby triggering an automatic 30-month regulatory stay on final approval of the NDA for LIQ861. As a result of United Therapeutics' patent challenge, the FDA is prohibited from approving the NDA for LIQ861 until the earliest to occur of the expiration of the 30-month stay projected to be in October 2022, expiration of the '901 Patent and '066 Patent, settlement of the lawsuit or a decision in the infringement suit that is favorable to us as the NDA applicant. Accordingly, we may be subject to significant delay and incur substantial costs in litigation before we are able to commercialize LIQ861, if at all.

On July 21, 2020, the U.S. Patent and Trademark Office (the USPTO) issued U.S. Patent No. 10,716,793 (the "'793 Patent"), entitled "Treprostinil Administration by Inhalation", to United Therapeutics. On July 22, 2020, United Therapeutics filed an amended complaint in the Hatch-Waxman Litigation asserting infringement of the '793 Patent by the practice of LIQ861. The infringement allegations of the '793 Patent is separate from the 30-month regulatory stay on final approval of the NDA for LIQ861, which is only associated with the infringement allegations of the '901 Patent and the '066 Patent. We intend to make a certification with respect to the '793 Patent in our future resubmission of the NDA for LIQ861. United Therapeutics' motion to dismiss our invalidity defenses and counterclaims concerning the '793 Patent was denied by the U.S. District Court for the District of Delaware on November 3, 2020.

On July 30, 2020, Judge Andrews, presiding over the Hatch-Waxman Litigation, conducted a scheduling conference and set a claim construction hearing on May 24, 2021 and set the trial to begin on March 28, 2022.

On March 30, 2020, we filed two petitions for *inter partes* review with the Patent Trial and Appeal Board (PTAB) of the USPTO. One petition was for *inter partes* review of the '901 Patent, seeking a determination that the claims in the '901 Patent are invalid, and a second petition is for *inter partes* review of the '066 Patent, seeking a determination that the claims in the '066 Patent are invalid. Both the '901 Patent and '066 Patent are owned by United Therapeutics and are related to U.S. Patent No. 8,497,393 which was granted to United Therapeutics and subsequently invalidated by the USPTO in an *inter partes* review instituted in 2016 by SteadyMed Ltd. On October 13, 2020, the PTAB instituted an *inter partes review* of the '901 Patent and concurrently denied institution on the '066 Patent, stating that the '066 petition has not established a reasonable likelihood that it would prevail in showing that at least one of the challenged claims is unpatentable. A final written decision determining the validity of the challenged claims of the '901 Patent is expected within 12 months from institution.

On January 7, 2021, we filed a petition with the PTAB for *inter partes* review of the '793 Patent, seeking a determination that the claims in the '793 Patent are invalid. A determination by the PTAB to institute the petition is expected in the third quarter of 2021, and a final written decision determining the validity of the challenged claims of the '793 Patent, if the petition is instituted by the PTAB, is expected within 12 months from institution.

We face significant competition from large pharmaceutical companies, among others, in developing our products and in gaining regulatory approval to bring them to market in time to achieve commercial success, and our operating results will suffer if we are unable to compete effectively.

We face significant competition from industry players worldwide, including large multi-national pharmaceutical companies, other emerging or smaller pharmaceutical companies, as well as universities and other research institutions. Many of our competitors have substantially greater financial, technical and other resources, such as a larger research and development staff, and more experience in manufacturing and marketing, than we do. As a result, these companies may obtain marketing approval for their product candidates more quickly than we are able to and/or be more successful in commercializing their products, including generic treprostinil products, than us. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaboration arrangements with large, established companies. We may also face competition as a result of advances in the commercial applicability of new technologies and greater availability of capital for investment in such technologies. Our competitors may also invest heavily in the discovery and development of novel drug products that could make our product candidates less competitive or may file FDA citizen petitions which may delay the approval process for our product candidates. Furthermore, our competitors may succeed in developing, acquiring or licensing, on an exclusive basis, pharmaceutical products that are easier to develop, more effective or less costly than any product candidates that we are currently developing or that we may develop. Our competitors may also succeed in asserting existing patents or developing new patents to which we do not have a license in an attempt to prevent us from marketing our products. These competitors may also compete with us in recruiting and retaining qualified sales personnel.

Any new drug product that competes with a prior approved drug product must demonstrate advantages in safety, efficacy, tolerability or convenience in order to overcome price competition and to be commercially successful. Our products, if and when approved, are expected to face competition from drug products that are already on the market, as well as those in our competitors' development pipelines. We expect that our lead program, LIQ861, an inhaled treprostinil therapy for the treatment of PAH, will face competition from the following inhaled treprostinil therapies that are either currently marketed or in clinical development:

- Tyvaso®, marketed by United Therapeutics, has been approved for the treatment of PAH in the United States since 2009. Tyvaso is the reference listed drug in our NDA for LIQ861. Following patent litigation, United Therapeutics and Watson Pharmaceuticals reached a settlement whereby Watson Pharmaceuticals will be permitted to enter the market with a generic version of Tyvaso® beginning on January 1, 2026.

- Ventavis®, marketed by Actelion, a division of Johnson & Johnson, has been approved for the treatment of PAH in the United States since 2004.

- Tyvaso® DPI, licensed from MannKind as TreT by United Therapeutics, is currently in late-stage clinical development in the United States for the treatment of PAH. Under the license agreement, United Therapeutics is responsible for global development, regulatory and commercial activities. MannKind will manufacture clinical supplies and initial commercial supplies of the product while long-term commercial supplies will be manufactured by United Therapeutics. In February 2021, United Therapeutics announced that it intends to submit an NDA in April 2021 to support FDA approval of Tyvaso DPI. The NDA includes results from clinical studies evaluating safety and pharmacokinetics of switching PAH patients from Tyvaso to Tyvaso® DPI and data comparing the pharmacokinetics of Tyvaso® DPI to Tyvaso® in healthy volunteers. United Therapeutics further reported that these are the only clinical studies necessary to support FDA approval and that the indicated population for Tyvaso DPI will mirror that of Tyvaso®, which may be approved by FDA in 2021 to include WHO group III PH-ILD patients. If Tyvaso® DPI is approved by FDA before LIQ861 is approved, then there is a possibility that the FDA could grant three years of market exclusivity to Tyvaso® DPI as an inhaled dry-powder formulation of treprostinil that could delay the final approval of LIQ861 until said exclusivity expires.

- Treprostinil Palmitil Inhalation Powder (TPIP), is a dry-powder formulation of a treprostinil prodrug being developed by Insmed. Insmed announced the completion of an initial Phase 1 study in February 2021 which demonstrated that TPIP was generally safe and well tolerated, with a pharmacokinetic profile that supports once-daily dosing. Insmed intends to initiate Phase 2 trials studying patients diagnosed with PAH, PH-ILD and IPF. If the TPIP clinical program is successful in demonstrating less frequent dosing with similar efficacy and safety to LIQ861 and Tyvaso® DPI, TPIP has the potential to be viewed as a more attractive option and taking market share rapidly.

In addition to these other inhaled treprostinil therapies, we expect that LIQ861 will also face competition from other treprostinil-based drugs, including Orenitram, which is administered orally, and Remodulin, which is administered parenterally, both of which are marketed by United Therapeutics. Branded pharmaceutical companies such as United Therapeutics continue to defend their products vigorously through, among other actions, life cycle management, marketing agreements with third-party payors, pharmacy benefits managers and generic manufacturers. These actions add increased competition in the generic pharmaceutical industry, including competition for the Product.

Additionally, even though Sandoz launched the first-to-file fully substitutable generic treprostinil for parenteral administration in March 2019 that is sold primarily through the specialty pharmacies, Teva Pharmaceutical Industries Ltd. launched a generic treprostinil for parenteral administration in October 2019 that is sold primarily through a specialty pharmacy and to hospitals, Par Pharmaceutical, Inc. launched a generic treprostinil for parenteral administration after receiving approval in September 2019 that is sold primarily to hospitals, Dr. Reddy's Laboratories Inc. received approval in May 2020 for generic treprostinil for parenteral administration, and Alembic settled with United Therapeutics in order to launch a generic treprostinil for parenteral administration, which was approved by FDA in February 2021. Such increased competition may result in a smaller than expected commercial opportunity for us.

Generic drug prices may, and often do, decline, sometimes dramatically, especially as additional generic pharmaceutical companies (including low-cost generic producers outside of the United States) receive approvals and enter the market for a given product. The goals established under the Generic Drug User Fee Act, and increased funding of the FDA's Office of Generic Drugs, have led to more and faster generic approvals, and consequently increased competition for generic products. The FDA has stated that it has established new steps to enhance competition, promote access and lower drug prices and is approving record-breaking numbers of generic applications. The FDA's changes may benefit our competitors. Our ability to sell the Product and earn revenue is affected by the number of companies selling competitive products, including new market entrants, and the timing of their approvals.

In addition to treprostinil-based therapies, other classes of therapeutic agents for the treatment of PAH include the following:

- ***IP-agonists***, such as selexipag, marketed by Actelion, and ralinepeg, licensed from Arena Pharmaceuticals, Inc. by United Therapeutics, which is currently in clinical development;

- ***Endothelin receptor antagonists***, such as bosentan and macitentan, both marketed by Actelion, and ambrisentan, marketed by Gilead. Generic version of bosentan and ambrisentan are currently available.

- ***PDE-5 inhibitors***, such as tadalafil, marketed by United Therapeutics, and sildenafil, marketed by Pfizer Inc. Generic versions of both tadalafil and sildenafil are currently available.

- ***Soluble guanylate cyclase (sGC) stimulator,*** such as riociguat marketed by Bayer.

In addition, we are also aware of several other agents currently in clinical development in the United States for the treatment of PAH, including those in development by Acceleron Pharma, Inc.

We expect LIQ865 to face competition from EXPAREL®, an existing injectable version of bupivacaine. The early success of EXPAREL may make it difficult for us to convince physicians, patients and other members of the medical community to accept and use LIQ865 over EXPAREL. Generic equivalents of EXPAREL may also enter the market following the expiry of EXPAREL's patent in 2021.

While EXPAREL is currently the only direct competitor to LIQ865 on the market, in October 2018 Heron announced the submission of its NDA to the FDA for HTX-011, an investigational long-acting, extended-release formulation of the local anesthetic bupivacaine in a fixed-dose combination with the anti-inflammatory meloxicam for the management of postoperative pain. HTX-011 was granted both breakthrough therapy and fast track designations from the FDA as well as priority review by the FDA. In May 2019, Heron announced that it received a CRL for HTX-011 from the FDA and in October 2019, Heron announced that it had resubmitted its NDA for HTX-011 to the FDA. In June 2020, Heron announced that it received a CRL from the FDA for HTX-011 and in November 2020, Heron announced that it resubmitted its NDA for HTX-011. In addition to Heron, Durect Corporation and Innocoll Holdings plc each also have products in clinical development that are potential competitors to LIQ865.

There are a number of competitors seeking marketing approval and/or regulatory exclusivity with respect to products that are or would be competitive to our product candidates. Thus, we face the risk that one of our competitors will be granted marketing approval and/or regulatory exclusivity before we are able to obtain FDA approval for our product candidates. In that case, as stated above, there is the possibility that such a competitor would be able to prevent us from obtaining approval of and marketing a product candidate until the expiration of the competitor's term of FDA regulatory exclusivity, which could be a term of three years for so-called New Clinical Study exclusivity, or could conceivably be for longer periods of time if the competitor is successful in being granted other forms of FDA regulatory exclusivity which might include, for example, Orphan Disease Designation exclusivity (seven years), New Chemical Entity exclusivity (five years), or Pediatric exclusivity (six months beyond other existing exclusivities or patent terms).

The ability of competitors to utilize other regulatory incentive programs could also expedite their FDA review and approval timeline, which could result in their products reaching the market before our product candidates, and which could create further potential implications on exclusivity as noted above. For example, when a Priority Review Voucher (PRV) is redeemed in connection with an NDA, the FDA's goal review period would generally be expedited to six months, although this timeframe is not guaranteed.

If we are unable to maintain our competitive position, our business and prospects will be materially and adversely affected.

Our products may not achieve market acceptance.

We are currently focused on developing drug products that can be approved under abbreviated regulatory pathways in the United States, such as the 505(b)(2) regulatory pathway, which allows us to rely on existing knowledge of the safety and efficacy of the relevant reference listed drugs to support our applications for approval in the United States. While we believe that it will be less difficult for us to convince physicians, patients and other members of the medical community to accept and use our drug products as compared to entirely new drugs, our drug products may nonetheless fail to gain sufficient market acceptance by physicians, patients, other healthcare providers and third-party payors. If any of our drug products fail to achieve sufficient market acceptance, we may not be able to generate sufficient revenue to become profitable. The degree of market acceptance of our drug products, if and when they are approved for commercial sale, will depend on a number of factors, including but not limited to:

- the timing of our receipt of marketing approvals, the terms of such approvals and the countries in which such approvals are obtained;
- the safety, efficacy, reliability and ease of administration of our drug products;

- the prevalence and severity of undesirable side effects and adverse events;
- the extent of the limitations or warnings required by the FDA or comparable regulatory authorities in other countries to be contained in the labeling of our drug products;
- the clinical indications for which our drug products are approved;
- the availability and perceived advantages of alternative therapies;
- any publicity related to our drug products or those of our competitors;
- the quality and price of competing drug products;
- our ability to obtain third-party payor coverage and sufficient reimbursement;
- the willingness of patients to pay out of pocket in the absence of third-party payor coverage; and
- the selling efforts and commitment of our commercialization collaborators.

If our drug products, if and when approved, fail to receive a sufficient level of market acceptance, our ability to generate revenue from sales of our drug products will be limited, and our business and results of operations may be materially and adversely affected.

We may not be able to build a commercial operation, including establishing and maintaining marketing and sales capabilities or enter into agreements with third parties to market and sell our drug products.

In order to market and sell any of our drug products, if and when approved, we will be required to build our marketing and sales capabilities with respect to such products. With the acquisition of Liquidia PAH, we acquired a sales force to market generic treprostinil in accordance with the Promotion Agreement and we intend to expand our sales and marketing capabilities with respect to such product. We cannot assure you that we will be successful in doing so or be able to do so in a cost-effective manner. In addition, we may enter into collaboration arrangements with third parties to market our drug products. We may face significant competition for collaborators. In addition, collaboration arrangements may be time-consuming to negotiate and document. We cannot assure you that we will be able to negotiate collaborations for the marketing and sales of our drug products on acceptable terms, or at all. Even if we do enter into such collaborations, we cannot assure you that our collaborators will be successful in commercializing our products. If we or our collaborators are unable to successfully commercialize our drug products, whether in the United States or elsewhere, our business and results of operations may be materially and adversely affected.

As we seek to establish a commercial operation with respect to LIQ861 in anticipation of potential approval from the FDA, we also continue to develop additional drug candidates. There can be no assurance that we will be able to successfully manage the balance of our research and development operations with our commercial activities. Potential investors should be aware of the problems, delays, expenses and difficulties frequently encountered by companies balancing development of product candidates, which can include problems such as unanticipated issues relating to clinical trials and receipt of approvals from the FDA and foreign regulatory bodies, with commercialization efforts, which include problems relating to managing manufacturing and supply, reimbursement, marketing problems, and other additional costs.

There are risks involved with building and expanding our sales, marketing, and other commercialization capabilities. For example, recruiting and training a sales force is expensive and time-consuming and could delay any drug launch. If the commercial launch of a drug candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may impact our efforts to commercialize our drug candidates on our own and generate product revenues include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel over a large geographic area;
- the costs and time associated with the initial and ongoing training of sales and marketing personnel on legal and regulatory compliance matters and monitoring their actions;
- understanding and training relevant personnel on the limitations on, and the transparency and reporting requirements applicable to, remuneration provided to actual and potential referral sources;
- the clinical indications for which the products are approved and the claims that we may make for the products;
- limitations or warnings, including distribution or use restrictions, contained in the products' approved labeling;
- the inability of sales personnel to obtain access to physicians or to effectively promote any future drugs;
- our ability to appropriately market, detail and distribute products in light of healthcare provider facility closures, quarantine, travel restrictions and other governmental restrictions caused by COVID-19;
- the lack of complementary drugs to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines;
- any distribution and use restrictions imposed by the FDA or to which we agree;
- liability for sales and marketing personnel who fail to comply with the applicable legal and regulatory requirements;
- our ability to maintain a healthcare compliance program including effective mechanisms for compliance monitoring; and
- unforeseen costs and expenses associated with creating a sales and marketing organization.

In the future, we may choose to participate in sales activities with collaborators for some of our drug candidates. However, there are also risks with entering into these types of arrangements with third parties to perform sales, marketing and distribution services. For example, we may not be able to enter into such arrangements on terms that are favorable to us. Our drug revenues or the profitability of these drug revenues to us are likely to be lower than if we were to market and sell any drug candidates that we develop ourselves. In addition, we likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our drug candidates effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our drug candidates. Further, our business, results of operations, financial condition and prospects will be materially adversely affected.

We may be exposed to claims and may not be able to obtain or maintain adequate product liability insurance.

Our business is exposed to the risk of product liability and other liability risks that are inherent in the development, manufacture, clinical testing and marketing of pharmaceutical products. These risks exist even if a product is approved for commercial sale by the FDA or comparable regulatory authorities in other countries and manufactured in licensed facilities. Our current product candidates, LIQ861 and LIQ865, are designed to affect important bodily functions and processes. Any side effects, manufacturing defects, misuse or abuse associated with our products could result in injury to a patient or even death.

Claims that are successfully brought against us could have a material and adverse effect on our financial condition and results of operations. Further, even if we are successful in defending claims brought against us, our reputation could suffer. Regardless of merit or eventual outcome, product liability claims may also result in, among others:

- a decreased demand for our products;
- a withdrawal or recall of our products from the market;
- a withdrawal of participants from our ongoing clinical trials;
- the distraction of our management's attention from our core business activities to defend such claims;
- additional costs to us; and
- a loss of revenue.

Our insurance may not provide adequate coverage against our potential liabilities. Furthermore, we, our collaborators or our licensees may not be able to obtain or maintain insurance on acceptable terms, or at all. In addition, our collaborators or licensees may not be willing to indemnify us against these types of liabilities and may not themselves be sufficiently insured or have sufficient assets to satisfy any product liability claims. To the extent that they are uninsured or uninsurable, claims or losses that may be suffered by us, our collaborators or our licensees may have a material and adverse effect on our financial condition and results of operations.

Risks Related to the Development and Regulatory Approval of our Product Candidates

We are primarily dependent on the success of our lead product candidate, LIQ861, for which we filed an NDA with, and recently received a CRL from, the FDA, and to a lesser degree, LIQ865, which is still in clinical development, and these product candidates may fail to receive marketing approval (in a timely manner or at all) or may not be commercialized successfully.

We do not have any products approved for marketing in any jurisdiction and we have never generated any revenue from product sales. Our ability to generate revenue from product sales and achieve profitability depends on our ability, alone or with strategic collaboration partners, to successfully complete the development of, and obtain the regulatory and marketing approvals necessary to commercialize, one or more of our product candidates. We expect that a substantial portion of our efforts and expenditure over the next few years will be devoted to our product candidate, LIQ861, a proprietary inhaled dry powder formulation of treprostinil for the treatment of pulmonary arterial hypertension (PAH). We do not anticipate generating revenue from sales of LIQ861 until 2022 at the earliest, if ever.

LIQ861 is being developed under the 505(b)(2) regulatory pathway with Tyvaso as the reference listed drug. We commenced a Phase 3 clinical trial of LIQ861, which we refer to as INSPIRE, in the first quarter of 2018. We completed the pivotal INSPIRE trial in August 2019. Final enrollment included 121 PAH patients to assess safety and tolerability through Month 2, the primary endpoint of the trial. Of the 121 patients enrolled in the study, 55 were Transition patients and 66 were Add-On patients. Add-On patients started on a dose of 26.5 mcg of LIQ861, with most (>80%) titrating to a 79.5 mcg dose or higher within the first two months of treatment.
In April 2020, we reported final safety and tolerability results from the two-month primary endpoint of the INSPIRE study. Of the 121 PAH patients, 113, or 93%, completed their two-month visit. The most common reported TEAEs (reported in ≥ four percent) were cough (42%), headache (26%), throat irritation (16%), dizziness (11%), diarrhea (9%), chest discomfort (8%), nausea (7%), dyspnea (5%), flushing (5%) and oropharyngeal pain (4%).

We submitted an NDA for LIQ861 to the FDA in January 2020. In April 2020, the FDA accepted the NDA for review and provided a Prescription Drug User Fee Act (PDUFA) goal date of November 24, 2020. On November 25, 2020 we announced that the FDA issued a CRL for our NDA for LIQ861. We do not believe that the items raised in the CRL will be a barrier to the ultimate approval of LIQ861. The FDA also reconfirmed the need to conduct on-site PAIs of two U.S. manufacturing facilities before our NDA can be approved. The FDA noted it had been unable to conduct these inspections during the initial review cycle due to COVID-19 related travel restrictions. The CRL did not cite the need to conduct further clinical studies, nor did the FDA indicate that additional studies related to toxicology or clinical pharmacology would be necessary. We believe that we can address the items raised in the CRL through a resubmission.

Expectations related to FDA approval and projected product launch timelines are impacted by ongoing Hatch-Waxman Litigation following a lawsuit filed by United Therapeutics on June 4, 2020. Under the Hatch-Waxman Act, as a result of the Hatch-Waxman Litigation commenced by United Therapeutics, the FDA may not issue a final approval for the LIQ861 NDA for up to 30 months, absent an earlier judgment unfavorable to United Therapeutics by the court. When the FDA is not permitted to issue an approval for a 505(b)(2) application due to a 30-month stay, it is generally possible that the agency could issue "tentative approval" if it determines that all regulatory requirements have been met. However, a drug product that is granted tentative approval may be subject to additional review before final approval, particularly if tentative approval was granted more than three years before the earliest lawful approval date. The FDA's tentative approval of drug product would be based on information available to FDA at the time of the tentative approval letter (i.e., information in the application and the status of current good manufacturing practices of the facilities used in the manufacturing and testing of the drug product) and is therefore subject to change on the basis of new information that may come to FDA's attention. A new drug product may not be marketed until the date of final approval.

Expectations for LIQ861 also may be impacted by competing products, including Tyvaso® DPI. *See Item 1A. Risk Factors - We face significant competition from large pharmaceutical companies, among others, in developing our products and in gaining regulatory approval to bring them to market in time to achieve commercial success, and our operating results will suffer if we are unable to compete effectively.*

With respect to LIQ865, we initiated Phase 2-enabling toxicology studies in March 2019 in both soft tissue and bone models. The soft tissue toxicology study showed favorable results; however, our bone toxicology study showed delayed bone healing at the dose tested. We have completed an additional non-GLP study to investigate bone fracture healing using the same animal model with lower doses of LIQ865. This additional non-GLP study has established a NOAEL on bone healing and provides evidence that LIQ865 could proceed into a GLP toxicology study to support Phase 2 clinical activities. Considering our focus in advancing our lead asset, LIQ861, we will seek to advance LIQ865 through a strategic collaboration with an external partner. We cannot assure you that our toxicology studies or clinical trials, if commenced, will be successful or meet their endpoints, that the endpoints for any future Phase 3 trials that we may conduct will be sufficient to receive marketing approval, or that we will be successful in entering a strategic collaboration to further advance the program.

If we successfully complete the clinical development of LIQ861 and LIQ865, we cannot assure you that they will receive marketing approval. The FDA or comparable regulatory authorities in other countries may delay, limit or deny approval of our product candidates for various reasons. For example, such authorities may disagree with the design, scope or implementation of our clinical trials, or with our interpretation of data from our preclinical studies or clinical trials. Further, there are numerous FDA personnel assigned to review different aspects of an NDA, and uncertainties can be presented by their ability to exercise judgment and discretion during the review process. During the course of review, the FDA may request or require additional preclinical, clinical, chemistry, manufacturing, and control (CMC) or other data and information, and the development and information may be time-consuming and expensive. Status as a combination product, as is the case for LIQ861, may complicate or delay the FDA review process. Product candidates that the FDA deems to be combination products, such as LIQ861, or that otherwise rely on innovative drug delivery systems, may face additional challenges, risks and delays in the product development and regulatory approval process. For example, the CRL for LIQ861 identified the need for additional information and clarification on CMC data pertaining to the drug product and device biocompatibility. Additionally, the FDA could delay approval of LIQ861 even if approvable after completing its review. For example, if a competing product comprised of an inhaled dry-powder formulation of treprostinil is approved by FDA before LIQ861 is approved, then there is a possibility that the FDA could grant three years of market exclusivity to the competitor that could delay the final approval of LIQ861 until said exclusivity expires. Moreover, the applicable requirements for approval may differ from country to country.

If we successfully obtain marketing approval for LIQ861 and LIQ865, we cannot assure you that they will be commercialized in a timely manner or successfully, or at all. For example, LIQ861 and LIQ865 may not achieve a sufficient level of market acceptance, or we may not be able to effectively build our marketing and sales capabilities or scale our manufacturing operations to meet commercial demand. The successful commercialization of LIQ861 and LIQ865 will also, in part, depend on factors that are beyond our control. Therefore, we may not generate significant revenue from the sale of such products, even if approved. Any delay or setback we face in the commercialization of LIQ861 or LIQ865 may have a material and adverse effect on our business and prospects, which will adversely affect your investment in our company.

Our preclinical studies and clinical trials may not be successful and delays in such preclinical studies or clinical trials may cause our costs to increase and significantly impair our ability to commercialize our product candidates. Results of previous clinical trials or interim results of ongoing clinical trials may not be predictive of future results.

Before we are able to commercialize our drug products, we are required to undertake extensive preclinical studies and clinical trials to demonstrate that our drug products are safe and effective for their intended uses. However, we cannot assure you that our drug products will, in preclinical studies and clinical trials, demonstrate safety and efficacy as necessary to obtain marketing approval. Due to the nature of drug product development, many product candidates, especially those in early stages of development, may be terminated during development. Although we believe we have completed clinical development for LIQ861, we have not yet obtained approval for or commercialized any product candidates and as a result do not have a track record of successfully bringing product candidates to market. Furthermore, LIQ861 and LIQ865 have, to date, been tested only in relatively small study populations and, accordingly, the results from our earlier clinical trials may be less reliable than results achieved in larger clinical trials. Additionally, the outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and preliminary and interim results of a clinical trial do not necessarily predict final results.

Preclinical studies and clinical trials may fail due to factors such as flaws in trial design, dose selection and patient enrollment criteria. The results of preclinical studies and early clinical trials may not be indicative of the results of subsequent clinical trials. Product candidates may, in later stages of clinical testing, fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and earlier clinical trials. Moreover, there may be significant variability in safety or efficacy results between different trials of the same product candidate due to factors including, but not limited to, changes in trial protocols, differences in the composition of the patient population, adherence to the dosing regimen and other trial protocols and amendments to protocols and the rate of drop-out among patients in a clinical trial. If our preclinical studies or clinical trials are not successful and we are unable to bring our product candidates to market as a result, our business and prospects may be materially and adversely affected.

Furthermore, conducting preclinical studies and clinical trials is a costly and time-consuming process. The length of time required to conduct the required studies and trials may vary substantially according to the type, complexity, novelty and intended use of the product candidate. A single clinical trial may take up to several years to complete. Moreover, our preclinical studies and clinical trials may be delayed or halted due to various factors, including, among others:

- delays in raising the funding necessary to initiate or continue a clinical trial;
- delays in manufacturing sufficient quantities of product candidates for clinical trials;
- delays in reaching agreement on acceptable terms with prospective contract research organizations (CROs) and clinical trial sites;
- delays in obtaining institutional review board approval at clinical trial sites;
- delays in recruiting suitable patients to participate in a clinical trial;
- delays in patients' completion of clinical trials or their post-treatment follow-up;
- regulatory authorities' interpretation of our preclinical and clinical data; and
- unforeseen safety issues, including a high and unacceptable severity, or prevalence, of undesirable side effects or adverse events caused by our product candidates or similar drug products or product candidates.

If our preclinical studies or clinical trials are delayed, the commercialization of our product candidates will be delayed and, as a result, we may incur substantial additional costs or not be able to recoup our investment in the development of our product candidates, which would have a material and adverse effect on our business.

Clinical trials and data analysis can be expensive, time-consuming and difficult to design and implement. If we are unsuccessful in obtaining regulatory approval for LIQ861 or LIQ865, or any of our product candidates do not provide positive results, we may be required to delay or abandon development of such product, which would have a material adverse impact on our business.

Continuing product development requires additional and extensive clinical testing. Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time-consuming. We cannot provide any assurance or certainty regarding when we might receive regulatory approval for LIQ861 or LIQ865. Furthermore, failure can occur at any stage of the process, and we could encounter problems that cause us to abandon an NDA filed with the FDA or repeat clinical trials. The commencement and completion of clinical trials for any current or future development product candidate may be delayed by several factors, including:

- unforeseen safety issues;
- determination of dosing issues;
- lack of effectiveness during clinical trials;
- slower than expected rates of patient recruitment;
- inability to monitor patients adequately during or after treatment; and
- inability or unwillingness of medical investigators to follow our clinical protocols or amendments to our protocols.

In addition, the FDA or an independent institutional review board (IRB) may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the FDA finds deficiencies in our IND submissions or the conduct of these trials. Therefore, we cannot provide any assurance or predict with certainty the schedule for future clinical trials. Although clinical data is an essential part of NDA filings, NDAs must also contain a range of additional data including CMC data to meet FDA standards for approval. In the event we do not ultimately receive regulatory approval for LIQ861 and LIQ865, we may be required to terminate development of our only product candidates.

The marketing approval processes of the FDA and comparable regulatory authorities in other countries are unpredictable and our product candidates may be subject to multiple rounds of review or may not receive marketing approval.

Pursuing marketing approval for a pharmaceutical product candidate (for example, through the NDA process) is an extensive, lengthy, expensive and inherently uncertain process. We cannot assure you that any of our product candidates will receive marketing approval. Regulatory authorities may delay, limit or deny approval of our product candidates for many reasons, including, but not limited to, the following:

- the FDA or comparable regulatory authorities may, for a variety of reasons, take the view that the data collected from our preclinical and clinical trials and human factors testing, or data that we otherwise submit or reference to support an application, are not sufficient to support approval of a product candidate;

- the FDA or comparable regulatory authorities in other countries may ultimately conclude that our manufacturing processes or facilities or those of our third-party manufacturers do not sufficiently demonstrate compliance with cGMP to support approval of a product candidate; or that the drug CMC data or device biocompatibility data for our product candidates otherwise do not support approval;

- we may be unable to demonstrate to the satisfaction of the FDA or comparable regulatory authorities in other countries that our product candidate is safe and effective for its proposed indication, or that its clinical and other benefits outweigh its safety risks;

- the approval policies of the FDA or comparable regulatory authorities in other countries may change in a manner that renders our data insufficient for approval.

Even if we obtain marketing approval, the FDA or comparable regulatory authorities in other countries may approve our product candidates for fewer or more limited indications than those for which we requested approval or may include safety warnings or other restrictions that may negatively impact the commercial viability of our product candidates. Likewise, regulatory authorities may grant approval contingent on the performance of costly post-marketing clinical trials or other studies or the conduct of an expensive REMS, which could significantly reduce the potential for commercial success or viability of our product candidates. We also may not be able to find acceptable collaborators to manufacture our drug products, if and when approved, in commercial quantities and at acceptable prices, or at all.

We may encounter difficulties in enrolling patients in our clinical trials.

We may not be able to commence or complete clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials.

Patient enrollment may be affected by, among others:

- the severity of the disease under investigation;
- the design of the clinical trial protocol and amendments to a protocol;
- the size and nature of the patient population;
- eligibility criteria for the clinical trial in question;
- the perceived risks and benefits of the product candidate under clinical testing, including a high and unacceptable severity, or prevalence, of undesirable side effects or adverse events caused by our product candidates or similar products or product candidates;
- the existing body of safety and efficacy data in respect of the product candidate under clinical testing;
- the proximity of patients to clinical trial sites;
- the number and nature of competing therapies and clinical trials; and
- other environmental factors such as the ongoing COVID-19 pandemic or other natural or unforeseen disasters.

Any negative results we may report in clinical trials of our product candidates may also make it difficult or impossible to recruit and retain patients in other clinical trials of that same product candidate.

We expect that if we initiate, as we are currently contemplating, a clinical trial of LIQ861 in pediatric patients, we may encounter difficulties enrolling patients in such a trial because of the limited number of pediatric patients with this disease. Furthermore, we are aware of a number of therapies for PAH that are being developed or that are already available on the market, and we expect to face competition from these investigational drugs or approved drugs for potential subjects in our clinical trials, which may delay enrollment in our planned clinical trials.

Delays or failures in planned patient enrollment or retention may result in increased costs, program delays, or both. We may, as a result of such delays or failures, be unable to carry out our clinical trials as planned or within the timeframe that we expect or at all, and our business and prospects may be materially and adversely affected as a result.

Product candidates that the FDA deems to be combination products, such as LIQ861, or that otherwise rely on innovative drug delivery systems, may face additional challenges, risks and delays in the product development and regulatory approval process.

The FDA has indicated that it considers LIQ861, which is delivered by a DPI, to be a drug-device combination product. Accordingly, the DPI was evaluated as part of our original NDA filing, and the CRL we received from FDA, as announced November 25, 2020, identified the need for additional information pertaining to device biocompatibility. When evaluating products that utilize a specific drug delivery system or device, the FDA will evaluate the characteristics of that delivery system and its functionality, as well as the potential for undesirable interactions between the drug and the delivery system, including the potential to negatively impact the safety or effectiveness of the drug. The FDA review process can be more complicated for combination products, and may result in delays, particularly if novel delivery systems are involved. We rely on third parties for the design and manufacture of the delivery systems for our products, including the DPI for LIQ861, and in some cases for the right to refer to their data on file with the FDA or other regulators. Quality or design concerns with the delivery system, or commercial disputes with these third parties, could delay or prevent regulatory approval and commercialization of our product candidates.

We are pursuing the FDA 505(b)(2) pathway for all of our current product candidates. If we are unable to rely on the 505(b)(2) regulatory pathway to apply for marketing approval of our product candidates in the United States, seeking approval of these product candidates through the 505(b)(1) NDA pathway would require full reports of investigations of safety and effectiveness, and the process of obtaining marketing approval for our product candidates would likely be significantly longer and more costly.

We are currently focused on developing drug products that can be approved under abbreviated regulatory pathways in the United States, such as the 505(b)(2) regulatory pathway, which permits the filing of an NDA where at least some of the information required for approval comes from studies that were not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Section 505(b)(2), if applicable to us for a particular product candidate, would allow an NDA we submit to the FDA to rely in part on data in the public domain or the FDA's prior conclusions regarding the safety and effectiveness of approved compounds, which could expedite the development program for a product candidate by potentially decreasing the amount of clinical data that we would need to generate in order to obtain FDA approval. We plan to pursue this pathway for our current product candidates, LIQ861 and LIQ865, and have submitted a 505(b)(2) NDA for LIQ861. Even if the FDA allows us to rely on the 505(b)(2) regulatory pathway, we cannot assure you that such marketing approval will be obtained in a timely manner, or at all.

The FDA may require us to perform additional clinical trials to support any change from the reference listed drug, which could be time-consuming and substantially delay our receipt of marketing approval. Also, as has been the experience of others in our industry, our competitors may file citizens' petitions with the FDA to contest approval of our NDA, which may delay or even prevent the FDA from approving any NDA that we submit under the 505(b)(2) regulatory pathway. If an FDA decision or action relative to our product candidate, or the FDA's interpretation of Section 505(b)(2) more generally, is successfully challenged, it could result in delays or even prevent the FDA from approving a 505(b)(2) application for our product candidates. Even if we are able to utilize the 505(b)(2) regulatory pathway, a drug approved via this pathway may be subject to the same post-approval limitations, conditions and requirements as any other drug.

In addition, we may face Hatch-Waxman litigation in relation to our NDAs submitted under the 505(b)(2) regulatory pathway, which may further delay or prevent the approval of our product candidates. The pharmaceutical industry is highly competitive, and 505(b)(2) NDAs are subject to special requirements designed to protect the patent rights of sponsors of previously approved drugs that are referenced in a 505(b)(2) NDA. If the previously approved drugs referenced in an applicant's 505(b)(2) NDA are protected by patent(s) listed in the Orange Book, the 505(b)(2) applicant is required to make a claim after filing their its NDA that each such patent is invalid, unenforceable or will not be infringed. The patent holder may thereafter bring suit for patent infringement, which will trigger a mandatory 30-month delay (or the shorter of dismissal of the lawsuit or expiration of the patent(s)) in approval of the 505(b)(2) NDA application. For example, the LIQ861 NDA was filed under the 505(b)(2) regulatory pathway with Tyvaso® as the reference listed drug. Under the Hatch-Waxman Act, as a result of the Hatch-Waxman Litigation commenced by United Therapeutics on June 4, 2020, the FDA is automatically precluded from approving the LIQ861 NDA for up to 30 months, absent an earlier judgment unfavorable to United Therapeutics by the court. It is not uncommon for a manufacturer of an approved product, such as United Therapeutics, to file a citizen petition with the FDA seeking to delay approval of, or impose additional approval requirements for, pending competing products. If successful, such petitions can significantly delay, or even prevent, the approval of the new product. However, even if the FDA ultimately denies such a petition, the FDA may substantially delay approval while it considers and responds to the petition.

If the FDA determines that our product candidates, including LIQ861, do not qualify for the 505(b)(2) regulatory pathway, we would need to reconsider our plans and might not be able to commercialize our product candidates in a cost-efficient manner, or at all. If we were to pursue approval under the 505(b)(1) NDA pathway, we would be subject to more extensive requirements and risks such as conducting additional clinical trials, providing additional data and information or meeting additional standards for marketing approval. As a result, the time and financial resources required to obtain marketing approval for our product candidates would likely increase substantially and further complications and risks associated with our product candidates may arise. Also, new competing products may reach the market faster than ours, which may materially and adversely affect our competitive position, business and prospects.

We may be unable to continually develop a pipeline of product candidates, which could affect our business and prospects.

A key element of our long-term strategy is to continually develop a pipeline of product candidates by developing proprietary innovations to FDA-approved drug products using our PRINT technology. If we are unable to identify off-patent drug products for which we can develop proprietary innovations using our PRINT technology or otherwise expand our product candidate pipeline, whether through licensed or co-development opportunities, and obtain marketing approval for such product candidates within the timeframes that we anticipate, or at all, our business and prospects may be materially and adversely affected.

We have conducted, and may in the future conduct, clinical trials for our product candidates outside the United States and the FDA may not accept data from such trials.

Although the FDA may accept data from clinical trials conducted outside the United States in support of safety and efficacy claims for our product candidates, if not conducted under an IND, this is subject to certain conditions set out in 21 C.F.R. § 312.120. For example, in order for the FDA to accept data from such a foreign clinical trial, the study must have been conducted in accordance with Good Clinical Practice (GCP) including review and approval by an independent ethics committee and obtaining the informed consent from subjects of the clinical trials. The FDA must also be able to validate the data from the study through an onsite inspection if the agency deems it necessary. In addition, foreign clinical data submitted to support FDA applications should be applicable to the U.S. population and U.S. medical practice. Other factors that may affect the acceptance of foreign clinical data include differences in clinical conditions, study populations or regulatory requirements between the United States and the foreign country.

We conducted the early Phase 1a clinical trial of LIQ865 in Denmark, and not under an IND, we plan to conduct an additional clinical trial in Europe that explores the hemodynamic effects of LIQ861 in PAH patients when we are able to resume enrolling patients following the end of the COVID-19 pandemic, and we may, in the future, conduct clinical trials of our product candidates outside the United States. The FDA may not accept such foreign clinical data, and in such event, we may be required to re-conduct relevant clinical trials within the United States, which would be costly and time-consuming, and which could have a material and adverse effect on our ability to carry out our business plans.

Risks Related to Our Dependence on Third Parties

We depend on third parties for clinical and commercial supplies, including single suppliers for the active ingredient, the device, encapsulation and packaging of LIQ861.

We depend on third-party suppliers for clinical and commercial supplies for the supply of materials and components necessary for clinical and commercial production of LIQ861, including the active pharmaceutical ingredients which are used in our product candidates. These supplies may not always be available to us at the standards we require or on terms acceptable to us, or at all, and we may not be able to locate alternative suppliers in a timely manner, or at all. If we are unable to obtain necessary clinical or commercial supplies, our manufacturing operations and clinical trials and the clinical trials of our collaborators may be delayed or disrupted and our business and prospects may be materially and adversely affected as a result.

For example, we currently rely on a sole supplier for treprostinil, the active pharmaceutical ingredient of LIQ861, which sources treprostinil from a manufacturer in South Korea. If our supplier is unable to supply treprostinil to us in the quantities we require, or at all, or otherwise default on its supply obligations to us, or if it ceases its relationship with us, we may not be able to obtain alternative supplies of treprostinil from other suppliers on acceptable terms, in a timely manner, or at all. Furthermore, LIQ861 is administered using the RS00 Model 8 DPI, which is manufactured by Plastiape, which is located in Italy. We also rely on a sole supplier for encapsulation and packaging services. We purchase treprostinil, our DPI supply and encapsulation and packaging services pursuant to purchase orders and do not have long-term contracts with all of these suppliers. In the event of any prolonged disruption to our supply of treprostinil, the manufacture and supply of RS00 Model 8 DPI or encapsulation and packaging services, our ability to develop and commercialize, and the timeline for commercialization of, LIQ861 may be adversely affected.

Additionally, in December 2019, a novel strain of COVID-19 (coronavirus) was reported to have surfaced in Wuhan, China and continues to be a global pandemic as of the date of this Annual Report on Form 10-K. The full impact of the coronavirus is unknown and continues to rapidly evolve. Both South Korea, the country from which our supplier sources treprostinil, and Italy, the country in which Plastiape is headquartered, have had significant outbreaks of this disease, which, in the case of Italy, led to a lockdown of the entire country. The extent to which the coronavirus impacts our ability to procure sufficient supplies for the development and commercialization of our products and product candidates, or the ability for the FDA to conduct required pre-approval inspections to obtain sufficient assurance or verification of compliance with good manufacturing practice required by FDA regulations will depend on the severity, location and duration of the spread of the coronavirus, and the actions undertaken to contain the coronavirus or treat its effects. As announced on November 25, 2020, in the CRL for LIQ861 the FDA noted it had been unable to conduct required inspections during the initial review cycle for the LIQ861 NDA due to COVID-related travel restrictions. We cannot predict when COVID-related travel restrictions will change or be lifted.

If we are unable to establish or maintain licensing and collaboration arrangements with other pharmaceutical companies on acceptable terms, or at all, we may not be able to develop and commercialize additional product candidates using our PRINT technology.

We have collaborated, and may consider collaborating, with, among others, pharmaceutical companies to expand the applications for our PRINT technology through licensing as well as joint product development arrangements. In addition, if we are able to obtain marketing approval for our product candidates from regulatory authorities, we may enter into strategic relationships with collaborators for the commercialization of such products.

Collaboration and licensing arrangements are complex and time-consuming to negotiate, document, implement and maintain. We may not be successful in our efforts to establish collaboration or other alternative arrangements should we so choose to enter into such arrangements. In addition, the terms of any collaboration or other arrangements that we may enter into may not be favorable to us or may restrict our ability to enter into further collaboration or other arrangements with third parties. For example, collaboration agreements may contain exclusivity arrangements which limit our ability to work with other pharmaceutical companies to expand the applications for our PRINT technology, as is the case in our collaboration agreement with GSK.

If we are unable to establish licensing and collaboration arrangements or the terms of such agreements we enter into are unfavorable to us or restrict our ability to work with other pharmaceutical companies, we may not be able to expand the applications for our PRINT technology or commercialize our products, if and when approved, and our business and prospects may be materially and adversely affected.

Our collaboration and licensing arrangements may not be successful.

Our collaboration and licensing arrangements, as well as any future collaboration and licensing arrangements that we may enter into, may not be successful. The success of our collaboration and licensing arrangements will depend heavily on the efforts and activities of our collaborators, which are not within our control. We may, in the course of our collaboration and licensing arrangements, be subject to numerous risks, including, but not limited to, the following:

- our collaborators may have significant discretion in determining the efforts and resources that they will contribute;
- our collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing. For example, in July 2018, GSK notified us of its decision to discontinue development of the inhaled antiviral for viral exacerbations in COPD, part of the GSK ICO Agreement, after completion of its related Phase 1 clinical trial and we do not believe that GSK is currently advancing any program under our collaboration;

- our collaborators may independently, or in conjunction with others, develop products that compete directly or indirectly with our product candidates;
- we may grant exclusive rights to our collaborators that would restrict us from collaborating with others. For example, we are currently subject to certain restrictions with regard to our ability to enter into collaboration arrangements for the development of inhaled therapeutics based upon our PRINT technology with third parties pursuant to our collaboration with GSK;

- our collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and our collaborators, which may cause a delay in or the termination of our research, development or commercialization activities;
- our collaboration and licensing arrangements may be terminated, and if terminated, may result in our need for additional capital to pursue further drug product development or commercialization. For example, our development and licensing agreement with G&W Laboratories, Inc., was mutually terminated in April 2018 and we are currently seeking the termination or amendment of our collaboration with GSK;
- our collaborators may own or co-own certain intellectual property arising from our collaboration and licensing arrangements with them, which may restrict our ability to develop or commercialize such intellectual property; and
- our collaborators may alter the strategic direction of their business or may undergo a change of control or management, which may affect the success of our collaboration arrangements with them.

Risks Related to our Intellectual Property

We may be subject to claims from third parties that our products infringe their intellectual property rights.

The pharmaceutical industry has experienced rapid technological change and obsolescence in the past, and our competitors have strong incentives to stop or delay any introduction of new drug products or related technologies by, among others, establishing intellectual property rights over their drug products or technologies and aggressively enforcing these rights against potential new entrants into the market. We expect that we and other industry participants will be increasingly subject to infringement claims as the number of competitors and drug products grows.

Our commercial success depends in large part upon our ability to develop, manufacture, market and sell our drug products or product candidates without infringing on the patents or other proprietary rights of third parties. It is not always clear to industry participants, including us, what the scope of a patent covers. Due to the large number of patents in issue and patent applications filed in our industry, there is a risk that third parties will claim that our products or technologies infringe their intellectual property rights.

Claims for infringement of intellectual property which are brought against us, whether with or without merit, and which are generally uninsurable, could result in time-consuming and costly litigation, diverting our management's attention from our core business and reducing the resources available for our drug product development, manufacturing and marketing activities, and consequently have a material and adverse effect on our business and prospects, regardless of the outcome. Moreover, such proceedings could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not being issued. We also may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Uncertainties resulting from the initiation and continuation of litigation or other proceedings could also have a material and adverse effect on our ability to compete in the market. Third parties making claims against us could obtain injunctive or other equitable relief against us, which could prevent us from further developing or commercializing our product candidates.

In particular, under the Hatch-Waxman Act, the owner of patents listed on the Orange Book and referenced by an NDA applicant may bring patent infringement suit against the NDA applicant after receipt of the NDA applicant's notice of paragraph IV certification. On June 4, 2020, United Therapeutics, as the holder of such patents, asserted a patent challenge directed to the Orange Book listed patents by filing a complaint against us in the U.S. District Court for the District of Delaware (Case No. 1:20-cv-00755-UNA), thereby triggering an automatic 30-month regulatory stay on final approval of the NDA for LIQ861. As a result of United Therapeutics' patent challenge, the FDA is prohibited from approving the NDA for LIQ861 until the earliest to occur of the expiration of the 30-month stay, which is currently in October 2022, expiration of the Orange Book listed patents, settlement of the lawsuit or a decision in the infringement suit that is favorable to us as the NDA applicant. Accordingly, we may be subject to significant delay and incur substantial costs in litigation before it is able to commercialize LIQ861, if at all.

In the event of a successful infringement claim against us, including an infringement claim filed in response to a paragraph IV certification, we may be required to pay damages, cease the development or commercialization of our drug products or product candidates, re-engineer or redevelop our drug products or product candidates or enter into royalty or licensing agreements, any of which could have a material and adverse impact on our business, financial condition and results of operations. Any effort to re-engineer or redevelop our products would require additional monies and time to be expended and may not ultimately be successful.

Infringement claims may be brought against us in the future, and we cannot assure you that we will prevail in any ensuing litigation given the complex technical issues and inherent uncertainties involved in intellectual property litigation. Our competitors may have substantially greater resources than we do and may be able to sustain the costs of such litigation more effectively than we can.

Our commercial success depends largely on our ability to protect our intellectual property.

Our commercial success depends, in large part, on our ability to obtain and maintain patent protection and trade secret protection in the United States and elsewhere in respect of our product candidates and PRINT technology. If we fail to adequately protect our intellectual property rights, our competitors may be able to erode, negate or preempt any competitive advantage we may have. To protect our competitive position, we have filed and will continue to file for patents in the United States and elsewhere in respect of our product candidates and PRINT technology. The process of identifying patentable subject matter and filing a patent application is expensive and time-consuming. We cannot assure you that we will be able to file the necessary or desirable patent applications at a reasonable cost, in a timely manner, or at all. Further, since certain patent applications are confidential until patents are issued, third parties may have filed patent applications for subject matters covered by our pending patent applications without us being aware of such applications, and our patent applications may not have priority over patent applications of others. In addition, we cannot assure you that our pending patent applications will result in patents being obtained. Once published, all patent applications and publications throughout the world, including our own, become prior art to our new patent applications and may prevent patents from being obtained or interfere with the scope of patent protection that might be obtained. The standards that patent offices in different jurisdictions use to grant patents are not always applied predictably or uniformly and may change from time to time.

Even if we have been or are able to obtain patent protection for our product candidates or PRINT technology, if the scope of such patent protection is not sufficiently broad, we may not be able to rely on such patent protection to prevent third parties from developing or commercializing product candidates or technology that may copy our product candidates or technology. The enforceability of patents in the pharmaceutical industry involves complex legal and scientific questions and can be uncertain. Accordingly, we cannot assure you that third parties will not successfully challenge the validity, enforceability or scope of our patents. A successful challenge to our patents may lead to generic versions of our drug products being launched before the expiry of our patents or otherwise limit our ability to stop others from using or commercializing similar or identical products and technology. A successful challenge to our patents may also reduce the duration of the patent protection of our drug products or technology. In addition, we cannot assure you that we will be able to detect unauthorized use or take appropriate, adequate and timely actions to enforce our intellectual property rights. If we are unable to adequately protect our intellectual property, our business, competitive position and prospects may be materially and adversely affected.

Even if our patents or patent applications are unchallenged, they may not adequately protect our intellectual property or prevent third parties from designing around our patents or other intellectual property rights. If the patent applications we file or may file do not lead to patents being granted or if the scope of any of our patent applications is challenged, we may face difficulties in developing our product candidates, companies may be dissuaded from collaborating with us, and our ability to commercialize our product candidates may be materially and adversely affected. We are unable to predict which of our patent applications will lead to patents or assure you that any of our patents will not be found invalid or unenforceable or challenged by third parties. The patents of others may prevent the commercialization of product candidates incorporating our technology. In addition, given the amount of time required for the development, clinical testing and regulatory review of new product candidates, any patents protecting our product candidates may expire before or shortly after such product candidates might become approved for commercialization.

Moreover, the issuance of a patent is not conclusive as to the inventorship of the patented subject matter, or its scope, validity or enforceability. We cannot assure you that all of the potentially relevant prior art, that is, any evidence that an invention is already known, relating to our patents and patent applications, has been found. If such prior art exists, it may be used to invalidate a patent or may prevent a patent from being issued.

In addition, we, our collaborators or our licensees may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. As a result, we may miss potential opportunities to seek patent protection or strengthen our patent position.

If we are unable to protect our trade secrets, the value of our PRINT technology and product candidates may be negatively impacted, which would have a material and adverse effect on our competitive position and prospects.

In addition to patent protection, we rely on trade secret protection to protect certain aspects of our intellectual property. While we require parties who have access to any portion of our trade secrets, such as our employees, consultants, advisers, CROs, CMOs, collaborators and other third parties, to enter into non-disclosure and confidentiality agreements with us, we cannot assure you that these parties will not disclose our proprietary information, including our trade secrets, in breach of their contractual obligations. Enforcing a claim that a party has illegally disclosed or misappropriated a trade secret is difficult, costly and time-consuming, and we may not be successful in doing so. If the steps we have taken to protect our trade secrets are deemed by the adjudicating court to be inadequate, we may not be able to obtain adequate recourse against a party for misappropriating our trade secrets.

Trade secrets can be difficult to protect as they may, over time, be independently discovered by our competitors or otherwise become known despite our trade secret protection. If any of our trade secrets were to be lawfully obtained or independently developed by our competitors, we would have no right to prevent such competitors, or those to whom they communicate such technology or information, from using that technology or information to compete with us. Such competitors could attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights.

If our trade secrets were to be disclosed to or independently developed by our competitors, our competitors may be able to exploit our PRINT technology to develop competing product candidates, and the value of our PRINT technology and our product candidates may be negatively impacted. This would have a material and adverse effect on our competitive position and prospects.

We rely on licenses to intellectual property that are owned by third parties.

We have entered and may, in the future, enter into license agreements with third parties to license the rights to use their technologies in our research, development and commercialization activities. License agreements generally impose various diligence, milestone payments, royalty, insurance and other obligations on us, and if we fail to comply with these obligations, our licensors may have the right to terminate these license agreements. Termination of these license agreements or the reduction or elimination of our licensed rights or the exclusivity of our licensed rights may have an adverse impact on, among others, our ability to develop and commercialize our product candidates. We cannot assure you that we will be able to negotiate new or reinstated licenses on commercially acceptable terms, or at all.

In addition, we license certain patent rights for our PRINT technology from UNC under the UNC License. Under the UNC License, UNC has the right to terminate our license if we materially breach the agreement and fail to cure such breach within the stipulated time. In the event that UNC terminates our license and we have a product that relies on that license, it may bring a claim against us, and if they are successful, we may be required to compensate UNC for the unauthorized use of their patent rights through the payment of royalties.

Also, the agreements under which we license patent rights may not give us control over patent prosecution or maintenance, so that we may not be able to control which claims or arguments are presented and may not be able to secure, maintain or successfully enforce necessary or desirable patent protection from those patent rights. We do not have primary control over patent prosecution and maintenance for certain of the patents we license, and therefore cannot assure you that these patents and applications will be prosecuted or maintained in a manner consistent with the best interests of our business. We also cannot assure you that patent prosecution and maintenance activities by our licensors, if any, will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents.

Pursuant to the terms of some of our license agreements with third parties, some of our third-party licensors have the right, but not the obligation, in certain circumstances, to control the enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents. Even if we are permitted to pursue such enforcement or defense, we will require the cooperation of our licensors, and we cannot assure you that we will receive such cooperation on commercially acceptable terms, or at all. We also cannot assure you that our licensors will allocate sufficient resources or prioritize their or our enforcement of these patents or defense of these claims to protect our interests in the licensed patents. If we cannot obtain patent protection, or enforce existing or future patents against third parties, our competitive position, business and prospects may be materially and adversely affected.

Further, licenses to intellectual property may not always be available to us on commercially acceptable terms, or at all. In the event that the licenses we rely on are not available to us on commercially acceptable terms, or at all, our ability to commercialize our PRINT technology or product candidates, and our business and prospects, may be materially and adversely affected.

We may not be able to enforce our intellectual property rights throughout the world.

Filing, prosecuting, enforcing and defending patents on our PRINT technology and our product candidates throughout the world may be prohibitively expensive and may not be financially or commercially feasible. In countries where we have not obtained patent protection, our competitors may be able to use our proprietary technologies to develop competing product candidates.

Also, the legal systems of non-U.S. jurisdictions may not protect intellectual property rights to the same extent or in the same manner as the laws of the United States, and we may face significant difficulty in enforcing our intellectual property rights in these jurisdictions. The legal systems of certain developing countries may not favor the enforcement of patents and other intellectual property rights. We may therefore face difficulty in stopping the infringement or misappropriation of our patents or other intellectual property rights in those countries.

We need to protect our trademark, trade name and service mark rights to prevent competitors from taking advantage of our goodwill.

We believe that the protection of our trademark, trade name and service mark rights, such as Liquidia, the Liquidia and PRINT, is an important factor in product recognition, protecting our brand, maintaining goodwill and maintaining or increasing market share. We may expend substantial cost and effort in an attempt to register new trademarks, trade names and service marks and maintain and enforce our trademark, trade name and service mark rights. If we do not adequately protect our rights in our trademarks, trade names and service marks from infringement, any goodwill that we have developed in those trademarks could be lost or impaired.

Third parties may claim that the sale or promotion of our products, when and if approved, may infringe on the trademark, trade name and service mark rights of others. Trademark, trade name and service mark infringement problems occur frequently in connection with the sale and marketing of pharmaceutical products. If we become involved in any dispute regarding our trademark, trade name and service mark rights, regardless of whether we prevail, we could be required to engage in costly, distracting and time-consuming litigation that could harm our business. If the trademarks, trade names and service marks we use are found to infringe upon the trademarks, trade names or service marks of another company, we could be liable for damages and be forced to stop using those trademarks, trade names or service marks, and as result, we could lose all the goodwill that has been developed in those trademarks, trade names or service marks.

Risks Related to the Manufacturing of our Product Candidates

Our product candidates are based on our proprietary, novel technology, PRINT, which has not been the subject of FDA manufacturing inspections, making it difficult to predict the time and cost of development and of subsequently obtaining regulatory approval.

Our future success depends on the successful development of our novel PRINT technology and products based on it, including LIQ861 and LIQ865. To our knowledge, no regulatory authority has granted approval to market or commercialize drugs made using our PRINT technology. Further, manufacturing facilities and processes utilizing our PRINT technology have not been the subject of FDA manufacturing inspections. We may never receive approval to market and commercialize any product candidate that uses our PRINT technology.

Our operations are concentrated in Morrisville, North Carolina and interruptions affecting us or our suppliers due to natural disasters or other unforeseen events could materially and adversely affect our operations.

Most of our current operations are concentrated in Morrisville, North Carolina. A fire, flood, hurricane, earthquake or other disaster or unforeseen event resulting in significant damage to our facilities could significantly disrupt or curtail or require us to cease our operations. It would be difficult, costly and time-consuming to transfer resources from one facility to another or to repair or replace our facility in the event that it is significantly damaged. In addition, our insurance may not be sufficient to cover all of our losses and may not continue to be available to us on acceptable terms, or at all. In addition, if one of our suppliers experiences a similar disaster or unforeseen event, we could face significant delays in obtaining our supplies or be required to source supplies from an alternative supplier and may incur substantial costs as a result. Any significant uninsured loss, prolonged or repeated disruption to operations or inability to operate, experienced by us or by our suppliers, could materially and adversely affect our business, financial condition and results of operations.

Risk Related to our Employees

We depend on skilled labor, and our business and prospects may be adversely affected if we lose the services of our skilled personnel, including those in senior management, or are unable to attract new skilled personnel.

Our ability to continue our operations and manage our potential future growth depends on our ability to hire and retain suitably skilled and qualified employees, including those in senior management, in the long-term. Due to the specialized nature of our work, there is a limited supply of suitable candidates. We compete with other biotechnology and pharmaceutical companies, educational and research institutions and government entities, among others, for research, technical, clinical and sales and marketing personnel. In addition, in order to manage our potential future growth effectively, we will need to improve our financial controls and systems and, as necessary, recruit sales, marketing, managerial and finance personnel. The loss of the services of members of our sales team could seriously harm our ability to successfully implement our business strategy. If we are unable to attract and retain skilled personnel, including in particular Damian deGoa, our Chief Executive Officer, our business and prospects may be materially and adversely affected.

Risks Related to our Common Stock

Future sales of our common stock or securities convertible into our common stock in the public market could cause our stock price to fall.

Our stock price could decline as a result of sales of a large number of shares of our common stock or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Upon consummation of the Merger Transaction, we issued to RareGen's former members an aggregate of 5,550,000 shares of our common stock. Additionally, 616,666 shares of our common stock, which are referred to in the Merger Agreement as "Holdback Shares", are being withheld to satisfy potential indemnification obligations of former RareGen members. In addition, we may issue up to 2,708,333 shares of our common stock in 2022, which are referred to in the Merger Agreement as "Net Sales Earnout Shares", if Liquidia PAH achieves at least $32.9 million of 2021 net sales (as calculated by Sandoz net sales), with the number of Net Sales Earnout Shares to be issued to depend upon the actual amount of the 2021 net sales. The shares issued to former RareGen members on the closing date of the Merger Transaction are subject to a six-month lock-up expiring on May 18, 2021. In the event that Holdback Shares are released or Net Sales Earnout Shares are issued, such shares will not have a lock-up restriction and may be freely sold in the public market which could cause our stock price to decline.

As of February 28, 2021, 43,336,277 shares of our common stock were outstanding, of which 38,729,651 shares of common stock, or 89.4% of our outstanding shares as of February 28, 2021, are freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, unless held by our "affiliates," as that term is defined in Rule 144 under the Securities Act ("Rule 144"). The resale of the remaining 4,606,626 shares held by our stockholders as of February 28, 2021 is currently prohibited or otherwise restricted as a result of securities law provisions. Shares issued upon the exercise of stock options outstanding under our equity incentive plans or pursuant to future awards granted under those plans will become available for sale in the public market to the extent permitted by the provisions of applicable vesting schedules, any applicable market standoff and lock-up agreements, and Rule 144 and Rule 701 under the Securities Act.

As of February 28, 2021, the holders of 1,887,937 shares, or 4.4%, of our outstanding shares as of February 28, 2021, have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We have also registered the offer and sale of all shares of common stock that we may issue under our equity compensation plans, including the employee stock purchase plan. Once we register the offer and sale of shares for the holders of registration rights, they can be freely sold in the public market upon issuance or resale (as applicable), subject to lock-up agreements, if any.

We expect that the market price of our common stock may be volatile, and you may lose all or part of your investment.

The trading prices of the securities of pharmaceutical and biotechnology companies have been highly volatile. As such, the trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. The market price for our common stock may be influenced by many factors, including:

- results of clinical trials of LIQ861, LIQ865 or any product candidate we may develop, or those of our competitors;
- the success of Sandoz's generic version of Remodulin® to which we have commercial rights to pursuant to the Promotion Agreement;
- our cash resources;
- the success of competitive products or technologies;
- potential approvals of any product candidate we may develop for marketing by the FDA or equivalent foreign regulatory authorities or any failure to obtain such approvals;
- our involvement in significant lawsuits, including stockholder or patent litigation, including *inter partes* review proceedings with originator companies or others which may hold patents, including United Therapeutics;
- regulatory or legal developments in the United States and other countries;
- the results of our efforts to commercialize any product candidate we may develop;
- developments or disputes concerning patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors and issuance of new or changed securities analysts' reports or recommendations;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

The stock market in general, and market prices for the securities of pharmaceutical companies like ours in particular, have from time to time experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance. Stock prices of many pharmaceutical companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In several recent situations when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our operating results.

Our principal stockholders and management own a significant percentage of our stock and will be able to exercise significant influence over matters subject to stockholder approval.

Our executive officers, directors and principal stockholders, together with their respective affiliates, beneficially owned 15.4% of our capital stock as of February 28, 2021. Accordingly, our executive officers, directors and principal stockholders have significant influence in determining the composition of the Board, and voting on all matters requiring stockholder approval, including mergers and other business combinations, and continue to have significant influence over our operations. This concentration of ownership could have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us that you may believe are in your best interests as one of our stockholders. This in turn could have a material adverse effect on our stock price and may prevent attempts by our stockholders to replace or remove the Board or management.

As a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting and any failure to do so may adversely affect investor confidence in us and, as a result, the trading price of our shares. The results of our 2020 assessment of the effectiveness of internal control over financial reporting (ICFR) indicate that we had multiple material weaknesses which have not been fully remedied as of December 31, 2020.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. In addition, any future testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the Sarbanes-Oxley Act) or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement.

As required by the Sarbanes Oxley Act of 2002 and commencing with the fiscal year ended December 31, 2019, we were required to furnish a report by management on, among other things, the effectiveness of our ICFR for the fiscal year ended December 31, 2019. In connection with the assessment of the effectiveness of our ICFR, our management identified the following material weaknesses that existed as of December 31, 2019 which have not been fully remedied as of December 31, 2020:

During 2019, we experienced significant turnover in finance personnel that reduced the complement and skill of the resources within the Company. As a result, we did not maintain an effective control environment as we lacked a sufficient complement of resources with an appropriate level of knowledge, experience and training to design, maintain and monitor our ICFR commensurate with our financial reporting requirements. As a result, this material weakness contributed to the following material weaknesses:

- We did not design and maintain controls to ensure adequate segregation of duties within our financial reporting function, including the preparation and review of journal entries. Specifically, some key accounting personnel had the ability to both prepare and post journal entries without an independent review by someone without the ability to prepare and post journal entries.

- We did not design and maintain effective controls over certain information technology general controls for information systems that are relevant to the preparation of our consolidated financial statements. Specifically, we did not design and maintain effective user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications and data to appropriate Company personnel.

These material weaknesses did not result in a material misstatement of the annual or interim financial statements. However, these material weaknesses could result in a misstatement of the relevant account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

Additionally, we could be subject to regulatory scrutiny, a loss of public and investor confidence, and to litigation from investors and stockholders, all of which could have a material adverse effect on our business and the trading price of our shares. Subsequent to our December 31, 2019 year end, we began taking a number of actions, including designing and implementing new controls and revising existing controls, in order to remediate the material weaknesses described above. See Part II, Item 9A. Controls and Procedures in this Annual Report on Form 10-K. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could result in charges by the SEC with violating the books and records and internal control provisions of the federal securities laws which may result in penalties and fines to our company, directors and officers, and also could restrict our future access to the capital markets.

For as long as we are an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012, as amended (the JOBS Act) our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an emerging growth company for up to an additional three years. An independent assessment of the effectiveness of our internal controls could detect additional problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur additional remediation expenses.

We are an “emerging growth company,” as defined in the JOBS Act, and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common stock may be less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We will take advantage of these reporting exemptions until we are no longer an “emerging growth company.” We will remain an “emerging growth company” until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenue of $1.07 billion or more, (ii) the last day of 2023, (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us difficult, limit attempts by our stockholders to replace or remove our current management and adversely affect our stock price.

Provisions of our certificate of incorporation and bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our stock. Among other things, the certificate of incorporation and bylaws:

- permit the Board to issue up to 10 million shares of preferred stock, with any rights, preferences and privileges as they may designate;
- provide that the authorized number of directors may be changed only by resolution of our Board;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be taken by written consent;
- create a staggered board of directors such that all members of our Board are not elected at one time;
- allow for the issuance of authorized but unissued shares of our capital stock without any further vote or action by our stockholders; and
- establish advance notice requirements for nominations for election to the Board or for proposing matters that can be acted upon at stockholders' meetings.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law ("DGCL") which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any stockholder owning in excess of 15% of our outstanding stock for a period of three years following the date on which the stockholder obtained such 15% equity interest in us.

The terms of our authorized preferred stock selected by our Board at any point could decrease the amount of earnings and assets available for distribution to holders of our common stock or adversely affect the rights and powers, including voting rights, of holders of our common stock without any further vote or action by the stockholders. As a result, the rights of holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued by us in the future, which could have the effect of decreasing the market price of our common stock.

Any provision of our certificate of incorporation or bylaws or Delaware corporate law that has the effect of delaying or deterring a change in control could limit opportunities for our stockholders to receive a premium for their shares of common stock, and could also affect the price that investors are willing to pay for our common stock.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our certificate of incorporation provides that, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders; (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws; or (d) any action asserting a claim against us governed by the internal affairs doctrine; *provided*, that, this provision would not apply to suits brought to enforce a duty or liability created by the Securities Act or Exchange Act. Furthermore, our bylaws designate the federal district courts of the United States as the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds more favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors or officers. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition, prospects or results of operations.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared or paid cash dividends on our equity securities. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of our existing LSA with SVB preclude us, and the terms of any future debt agreement may preclude us, from paying dividends. As a result, capital appreciation, if any, of our equity securities will likely be your sole source of gain for the foreseeable future.

General Risk Factors

General Risks Related to the Commercialization of our Product Candidates

Our business and operations are likely to be adversely affected by the evolving and ongoing COVID-19 global pandemic.

Our business and operations are likely to be adversely affected by the effects of the recent and evolving COVID-19 virus, which was declared by the World Health Organization as a global pandemic. The COVID-19 pandemic has resulted in travel and other restrictions in order to reduce the spread of the disease, including state and local orders across the United States that, among other things, directed individuals to shelter at their places of residence, directed businesses and governmental agencies to cease non-essential operations at physical locations, prohibited certain non-essential gatherings and events and ordered cessation of non-essential travel.

Remote work policies, quarantines, shelter-in-place and similar government orders, shutdowns or other restrictions on the conduct of business operations related to the COVID-19 pandemic may negatively impact productivity and our research and development activities, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. In addition, although our employees are accustomed to working remotely, changes in internal controls due to remote work arrangements may result in control deficiencies in the preparation of our financial reports, which could be material. Currently, most of our employees are working remotely, with only essential personnel working on site as needed to produce LIQ861 and prepare for a pre-approval inspection by the FDA.

Such orders may also impact personnel at third-party contract research organizations that conduct clinical trials or research activities, which could impact our ability to continue or commence such activities, or contract manufacturing facilities in the United States and other countries, or the availability or cost of materials, which would disrupt our supply chain and could affect our ability to conduct ongoing and planned clinical trials and preparatory activities.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

The global pandemic of COVID-19 continues to rapidly evolve. The extent to which the COVID-19 pandemic impacts our business and operations, including our clinical development and regulatory efforts, will depend on future developments that are highly uncertain and cannot be predicted with confidence at the time of this Annual Report on Form 10-K, such as the ultimate geographic spread of the disease, the duration of the outbreak, the duration and effect of business disruptions and the short-term effects and ultimate effectiveness of the travel restrictions, quarantines, social distancing requirements and business closures in the United States and other countries to contain and treat the disease. For example, during the course of the pandemic the FDA has at points delayed both domestic and foreign facility inspections. The agency announced in July 2020 that domestic facility inspections will be conducted but prioritized through a risk-based approach, while foreign facility inspections remain delayed unless the FDA determines they can be conducted based on an assessment of whether it is “mission-critical.” We expect the impact of COVID-19 on the FDA’s operations will continue to evolve. Accordingly, we do not yet know the full extent of potential delays or impacts on our business, our clinical and regulatory activities, healthcare systems or the global economy as a whole. However, these impacts could adversely affect our business, financial condition, results of operations and growth prospects.

In addition, to the extent the ongoing COVID-19 pandemic adversely affects our business and results of operations, it may also have the effect of heightening many of the other risks and uncertainties described in this “Risk Factors” section and the “Risk Factors” sections of the documents incorporated by reference herein.

The marketing approval processes of the FDA and comparable regulatory authorities in other countries are unpredictable and our product candidates may be subject to multiple rounds of review or may not receive marketing approval.

Pursuing marketing approval for a pharmaceutical product candidate (for example, through the NDA process) is an extensive, lengthy, expensive and inherently uncertain process. We cannot assure you that any of our product candidates will receive marketing approval. Regulatory authorities may delay, limit or deny approval of our product candidates for many reasons, including, but not limited to, the following:

- the FDA or comparable regulatory authorities may, for a variety of reasons, take the view that the data collected from our preclinical and clinical trials and human factors testing, or data that we otherwise submit or reference to support an application, are not sufficient to support approval of a product candidate;

- the FDA or comparable regulatory authorities in other countries may ultimately conclude that our manufacturing processes or facilities or those of our third-party manufacturers do not sufficiently demonstrate compliance with current good manufacturing practices (cGMP) to support approval of a product candidate; or that the drug CMC data or device biocompatibility data for our product candidates otherwise do not support approval;

- we may be unable to demonstrate to the satisfaction of the FDA or comparable regulatory authorities in other countries that our product candidate is safe and effective for its proposed indication, or that its clinical and other benefits outweigh its safety risks;

- the approval policies of the FDA or comparable regulatory authorities in other countries may change in a manner that renders our data insufficient for approval.

Even if we obtain marketing approval, the FDA or comparable regulatory authorities in other countries may approve our product candidates for fewer or more limited indications than those for which we requested approval or may include safety warnings or other restrictions that may negatively impact the commercial viability of our product candidates. Likewise, regulatory authorities may grant approval contingent on the performance of costly post-marketing clinical trials or other studies or the conduct of an expensive REMS, which could significantly reduce the potential for commercial success or viability of our product candidates. We also may not be able to find acceptable collaborators to manufacture our drug products, if and when approved, in commercial quantities and at acceptable prices, or at all.

If the FDA or comparable regulatory authorities in other countries approve generic versions of our product candidates, or do not grant our product candidates a sufficient period of market exclusivity before approving their generic versions, our ability to generate revenue may be adversely affected.

Once an NDA is approved, the drug product covered will be listed as a reference listed drug in the FDA's Orange Book. In the United States, manufacturers of drug products may seek approval of generic versions of reference listed drugs through the submission of abbreviated new drug applications (ANDAs). In support of an ANDA, a generic manufacturer is generally required to show that its product has the same active pharmaceutical ingredient(s), dosage form, strength, route of administration and conditions of use or labeling as the reference listed drug and that the generic version is bioequivalent to the reference listed drug. Generic drug products may be significantly less expensive to bring to market than the reference listed drug, and companies that produce generic drug products are generally able to offer them at lower prices. Thus, following the introduction of a generic drug product, a significant percentage of the sales of any reference listed drug may be lost to the generic drug product.

The FDA will not approve an ANDA for a generic drug product until the applicable period of market exclusivity for the reference listed drug has expired. The applicable period of market exclusivity varies depending on the type of exclusivity granted. A grant of market exclusivity is separate from the existence of patent protection and manufacturers may seek to launch generic versions of our drug products following the expiry of their respective marketing exclusivity periods, even if our drug products are still under patent protection at the relevant time.

Any competition that our product candidates may face, if and when such product candidates are approved for marketing and commercialized, from generic versions could substantially limit our ability to realize a return on our investment in the development of our product candidates and have a material and adverse effect on our business and prospects.

General Risk Related to the Development and Regulatory Approval of our Product Candidates

Even if we obtain marketing approval for our product candidates in the United States, we or our collaborators may not obtain marketing approval for the same product candidates elsewhere.

We may enter into strategic collaboration arrangements with third parties to commercialize our product candidates outside of the United States. In order to market any product candidate outside of the United States, we or our collaborators will be required to comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be recognized or accepted by regulatory authorities in other countries, and obtaining marketing approval in one country does not mean that marketing approval will be obtained in any other country. Approval processes vary among countries and additional product testing and validation, or additional administrative review periods, may be required from one country to the next.

Seeking marketing approval in countries other than the United States could be costly and time-consuming, especially if additional preclinical studies or clinical trials are required to be conducted. We currently do not have any product candidates approved for sale in any jurisdiction, including non-U.S. markets, and we do not have experience in obtaining marketing approval in non-U.S. markets. We currently also have not identified any collaborators to market our products outside of the United States and cannot assure you that such collaborators, even if identified, will be able to successfully obtain marketing approval for our product candidates outside of the United States. If we or our collaborators fail to obtain marketing approval in non-U.S. markets, or if such approval is delayed, our target market may be reduced, and our ability to realize the full market potential of our products will be adversely affected.

General Risk Related to Healthcare Regulation

The pharmaceutical industry is subject to a range of laws and regulations in areas including healthcare program requirements and fraud, waste, and abuse; healthcare and related marketing compliance and transparency; and privacy and data security. Our failure to comply with these laws and regulations as they are, or in the future become, applicable to us may have an adverse effect on our business.

Healthcare providers, physicians and third-party payors often play a primary role in the recommendation and prescription of any drug products for which we may obtain marketing approval, or for which we may provide contracted promotional services to third parties. Our current and future arrangements with healthcare providers, physicians, third-party payors and customers, and our sales, marketing and educational activities, may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations (at the federal and state level) that may constrain our business or financial arrangements and relationships through which we market, sell, or distribute drug products.

In addition, we may be subject to transparency laws and patient privacy regulation by both the federal government and the states in which we conduct our business.

The laws that may affect our ability to operate include, but are not limited to, the following examples:

- The federal Anti-Kickback Statute (AKS)prohibits, among other things, persons and entities including pharmaceutical manufacturers from, among other things, knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for or the purchase, lease, or order of, or the arranging for an item or service for which payment may be made, in whole or in part, under federal healthcare programs such as the Medicare and Medicaid programs.

- The federal civil and criminal false claims laws and civil monetary penalty laws impose a range of prohibitions and compliance considerations. For example, the False Claims Act (FCA) prohibits individuals or entities from, among other things, knowingly presenting, or causing to be presented, claims for payment to, or approval by, the federal government that are false, fictitious or fraudulent or knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. Claims resulting from a violation of the federal AKS constitute a false or fraudulent claim for purposes of the federal False Claims Act. Promotion that is deemed to be “off label” can be the basis of FCA exposure.

- Federal law includes provisions (established under the Health Insurance Portability and Accountability Act of 1996) addressing healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Violations of these statutes is a felony and may result in fines, imprisonment or exclusion from governmental programs.

- Privacy and data security laws may apply to our business. Under the Federal Trade Commission Act (the FTCA) Section 5(a), the FTC expects a company’s data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Medical data is considered sensitive data that merits stronger safeguards. States may also impose requirements, for example the California Consumer Privacy Act (CCPA) went into effect in January 2020 creating data privacy obligations for covered companies and providing privacy rights to California residents, including the right to opt out of certain disclosures of their information.

- The federal physician payment transparency requirements, sometimes referred to as the “Physician Payments Sunshine Act,” requires applicable manufacturers of covered drugs, devices, biologics and medical supplies for which payment is available under government healthcare programs to annually report to the Centers for Medicare and Medicaid Services (CMS) information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Payments and transfers of value made to certain other providers such as nurse practitioners and physician assistants beginning in 2021 will need to be reported under the Sunshine Act in 2022.

- For both investigational and commercialized products, interactions with or communications directed to healthcare professionals (HCPs), patients or patient- or disease-advocates or advocacy groups, and payors, are subject to heightened scrutiny by the FDA. Relative to non-promotional communications, for example, there are specific and limited FDA accommodations for non-promotional, truthful and non-misleading sharing of information regarding products in development and off-label uses including dissemination of peer-reviewed reprints, support of independent continuing medical education (CME), and healthcare economic discussions with payors. In a competitive environment, a company’s communications about products in development may also be subject to heightened scrutiny.

- Analogous state laws and regulations, such as state anti-kickback and false claims laws, may apply to items or services reimbursed by any third-party payor, including commercial insurers, and in some cases may apply regardless of payor (i.e., even for self-pay scenarios). Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report pricing and marketing information, including, among other things, information related to payments to physicians and other healthcare providers or marketing expenditures, state and local laws that require the registration of pharmaceutical sales representatives. Many of these state laws differ from each other in significant ways and may not have the same effect, and may apply more broadly or be stricter than their federal counterparts, thus complicating compliance efforts; and

- Price reporting laws require the calculation and reporting of complex pricing metrics to government programs, where such reported prices may be used in the calculation of reimbursements or discounts on our drug products. Participation in such programs and compliance with their requirements may subject us to increased infrastructure costs and potentially limit our ability to price our drug products.

Ensuring that our business and business arrangements with third parties comply with applicable healthcare laws, as well as responding to possible investigations by government authorities, can be time- and resource-consuming and can divert management's attention from the business, even if the government ultimately finds that no violation has occurred.

If our operations are found to be in violation of any of the laws or regulations described above or any other laws or government regulations that apply to us, we may be subject to penalties and potentially, the curtailment or restructuring of our operations as well as additional governmental reporting obligations and oversight, any of which could adversely affect our ability to operate our business and our results of operations.

General Risk Related to Our Dependence on Third Parties

We rely on third parties to conduct our preclinical studies and clinical trials.

We currently rely on, and plan to continue to rely on, third-party contract research organizations (CROs) to monitor and manage data for our preclinical studies and clinical trials. However, we are responsible for ensuring that each of our trials is conducted in accordance with the applicable regulatory standards and our reliance on CROs does not relieve us of our regulatory responsibilities.

The CROs on which we rely are required to comply with FDA regulations (and the regulations of comparable regulatory authorities in other countries) regarding GCP. Regulatory authorities enforce GCP standards through periodic inspections. If any of the CROs on which we rely fail to comply with the applicable GCP standards, the clinical data generated in our clinical trials may be deemed unreliable. While we have contractual agreements with these CROs, we have limited influence over their actual performance and cannot control whether or not they devote sufficient time and resources to our preclinical studies and clinical trials. A failure to comply with the applicable regulations in the conduct of the preclinical studies and clinical trials for our product candidates may require us to repeat such studies or trials, which would delay the process of obtaining marketing approval for our product candidates and have a material and adverse effect on our business and prospects.

Some of our CROs have the ability to terminate their respective agreements with us if, among others, it can be reasonably demonstrated that the safety of the patients participating in our clinical trials warrants such termination. If any of our agreements with our CROs is terminated, and if we are not able to enter into agreements with alternative CROs on acceptable terms or in a timely manner, or at all, the clinical development of our product candidates may be delayed and our development expenses could be increased.

General Risks Related to Legal Compliance Matters

Even if we obtain regulatory approval for a product candidate, our products and business will remain subject to ongoing regulatory obligations and review.

If our product candidates are approved, they will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, drug supply chain security surveillance and tracking, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies and submission of safety, efficacy and other post-market information, including both federal and state requirements in the United States and comparable requirements outside of the United States. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. Any regulatory approvals that we may receive for our product candidates may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a REMS as a condition of approval of our product candidates, which could include requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. We will also be required to report certain adverse reactions and production problems, if any, to the FDA or other regulatory agencies and to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. As such, we may not promote our products for indications or uses for which they do not have FDA or other regulatory agency approval. The holder of an approved NDA must also submit new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling, or manufacturing process. We could also be asked to conduct post-marketing clinical studies to verify the safety and efficacy of our product candidates in general or in specific patient subsets. An unsuccessful post-marketing study or failure to complete such a clinical study could result in the withdrawal of marketing approval. Furthermore, any new legislation addressing drug safety issues could result in delays in product development or commercialization or increased costs to assure compliance. Foreign regulatory authorities impose similar requirements. If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or disagrees with the promotion, marketing or labeling of a product, such regulatory agency may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we fail to comply with applicable regulatory requirements, a regulatory agency or enforcement authority may, among other things:

- issue warning letters asserting that we are in violation of the law;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any of our ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications submitted by us or our strategic partners;
- restrict the marketing or manufacturing of our products;
- seize or detain products, or require a product recall;
- refuse to permit the import or export of our product candidates; or
- refuse to allow us to enter into government contracts.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenue from our product candidates. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

General Risks Related to our Intellectual Property

We may become involved in litigation to protect our intellectual property or enforce our intellectual property rights, which could be expensive, time-consuming and may not be successful.

Competitors may infringe our patents or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, we may engage in litigation to, among others, enforce or defend our intellectual property rights, determine the validity or scope of our intellectual property rights and those of third parties, and protect our trade secrets. Such actions may be time-consuming and costly and may divert our management's attention from our core business and reduce the resources available for our clinical development, manufacturing and marketing activities, and consequently have a material and adverse effect on our business and prospects, regardless of the outcome.

In addition, in an infringement proceeding, a court may decide that a patent owned by, or licensed to, us is invalid or unenforceable, or may refuse to stop the other party from using the technology in question on the ground that our patents do not cover such technology. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that our confidential information may be compromised by disclosure.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. While various extensions may be available, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized.

We intend to seek extensions of patent terms in the United States and, if available, in other countries where we prosecute patents. In the United States, the Hatch-Waxman Act permits patent owners to request a patent term extension, based on the regulatory review period for a product, of up to five years beyond the normal expiration of the patent, which is limited to one patent claiming the approved drug product or use in an indication (or any additional indications approved during the period of extension). However, the applicable authorities, including the FDA and the USPTO, in the United States, and comparable regulatory authorities in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or grant more limited extensions than we had requested. In such event, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our preclinical and clinical data in their marketing approval applications with the FDA to launch their drug product earlier than might otherwise be the case.

General Risk Related to the Manufacturing of our Product Candidates

Our facilities are subject to extensive and ongoing regulatory requirements and failure to comply with these regulations may result in significant liability.

Our company and our facilities are subject to payment of fees, registration and listing requirements, ongoing review and periodic inspections by the FDA and other regulatory authorities for compliance with quality system regulations, including the FDA's cGMP requirements. These regulations cover all aspects of the manufacturing, testing, quality control and record-keeping of our drug products. Furthermore, the facilities where our product candidates are manufactured may be subject to inspection by the FDA before we can obtain marketing approval and remain subject to periodic inspection even after our product candidates have received marketing approval. Suppliers of components and materials, such as active pharmaceutical ingredients, used to manufacture our drug products are also required to comply with the applicable regulatory standards.

The manufacture of pharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and any contract manufacturers that we may engage in the future must comply with cGMP requirements. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up and validating initial production and contamination controls. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Furthermore, if microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.

Compliance with these regulatory standards often requires significant expense and effort. If we or our suppliers are unable to comply with the applicable regulatory standards or take satisfactory corrective steps in response to adverse results of an inspection, this could result in enforcement action, including, among others, the issue of a public warning letter, a shutdown of or restrictions on our or our suppliers' manufacturing operations, delays in approving our drug products and refusal to permit the import or export of our drug products. Any adverse regulatory action taken against us could subject us to significant liability and harm our business and prospects.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters is located in Morrisville, North Carolina, and consist of approximately 45,000 square feet of space under a lease that expires on October 31, 2026 and includes an option for us to renew for an additional five years through October 31, 2031, as amended. The primary use of this location is general office, laboratory, research and development and light manufacturing. We believe that our facilities are adequate for our current needs and for the foreseeable future; however, we will continue to seek additional space as needed to accommodate our growth.

Item 3. Legal Proceedings.

LIQ861-Related Litigation

On June 4, 2020, United Therapeutics Corporation, a Delaware corporation ("United Therapeutics"), filed a complaint for patent infringement against us in the U.S. District Court for the District of Delaware (Case No. 1:20-cv-00755-UNA) (the "Hatch-Waxman Litigation") asserting infringement by us of U.S. Patent Nos. 9,604,901, entitled "Process to Prepare Treprostinil, the Active Ingredient in Remodulin®" (the "'901 Patent") and 9,593,066, entitled "Process to Prepare Treprostinil, the Active Ingredient in Remodulin®" (the "'066 Patent") relating to United Therapeutics' Tyvaso®, a nebulized treprostinil solution for the treatment of pulmonary arterial hypertension (PAH). On July 16, 2020, we filed an answer to United Therapeutics' complaint and also included counterclaims of invalidity, non-infringement, and Orange Book de-listing of the '901 Patent and '066 Patent. United Therapeutics seeks a judgment that the asserted patents are infringed and an injunction of FDA final approval and subsequent commercial launch of LIQ861 product until after the latest to expire asserted patent. United Therapeutics' complaint is in response to our New Drug Application (the "LIQ861 NDA"), filed with the U.S. Food and Drug Administration (FDA) requesting approval to market LIQ861, a dry powder inhalation of treprostinil for the treatment of PAH. The LIQ861 NDA was filed under the 505(b)(2) regulatory pathway with Tyvaso® as the reference listed drug. Under the Hatch-Waxman Act, the FDA is automatically precluded from approving the LIQ861 NDA for up to 30 months, absent an earlier judgment unfavorable to United Therapeutics by the court. Although we believe our LIQ861 dry powder inhaler for the treatment of PAH is highly differentiated from Tyvaso®, since we are seeking approval of the LIQ861 NDA under the 505(b)(2) regulatory pathway, the LIQ861 NDA is subject to the provisions of the Hatch-Waxman Act.

On July 21, 2020, the U.S. Patent and Trademark Office (the "USPTO"), issued U.S. Patent No. 10,716,793 (the "'793 Patent") entitled "Treprostinil Administration by Inhalation", to United Therapeutics. On July 22, 2020, United Therapeutics filed an amended complaint in the Hatch-Waxman Litigation asserting infringement of the '793 Patent by the practice of LIQ861. The infringement allegation of the '793 Patent is separate from the 30-month regulatory stay on final approval of the NDA for LIQ861, which is only associated with the infringement allegations of the '901 Patent and the '066 Patent. We are required to make a certification with respect to the '793 Patent in our NDA for LIQ861. United Therapeutics' motion to dismiss the Company's invalidity defenses and counterclaims concerning the '793 Patent was denied by the U.S. District Court for the District of Delaware on November 3, 2020.

On July 30, 2020, Judge Andrews, presiding over the Hatch-Waxman Litigation, conducted a scheduling conference and set a claim construction hearing in May 2021 and set the trial to begin in March 2022.

On March 30, 2020, we filed two petitions for inter partes review with the Patent Trial and Appeal Board (the PTAB) of USPTO. One petition was for inter partes review of the '901 Patent, and sought a determination that the claims in the '901 Patent are invalid, and a second petition was for inter partes review of the '066 Patent, and sought a determination that the claims in the '066 Patent are invalid. Both the '901 Patent and '066 Patent are owned by United Therapeutics and both patents are related to U.S. Patent No. 8,497,393 which was granted to United Therapeutics and subsequently invalidated by the USPTO in an inter partes review instituted in 2016 by SteadyMed Ltd. On October 13, 2020, the PTAB instituted an inter partes review of the '901 Patent and concurrently denied institution on the '066 Patent, stating that the '066 petition has not established a reasonable likelihood that it would prevail in showing that at least one of the challenged claims is unpatentable. A final written decision determining the validity of the challenged claims of the '901 Patent is expected within 12 months from institution.

On January 7, 2021, we filed a petition for inter partes review with the PTAB, relating to the '793 patent, which is also owned by United Therapeutics, seeking a determination that the claims in the '793 patent are invalid. A determination by the PTAB to institute the petition is expected in the third quarter of 2021, and a final written decision determining the validity of the challenged claims of the '793 patent, if the petition is instituted by the PTAB, is expected within 12 months from institution.

Liquidia PAH Related Litigation

On April 16, 2019, Sandoz and Liquidia PAH (then known as RareGen) filed a complaint against United Therapeutics and Smiths Medical in the District Court of New Jersey (Case No. No. 3:19-cv-10170) (the "UTC/Smiths Medical Litigation"), alleging that United Therapeutics and Smiths Medical violated the Sherman Antitrust Act of 1890, state law antitrust statutes and unfair competition statutes by engaging in anticompetitive acts regarding the drug treprostinil for the treatment of PAH. On March 20, 2020, Sandoz and Liquidia PAH filed a first amended complaint adding a claim that United Therapeutics breached a settlement agreement that was entered into in 2015, in which United Therapeutics agreed to not interfere with Sandoz's efforts to launch its generic treprostinil, by taking calculated steps to restrict and interfere with the launch of Sandoz's competing generic product. United Therapeutics developed treprostinil under the brand name Remodulin® and Smiths Medical manufactured a pump and cartridges that are used to inject treprostinil into patients continuously throughout the day. Sandoz and Liquidia PAH allege that United Therapeutics and Smiths Medical entered into anticompetitive agreements (i) whereby Smiths Medical placed restrictions on the cartridges such that they can only be used with United Therapeutics' branded Remodulin® product and (ii) requiring Smiths Medical to enter into agreements with specialty pharmacies to sell the cartridges only for use with Remodulin®.

On January 29, 2020, the court denied Liquidia PAH's and Sandoz's motion for a preliminary injunction and United Therapeutics' and Smiths Medicals' motion to dismiss. On November 6, 2020, Sandoz and Liquidia PAH entered into the Term Sheet with Smiths Medical, in order to resolve the outstanding UTC/Smiths Medical Litigation solely with respect to disputes between Smiths Medical, Liquidia PAH and Sandoz. In accordance with the Term Sheet, former RareGen members and Sandoz received a payment of $4.25 million (the Settlement Proceeds), which was evenly split between the parties. In addition, pursuant to the Term Sheet, Smiths Medical disclosed and made available to Sandoz and Liquidia PAH certain specifications and other information related to the cartridge that Smiths Medical developed and manufactures for use with the CADD-MS 3 Infusion pump (the CADD-MS 3 Cartridge). Pursuant to the Term Sheet, Smiths Medical also granted Liquidia PAH and Sandoz a non-exclusive, royalty-free license in the United States to Smiths Medical's 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 Cartridges. As of the date of this Annual Report on Form 10-K, the UTC/Smiths Medical Litigation was still in process.

We may become subject to additional legal proceedings and claims arising in connection with the normal course of our business. In the opinion of management, except as disclosed herein, there are currently no claims that would have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock has been listed on the Nasdaq Capital Market under the symbol "LQDA" since November 19, 2020. Between July 26, 2018 and November 18, 2019, the common stock of Liquidia Technologies, our wholly owned subsidiary and predecessor-in-interest for SEC reporting purposes, was listed on the Nasdaq Capital Market under the symbol "LQDA." Prior to July 26, 2018, there was no established public trading market for our common stock. As of March 15, 2021, the closing price of our common stock was $2.90 per share.

Holders

As of March 8, 2021, there were 82 record holders of our common stock, based upon information received from our transfer agent. However, this number does not include beneficial owners whose shares were held of record by nominees or broker dealers. We estimate that there are more than 1,000 beneficial owners of our common stock.

Dividend Policy

We have never paid any cash dividends on our capital stock. We anticipate that we will retain earnings, if any, to support operations and to finance the growth and development of our business. In addition, the terms of our LSA with SVB precludes us from paying cash dividends without the prior written consent of SVB. Therefore, we do not expect to pay cash dividends for the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding equity compensation plans is set forth in Item 12 of this Annual Report on Form 10-K and is incorporated herein by reference.

Stock Performance Graph

Not applicable.

Sale of Unregistered Securities

Previously disclosed on a Current Report on Form 8-K filed with the SEC on December 16, 2020 relating to the option granted to Damian deGoa, our Chief Executive Officer, exempt from the registration requirements of the Securities Act pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Ac.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any of our securities during the three months ended December 31, 2020.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing in this Annual Report on Form 10-K. This discussion and other parts of this Annual Report on Form 10-K contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Annual Report on Form 10-K, our actual results could differ materially from the results described in, or implied by, the forward-looking statements contained in the following discussion and analysis.

Overview

We are a biopharmaceutical company focused on the development, manufacturing and commercialization of products that address unmet patient needs, with current focus directed towards the treatment of pulmonary hypertension (PH). We operate as a single entity through our two wholly owned operating subsidiaries, Liquidia Technologies and Liquidia PAH (formerly known as RareGen).

We generate revenue pursuant to a Promotion Agreement between Liquidia PAH and Sandoz Inc. ("Sandoz"). sharing profit derived from the sale of the first-to-file fully substitutable generic treprostinil injection ("Treprostinil Injection") in the United States. Liquidia PAH has the exclusive rights to conduct commercial activities to encourage the appropriate use of Treprostinil Injection. We employ a targeted sales force calling on physicians and hospital pharmacies involved in the treatment of PAH, as well as key stakeholders involved in the distribution and reimbursement of Treprostinil Injection. Strategically, we believe that our commercial presence in the field will enable an efficient launch of LIQ861 upon approval, leveraging existing relationships and further validating our reputation as a company committed to supporting PAH patients.

We conduct research, development and manufacturing of novel products by applying our proprietary PRINT® technology, a particle engineering platform, to enable precise production of uniform drug particles designed to improve the safety, efficacy and performance of a wide range of therapies. We have development experience in inhaled therapies, vaccines, biologics, and implants, among others.

We have not generated any revenue to date from the sale of pharmaceutical products, and we have historically financed our operations in large part with an aggregate of $311.0 million of gross proceeds from sales of our capital stock and convertible promissory notes and term loans from banks. We do not expect to generate significant product revenue unless and until we obtain marketing approval for and commercialize LIQ861, LIQ865 or one of our other future product candidates. Following the acquisition of Liquidia PAH in the fourth quarter of 2020, we began to generate service revenues under the Sandoz Promotion Agreement.

Since our inception, we have incurred significant operating losses. Our net loss was $59.8 million and $47.6 million for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we had an accumulated deficit of $275.0 million. We expect to incur significant expenses and operating losses for the foreseeable future as we advance our product candidates through clinical trials, seek regulatory approval and pursue commercialization of any approved product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. In addition, we may incur expenses in connection with the in-license or acquisition of additional product candidates.

Product Pipeline

We are currently developing two product candidates for which we hold worldwide commercial rights: LIQ861 to treat PAH, and LIQ865 to treat post-operative pain.

Our most advanced development product, LIQ861, is an inhaled dry powder formulation of treprostinil designed to improve the therapeutic profile of treprostinil by enhancing deep lung delivery and achieving higher dose levels than current inhaled therapies while using a convenient, east-to-use dry-powder inhaler (DPI). We submitted the New Drug Application (NDA) for LIQ861 in January 2020 and we are actively preparing our reply to the Complete Response Letter (CRL) issued by the U.S. Food and Drug Administration (FDA) in November 2020.

Our second product candidate, LIQ865, is designed to deliver sustained release of bupivacaine, a non-opioid anesthetic, to treat local post-operative pain for three to five days through a single administration. We have completed two Phase 1 clinical trials and additional toxicology studies to help enable continued clinical development in Phase 2 studies of LIQ865. We will seek to advance LIQ865 through a strategic collaboration with an external partner in order for Liquidia to focus efforts on its lead asset, LIQ861, and commercial efforts to support Treprostinil Injection.

Recent Events

On February 26, 2021 (the "Effective Date"), we and our two wholly owned subsidiaries, Liquidia Technologies and Liquidia PAH, entered into a Loan and Security Agreement (the "Loan Agreement") with Silicon Valley Bank, a California corporation, as lender ("SVB").

The Loan Agreement established a term loan facility in the aggregate principal amount of up to $20.5 million (the "Term Loan Facility"). An initial $10.5 million (the "Term A Loan") was funded on March 1, 2021. Availability of $5.0 million under the second tranche of the Term Loan Facility (the "Term B Loan") is conditioned upon us having received tentative U.S. Food and Drug Administration (FDA) approval for LIQ861 by June 30, 2022, and availability of $5.0 million under the third tranche of the Term Loan Facility (the "Term C Loan" and, collectively with the Term A Loan and Term B Loan, the "Term Loans") is conditioned upon us having received final and unconditional FDA approval for LIQ861 by December 31, 2022. The entire Term A Loan was used to satisfy our existing obligations under our previously disclosed Amended and Restated Loan and Security Agreement, dated as of October 26, 2018, as amended, by and between us and Pacific Western Bank, consisting of approximately $9.4 million in outstanding principal and interest, and such obligations are considered fully repaid and terminated.

As security for its obligations under the Loan Agreement, we granted SVB a continuing security interest in substantially all of our assets, other than intellectual property.

The Term Loans made under the Term Loan Facility mature on September 1, 2024 (the "Maturity Date") and have an interest-only monthly payment period through March 31, 2023 (the "Interest-Only Period"). Following the Interest-Only Period, we will begin making monthly payments of principal and interest until the Maturity Date. Interest will accrue on the unpaid principal balance of the outstanding Term Loans at a floating per annum rate equal to the greater of (i) the Wall Street Journal prime rate plus 0.75% and (ii) four percent (4.0%). Furthermore, on the earliest to occur of (x) the Maturity Date, (y) the date the Term Loans are repaid in full or (z) the date of termination of the Loan Agreement, we shall pay to SVB five percent (5.0%) of the aggregate original principal amount of all Term Loans made by SVB (the "Final Payment").

In the event that we elect to terminate the Term Loan Facility in its entirety, we may do so at any time by paying the outstanding principal balance, unpaid accrued interest, the Final Payment and a prepayment fee equal to (i) five percent (5.0%) of the outstanding principal balance, if such prepayment is made during the Interest-Only Period or (ii) zero, if such prepayment is made after the Interest-Only Period and before the Maturity Date.

Subject to certain exceptions, the Loan Agreement contains covenants prohibiting us from, among other things, and subject to certain limited exceptions: (a) conveying, selling, leasing, transferring or otherwise disposing of our properties or assets; (b) liquidating or dissolving; (c) engaging in any business other than the business currently engaged in or reasonably related thereto by us or any of our subsidiaries; (d) engaging in mergers or acquisitions; (e) incurrence of additional indebtedness; (f) allowing any lien or encumbrance on any of our property; (g) paying any dividends; (h) repurchasing our equity; and (i) making payment on subordinated debt. In addition, the Loan Agreement requires us to maintain an unrestricted and unencumbered "Minimum Cash Balance" (as defined therein) equal to at least (i) $30.0 million during the period commencing on the Effective Date and including the date immediately prior to the funding date of the Term B Loan (the "Term B Loan Funding Date") and (ii) during the period commencing on the Term B Loan Funding Date through and including the date immediately prior to the funding date of the Term C Loan (the "Term C Loan Funding Date"), $35.0 million. Moreover, in the event the Minimum Cash Balance is not achieved during any calendar quarter during the term of the Loan Agreement, the Loan Agreement requires us to maintain cumulative "Cash Burn" (as defined in the Loan Agreement) for the periods ending March 31, 2021, June 30, 2021, September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022 and for each calendar quarter thereafter equal to $10.5 million, $17.0 million, $23.0 million, $28.5 million, $33.5 million and $38.0 million, respectively; *provided*, *however*, that the above amounts shall be increased by an amount equal to 75% of the aggregate net cash proceeds received by us from the sale of our equity securities on or after the Effective Date but on or prior to the last day of such calendar quarter; *provided*, *further*, that upon the Term C Loan Funding Date, the Cash Burn covenant shall no longer apply.

The Loan Agreement also contains customary events of default, including among other things, our failure to make any principal or interest payments when due, the occurrence of certain bankruptcy or insolvency events or our breach of the covenants under the Loan Agreement, or other material adverse changes relating to our company. Furthermore, per the Loan Agreement, an event of default shall occur upon any formal court ruling against us that SVB determines in its good faith busines judgment is reasonably likely to prohibit our ability to obtain final approval from the FDA with respect to our NDA for LIQ861 or impair or delay our ability to commercialize LIQ861 as currently contemplated. Upon the occurrence of an event of default, SVB may, among other things, accelerate our obligations under the Loan Agreement.

In connection with the Loan Agreement, we issued to SVB a warrant, dated as of the Effective Date (the "Warrant"), to purchase up to 200,000 shares of our common stock, of which (x) 100,000 shares vested on the Effective Date, with an exercise price per share equal to $3.05, and (y) 50,000 shares shall vest on each of the Term B Loan Funding Date and Term C Loan Funding Date, with an exercise price per share equal to the lower of (i) the trailing 10-day average price of the common stock on the applicable funding date and (ii) the closing price per share of common stock on the trading day prior to applicable funding date. The Warrant is exercisable for ten (10) years from the date of issuance, and will be exercised automatically on a net issuance basis if not exercised prior to the expiration date and if the then-current fair market value of one share of common stock is greater than the exercise price then in effect.

Components of Statements of Operations

Revenue

We primarily generate revenue pursuant to the Promotion Agreement, under which we share in the profit derived from the sale of Treprostinil Injection in the United States. Liquidia PAH has the exclusive rights to conduct commercial activities to encourage the appropriate use of Treprostinil Injection. We also derive revenue from licensing our proprietary PRINT® technology and from conducting research, development and manufacturing of novel products by applying our proprietary PRINT® technology. We expect our revenue to increase significantly as a result of the inclusion of Liquidia PAH in our operating results.

Cost of Revenue

Cost of revenue consists of (i) the cost of employing a targeted sales force calling on physicians and hospital pharmacies involved in the treatment of PAH, as well as key stakeholders involved in the distribution and reimbursement of Treprostinil Injection, (ii) a portion of the amortization of the intangible asset associated with the Promotion Agreement and (iii) amortization of license fees owed to UNC upon our receipt of licensing revenues. See "Business — Our Collaboration and Licensing Agreements" for further details. We amortize the Promotion Agreement and the license fees owed to UNC in a manner consistent with our recognition of the related revenue. We expect our cost of revenue to increase in conjunction with the expected increase in revenue.

Research and Development Expenses

Research and development expense consists of expenses incurred in connection with the development of our product candidates. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with CROs as well as investigative sites and consultants that conduct our clinical trials and preclinical studies;
- manufacturing process development and scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial materials and commercial materials, including manufacturing validation batches;
- outsourced professional scientific development services;
- employee-related expenses, which include salaries, benefits and share-based compensation for personnel in research and development functions;
- expenses relating to regulatory activities, including filing fees paid to regulatory agencies;
- laboratory materials and supplies used to support our research activities; and
- allocated expenses for utilities and other facility-related costs.

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. In the near term we expect our research and development expenses to decrease, however, levels of research and development spending are highly dependent upon the progression of product candidates. The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or when, if ever, material net cash inflows may commence from any of our product candidates. This uncertainty is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of many factors, including:

- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;
- the number of doses patients receive;

- the duration of patient follow-up; and
- the results of our clinical trials.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals, and the expense of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights. We may never succeed in achieving regulatory approval for any of our product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authorities were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical trials, or our ability to manufacture and supply product, we could be required to expend significant additional financial resources and time on the completion of clinical development. Drug commercialization will take several years and millions of dollars in development costs.

General and Administrative Expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive, administrative, finance and legal functions, including share-based compensation, travel expenses and recruiting expenses. Other general and administrative expenses include facility related costs, patent filing and prosecution costs and professional fees for marketing, legal, auditing and tax services and insurance costs.

We anticipate that our general and administrative expenses will decrease in the short-term as a result of lower personnel costs, including share-based compensation, reflecting our reduction-in-force and cash conservation measures enacted during the first quarter of 2021. When we believe a regulatory approval of a product candidate appears likely, we anticipate an increase in payroll and expense as a result of our preparation for commercial operations, especially as it relates to our sales and marketing.

Other Income (Expense)

Other income (expense) is comprised primarily of interest income and expense. Interest income consists of interest earned on our cash deposits. Interest expense consists of interest charges on leases and debt. These charges include monthly recurring interest on such obligations in addition to non-cash charges. Non-cash charges include the expensing of debt issuance costs and amortization of discounts on long-term debt to interest expense.

Comparison of the Years Ended December 31, 2020 and 2019

The following table summarizes our results of operations:

	Year Ended December 31,		$	%
	2020	2019	Change	Change
	(in thousands)			
Net service revenue	$ 740	$ —	$ 740	*
Collaboration revenue	—	8,072	(8,072)	*
Total revenue	740	8,072	(7,332)	*
Costs and expenses:				
Cost of revenue	238	807	(569)	*
Research and development	32,222	40,491	(8,269)	(20.4)%
General and administrative	27,369	13,597	13,772	101.3%
Total costs and expenses	59,829	54,895	4,934	9.0%
Loss from operations	(59,089)	(46,823)	(12,266)	(26.2)%
Other income (expense):				
Interest income	184	614	(430)	(70.0)%
Interest expense	(858)	(1,374)	516	37.5%
Total other income (expense)	(674)	(760)	86	11.3%
Net loss	$ (59,763)	$ (47,583)	$ (12,180)	(25.6)%

* Not meaningful

Revenue

Revenue was $0.7 million for the year ended December 31, 2020, compared with $8.1 million for the year ended December 31, 2019. The decrease of $7.3 million, or 90.8%, was due to the full recognition in the second quarter of 2019 of $8.1 million of deferred revenue from the GSK ICO Agreement resulting from the third amendment to such agreement that was entered into in June 2019 which was offset by revenue recognized in 2020 under the Promotion Agreement after the acquisition of Liquidia PAH in November 2020.

Cost of Revenue

We recognized $0.2 million of cost of revenue for the year ended December 31, 2020, compared with $0.8 million for the year ended December 31, 2019. As noted above, the decrease of $0.6 million was due to the decrease in revenue. Cost of revenue during the year ended December 31, 2020 includes sales force costs as well as the cost of a portion of the amortization of the intangible asset associated with the Promotion Agreement. Cost of revenue during the year ended December 31, 2019 represents sub-licensing fees paid to UNC when licensing revenue is recognized from the use of the intellectual property that we in-licensed from UNC.

Research and Development Expenses

Research and development expenses were $32.2 million for the year ended December 31, 2020 compared with $40.5 million for the year ended December 31, 2019, a decrease of $8.3 million or 20.4%. The decrease primarily related to lower expenses from our LIQ861 clinical program, which was substantially completed prior to filing the NDA in April 2020 and lower expenses from our LIQ865 clinical program. During the year ended December 31, 2020, we incurred $17.4 million related to LIQ861 compared to $23.6 million during the year ended December 31, 2019. During the year ended December 31, 2020, we incurred $0.8 million related to LIQ865 compared to $3.4 million during the year ended December 2019. Research and development expenses for the year ended December 31, 2020 and 2019 also included $12.0 million and $11.9 million, respectively, in consulting and personnel costs, including share-based compensation.

General and Administrative Expenses

General and administrative expenses were $27.4 million for the year ended December 31, 2020, compared with $13.6 million for the year ended December 31, 2019. The increase of $13.8 million, or 101.3%, was due to $4.8 million in expenses related to our acquisition of Liquidia PAH, $2.4 million in legal and patent expenses from our ongoing LIQ861-related litigation, an increase of $5.8 million in outside consulting expenses and personnel costs, including share-based compensation and a one-time charge of $1.4 million associated with a reduction of headcount.

Other Income (Expense)

Interest income was $0.2 million for the year ended December 31, 2020, compared with $0.6 million for the year ended December 31, 2019. The decrease in interest income of $0.4 million was primarily due to lower interest rates earned during the year ended December 31, 2020 compared with the year ended December 31, 2020.

Interest expense was $0.9 million for the year ended December 31, 2020, compared with $1.4 million for the year ended December 31, 2019. The decrease in interest expense of $0.5 million was primarily due to lower levels of debt during the year ended December 31, 2020 compared with the year ended December 31, 2019.

Liquidity and Capital Resources

Sources of Liquidity

As of December 31, 2020 and 2019, we had cash of $65.3 million and $55.8 million, respectively.

We have financed our growth and operations through a combination of funds generated from revenues, the issuance of convertible preferred stock and common stock, finance leases, bank borrowings and the issuance of convertible notes. Our principal uses of cash have been for working capital requirements and capital expenditures. As of December 31, 2020, we had a cash balance of $65.3 million, stockholders’ equity of $71.1 million and an accumulated deficit of $275.0 million.

In July 2020, we closed an underwritten public offering of 9,375,000 shares of our common stock at a price of $8.00 per share. The gross proceeds from the offering were $75.0 million and net proceeds were approximately $70.3 million, after deducting underwriting discounts and commissions and other offering expenses.

In December 2019, we entered into a Common Stock Purchase Agreement (the "Purchase Agreement") with certain institutional accredited investors (the "Purchasers") for the sale by us in a private placement (the "Private Placement") of an aggregate of 7,164,534 shares (the "Private Placement Shares") of our common stock, at a purchase price of $3.13 per Private Placement Share. The gross proceeds from the sale of the Private Placement Shares were $22.4 million and net proceeds were $21.0 million, after placement agent fees and offering expenses.

In August 2019, we entered into a sales agreement (the "ATM Agreement") with Jefferies to issue and sell shares of our common stock, having an aggregate offering price of up to $40.0 million, from time to time during the term of the ATM Agreement, through an "at-the-market" equity offering program at our sole discretion, under which Jefferies acted as our agent and/or principal. We paid Jefferies a commission equal to 3.0% of the gross proceeds of any common stock sold through Jefferies under the ATM Agreement. During the year ended December 31, 2019, we sold 2,409,356 shares of our common stock for gross proceeds of $8.4 million and net proceeds were $8.1 million, after deducting underwriting discounts and other offering expenses under the ATM Agreement. During the year ended December 31, 2020, we sold 131,425 shares of our common stock for net proceeds of $0.7 million, after deducting underwriting discounts and other offering expenses under the ATM Agreement. We anticipate entering into a new sales agreement with Jefferies with Liquidia Corporation as the issuer in 2021, which would supersede the ATM Agreement with Liquidia Technologies as the issuer.

In March 2019, we closed an underwritten follow-on offering of 3,000,000 shares of our common stock at a public offering price of $11.50 per share. The gross proceeds from the offering were $34.5 million and net proceeds were $31.8 million, after deducting underwriting discounts and commissions and other offering expenses.

In October 2018, we and PWB entered into an Amended and Restated Loan and Security Agreement (the "A&R LSA") in which we received an initial tranche of $11.0 million to extinguish our then-current debt of $8.0 million and repay in full the outstanding indebtedness under a previously issued promissory note. The A&R LSA provided for access to a second tranche of up to $5.0 million, the full amount of which we drew in June 2019. The second tranche became accessible as a result of the full enrollment of the Company's LIQ861 INSPIRE clinical trial, without observing any materially adverse data through the two-week endpoint. Both tranches required payments of interest-only through December 31, 2019. The A&R LSA carried a one-time success fee of $375,000, which was triggered in December 2019 by the sale of our common stock and this was recorded as interest expense of $375,000 during the year ended December 2019.

In February 2021, we entered into a Loan and Security Agreement with Silicon Valley Bank, the proceeds of which were used to pay off the approximately $9.4 million in outstanding principal and interest under A&R LSA. We received a 24-month interest-only period and also have access to additional tranches of capital, pending achievement of certain milestones. See "Recent Events" for further information.

Future Funding Requirements

We plan to focus in the near-term on the development, regulatory approval and potential commercialization of LIQ861. We anticipate we will incur net losses for the next several years as we complete clinical development of these product candidates and continue research and development of additional product candidates. In addition, we plan to commercialize LIQ861, continue sales of generic Remodulin® through our Liquidia PAH acquisition, expand our corporate infrastructure and continue to invest in research and development efforts to explore additional product candidates. We may not be able to complete the development and initiate commercialization of these programs if, among others, our clinical trials are not successful or if the FDA does not approve our product candidates arising out of our current clinical trials when we expect, or at all.

Our primary uses of capital are, and we expect will continue to be, compensation and related personnel expenses, clinical costs, manufacturing process development, external research and development services, laboratory and related supplies, legal and other regulatory expenses, administrative and overhead costs and debt service. Our future funding requirements will be heavily determined by the resources needed to support development of our product candidates. Additionally, as a publicly traded company we incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act, as well as rules adopted by the SEC and Nasdaq Stock Market LLC ("Nasdaq") require public companies to implement specified corporate governance practices.

We believe that our current cash balance will enable us to fund our operating expenses and capital expenditure requirements through key value-creating events in 2021 and 2022, beyond the projected expiration of the regulatory stay in October 2022. We are in the process of implementing a more cost-efficient operating plan to further improve our cashflow. In addition, the close of the Merger Transaction has the potential to improve our cashflow going forward. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. We expect that we will require additional capital to complete NDA regulatory review of LIQ861 and commercialize our product candidates, if we receive regulatory approval, and to pursue in-licenses or acquisitions of other product candidates. If we receive regulatory approval for LIQ861 or LIQ865, we expect to incur significant commercialization expenses related to product manufacturing, sales, marketing and distribution, depending on where we choose to commercialize. Additional funds may not be available on a timely basis, on favorable terms, or at all, and such funds, if raised, may not be sufficient to enable us to continue to implement our long-term business strategy. If we are unable to raise sufficient additional capital, we may need to substantially curtail our planned operations and the pursuit of our growth strategy.

We may raise additional capital through licensing activities, other business arrangements or the sale of equity or convertible debt securities. In such an event, the ownership of our existing shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights associated with holdings of our common stock.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceuticals, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on many factors, including:

- the number and characteristics of the product candidates we pursue;
- the scope, progress, results and costs of researching and developing our product candidates, and conducting preclinical studies and clinical trials;
- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates;
- the cost of manufacturing our product candidates and any product we successfully commercialize;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, including litigation costs and the outcome of such litigation; and
- the timing, receipt and amount of sales of, or milestone payments related to or royalties on, our current or future product candidates, if any.

See “Risk Factors” for additional risks associated with our substantial capital requirements.

Cash Flows

The following table summarizes our sources and uses of cash:

	Year Ended December 31,	
	2020	**2019**
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	$ (54,145)	$ (48,283)
Investing activities	248	(1,850)
Financing activities	63,417	66,394
Net (decrease) increase in cash	$ 9,520	$ 16,261

Operating Activities

Net cash used in operating activities increased $5.9 million to $54.1 million for the year ended December 31, 2020 from $48.3 million for the year ended December 31, 2019. The increase was mainly due to an increase in our general and administrative expenses partially offset by a decrease in our research and development expenses during the year ended December 31, 2020 compared with 2019. For the year ended December 31, 2020, the net cash used in operating activities of $54.1 million was comprised of operating cash outflows before working capital changes of $52.4 million and net working capital outflows of $1.7 million. For the year ended December 31, 2019, the net cash used in operating activities of $48.3 million was comprised of operating cash outflows before working capital changes of $40.8 million and net working capital outflows of $7.5 million.

Investing Activities

Net cash provided by investing activities consisted of $1.0 million acquired from the acquisition of Liquidia PAH as well as purchases of property, plant and equipment of $0.8 million during the year ended December 31, 2020 compared with $1.9 million during the year ended December 31, 2020.

Financing activities

Net cash provided by financing activities was $63.4 million during the year ended December 31, 2020 compared with $66.4 million provided by financing activities during the year ended December 31, 2019. During the year ended December 31, 2020, we received $70.3 million from the public offering of common stock in July 2020 and $0.7 million from the sale of our common stock under our ATM facility, which was offset by $5.6 million in principal payments on our long-term debt, $1.6 million for expenses related to our sale of Private Placement Shares that closed in December 2019 and $1.1 million in principal payments on our finance leases. During the year ended December 31, 2019, cash provided by financing activities consisted primarily of $63.0 million in net proceeds from a follow-on sale of our common stock and a $5.0 million draw under the A&R LSA.

Contractual Obligations and Commitments

In connection with the Merger Transaction, we agreed to issue additional consideration of up to 2,708,333 additional shares of common stock to the former equity holders of Raregen (now Liqudia PAH) contingent on achievement of certain revenue targets during the year ended December 31, 2021. As of December 31, 2020, the fair value of this contingent consideration was deemed to be immaterial.

In March 2012, the Company entered into an agreement, as amended, with Chasm Technologies, Inc. for manufacturing consulting services related to the Company's manufacturing capabilities during the term of the agreement. The Company agreed to pay future contingent royalties on net sales totaling no more than $1,500,000, none of which has been earned as of December 31, 2020.

We enter into contracts in the normal course of business with contract service providers to assist in the performance of our research and development and manufacturing activities. Subject to required notice periods and our obligations under binding purchase orders, we can elect to discontinue the work under these agreements at any time. In addition, we have entered into a multi-year agreement with LGM Pharma, LLC ("LGM") to produce active pharmaceutical ingredients for LIQ861. Under our manufacturing agreement with LGM, we are required to provide rolling forecasts, a portion of which will be considered a binding, firm order, subject to an annual minimum purchase commitment of $3.1 million for the term of the agreement. The agreement expires five years from the first marketing authorization approval of LIQ861. This minimum commitment was waived for the year ended December 31, 2021.

We have operating lease obligations including rental amounts due on leases of certain laboratory, manufacturing and office space and equipment under the terms of non-cancelable operating leases. These leases expire at various times through October 2026. Minimum operating lease payments are $1.2 million in 2021, $1.2 million in 2022, $1.3 million in 2023, $1.3 million in 2024, $1.4 million in 2025 and $1.2 million in 2026.

We lease specialized laboratory equipment under finance leases expiring in 2022. Minimum finance lease payments are $1.0 million in 2021 and $0.3 million in 2022.

We from time-to-time are subject to claims and litigation in the normal course of business, none of which we believe represent a risk of material loss or exposure.

We also have employment agreements with certain employees which require the funding of a specific level of payments, if certain events, such as a change in control or termination without cause, occur.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with U.S. GAAP. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements includes a summary of the significant accounting policies we used to prepare our consolidated financial statements. We have discussed the selection and disclosure of our critical accounting policies and estimates with our Audit Committee. The following is a review of our most significant policies and estimates.

Goodwill and Long-Lived Assets

Goodwill

Goodwill represents the excess of purchase price over the fair value of the net assets of businesses acquired. We acquired goodwill in the Merger Transaction of $3,903,282 which primarily represents the Liquidia PAH assembled workforce. On an annual basis and at various times throughout the year if impairment indicators are present, we make a qualitative assessment to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If we determine that the fair value of the reporting unit is less than its carrying amount, we will perform a quantitative analysis; otherwise, no further evaluation is necessary. As of December 31, 2020, we determined there was no impairment of goodwill (see Note 2 to the Financial Statements for the Goodwill accounting policy).

Long-Lived Assets

We review long-lived assets, including definite-life intangible assets, for realizability on an ongoing basis. Changes in depreciation and amortization, generally accelerated depreciation and variable amortization, are determined and recorded when estimates of the remaining useful lives or residual values of long-term assets change. We also review for impairment when conditions exist that indicate the carrying amount of the assets may not be fully recoverable. In those circumstances, we perform undiscounted operating cash flow analyses to determine if an impairment exists. When testing for asset impairment, we group assets and liabilities at the lowest level for which cash flows are separately identifiable. Any impairment loss is calculated as the excess of the asset's carrying value over its estimated fair value. Fair value is estimated based on the discounted cash flows for the asset group over the remaining useful life or based on the expected cash proceeds for the asset less costs of disposal. Any impairment losses would be recorded in the consolidated statements of operations. To date, no such impairments have occurred.

Revenue Recognition from Promotion Agreements

We recognize 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.

In order to identify the performance obligations in a contract with a customer, we assess the promised goods or services in the contract and identify each promised good or service that is distinct. 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 we expect 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. We evaluate 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. We recognize revenue when we satisfy a performance obligation by transferring control over a service to a customer.

On August 1, 2018, we 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, we provide 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, we 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 our services, we are entitled to receive a portion of net profits based on specified profit levels associated with the product.

We 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 we 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 are 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, we determined that the services provided under the Promotion Agreement fall within the scope of Topic 606. While this is our first income-generating contract, the promotional activities we perform are one of the services we expect to provide as part of our ordinary activities, and we are receiving consideration for this service from Sandoz in the form of a share of net profits. We have 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*, we account for the entire Agreement under Topic 606.

Commitments and Contingencies

We have certain commitments and contingencies including litigation and related costs as well as potential royalties for previous manufacturing consulting services rendered. We account for such commitments and contingencies under ASC 450, *Contingencies*. We review known commitments and contingencies on a quarterly basis and review for possible additional commitments and contingencies. We record liabilities for those matters if and when circumstances present loss contingencies that are both probable and estimable and would exceed the current amounts established on the balance sheet. When loss contingencies are not both probable and estimable, we do not record additional liabilities on the balance sheet.

We also have a commitment to issue contingent shares of common stock in connection with the future performance under the Merger Transaction. Such contingent consideration is accounted for under ASC 805, *Business Combinations*. Under ASC 805, the fair value of contingent consideration is considered to be part of the purchase price and is recorded on the balance sheet as a liability. As of December 31, 2020, the fair value of contingent consideration was de minimis. Contingent consideration is remeasured each subsequent quarter to fair value and the change in fair value is recognized in the Statement of Operations as a gain or loss until such time the contingent consideration is resolved.

JOBS Act

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, as amended (the "JOBS Act"), we can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Subject to certain conditions, as an emerging growth company, we rely on certain of these exemptions, including without limitation:

- reduced disclosure about our executive compensation arrangements;
- no advisory votes on executive compensation or golden parachute arrangements; and
- exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more; (ii) the last day of 2023; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC. We may choose to take advantage of some but not all of these exemptions. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock.

Smaller Reporting Company

As a "smaller reporting company," as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in addition to providing reduced disclosure about our executive compensation arrangements and business developments, among other reduced disclosure requirements available to smaller reporting companies, we present only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data.

Our financial statements required to be filed pursuant to this Item 8 appear in a separate section of this Annual Report on Form 10-K, beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the issuer's Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, 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 and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, management has assessed the effectiveness of our internal control over financial reporting based on the criteria set forth in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The scope of management's assessment of internal control over financial recording excludes 14.9% of our consolidated total assets and 100.0% of our consolidated net revenues related to Liquidia PAH, which was acquired on November 18, 2020. Management concluded that our internal control over financial reporting was not effective as of December 31, 2020 as a result of material weaknesses in our internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the assessment of the effectiveness of our internal control over financial reporting, our management identified the following material weaknesses that existed as of December 31, 2020:

During 2019 and 2020, we experienced significant turnover in finance personnel that reduced the complement and skill of the resources within the Company. As a result, we did not maintain an effective control environment as we lacked a sufficient complement of resources with an appropriate level of knowledge, experience and training to design, maintain and monitor our internal control over financial reporting commensurate with our financial reporting requirements. As a result, this material weakness contributed to the following material weaknesses:

- We did not design and maintain controls to ensure adequate segregation of duties within our financial reporting function, including the preparation and review of journal entries. Specifically, some key accounting personnel had the ability to both prepare and post journal entries without an independent review by someone without the ability to prepare and post journal entries.

- We did not design and maintain effective controls over certain information technology general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain effective user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications and data to appropriate Company personnel.

These material weaknesses did not result in a material misstatement of the annual or interim financial statements. Additionally, these material weaknesses could result in a misstatement of the relevant account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to an exemption from such requirement for emerging growth companies.

(b) Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of our management, including our Chief Executive Officer, who is our principal executive officer, and our Chief Financial Officer, who is our principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2020, the end of the period covered by this Annual Report on Form 10-K. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms promulgated by the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2020 and 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting discussed above.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During the year ended December 31, 2020 we began taking a number of actions, including designing and implementing new controls and revising existing controls, in order to remediate the material weaknesses described above. We expect to continue our remediation efforts, including testing of operating effectiveness of new controls, as described below under "Remedial Actions to Address Material Weaknesses" during the year ending December 31, 2021 and we plan to provide an update on the status of our remediation activities on a quarterly basis.

(d) Remedial Actions to Address Material Weaknesses

We continue to evaluate the effectiveness of our remediation efforts, including demonstrating that the new or improved controls are designed appropriately and operate effectively for a reasonable period of time. We expect to make further changes to our internal controls. The following actions have been, or are expected to be, taken, to strengthen our controls and organizational structure:

- To address issues with recent employee turnover, we have hired a new Chief Financial Officer and controller. We also plan to hire or outsource additional accounting personnel to assist with improving the internal control environment, including a manager of accounting or senior accountant and director of SEC reporting and internal control. We expect to continue to evaluate our needs for additional personnel. We plan to leverage the services of consulting firms to assist us with strengthening and monitoring of our internal controls processes and documentation. We expect to provide enhanced training to existing and new employees in order to enhance the level of communication and understanding of controls with key individuals that provide key information and perform key roles within our financial accounting and reporting group.

- We plan to install a new accounting system and rebuild all business processes, which will enable us to better design, implement, and maintain appropriate controls.

- We plan to appropriately design, implement and maintain a formal policy to limit the number of "Super Users", maintain effective user access controls to ensure appropriate segregation of duties and adequately restrict user and privileged access to financial applications, programs and data to appropriate personnel.

Testing of Internal Control Effectiveness

To assess the effectiveness of internal controls related to the remediation of the identified material weaknesses, we plan to continue implementing the remediation described herein. Implementation and testing are expected to continue during the year ending December 31, 2021 and we plan to provide an update on the status of our remediation activities on a quarterly basis.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to an exemption from such requirement for emerging growth companies.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required to be disclosed by this Item with respect to our executive officers is incorporated into this Annual Report on Form 10-K by reference from the section entitled “Executive Officers and Director and Officer Compensation: Executive Officers” contained in our definitive proxy statement for our 2021 annual meeting of stockholders, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

Information required to be disclosed by this Item about our Board is incorporated into this Annual Report on Form 10-K by reference from the section entitled “The Class III Director Election Proposal” contained in our definitive proxy statement for our 2021 annual meeting of stockholders, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

Information required to be disclosed by this Item about the Section 16(a) compliance of our directors and executive officers is incorporated into this Annual Report on Form 10-K by reference from the section entitled “Delinquent Section 16(a) Reports” contained in our definitive proxy statement for our 2021 annual meeting of stockholders, if applicable, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

Information required to be disclosed by this Item about our Board, the Audit Committee of our Board, our audit committee financial expert, our code of conduct, as amended, or our Code of Conduct, and other corporate governance matters is incorporated into this Annual Report on Form 10-K by reference from the section entitled “Liquidia Corporate Governance” contained in our definitive proxy statement for our 2021 annual meeting of stockholders, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

The text of our Code of Conduct, which applies to our directors and employees (including our principal executive officer, principal financial officer, and principal accounting officer or controller, and persons performing similar functions), is posted in the “Corporate Governance” section of the Investors section of our website, liquidia.com. A copy of the Code of Conduct can be obtained free of charge on our website. We intend to disclose on our website any amendments to, or waivers from, our Code of Conduct that are required to be disclosed pursuant to the rules of the SEC and The Nasdaq Stock Market.

The information presented on our website is not a part of this Annual Report on Form 10-K and the reference to our website is intended to be an inactive textual reference only.

Item 11. Executive Compensation.

Information required to be disclosed by this Item is incorporated into this Annual Report on Form 10-K by reference from the section entitled “Executive Officers and Director and Officer Compensation” contained in our definitive proxy statement for our 2021 annual meeting of stockholders, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2020:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights[1]	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,780,202[2]	$ 7.37	2,955,432[3]
Equity compensation plans not approved by security holders	2,000,000[4]	$ 3.00	—
Total	4,780,202[2]	$ 5.51	2,955,432

(1) Represents the weighted-average exercise price of outstanding stock options only.

(2) Includes a total of 88,131 restricted stock units. Also includes an aggregate of (i) 1,367,334 option shares and 88,131 shares underlying restricted stock units assumed by Liquidia Corporation under the Liquidia Technologies, Inc. 2018 Long-Term Incentive Plan, (ii) 580,847 option shares assumed by Liquidia Corporation under the Liquidia Technologies, Inc. 2016 Equity Incentive Plan, as amended, and (iii) 265,890 option shares assumed by Liquidia Corporation under the Liquidia Technologies, Inc. Stock Option Plan, as amended, in each case effective upon completion of the Merger Transaction on November 18, 2020.

(3) On January 1, 2021, an additional 1,733,432 shares of common stock were automatically added to the shares authorized for issuance under the Liquidia Corporation 2020 Long-Term Incentive Plan (the "2020 Plan"), pursuant to an "evergreen" provision contained therein. Pursuant to such provision, on January 1 of each year through 2030, the number of shares authorized for issuance under the 2020 Plan is automatically increased by a number equal to four percent of the outstanding shares of common stock as of the end of our immediately preceding fiscal year, or any lesser number of shares of common stock determined by our Board or Compensation Committee of our Board.

(4) On December 14, 2020, Damian deGoa, our Chief Executive Officer and a director, was granted a nonstatutory stock option, or the deGoa Option, to purchase up to 2,000,000 shares of common stock at an exercise price per share equal to $3.00, which was the closing price per share of common stock on the date of grant. The deGoa Option was granted outside of the 2020 Plan as an inducement material to Mr. deGoa's acceptance of employment with our company, is subject to a nonstatutory stock option agreement and vests as follows: 25% of the shares of common stock underlying the deGoa Option will vest on December 14, 2021 and the balance of the deGoa Option shares will vest in equal monthly installments thereafter over the following 36 months, becoming fully vested on December 14, 2024; provided, however, that, notwithstanding the foregoing vesting schedule, (i) 25% of the deGoa Option shares will vest upon FDA tentative approval of the NDA for LIQ861 prior to June 2022 and (ii) 25% of the deGoa Option shares will vest upon commercial availability of subcutaneous treprostinil with cartridge supplies sufficient to support the market for one year prior to December 31, 2021; provided, further, that upon a Change in Control (as defined in the accompanying nonstatutory stock option agreement) 100% of the unvested portion of the deGoa Option shall become vested and exercisable as of the date of the Change in Control provided that Mr. deGoa is actively employed by us on that date. The deGoa Option was approved by the Compensation Committee of the Board in compliance with and in reliance on Nasdaq Listing Rule 5635(c)(4).

The remaining information required to be disclosed by this Item is incorporated into this Annual Report on Form 10-K by reference from the sections entitled "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" contained in our definitive proxy statement for our 2021 annual meeting of stockholders, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required to be disclosed by this Item is incorporated in this Annual Report on Form 10-K by reference from the sections entitled “Certain Relationships and Related Party Transactions” and “Liquidia Corporate Governance” contained in our definitive proxy statement for our 2021 annual meeting of stockholders, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

Item 14. Principal Accounting Fees and Services.

The information required to be disclosed by this Item is incorporated into this Annual Report on Form 10-K by reference from the section entitled “Principal Accounting Fees and Services” contained in our definitive proxy statement for our 2021 annual meeting of stockholders, which we intend to file within 120 days of the end of our fiscal year ended December 31, 2020.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements.

(2) Financial Statement Schedules.
Required information is included in the notes to the financial statements.

(3) Exhibits.
See Exhibit Index below.

(b) The following exhibits are filed as part of this Annual Report on Form 10-K.

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of June 29, 2020, by and among the Company, Liquidia Technologies, Inc., RareGen, LLC, Gemini Merger Sub I, Inc., Gemini Merger Sub II, LLC and PBM RG Holdings, LLC (incorporated by reference to Exhibit 2.1 of the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
2.2	Limited Waiver and Modification to Agreement and Plan of Merger, dated as of August 3, 2020, by and among the Company, Liquidia Technologies, Inc., RareGen, LLC, Gemini Merger Sub I, Inc., Gemini Merger Sub II, LLC and PBM RG Holdings, LLC (incorporated by reference to Exhibit 2.2 of the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
3.1	Certificate of Incorporation of Liquidia Corporation (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
3.2	Bylaws of Liquidia Corporation (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
4.1	Form of Specimen Common Stock Certificate of Liquidia Corporation (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
4.2	Form of Warrant to Purchase Shares of Preferred Stock, issued by Liquidia Technologies, Inc. in January 2017 and February 2017 (incorporated herein by reference to Exhibit 4.4 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
4.3	Seventh Amended and Restated Investors' Rights Agreement, dated as of February 2, 2018, by and among the Company, the Investors party thereto and the Common Holders party thereto (incorporated herein by reference to Exhibit 4.5 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
4.4	Warrant to Purchase Stock, issued February 26, 2021, by Liquidia Corporation to Silicon Valley Bank (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 3, 2021).
4.5*	Description of Securities of the Company.
10.1#	Liquidia Technologies, Inc. Stock Option Plan (2004), as amended, and forms of award agreements thereunder (incorporated herein by reference to Exhibit 10.1 to Liquidia Technologies, Inc.'s Annual Report on Form 10-K, filed with the SEC on February 26, 2019).
10.2#	Liquidia Technologies, Inc. 2016 Equity Incentive Plan, as amended, and forms of award agreements thereunder (incorporated herein by reference to Exhibit 10.2 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.3#	Liquidia Technologies, Inc. 2018 Long-Term Incentive Plan, and forms of award agreements thereunder (incorporated herein by reference to Exhibit 99.3 to Liquidia Technologies, Inc.'s Registration Statement on Form S-8, filed with the SEC on July 26, 2018).

10.4#*	Liquidia Corporation 2020 Long-Term Incentive Plan, and forms of award agreements thereunder.
10.5#	Form of Indemnification Agreement with the Company's executive officers and directors (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on 8-K12B, filed with the SEC on November 18, 2020).
10.6	Litigation Funding and Indemnification Agreement, dated as of November 17, 2020, by and between RareGen, LLC and PBM RG Holdings, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K12B, filed with the SEC on November 18, 2020).
10.7	Form of Lock-Up Agreement by and among the Company, Liquidia Technologies, Inc. and each of the RareGen members party thereto (incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.8	Loan and Security Agreement, dated as of February 26, 2021, by and among Silicon Valley Bank, Liquidia Corporation, Liquidia Technologies, Inc. and Liquidia PAH, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 3, 2021).
10.9+	Inhaled Collaboration and Option Agreement, dated as of June 15, 2012, by and between Liquidia Technologies, Inc. and Glaxo Group Limited (incorporated herein by reference to Exhibit 10.14 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.10+	Amendment No. 1 to the Inhaled Collaboration and Option Agreement, dated as of May 13, 2015, by and between Liquidia Technologies, Inc. and Glaxo Group Limited (incorporated herein by reference to Exhibit 10.15 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.11+	Second Amendment to the Inhaled Collaboration and Option Agreement, dated as of November 19, 2015, by and between Liquidia Technologies, Inc. and Glaxo Group Limited (incorporated herein by reference to Exhibit 10.16 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.12++	Amendment No. 3 to the Inhaled Collaboration and Option Agreement, effective as of June 24, 2019, by and between Liquidia Technologies, Inc. and Glaxo Group Limited (incorporated herein by reference to Exhibit 10.1 to Liquidia Technologies, Inc.'s Current Report on Form 8-K, filed with the SEC on June 28, 2019).
10.13+	Amended and Restated License Agreement, dated as of December 15, 2008, by and between Liquidia Technologies, Inc. and The University of North Carolina at Chapel Hill (incorporated herein by reference to Exhibit 10.17 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.14+	First Amendment to Amended and Restated License Agreement, dated as of June 8, 2009, by and between Liquidia Technologies, Inc. and The University of North Carolina at Chapel Hill (incorporated herein by reference to Exhibit 10.18 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.15	6th Amendment to Amended and Restated License Agreement, dated as of June 10, 2016, by and between Liquidia Technologies, Inc. and The University of North Carolina at Chapel Hill (incorporated herein by reference to Exhibit 10.19 to Liquidia Technologies, Inc.'s Registration Statement on Form S 1, filed with the SEC on June 28, 2018).
10.16+	Manufacturing Development and Scale-up Agreement, dated as of March 19, 2012, by and between Liquidia Technologies, Inc. and Chasm Technologies, Inc. (incorporated herein by reference to Exhibit 10.20 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.17+	1st Amendment to Manufacturing Development and Scale up Agreement, dated as of May 25, 2017, by and between Liquidia Technologies, Inc. and Chasm Technologies, Inc. (incorporated herein by reference to Exhibit 10.21 to Liquidia Technologies, Inc.'s Registration Statement on Form S-1, filed with the SEC on June 28, 2018).
10.18#	Severance Agreement and General Release, dated as of January 13, 2021, by and between Liquidia Technologies, Inc. and Neal Fowler (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 14, 2021).
10.19#	Executive Employment Agreement, dated as of December 14, 2020, by and between Liquidia Technologies, Inc. and Damian deGoa (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 16, 2020).
10.20#	Nonstatutory Stock Option Inducement Award Agreement, dated as of December 15, 2020, by and between the Company and Damian deGoa (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 16, 2020).
10.21#	Executive Employment Agreement, dated as of November 30, 2020, by and between Liquidia Technologies, Inc. and Michael Kaseta (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 1, 2020).
10.22#	Amended and Restated Executive Employment Agreement, dated as of July 25, 2018, by and between Liquidia Technologies, Inc. and Robert Lippe (incorporated herein by reference to Exhibit 10.2 to Liquidia Technologies, Inc.'s Current Report on Form 8-K, filed with the SEC on July 30, 2018).
10.23#*	Executive Employment Agreement, dated as of May 18, 2020, by and between Liquidia Technologies, Inc. and Tushar Shah.

10.24	Cooperation Agreement by and among the Company, Liquidia Technologies, Inc., PBM Capital Finance, LLC and PD Joint Holdings, LLC Series 2016-A, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.25	Cooperation Agreement by and among the Company, Liquidia Technologies, Inc. and Serendipity BioPharma LLC, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.26#	Liquidia Corporation 2020 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.27#	Liquidia Corporation Annual Cash Bonus Plan (incorporated herein by reference to Exhibit 10.32 to the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.28#*	Liquidia Corporation Executive Severance and Change in Control Plan.
10.29	Lease Agreement, dated as of June 29, 2007, by and between Liquidia Technologies, Inc. and Durham KTP Tech 4, LLC, as amended (incorporated herein by reference to Exhibit 10.34 to the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.30++	Promotion Agreement, dated as of August 1, 2018, by and between RareGen, LLC and Sandoz Inc. (incorporated herein by reference to Exhibit 10.36 to the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.31++	First Amendment to Promotion Agreement, dated as of May 8, 2020, by and between RareGen, LLC and Sandoz Inc. (incorporated herein by reference to Exhibit 10.37 to the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
10.32	Second Amendment to Promotion Agreement, dated as of September 4, 2020, by and between RareGen, LLC and Sandoz Inc. (incorporated herein by reference to Exhibit 10.38 to Amendment No. 1 to the Company's Registration Statement on Form S-4, filed on September 4, 2020).
10.33	Joint Development Agreement, dated May 3, 2019, between RareGen, LLC and Carelife USA Inc. (incorporated herein by reference to Exhibit 10.40 to the Company's Registration Statement on Form S-4, filed with the SEC on August 5, 2020).
21.1*	Subsidiaries of Liquidia Corporation.
23.1*	Consent of PricewaterhouseCoopers LLP, independent Registered Public Accounting Firm.
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from Liquidia Corporation's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2020 and 2019 (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020 and 2019, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019 and (v) Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101).

+ Confidential treatment has been granted with respect as to certain portions of this exhibit. Such portions have been redacted and submitted separately to the SEC.

++ Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10). The omitted information is not material and would likely cause competitive harm to the Company if publicly disclosed.

* Filed herewith.

** Furnished herewith.

# Indicates management contract or compensatory plan.

(c) Not applicable

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Liquidia Corporation

Date: March 25, 2021

By: /s/ Damian deGoa
Name: Damian deGoa
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Position	Date
/s/ Damian deGoa Damian deGoa	Director and Chief Executive Officer (Principal Executive Officer)	March 25, 2021
/s/ Michael Kaseta Michael Kaseta	Chief Financial Officer (Principal Financial and Accounting Officer)	March 25, 2021
/s/ Dr. Stephen Bloch Dr. Stephen Bloch	Chairman of the Board of Directors	March 25, 2021
/s/ Katherine Rielly-Gauvin Katherine Rielly-Gauvin	Director	March 25, 2021
/s/ Dr. Joanna Horobin Dr. Joanna Horobin	Director	March 25, 2021
/s/ Roger A. Jeffs, Ph.D. Roger A. Jeffs, Ph.D.	Director	March 25, 2021
/s/ Arthur Kirsch Arthur Kirsch	Director	March 25, 2021
/s/Paul B. Manning Paul B. Manning	Director	March 25, 2021
/s/ Raman Singh Raman Singh	Director	March 25, 2021

LIQUIDIA CORPORATION
FINANCIAL STATEMENTS
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Liquidia Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Liquidia Corporation and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive loss, of stockholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company will require additional financing to fund future operations. Management's evaluation of the events and conditions and plans to mitigate this matter are also described in Note 1.

/s/ PricewaterhouseCoopers LLP
Raleigh, North Carolina
March 25, 2021

We have served as the Company's auditor since 2014.

Liquidia Corporation
Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash	$ 65,316,481	$ 55,796,378
Prepaid expenses and other current assets	752,447	590,251
Total current assets	66,068,928	56,386,629
Property, plant and equipment, net	6,805,570	9,253,965
Operating lease right-of-use assets, net	2,649,328	2,823,430
Indemnification asset, related party	1,387,275	—
Contract acquisition costs, net	12,792,491	—
Intangible asset, net	5,534,843	—
Goodwill	3,903,282	—
Other assets	390,043	378,043
Total assets	$ 99,531,760	$ 68,842,067
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,734,227	$ 3,498,043
Accrued compensation	3,259,515	3,164,687
Accrued stock offering costs	—	1,289,413
Other accrued expenses	1,386,880	1,525,919
Refund liability	1,768,864	—
Current portion of operating lease liabilities	664,670	566,390
Current portion of finance lease liabilities	923,218	1,244,229
Current portion of long-term debt	—	5,585,637
Total current liabilities	11,737,374	16,874,318
Litigation finance payable	1,154,360	—
Long-term operating lease liabilities	5,006,301	5,670,971
Long-term finance lease liabilities	255,402	1,056,747
Long-term debt	10,292,485	10,292,484
Total liabilities	28,445,922	33,894,520
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — 10,000,000 shares authorized as of December 31, 2020 and December 31, 2019, 0 shares issued and outstanding as of December 31, 2020 and December 31, 2019	—	—
Common stock — $0.001 par value, 80,000,000 and 40,000,000 shares authorized as of December 31, 2020 and December 31, 2019, respectively, 43,336,277 and 28,231,267 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	43,336	28,231
Additional paid-in capital	346,044,721	250,158,766
Accumulated deficit	(275,002,219)	(215,239,450)
Total stockholders' equity	71,085,838	34,947,547
Total liabilities and stockholders' equity	$ 99,531,760	$ 68,842,067

The accompanying notes are an integral part of these consolidated financial statements.

Liquidia Corporation
Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31,	
	2020	**2019**
Net service revenue	$ 739,628	$ —
Collaboration revenue	—	8,072,120
Total revenue	739,628	8,072,120
Costs and expenses:		
Cost of net service revenue	237,712	—
Cost of collaboration revenue	—	807,192
Research and development	32,222,393	40,491,358
General and administrative	27,368,653	13,597,119
Total costs and expenses	59,828,758	54,895,669
Loss from operations	(59,089,130)	(46,823,549)
Other income (expense):		
Interest income	184,359	613,716
Interest expense	(857,998)	(1,373,622)
Total other expense, net	(673,639)	(759,906)
Net loss and comprehensive loss	$ (59,762,769)	$ (47,583,455)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.76)	$ (2.57)
Weighted average common shares outstanding, basic and diluted	33,888,434	18,482,455

The accompanying notes are an integral part of these consolidated financial statements.

Liquidia Corporation
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2018	15,519,469	$ 15,520	$ 185,726,048	$ (167,053,897)	$ 18,687,671
Cumulative adjustment - adoption of ASC 842	—	—	—	(602,098)	(602,098)
Issuance of common stock upon exercise of stock options	32,325	32	141,295	—	141,327
Issuance of common stock upon exercise of common stock warrants	64,629	64	649	—	713
Issuance of common stock upon vesting of restricted stock units	40,954	41	(41)	—	—
Sale of common stock, net	12,573,890	12,574	60,914,510	—	60,927,084
Share-based compensation	—	—	3,376,305	—	3,376,305
Net loss	—	—	—	(47,583,455)	(47,583,455)
Balance as of December 31, 2019	28,231,267	$ 28,231	$ 250,158,766	$ (215,239,450)	$ 34,947,547
Issuance of common stock upon exercise of stock options	40,685	40	67,876	—	67,916
Issuance of common stock under employee stock purchase plan	5,090	5	19,410	—	19,415
Issuance of common stock upon vesting of restricted stock units	2,810	4	(4)	—	—
Sale of common stock, net	9,506,425	9,506	71,006,892	—	71,016,398
Equity consideration for acquisition	5,550,000	5,550	20,837,781	—	20,843,331
Share-based compensation	—	—	3,954,000	—	3,954,000
Net loss	—	—	—	(59,762,769)	(59,762,769)
Balance as of December 31, 2020	43,336,277	$ 43,336	$ 346,044,721	$ (275,002,219)	$ 71,085,838

The accompanying notes are an integral part of these consolidated financial statements.

Liquidia Corporation
Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2020	**2019**
Operating activities		
Net loss	$ (59,762,769)	$ (47,583,455)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	3,954,000	3,376,305
Depreciation and amortization	3,129,579	2,567,742
Non-cash lease expense	174,102	225,537
Amortization of discount and debt issuance costs on long-term debt	61,424	75,364
Loss on disposal of property and equipment	10,802	6,587
Changes in operating assets and liabilities, net of business acquired:		
Accounts receivable, net	—	272,557
Prepaid expenses and other current assets	(132,007)	(371,194)
Other non-current assets	(12,000)	807,192
Accounts payable	(297,160)	294,514
Accrued compensation	42,312	649,168
Other accrued expenses	180,736	(108,707)
Refund liability	(927,136)	—
Operating lease liabilities	(566,390)	(422,364)
Deferred revenue	—	(8,071,920)
Net cash used in operating activities	(54,144,507)	(48,282,674)
Investing activities		
Cash acquired from acquisition of business	1,000,000	—
Purchases of property, plant and equipment	(752,086)	(1,850,099)
Net cash provided by (used in) investing activities	247,914	(1,850,099)
Financing activities		
Principal payments on finance leases	(1,122,356)	(998,687)
Payments for finance lease deposits	—	(34,649)
Proceeds from issuance of long-term debt	—	5,000,000
Principal payments on long-term debt	(5,647,060)	—
Proceeds from sale of common stock, net of underwriting fees and commissions	71,225,398	63,039,490
Payments for offering costs	(1,634,467)	(754,028)
Receipts from litigation financing	507,849	—
Proceeds from issuance of common stock under stock incentive plans	87,332	141,327
Proceeds from exercise of warrants	—	713
Net cash provided by financing activities	63,416,696	66,394,166
Net increase (decrease) in cash	9,520,103	16,261,393
Cash, beginning of period	55,796,378	39,534,985
Cash, end of period	$ 65,316,481	$ 55,796,378
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 820,889	$ 887,038
Cash paid for operating lease liabilities	$ 1,172,759	$ 1,081,582
Right of use assets obtained with lease liabilities	$ —	$ 834,693
Changes in purchases of property and equipment in accounts payable and accrued expenses	$ 412,096	$ 184,424
Noncash acquisition of business, net of acquired cash	$ 19,843,331	—
Accrued tenant improvements and receivable from landlord	$ —	$ 936,104
Deferred offering costs incurred but not paid	$ —	$ 1,358,378

The accompanying notes are an integral part of these consolidated financial statements.

1. Business

Liquidia Corporation ("Liquidia" or the "Company") is a biopharmaceutical company focused on the development and commercialization of products that address unmet patient needs, with current focus directed towards the treatment of pulmonary arterial hypertension ("PAH"). Liquidia Corporation operates through the company's subsidiaries, Liquidia Technologies, Inc. ("Liquidia Technologies") and Liquidia PAH, LLC ("Liquidia PAH"), formerly known as RareGen, LLC ("RareGen").

The Company conducts research, development and manufacturing of novel products by applying its proprietary PRINT® technology, a particle engineering platform, to enable precise production of uniform drug particles designed to improve the safety, efficacy and performance of a wide range of therapies. The Company is currently developing two product candidates for which it holds worldwide commercial rights: LIQ861 to treat PAH, and LIQ865 to treat post-operative pain.

The Company's most advanced product, LIQ861, is an inhaled dry powder formulation of treprostinil designed to improve the therapeutic profile of treprostinil by enhancing deep lung delivery and achieving higher dose levels than current inhaled therapies. The Company submitted the New Drug Application ("NDA") for LIQ861 in January 2020 and is actively preparing its reply to the Complete Response Letter ("CRL") issued by the Food and Drug Administration ("FDA") in November 2020.

The Company's second product candidate, LIQ865, is designed to deliver sustained release of bupivacaine, a non-opioid anesthetic, to treat local post-operative pain for three to five days through a single administration. The Company has completed two Phase 1 clinical trials and additional toxicology studies to help enable continued clinical development in Phase 2 studies of LIQ865.

The Company generates revenue pursuant to the promotion agreement between Liquidia PAH and Sandoz Inc. ("Sandoz"), dated as of August 1, 2018, as amended (the "Promotion Agreement"), sharing profit derived from the sale of the first-to-file fully substitutable generic treprostinil injection ("Treprostinil Injection") in the United States. Liquidia PAH has the exclusive rights to conduct commercial activities to encourage the appropriate use of Treprostinil Injection. The Company employs a small, targeted sales force calling on physicians involved in the treatment of PAH in the United States, as well as key stakeholders involved in the distribution and reimbursement of Treprostinil Injection. Strategically, the Company believes that its commercial presence in the field will enable an efficient launch of LIQ861 upon approval, leveraging existing relationships and further validating our reputation as a company committed to supporting PAH patients.

The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, the impact of the COVID-19 coronavirus, and the ability to secure additional capital to fund operations. The Company expects to incur significant expenses and operating losses for the foreseeable future as it advances product candidates through clinical trials, seeks regulatory approval and pursues commercialization of any approved product candidates. In addition, if the Company obtains marketing approval for any of its product candidates, it would incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. These efforts require significant amounts of additional capital, adequate personnel and infrastructure, and extensive compliance-reporting capabilities. Even if the Company's development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales. The Company will seek additional funding through public or private financings, debt financing or collaboration. If the Company is unable to obtain funding, the Company could be required to delay, reduce, or eliminate research and development programs, product portfolio expansion, or future commercialization efforts, which could adversely affect its business prospects.

In accordance with Accounting Standards Update ("ASU") 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. We have financed our growth and operations through a combination of funds generated from revenues, the issuance of convertible preferred stock and common stock, finance leases, bank borrowings, bank borrowings with warrants and the issuance of convertible notes and warrants. Since inception, the Company has incurred recurring losses, including net losses of $59.8 million for the year ended December 31, 2020 and the Company had an accumulated deficit of $275.0 million as of December 31, 2020. The Company expects to continue to generate operating losses for the foreseeable future. As of March 25, 2021, the issuance date of the consolidated financial statements for the year ended December 31, 2020, the Company expects that its cash will be sufficient to fund its operating expenses and capital expenditure requirements for at least 12 months from the issuance date of the annual consolidated financial statements. The future viability of the Company is dependent on its ability to raise additional capital to finance its future operations. Accordingly, the accompanying consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets, and the satisfaction of liabilities and commitments in the ordinary course of business.

Recent Developments

Acquisition of RareGen, LLC (now Liquidia PAH, LLC)

On November 18, 2020 (the "Closing Date"), the Company 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, the 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"). Pursuant to the Merger Agreement, Liquidia Merger Sub, a former wholly owned subsidiary of the Company, merged with and into Liquidia Technologies (the "Liquidia Technologies Merger"), and RareGen Merger Sub, a former wholly owned subsidiary of the Company, 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 (now Liquidia PAH) continue as wholly owned subsidiaries of Liquidia Corporation.

On the Closing Date, an aggregate of 5,550,000 shares of 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, which RareGen markets pursuant to the Promotion Agreement. The fair value of the purchase consideration or the purchase price was approximately $20.8 million. See Note 3 below for further details.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The Company has prepared the accompanying financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP"). Such financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, the Company's financial position, results of operations and cash flows and are presented in U.S. Dollars.

Consolidation

The accompanying consolidated financial statements include the Company's wholly owned subsidiaries, Liquidia Technologies and Liquidia PAH. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. These estimates are based on historical experience and various other assumptions believed reasonable under the circumstances. The Company evaluates its estimates on an ongoing basis and makes changes to the estimates and related disclosures as experience develops or new information becomes known. Actual results will most likely differ from those estimates.

Revision of Previously Issued Financial Statements

During the three months ended June 30, 2020, the Company identified an error in the matter in which it calculated diluted weighted common shares outstanding and diluted net loss per common share. While the Company has 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. The Company has evaluated this error and determined that this presentation error was not material to any prior annual or interim periods. However, the Company is revising the previously presented December 31, 2019 diluted weighted common shares outstanding and diluted net loss per common share as follows:

	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

Summary of Significant Accounting Policies

Cash

The Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. The Company had no cash equivalents as of December 31, 2020 and 2019.

Accounts Receivable

Accounts receivable are stated at net realizable value including an allowance for doubtful accounts as of each balance sheet date, if applicable. The Company has not recorded an allowance for doubtful accounts during the years ended December 31, 2020 and 2019.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company is exposed to credit risk, subject to federal deposit insurance, in the event of default by the financial institutions holding its cash to the extent of amounts recorded on the balance sheet. With regard to cash, 99% of the Company's cash is held on deposit with Pacific Western Bank ("Pacific Western"). With regard to revenues and concentration of credit risk, GlaxoSmithKline plc ("GSK" and "GSK Inhaled") accounted for $0 and $8.1 million of our revenue during the years ended December 31, 2020 and 2019, respectively, or 0% and 100%, respectively, of our total revenue. Sandoz accounted for $0.7 million and $0 of our revenue during the years ended December 31, 2020 and 2019, respectively, or 100% and 0%, respectively, of our total revenue.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, as amended (Topic 842) ("ASU 2016-02"). The Company adopted Topic 842, as amended, as of January 1, 2019, using the modified retrospective approach. The modified retrospective approach provided a method for recording existing leases at adoption that approximates the results of a full retrospective approach in the year of adoption. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among others, allowed the Company to carry forward the historical lease classification. Adoption of ASU 2016-02 resulted in the recording of net lease assets and lease liabilities of approximately $6.4 million and $9.1 million respectively, as of January 1, 2019. The net impact of applying Topic 842 was recorded as an adjustment to increase the accumulated deficit by $0.6 million as of January 1, 2019. Adoption of ASU 2016-02 had no impact on the Statement of Cash Flows.

The provisions of ASU 2016-02 set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. The Company has elected to account for leases with a term of 12 months or less in a similar manner as under existing guidance for operating leases. For operating leases, the asset and liability is expensed over the lease term on a straight-line basis, with all cash flows classified as an operating activity in the Statement of Cash Flows. For finance leases, interest on the lease liability is recognized separately from the amortization of the right-of-use asset in the Statement of Operations and Comprehensive Loss and the repayment of the principal portion of the lease liability is classified as a financing activity, while the interest component is classified as an operating activity in the Statement of Cash Flows.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets beginning when the assets are placed in service. Estimated useful lives for the major asset categories are:

Lab and build-to-suit equipment (years)	5 - 7
Office equipment (years)	5
Furniture and fixtures (years)	10
Computer equipment (years)	3
Leasehold improvements	Lesser of life of the asset or remaining lease term

Major renewals and improvements are capitalized to the extent that they increase the useful economic life or increase the expected economic benefit of the underlying asset. Maintenance and repairs are charged to operations as incurred. When items of property, plant and equipment are sold or retired, the related cost and accumulated depreciation or amortization is removed from the accounts, and any gain or loss is included in operating expenses in the accompanying Statements of Operations and Comprehensive Loss.

Business Combination

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with limited exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are generally recognized at fair value. If fair value cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in the Company's consolidated financial statements after the date of the acquisition.

Long-Lived Assets

The Company reviews long-lived assets, including definite-life intangible assets, for realizability on an ongoing basis. Changes in depreciation and amortization, generally accelerated depreciation and variable amortization, are determined and recorded when estimates of the remaining useful lives or residual values of long-term assets change. The Company also reviews for impairment when conditions exist that indicate the carrying amount of the assets may not be fully recoverable. In those circumstances, the Company performs undiscounted operating cash flow analyses to determine if an impairment exists. When testing for asset impairment, the Company groups assets and liabilities at the lowest level for which cash flows are separately identifiable. Any impairment loss is calculated as the excess of the asset's carrying value over its estimated fair value. Fair value is estimated based on the discounted cash flows for the asset group over the remaining useful life or based on the expected cash proceeds for the asset less costs of disposal. Any impairment losses would be recorded in the consolidated statements of operations. To date, no such impairments have occurred.

Goodwill

The Company acquired goodwill on its balance sheet during the fourth quarter of 2020 from the Merger Transaction. The Company assesses goodwill for impairment at least annually as of July 1 or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company has one reporting unit. The Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, in which case a quantitative impairment test is not required.

Per ASU 2017-04 the quantitative goodwill impairment test is performed by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not impaired. An impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the fair value up to the amount of goodwill allocated to the reporting unit. Income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit are considered when measuring the goodwill impairment loss, if applicable.

As of December 31, 2020 the Company concluded there were no events or changes in circumstances that indicated that the carrying amount of goodwill was not recoverable.

Revenue Recognition from Promotion Agreements

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.

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, potential returns and refunds, 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. The amount of revenue recognized reflects estimates for refunds and returns, which are presented as a reduction of Accounts receivable where the right of setoff exists.

On August 1, 2018, the Company partnered with Sandoz in 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, processing 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. The promotional activities the Company performs 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 "Net Profits" (as defined in the Promotion Agreement). 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 Promotion Agreement under Topic 606.

Revenue Recognition from Research and Development Services

The Company derives collaboration revenue primarily from licensing its proprietary PRINT technology and from performing research and development services. Collaboration revenues are recognized as services are performed in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services and technology.

The Company's research, development and licensing agreements provide for multiple promised goods and services to be satisfied by the Company and include a license to the Company's technology in a particular field of study, participation in collaboration committees, performance of certain research and development services and obligations for certain manufacturing services.

The transaction price for these contracts includes non-refundable fees and fees for research and development services. Non-refundable up-front fees which may include, for example, an initial payment upon effectiveness of the contractual relationship or payment to secure a right for a future license, are recorded as deferred revenue and recognized into revenue over time as the Company provides the research services under the contract required to advance the products to the point where the Company is able to transfer control of the licensed technology to the customer ("Technology Transfer"). The contract consideration may also include additional non-refundable payments due to the Company based on the achievement of research, development, regulatory or commercialization milestone events. In agreements involving multiple goods or services promised to be transferred to customers, the Company must assess, at the inception of the contract, whether each promise represents a separate performance obligation (i.e., is "distinct"), or whether such promises should be combined as a single performance obligation. As these goods and services are considered to be highly interrelated, they may be considered to represent a single, combined performance obligation. The Company includes an estimate of the probable amount of milestone payments to which it will be entitled in the transaction price. The estimate requires evaluation of factors which are outside of the Company's control and significantly limit the Company's ability to achieve the remaining milestone payments. Therefore, the Company has not included any future milestone payments in the transaction price allocated to research, development and licensing agreements as of December 31, 2020 or December 31, 2019. The Company revises the transaction price to include milestone payments once the specific milestone achievement is not considered to be subject to a significant reversal of revenue. At that time, the estimated transaction price is adjusted and a cumulative catch-up adjustment is recorded to adjust the amount of revenue to be recognized from the license inception to the date the milestone was deemed probable of achievement. The milestone is included with other non-refundable up-front fees and recognized into revenue over time as the Company continues to provide services under the contract through the Company's Technology Transfer. The amount of revenue recognized is based on the proportion of total research services performed to date to the expected services to be provided through the Technology Transfer.

The estimate of the research services to be provided through the Technology Transfer requires significant judgment to evaluate assumptions regarding the level of effort required for the Company to have performed sufficient obligations for the customer to be able to utilize the licensed technology without requiring further services from the Company. If the estimated level of effort changes, the remaining deferred revenue is recognized over the revised period in which the expected research services and Technology Transfer are required. Changes in estimates occur for a variety of reasons, including but not limited to (i) research and development acceleration or delays, (ii) customer prioritization of research projects, or (iii) results of research and development activities. The Company recognizes the consideration it is entitled to receive for research and development services, which are primarily billed quarterly in arrears on a time and materials basis, as the services are performed (under a proportional performance model) and collection is reasonably assured. Additionally, any up-front or development milestone payments received are also recognized as revenues, over time, under this same proportional performance model.

Royalties related to product sales will be recognized as revenue when the sale occurs since payments relate directly to products that will have been fully developed and for which the Company will have satisfied all of its performance obligations.

Segment Information

U.S. GAAP requires segmentation based on an entity's internal organization and reporting of revenue and operating income based upon internal accounting methods commonly referred to as the "management approach." Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (CODM), or decision making group, in deciding how to allocate resources and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined that it has one operating segment.

Research and Development Expense

Research and development costs are expensed as incurred and include direct costs incurred to third parties related to the salaries of, and share-based compensation for, personnel involved in research and development activities, contractor fees, grant expenses, administrative expenses and allocations of research-related overhead costs. Administrative expenses and research-related overhead costs included in research and development expense consist of allocations of facility and equipment lease charges, depreciation and amortization of assets and insurance directly related to research and development activities.

Patent Maintenance

The Company is responsible for all patent costs, past and future, associated with the preparation, filing, prosecution, issuance, maintenance, enforcement and defense of United States patent applications. Such costs are recorded as general and administrative expenses as incurred. To the extent that the Company's licensees share these costs, such benefit is recorded as a reduction of the related expenses.

Share-Based Compensation

The Company estimates the grant date fair value of its share-based awards and amortizes this fair value to compensation expense over the requisite service period or vesting term (see Note 5).

Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average shares outstanding during the period, without consideration of common stock equivalents.

Diluted net loss per share is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. For purposes of the diluted net loss per share calculation, stock options and warrants are considered to be common stock equivalents but are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. Due to their anti-dilutive effect, the calculation of diluted net loss per share for the years ended December 31, 2020 and 2019 does not include the following common stock equivalent shares:

	Year Ended December 31,	
	2020	**2019**
Stock options	2,652,525	1,979,411
Restricted stock units	98,705	—
Total	2,751,230	1,979,411

Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, and accounts payable at December 31, 2020 and 2019 approximated their fair value due to the short maturity of these instruments.

The Company's valuation of financial instruments is based on a three-tiered approach, which requires that fair value measurements be classified and disclosed in one of three tiers. The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

Level 2 — Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 — Unobservable inputs for the asset and liability used to measure fair value, to the extent that observable inputs are not available.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following tables present the placement in the fair value hierarchy of financial liabilities measured at fair value as of December 31, 2020 and 2019:

December 31, 2020	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Carrying Value**
Pacific Western Bank note - A&R LSA	$ —	$ 9,842,069	$ —	$ 10,292,485

December 31, 2019	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Carrying Value**
Pacific Western Bank note - A&R LSA	$ —	$ 14,094,792	$ —	$ 15,878,121

The fair value of debt is measured in accordance with ASU 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The fair value is determined based on the remaining years to maturity, interest and principal payments, as well as an interest rate consistent with the Company's current estimated cost of debt.

Deferred Offering Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such equity financings are consummated. After consummation of the equity financing, these costs are recorded in stockholders' equity as a reduction of proceeds generated as a result of the offering.

Income Taxes

The asset and liability method is used in the Company's accounting for income taxes. Under this method, deferred tax assets and liabilities 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 are expected to be in effect when the differences are expected to reverse. The Company records a valuation allowance against deferred tax assets when realization of the tax benefit is uncertain.

A valuation allowance is recorded, if necessary, to reduce net deferred taxes to their realizable values if management believes it is more likely than not that the net deferred tax assets will not be realized.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Recent Accounting Pronouncements

In October 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements* (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606 ("ASU 2018-18"). The provisions of ASU 2018-18 clarify when certain transactions between collaborative arrangement participants should be accounted for under ASC 606 and incorporates unit-of-account guidance consistent with ASC 606 to aid in this determination. The guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019, with early adoption permitted. The Company adopted ASU 2018-18 effective January 1, 2020 and it did not have an effect on the Company's consolidated financial statements for the year ended December 31, 2020.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which eliminated the requirement to calculate the implied fair value of goodwill. An entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The update also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. The guidance was effective for the Company's interim and annual reporting periods during the year ending December 31, 2020. The adoption of this accounting guidance did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which provides new guidance on the accounting for credit losses on financial instruments. The new guidance introduces an expected loss model for estimating credit losses, replacing the incurred loss model. The new guidance also changes the impairment model for available-for-sale debt securities, requiring the use of an allowance to record estimated credit losses (and subsequent recoveries). The Company adopted the new guidance effective January 1, 2020. The adoption of this accounting guidance had no impact on the Company's consolidated financial statements.

3. Acquisition of RareGen LLC (now Liquidia PAH, LLC)

On November 18, 2020 (the "Closing Date"), the Company completed the previously announced acquisition of RareGen, LLC (now Liquidia PAH) (See Note 1).

Reasons for the Acquisition and Merger

The Company acquired Liquidia PAH to improve financial strength and operational efficiencies including the generation of cash flow through sales of a generic version of Remodulin, which is a parenteral formulation of treprostinil, for the treatment of PAH. Strategically, the Company believes that its commercial presence in the field will enable an efficient launch of LIQ861 upon approval, leveraging existing relationships and further validating its reputation as a company committed to supporting PAH patients.

Merger Consideration

The fair value of the purchase consideration or the purchase price, was approximately $20.8 million. The purchase consideration consisted of the 6,166,666 shares of Liquidia Corporation Common Stock based on a per share price of $3.38, which represented the closing price of Liquidia Technologies Common Stock on the Closing Date. 5,550,000 of the shares were issued as of December 31, 2020 and the remaining 616,666 shares were withheld from RareGen members to secure their indemnification obligations pursuant to the Merger Agreement.

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

Number of common shares to be issued to 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

Accounting for the Acquisition

The acquisition of Liquidia PAH was accounted for as a business combination and reflects the application of acquisition accounting in accordance with Accounting Standards Codification (ASC) 805, Business Combinations. The acquired Liquidia PAH assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill. A preliminary purchase price allocation has been performed and the recorded amounts for intangible assets, other assets, indemnification asset, goodwill, litigation finance payable, deferred tax liability and other liabilities are subject to change pending finalization of valuation efforts and review of tax matters. The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year after the Closing Date.

Purchase Price Allocation

The preliminary purchase price allocation resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the Closing Date of November 18, 2020 based on their respective preliminary fair values summarized below:

Cash	$	1,000,000
Property and equipment		79,330
Prepaid and other current assets		30,190
Intangible asset		5,620,000
Contract acquisition costs		12,980,000
Indemnification asset		1,065,538
Goodwill		3,903,282
Less other current liabilities		(492,499)
Less refund liability		(2,696,000)
Less litigation finance payable, current		(646,510)
Total estimated purchase price	$	20,843,331

Contract Acquisition Costs, Intangible Asset and Goodwill Acquired

Prior to the Merger Transaction, the Company did not have contract acquisition costs, intangible assets or goodwill on its Balance Sheet. Contract acquisition costs and Intangible asset of $12,980,000 and $5,620,000, respectively, were acquired in the Merger Transaction relating to and consisting of the Promotion Agreement. The Company is amortizing the value of the Promotion Agreement contract acquisition costs and intangible asset on a pro-rata basis based on the estimated total revenue or net profits to be recognized over the period from the date of the Merger Transaction through May 2027 (see Note 2 for Revenue Recognition accounting policy). Amortization of contract acquisition costs is recorded as a reduction of revenue and amortization of the intangible asset is recorded as cost of revenue. During the year ended December 31, 2020, the Company recorded total amortization of $187,508 from the contract acquisition costs as a reduction in net service revenue. Net contract acquisition costs totaled $12,792491 as of December 31, 2020. During the year ended December 31, 2020, the Company recorded total amortization of $85,157 from the intangible asset as an increase to cost of revenue. The net intangible asset totaled $5,534,843 as of December 31, 2020.

The Company acquired goodwill in the Merger Transaction of $3,903,282 which primarily represents the Liquidia PAH assembled workforce and the residual value of the purchase consideration and assumed liabilities that exceeded the assets acquired (see Note 2 for Goodwill accounting policy). None of the goodwill recognized is expected to be deductible for income tax purposes.

Refund Liability

In accordance with the Promotion Agreement, Liquidia PAH receives consideration from Sandoz in the form of a share of Net Profits for the promotional activities it performs. The share of Net Profits received is subject to adjustments from Sandoz for items such as distributor chargebacks, rebates, inventory returns, inventory write-offs and other adjustments (the "Net Profits Adjustment"). As of the date of the Merger Transaction, the Company identified approximately $2,696,000 of Net Profits Adjustment that are expected to be refunded to Sandoz during 2021 for items that had been incurred prior to the Merger Transaction. The Company has recorded a refund liability as part of the assumed liabilities from the Merger Transaction. The Company expects to refund this amount to Sandoz through a reduction of the cash received from future Net Profits generated under the Promotion Agreement. The Company expects to generate sufficient Net Profits during 2021 to satisfy the refund liability. As of December 31, 2020, $927,136 of Accounts receivable from Sandoz related to net service revenues recognized during the fourth quarter of 2020 are offset against the Refund liability.

Indemnification Asset with Related Party and Litigation Finance Payable

Prior to the Closing Date of the Merger Transaction, Liquidia PAH entered into a litigation financing arrangement (the "Financing Agreement") with Henderson SPV, LLC ("Henderson"). Liquidia PAH, along with Sandoz (collectively the "Plaintiffs"), are pursuing litigation against United Therapeutics Corporation ("United Therapeutics") and Smiths Medical ASC (see Note 13). Under the Financing Agreement, Henderson will fund Liquidia PAH's legal fees and/or litigation expenses (referred to as "Deployments") up to a total commitment of $10 million, in exchange for a share of certain litigation or settlement proceeds.

Litigation proceeds will be split equally between Liquidia PAH and Sandoz. Litigation proceeds received by Liquidia PAH must be applied first to repayment of total Deployments received. Litigation proceeds in excess of Deployments received are split between Liquidia PAH and Henderson according to a formula. Proceeds received by Liquidia PAH are due to PBM as described further below.

In connection with the Merger Transaction, Liquidia PAH entered into a Litigation Funding and Indemnification Agreement ("Indemnification Agreement") with PBM. PBM is considered to be a related party as it is controlled by a major stockholder (which beneficially owns approximately 11 percent of Liquidia Corporation Common Stock as of the date of these financial statements) and who is also a member of the Company's Board of Directors.

Prior to the Merger Transaction, Liquidia PAH was actively managing the litigation, and had sole decision-making authority over the litigation. Under the terms of the Indemnification Agreement, PBM now controls the litigation, with Liquidia PAH's only requirement being to cooperate to support the litigation proceedings as needed. The Indemnification Agreement also provides that Liquidia PAH and its affiliates will not be entitled to any proceeds resulting from, or bear any financial or other liability for, the United Therapeutics and Smiths Medical ASC litigation. Any Liquidia PAH litigation expenses not reimbursed by Henderson under the Financing Agreement will be reimbursed by PBM. Any proceeds received which Henderson is not entitled to under the Financing Agreement will be due to PBM. As of the Closing Date of the Merger Transaction, Liquidia PAH recorded as an Indemnification Asset $1,065,538.

Legal expenses incurred for the United Therapeutics and Smiths Medical ASC litigation are recorded as an increase to the Indemnification Asset. Subsequent Deployments received from Henderson are recorded as an increase to the Litigation Finance Payable.

As of December 31, 2020, the Indemnification Asset and Litigation Finance Payable were classified as long-term assets and liabilities, respectively as it is considered unlikely that the litigation would conclude during the year 2021.

Liquidia PAH Results of Operations

Liquidia PAH's results of operations and cash flows are included in the Company's consolidated financial statements for the period subsequent to November 18, 2020 through December 31, 2020, and Liquidia PAH's assets and liabilities were recorded at their estimated fair values in the Company's Consolidated Balance Sheets as of December 31, 2020. Liquidia PAH's actual results for the period from the Closing Date November 18, 2020 through December 31, 2020, which are included in the Consolidated Statement of Operations and Comprehensive Loss for the year ended December 31, 2020 were as follows:

Revenue	$	739,628
Costs and expenses:		
Cost of revenue		237,712
Research and development		35,919
General and administrative		216,787
Total costs and expenses		490,418
Total operating income and net income	$	249,210

Transaction Costs

In connection with the Merger Transaction, the Company incurred significant one-time expenses in the year ended December 31, 2020 primarily including transaction costs (e.g., bankers' fees, legal fees, consultant fees, etc.). Total transaction costs recorded in general and administrative expense totaled $4.8 million for the year ended December 31, 2020.

Supplemental Pro Forma Financial Information

The following unaudited pro forma financial information assumes the companies were combined as of January 1, 2019. The unaudited pro forma financial information as presented below is for informational purposes only and is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information. This is not necessarily indicative of the results of operations that would have been achieved if the Merger Transaction had taken place on January 1, 2019, nor is it necessarily indicative of future results. Consequently, actual results could differ materially from the unaudited pro forma financial information presented below. The following table presents the pro forma operating results as if Liquidia PAH had been included in the Company's Consolidated Statements of Operations as of January 1, 2019 (unaudited):

	Years Ended December 31,	
	2020	**2019**
Revenue	$ 4,756,625	$ 18,160,476
Net loss	$ (57,406,967)	$ (52,876,681)
Net loss per common share, basic and diluted	$ (1.48)	$ (2.15)

4. Stockholders' Equity

Authorized Capital

As of December 31, 2020, the authorized capital of the Company consists of 90,000,000 shares of capital stock, $0.001 par value per share, of which 80,000,000 shares are designated as common stock and 10,000,000 shares are designated as preferred stock.

Common Stock

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of the common stock shall be entitled to receive that portion of the remaining funds to be distributed to the stockholders, subject to the liquidation preferences of any outstanding preferred stock, if any. Such funds shall be paid to the holders of common stock on the basis of the number of shares so held by each of them.

Issuance of Common Stock on July 2, 2020 from an Underwritten Public Offering

On June 29, 2020, Liquidia Technologies entered into an underwriting agreement (the "Underwriting Agreement") with Jefferies LLC, as representative of the several underwriters named therein (collectively, the "Underwriters"), pursuant to which 9,375,000 shares of Liquidia Technologies common stock were sold in an underwritten registered public offering at an offering price of $8.00 per Share (the "Offering").

The Offering closed on July 2, 2020. The gross proceeds from the offering were $75.0 million and net proceeds were $70.3 million, after deducting underwriting discounts and commissions and other offering expenses. The Company intends to use the net proceeds from this Offering for ongoing commercial development of LIQ861, for continued development of LIQ865 and for general corporate purposes. The Company's management will retain broad discretion over the allocation of the net proceeds.

Issuance of Common Stock from the Private Placement in December 2019

On December 23, 2019, Liquidia Technologies entered into a Common Stock Purchase Agreement (the "Purchase Agreement") with certain institutional accredited investors (the "Purchasers") for the sale by Liquidia Technologies in a private placement (the "Private Placement") of an aggregate of 7,164,534 shares (the "Private Placement Shares") of common stock, at a purchase price of $3.13 per Private Placement Share. The closing of the Private Placement occurred on December 27, 2019. Liquidia Technologies granted the Purchasers indemnification rights with respect to its representations, warranties, covenants, and agreements under the Purchase Agreement. The gross proceeds from the sale of the Private Placement Shares were $22.4 million and net proceeds were $21.0 million, after deducting placement agent fees and offering expenses.

Issuance of Common Stock from the ATM Agreement Commencing in August 2019

Liquidia Technologies entered into a sales agreement (the "ATM Agreement") with Jefferies LLC ("Jefferies") to issue and sell shares of Liquidia Technologies common stock, having an aggregate offering price of up to $40.0 million, from time to time during the term of the ATM Agreement, through an "at-the-market" equity offering program at Liquidia Technologies' sole discretion, under which Jefferies acted as Liquidia Technologies' agent and/or principal. Liquidia Technologies paid Jefferies a commission equal to 3.0% of the gross proceeds of any common stock sold through Jefferies under the ATM Agreement. During the year ended December 31, 2020, Liquidia Technologies sold 131,425 shares of common stock for net proceeds of $0.7 million after deducting underwriting discounts and other offering expenses under the ATM Agreement. During the year ended December 31, 2019, Liquidia Technologies sold 2,409,356 shares of common stock for gross proceeds of $8.4 million and net proceeds were $8.1 million, after deducting underwriting discounts and other offering expenses under the ATM Agreement.

Issuance of Common Stock from an Underwritten Public Offering in March 2019

In March 2019, Liquidia Technologies closed an underwritten offering of 3,000,000 shares of its common stock at a public offering price of $11.50 per share. The gross proceeds from the offering were $34.5 million and net proceeds were $31.8 million, after deducting underwriting discounts and commissions and other offering expenses.

Warrants

During the year ended December 31, 2020, no warrants to purchase shares of common stock were exercised. During the year ended December 31, 2019, 64,629 warrants to purchase shares of common stock were exercised. As of December 31, 2020 and 2019, there were outstanding warrants to purchase 106,274 shares of common stock with an exercise price of $0.0168 per share. The warrants expire on December 31, 2026.

5. Share-Based Compensation

The Company's 2020 Long-Term Incentive Plan (the "2020 Plan") was approved by stockholders in November 2020. The 2020 Plan replaced the 2018 Plan as the Company's primary long-term incentive program. In addition to stock options, the 2020 Plan provides for the granting of stock appreciation rights, stock awards, stock units, and other share-based awards. The 2020 Plan provides for accelerated vesting under certain change of control transactions. A total of 1,700,000 shares of the Company's common stock was initially authorized and reserved for issuance under the 2020 Plan. This reserve will automatically increase each subsequent anniversary of January 1 through 2030, by an amount equal to the smaller of (a) 4% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by the Board of Directors (the "Evergreen Provision"). On January 1, 2021, the number of shares of common stock available for issuance under the 2020 Plan automatically increased by 1,733,432 shares to 2,955,432 shares from 1,222,000 pursuant to the Evergreen Provision.

The Company's 2018 Long-Term Incentive Plan (the "2018 Plan") was approved by stockholders in July 2018. In addition to stock options, the 2018 Plan provided for the granting of stock appreciation rights, stock awards, stock units, and other share-based awards. A total of 1,600,000 shares of the Company's common stock was initially authorized and reserved for issuance under the 2018 Plan.

On January 1, 2019, the number of shares of common stock available for issuance under the 2018 Plan automatically increased by 620,778 shares to 2,220,778 shares from 1,600,000 shares pursuant to the Evergreen Provision. On January 1, 2020, the number of shares of common stock available for issuance under the 2018 Plan automatically increased by 1,129,250 shares to 2,416,811 shares from 1,287,561 shares pursuant to the Evergreen Provision. The 2018 Plan provides for accelerated vesting under certain change of control transactions. The 2018 Plan was discontinued following stockholder approval of the 2020 Plan, but the outstanding awards under the 2018 Plan will continue to remain in effect in accordance with its terms. Shares that are returned under the 2018 Plan upon cancellation, termination or otherwise of awards outstanding under the 2018 Plan will not be available for grant under the 2020 Plan. As of December 31, 2020, the Company had reserved for issuance 1,455,465 shares of common stock under the 2018 Plan, representing the remaining outstanding options and restricted stock units granted under the 2018 Plan.

The 2018 Plan replaced the 2016 and 2004 Plans as the Company's primary long-term incentive program. The 2016 and 2004 Plans were discontinued following stockholder approval of the 2018 Plan, but the outstanding awards under the 2016 and 2004 Plans will continue to remain in effect in accordance with their terms. Shares that are returned under the 2016 and 2004 Plans upon cancellation, termination or otherwise of awards outstanding under the 2016 and 2004 Plans will not be available for grant under the 2018 Plan. As of December 31, 2020, the Company had reserved for issuance 580,847 shares of common stock under the 2016 Plan and 265,890 shares of common stock under the 2004 Plan, representing the remaining outstanding options granted under the 2016 and 2004 Plans.

During December 2020, the Company issued a stock option grant to its new chief executive officer (the "CEO") to purchase up to 2,000,000 shares of the Company's common stock (the "CEO Option") at the exercise price on the grant date of $3.00 per share. The CEO Option was issued outside of the 2020 Plan and is subject to the following vesting schedule; 25% of the CEO Option will become vested and exercisable on the first anniversary of December 14, 2020 and the balance will become vested and exercisable in equal monthly installments over the following thirty-six months, subject to the CEO's continuous employment with the Company. However, the CEO Option is subject to the following accelerated vesting; (i) if the Company receives tentative approval by the U.S. Food and Drug Administration (the "FDA") of the Company's New Drug Application for LIQ861 prior to June 30, 2022, and the CEO is actively employed by the Company on such date, then 25% of the then-unvested portion of the CEO Option shall become vested and exercisable as of the date of the FDA's approval; and (ii) if the Company achieves commercial availability of the subcutaneous Treprostinil product with cartridge supplies sufficient to support the market for one year by December 31, 2021, and the CEO is actively employed by the Company on such date, then 25% of the then-unvested portion of the CEO Option shall become vested and exercisable as of the date the Company can document by competent proof to the Board of the achievement of such milestone. In addition, the CEO Option will become 100% vested upon certain change of control transactions.

Share-Based Compensation Valuation and Expense

The Company accounts for its employee share-based compensation plans using the fair value method. The fair value method requires the Company to estimate the grant-date fair value of its share-based awards and amortize this fair value to compensation expense over the requisite service period or vesting term. The fair value of each option grant is estimated using a Black-Scholes option-pricing model.

For restricted stock units ("RSUs"), the grant-date fair value is based upon the market price of the Company's common stock on the date of the grant. This fair value is then amortized to compensation expense over the requisite service period or vesting term.

The Company recorded the following share-based compensation expense:

	Year Ended December 31,	
By Expense Category:	**2020**	**2019**
Research and development	$ 1,099,000	$ 1,119,382
General and administrative	2,855,000	2,256,923
Total	$ 3,954,000	$ 3,376,305

	Year Ended December 31,	
By Type of Award:	**2020**	**2019**
Stock Options	$ 3,817,000	$ 3,240,376
Restricted Stock Units	137,000	135,929
Total	$ 3,954,000	$ 3,376,305

The following table summarizes the unamortized compensation expense and the remaining years over which such expense would be expected to be recognized, on a weighted-average basis, by type of award:

	As of December 31, 2020	
	Unamortized Expense	**Weighted Average Remaining Recognition Period (Years)**
Stock Options	$ 10,977,000	3.5
Restricted Stock Units	$ 359,000	3.1

Stock Options

The following table summarizes the assumptions used for estimating the fair value of stock options granted under the Black-Scholes option-pricing model during:

	Year Ended December 31,	
	2020	**2019**
Expected dividend yield	—%	—%
Risk-free interest rate	0.40% - 1.60%	1.40% - 2.40%
Expected Volatility	87% - 94%	83% - 88%
Expected life (years)	5.8 - 6.2	6.04

As a result of using these assumptions in the Black-Scholes option-pricing model, the weighted average fair value for options granted during the years ended December 31, 2020 and 2019 was $2.78 and $8.00 per share, respectively.

The following describes each of these assumptions and the Company's methodology for determining each assumption:

Expected Dividend Yield

The dividend yield percentage is zero because the Company neither currently pays dividends nor intends to do so during the expected option term.

Risk-Free Interest Rate

The risk-free interest rate is based on the U.S. Treasury yield curve approximating the term of the expected life of the award in effect on the date of grant.

Expected Volatility

Expected stock price volatility is based on a weighted average of several peer public companies and the historical volatility of the Company's common stock during the period for which it has traded since the initial public offering. For purposes of identifying peer companies, the Company considered characteristics such as industry, length of trading history and similar vesting terms.

Expected Life

The expected life represents the period the awards are expected to be outstanding. The Company's historical share option exercise experience does not provide a reasonable basis upon which to estimate an expected term because of a lack of sufficient data. Therefore, the Company estimates the expected term by using the simplified method.

The following table summarizes the Company's stock option activity, including the CEO Option, during the year ended December 31, 2020:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2019	2,052,976	$ 9.33		
Granted	3,481,191	$ 3.75		
Exercised	(91,413)	$ 2.28		
Cancelled	(750,683)	$ 8.22		
Outstanding as of December 31, 2020	4,692,071	$ 5.51	7.2	$ 37,996
Exercisable as of December 31, 2020	1,167,357	$ 8.77	2.9	$ 1,196
Vested and expected to vest as of December 31, 2020	4,572,623	$ 5.47	7.2	$ 37,996

The aggregate intrinsic value of stock options in the table above represents the difference between the $2.95 closing price of the Company's common stock as of December 31, 2020 and the exercise price of outstanding, exercisable, and vested and expected to vest in-the-money stock options.

The following table summarizes information about the Company's stock options as of December 31, 2020:

Exercise Price or Range of Exercise Price	Options Outstanding	Weighted Average Contractual Life (Years)	Options Exercisable
$1.85 to $2.79	233,771	9.8	3,771
$3.00	2,000,000	9.9	—
$3.14 to $3.40	595,233	6.0	78,174
$3.64 to $7.95	670,899	5.8	308,379
$8.00 to $9.01	8,780	4.9	6,213
$9.31	515,990	2.8	394,976
$10.04 to $21.36	667,398	3.9	375,844
	4,492,071	7.2	1,167,357

Additional information related to our stock options is summarized below:

	Year Ended December 31,	
	2020	2019
Intrinsic value of options exercised	$ 176,433	$ 266,040
Fair value of options vested	$ 4,178,659	$ 4,131,982

During the years ended December 31, 2020 and 2019, 91,413 and 32,325 stock options were exercised for the purchase of shares of common stock for total cash proceeds of $43,141 and $141,347, respectively.

Restricted Stock Unit Awards

During the year ended December 31, 2020, the Board of Directors approved grants of an aggregate of 138,614 non-performance-based RSUs to employees. RSUs represent the right to receive shares of common stock of the Company at the end of a specified time period. The RSUs vest over a four-year period similar to stock options granted to employees. RSUs can only be settled in shares of the Company's common stock.

A summary of nonvested RSU awards outstanding as of December 31, 2020 and changes during the year then ended is as follows:

	Number of RSUs	Weighted Average Grant-Date Fair Value (per RSU)
Nonvested as of December 31, 2019	7,493	$ 28.87
Granted	138,614	3.32
Vested	(2,810)	28.87
Forfeited	(55,166)	3.31
Nonvested as of December 31, 2020	88,131	$ 4.68

Employee Stock Purchase Plan

In May 2019, stockholders approved the Liquidia Technologies, Inc. 2019 Employee Stock Purchase Plan (the "2019 ESPP"). A total of 300,000 shares of Liquidia Technologies common stock had been reserved for issuance under the 2019 ESPP Plan. The offering periods were six months each and begin in March and September of each year, with the initial offering period having commenced on September 3, 2019. Under the 2019 ESPP, during Liquidia Technologies' first offering period from September 1, 2019 to February 28, 2020, based upon 85% of the closing price of $4.13 on February 28, 2020, 3,269 shares were purchased based upon employee withholdings. During Liquidia Technologies' second offering period from March 1, 2020 to August 31, 2020, based upon 85% of the closing price of $5.12 on August 31, 2020, 1,821 shares were purchased based upon employee withholdings.

In November 2020, stockholders approved the Liquidia Corporation 2020 Employee Stock Purchase Plan (the "2020 ESPP"). Upon adoption of the 2020 ESPP, the 2019 ESPP was terminated. As of December 31, 2020, a total of 300,000 shares of the Company's common stock are reserved for issuance under the 2020 ESPP. Subject to any plan limitations, the 2020 ESPP allows eligible employees to contribute through payroll deductions up to $25,000 per year of their earnings for the purchase of the Company's common stock at a discounted price per share. The offering periods are typically six months each and begin in March and September of each year, with the initial three-month offering period to commence on or about June 1, 2021, followed by successive six-month offering periods thereafter. Unless otherwise determined by the administrator, the Company's common stock will be purchased for the accounts of employees participating in the 2020 ESPP at a price per share that is 85% of the fair market value of the Company's common stock on the last trading day of the offering period.

6. License Agreements

The Company performs research under a license agreement with The University of North Carolina at Chapel Hill ("UNC") as amended to date (the "UNC Letter Agreement"). As part of the UNC Letter Agreement, the Company holds an exclusive license to certain research and development technologies and processes in various stages of patent pursuit, for use in its research and development and commercial activities, with a term until the expiration date of the last to expire patent subject to the UNC Letter Agreement, subject to industry standard contractual compliance. Under the UNC Letter Agreement, the Company is obligated to pay UNC royalties equal to a low single digit percentage of all net sales of drug products whose manufacture, use or sale includes any use of the technology or patent rights covered by the UNC Letter Agreement. The Company may grant sublicenses of UNC licensed intellectual property in return for specified payments based on a percentage of any fee, royalty or other consideration received.

7. Revenue From Contracts With Customers

The Company derived its revenue during the year ended December 31, 2020 from the Promotion Agreement. During the year ended December 31, 2019, the Company derived its revenue primarily from licensing its proprietary PRINT technology and from performing research and development services. Revenue was recognized as services were performed in an amount that reflected the consideration the Company expected to be entitled to in exchange for those services and technology.

The Company's research, development and licensing agreements provide for multiple promised goods and services to be satisfied by the Company and include a license to the Company's technology in a particular field of study, participation in collaboration committees, performance of certain research and development services and obligations for certain manufacturing services.

The transaction price for these contracts includes non-refundable fees and fees for research and development services. Non-refundable up-front fees which may include, for example, an initial payment upon effectiveness of the contractual relationship or payment to secure a right for a future license, are recorded as deferred revenue and recognized into revenue over time as the Company provides the research services under the contract required to advance the products to the point where the Company is able to transfer control of the licensed technology to the customer ("Technology Transfer"). The contract consideration may also include additional non-refundable payments due to the Company based on the achievement of research, development, regulatory or commercialization milestone events. In agreements involving multiple goods or services promised to be transferred to customers, the Company must assess, at the inception of the contract, whether each promise represents a separate performance obligation (i.e., is "distinct"), or whether such promises should be combined as a single performance obligation. As these goods and services are considered to be highly interrelated, they were considered to represent a single, combined performance obligation. The Company includes an estimate of the probable amount of milestone payments to which it will be entitled in the transaction price. The estimate requires evaluation of factors which are outside of the Company's control and significantly limit the Company's ability to achieve the remaining milestone payments. Therefore, the Company has not included any future milestone payments in the transaction price allocated to research, development, and licensing agreements as of December 31, 2020. The Company revises the transaction price to include milestone payments once the specific milestone achievement is not considered to be subject to a significant reversal of revenue. At that time, the estimated transaction price is adjusted and a cumulative catch-up adjustment is recorded to adjust the amount of revenue to be recognized from the license inception to the date the milestone was deemed probable of achievement. The milestone is included with other non-refundable up-front fees and recognized into revenue over time as the Company continues to provide services under the contract through the Company's Technology Transfer. The amount of revenue recognized is based on the proportion of total research services performed to date to the expected services to be provided through the Technology Transfer.

The estimate of the research services to be provided through the Technology Transfer requires significant judgment to evaluate assumptions regarding the level of effort required for the Company to have performed sufficient obligations for the customer to be able to utilize the licensed technology without requiring further services from the Company. If the estimated level of effort changes, the remaining deferred revenue is recognized over the revised period in which the expected research services and Technology Transfer are required. Changes in estimates occur for a variety of reasons, including but not limited to (i) research and development acceleration or delays, (ii) customer prioritization of research projects, or (iii) results of research and development activities. The Company recognizes the consideration it is entitled to receive for research and development services, which are primarily billed quarterly in arrears on a time and materials basis, as the services are performed (under a proportional performance model) and collection is reasonably assured. Additionally, any up-front or development milestone payments received are also recognized as revenue, over time, under this same proportional performance model.

No royalties have been recognized during the years ended December 31, 2020 or 2019.

In September 2015, GSK Inhaled exercised the option to permanently license the technology for a non-refundable payment to the Company of $15.0 million. Pursuant to the license provisions of the collaboration agreement, GSK Inhaled is potentially required to pay the Company for certain milestones reached in addition to tiered royalties on the worldwide sales of the licensed products at percentages ranging from the mid-single digits to low-single digits depending on the total number of products developed and other royalty step-down events with a fixed low-single digit royalty floor. In February 2016, GSK Inhaled paid the Company a $3.0 million milestone payment pursuant to the collaboration agreement. The combined $18 million in up-front and milestone payments was subject to deferral pursuant to the adoption of ASC 606 and the revenue policy described herein.

In July 2018, GSK notified the Company of its plans to discontinue development of the inhaled antiviral for viral exacerbations in chronic obstructive pulmonary disease under the GSK Inhaled collaboration agreement after completion of the related Phase 1 clinical trial. In June 2019, the Company and GSK executed the third amendment to the collaboration agreement providing the Company rights to develop and commercialize additional inhaled programs at the Company's sole cost and development. This amendment granted the Company the right to develop three additional molecular entities for application in inhaled programs using the Company's PRINT technology and a mechanism to acquire further molecular entities for inhaled applications. New inhaled programs developed under this amendment would carry milestone and royalty payments due to GSK upon initiation of Phase 3 studies and subsequent commercialization, respectively. This amendment, among other factors including the lack of continued performance anticipated by the Company and GSK under the original agreement, led the Company to the belief that no further research and development services will be provided to GSK under the collaboration agreement and the earnings process related to the up-front and development milestone payments previously received under the collaboration agreement is completed under the proportional performance model. Therefore, the remaining deferred revenue of $8.1 million was recognized as revenue during the year ended December 31, 2019. If GSK were to request additional services under the original agreement, which the Company believes is a remote likelihood, the Company does not expect the value of any incremental efforts that the Company might agree to perform to be material. Any potential milestone or royalty payments from the Company to GSK associated with this amendment will be recorded as operating expenses.

The following tables represent a disaggregation of revenue by each significant research, development and licensing agreement and payment type for the years ended December 31, 2020 and 2019:

	Revenue for the Year Ended December 31,	
	2020	**2019**
Sandoz Promotion Agreement	$ 739,628	—
GSK Inhaled revenue:		
Non-refundable milestones	—	1,345,320
Non-refundable upfront payments	—	6,726,600
Total GSK Inhaled revenue	—	8,071,920
Other research and development services	—	200
Total Revenue	$ 739,628	8,072,120

Deferred Sublicense Payments

Sublicense payments to UNC are considered direct and incremental fulfillment costs of the Company's research, development and licensing agreements as the PRINT technology resources used by the Company are continually researched by UNC. These costs are deferred and then amortized into Cost of Sales over the same estimated period of benefit as the period of the underlying revenue recognition. In conjunction with the June 2019 amendment to the GSK collaboration agreement, the balance of deferred sublicense payments was expensed to Cost of revenue during the year ended December 31, 2019.

8. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	December 31, 2020	**December 31, 2019**
Lab and build-to-suit equipment	$ 7,499,645	$ 7,562,263
Office equipment	31,205	128,669
Furniture and fixtures	257,774	237,951
Computer equipment and software	404,558	804,046
Leasehold improvements	11,524,738	11,762,351
Construction-in-progress	65,820	91,797
Total property, plant and equipment	19,783,740	20,587,077
Accumulated depreciation and amortization	(12,978,170)	(11,333,112)
Property, plant and equipment, net	$ 6,805,570	$ 9,253,965

The Company recorded depreciation and amortization expense of $2,856,914 and $2,567,742 for the years ended December 31, 2020 and 2019, respectively. Maintenance and repairs are expensed as incurred and were $194,192 and $220,658, respectively, for the years ended December 31, 2020 and 2019.

The following table details the activity of Construction in Progress ("CIP") in 2020 and 2019 and the associated transfer to Leasehold Improvements, Laboratory Equipment and Computer Software when the assets were placed in service:

	Leasehold Improvements	Build-to-suit Equipment	Lab Equipment	Total
Balance as of December 31, 2018	$ 63,351	$ —	$ 91,797	$ 155,148
Add: Purchases related to CIP	2,820,640	—	—	2,820,640
Less: Transfer due to being placed in service	(2,883,991)	—	—	(2,883,991)
Balance as of December 31, 2019	—	—	91,797	91,797
Add: Acquired in Merger Transaction	—	65,820	—	65,820
Less: Transfer due to being placed in service	—	—	(91,797)	(91,797)
Balance as of December 31, 2020	$ —	$ 65,820	$ —	$ 65,820

9. Income Taxes

No provision for federal and state income tax expense has been recorded for the years ended December 31, 2020 and 2019 due to the valuation allowance recorded against the net deferred tax asset and recurring losses.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows as of December 31, 2020 and 2019:

	2020	2019
Deferred income tax assets:		
Tax loss carryforwards	$ 54,844,147	$ 42,107,372
Research and development credits	3,995,782	3,016,889
Share-based compensation	1,501,172	973,905
Lease liability	1,576,326	1,508,645
Compensation	193,490	564,572
Fixed assets	17,421	—
Refund liability	620,442	—
Patent amortization	76,017	86,985
Other	267,422	55,972
Valuation allowance	(61,595,499)	(47,505,967)
Total deferred income tax assets	1,496,720	808,373
Deferred income tax liabilities:		
Fixed assets	—	158,787
Section 481(a) adjustment	62,420	
Intangible assets	675,866	—
Right of use asset	758,434	649,586
Total deferred income tax liabilities	1,496,720	808,373
Total net deferred tax	$ —	$ —

As of December 31, 2020 and 2019, the Company established a full valuation allowance against its net deferred tax assets since, at the time, the Company could not assert that it was more likely than not that its deferred tax assets would be realized. As a result, there was an increase in the valuation allowance in 2020 of approximately $13,980,000.

As of December 31, 2020, the Company had federal and state income tax loss carryforwards of $238,509,075 and $239,195,945, respectively, which begin to expire in 2024 for federal purposes and in 2021 for state purposes. In addition, the Company has tax credit carryforwards for federal tax purposes of approximately $4,399,000 as of December 31, 2020, which begin to expire in 2026. The utilization of net operating loss and tax credit carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the loss carryforwards.

The Internal Revenue Code of 1986, as amended, contains provisions which limit the ability to utilize the net operating loss carryforwards in the case of certain events, including significant changes in ownership interests. If the Company's net operating loss carryforwards are limited, and the Company has taxable income which exceeds the permissible yearly net operating loss carryforwards, the Company would incur a federal income tax liability even though net operating loss carryforwards would be available in future years.

The reasons for the difference between actual income tax expense for the years ended December 31, 2020 and 2019 and the amount computed by applying the statutory federal income tax rate to income before income tax are as follows:

	2020		2019	
	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Income tax benefit at statutory rate	$ (12,550,174)	21.0%	$ (10,019,974)	21.0%
State income taxes, net of federal tax benefit	(1,203,286)	2.0	(957,616)	2.0
Non-deductible expenses	2,929	—	94,903	(0.2)
Share-based compensation	247,011	(0.4)	258,338	(0.5)
Transaction costs	573,494	(1.0)	—	—
Credits	(978,793)	1.6	(634,842)	1.3
Change in state rate	(667)	—	3,887	—
Other	(70,721)	0.1	77,009	(0.1)
Change in valuation allowance	13,980,207	(23.3)	11,178,295	(23.5)
Provision for income taxes	$ —	0.0%	$ —	0.0%

The Company has determined that there may be a future limitation on the Company's ability to utilize its entire federal R&D credit carryover. Therefore, the Company recognized an uncertain tax benefit associated with the federal R&D credit carryover during the years ended December 31, 2020 and 2019, as follows:

Balance at December 31, 2018	$ —
Increases related to 2019	158,710
Increases related to prior periods	—
Balance at December 31, 2019	158,710
Increases related to 2020	244,698
Increases related to prior periods	—
Balance at December 31, 2020	$ 403,408

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The Company has determined that it had no other material uncertain tax benefits for the year ended December 31, 2020. The Company's policy for recording interest and penalties related to uncertain tax provisions is to record them as a component of the provision for income taxes. The Company did not have any accrued interest or penalties associated with any unrecognized tax positions as of December 31, 2020 and 2019, and there were no such interest or penalties recognized during the years ended December 31, 2020 and 2019.

The Company has all tax years open to examination by federal tax and state tax jurisdictions. No income tax returns are currently under examination by taxing authorities.

10. Leases, Commitments and Contingencies

Leases

The Company leases certain laboratory space, office space, and equipment. Leases with an initial term of 12 months or less are not recorded on the Balance Sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, the Company combines lease and non-lease components, if any. Most leases include one or more options to renew. The exercise of lease renewal options is at the Company's sole discretion. Certain leases also include options to purchase the leased property. Consistent with past practice and current intent, the Company has recognized all such purchase options as part of its right-of-use assets and lease liabilities. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company conducts its operations from leased facilities in Morrisville, North Carolina. As of December 31, 2020, the Company's amended leases for its primary building is for usage of approximately 45,000 square feet of space expiring October 31, 2026. The leases are for general office, laboratory, research and development and light manufacturing space. The lease agreements require the Company to pay property taxes, insurance, common area expenses and maintenance costs. In November 2018, the Company amended the lease of its primary building to expand by 8,264 additional square footage expiring October 31, 2026 in exchange for terminating the Company's other lease with the same landlord for 4,400 noncontiguous square feet. A tenant allowance of approximately $1.0 million was also made available for use to help fund the build out related to the expansion of the primary building lease. The incremental rent over the terminated lease for the first 12 months of this lease expansion amounts to $0.1 million, subject to lease escalation in subsequent periods. In June 2019, the Company signed a commitment to incur construction costs of up to $3.1 million related to the leasehold improvements for this lease expansion, against which the tenant allowance will be applied. The leasehold improvements were substantially completed in 2019 and the Company took occupancy of the additional square footage in 2019. The total construction costs incurred in 2019 approximated $2.8 million.

The Company leases specialized laboratory equipment under finance leases. The related right-of-use assets are amortized on a straight-line basis over the lesser of the lease term or the estimated useful life of the asset.

The Company does not have access to certain inputs used by its lessors to calculate the rate implicit in its finance leases. As such, the Company utilizes its estimated incremental borrowing rate for the discount rate applied to its finance leases. The incremental borrowing rate used on finance leases was 7.5%.

The Company's lease cost is reflected in the accompanying Statements of Operations and Comprehensive Loss as follows:

		Year Ended December 31,	
	Classification	**2020**	**2019**
Operating lease cost	General and administrative	$ 780,470	$ 884,597
Finance lease cost:			
Amortization of lease assets	General and administrative	1,356,307	1,316,924
Interest on lease liabilities	Interest expense	125,659	190,687
Total Lease Cost		$ 2,262,436	$ 2,392,208

The weighted average remaining lease term and discount rates as of December 31, 2020 were as follows:

Weighted average remaining lease term (years):	
Operating leases	5.8
Finance leases	0.9
Weighted average discount rate:	
Operating leases	10.3%
Finance leases	7.3%

The discount rate for operating leases was estimated based upon market rates of collateralized loan obligations of comparable companies on comparable terms.

The future minimum lease payments as of December 31, 2020 were as follows:

Year ending December 31:	**Operating Leases**	**Finance Leases**	**Total**
2021	$ 1,207,708	$ 957,193	$ 2,164,901
2022	1,243,934	260,857	1,504,791
2023	1,283,253	—	1,283,253
2024	1,316,540	—	1,316,540
2025	1,355,923	—	1,355,923
Thereafter	1,157,807	—	1,157,807
Total minimum lease payments	7,565,165	1,218,050	8,783,215
Less: Interest	(1,894,194)	(39,430)	(1,933,624)
Present value of lease liabilities	$ 5,670,971	$ 1,178,620	$ 6,849,591

Other Commitments and Contingencies

In connection with the Merger Transaction, we agreed to issue additional consideration of up to 2,708,333 additional shares of common stock to the former equity holders of Raregen (now Liquidia PAH) contingent on achievement of certain Liquidia PAH revenue targets during the year ending December 31, 2021. As of December 31, 2020, the fair value of this contingent consideration was deemed to be immaterial.

In March 2012, the Company entered into an agreement, as amended, with Chasm Technologies, Inc. for manufacturing consulting services related to the Company's manufacturing capabilities during the term of the agreement. The Company agreed to pay future contingent royalties on net sales totaling no more than $1,500,000, none of which were earned as of December 31, 2020.

We enter into contracts in the normal course of business with contract service providers to assist in the performance of our research and development and manufacturing activities. Subject to required notice periods and our obligations under binding purchase orders, we can elect to discontinue the work under these agreements at any time. In addition, we have entered into a multi-year agreement with LGM Pharma, LLC (LGM) to produce active pharmaceutical ingredients for LIQ861. Under our manufacturing agreement with LGM, we are required to provide rolling forecasts, a portion of which will be considered a binding, firm order, subject to an annual minimum purchase commitment of $3,050,000 for the term of the agreement. The agreement expires five years from the first marketing authorization approval of LIQ861. This minimum commitment was waived for the year ending December 31, 2021.

The Company from time-to-time is subject to claims and litigation in the normal course of business, none of which the Company believes represent a risk of material loss or exposure. See Note 13 for further discussion of pending legal proceedings.

We also have employment agreements with certain employees which require the funding of a specific level of payments, if certain events, such as a change in control or termination without cause, occur.

11. Long-Term Debt

Long-term debt consisted of the following as of December 31, 2020 and 2019:

	Maturity Date	December 31, 2020	December 31, 2019
Pacific Western Bank note	October 25, 2022	$ 10,292,485	$ 15,878,121
Less current portion		—	(5,585,637)
Long-term debt, less current portion		$ 10,292,485	$ 10,292,484

Pacific Western Bank

In October 2018, Liquidia Technologies and Pacific Western entered into an Amended and Restated Loan and Security Agreement ("A&R LSA") in which Liquidia Technologies received an initial tranche of $11.0 million to extinguish its existing debt of $8.0 million under the LSA, repay in full the $1.8 million in outstanding indebtedness under a promissory note and for general corporate purposes. The indebtedness under the A&R LSA bore interest at the greater of the Prime rate or 5% and had a four-year term maturing in October 2022. The A&R LSA provided for access to a second tranche of up to $5.0 million available to be drawn at Liquidia Technologies' option through June 30, 2019. The second tranche became accessible as a result of the full enrollment of the LIQ861 INSPIRE clinical trial, without observing any materially adverse data through the two-week endpoint. The entire second tranche of $5.0 million was drawn by the Company in May 2019 bringing the total amount outstanding to $16.0 million. Both tranches required payments of interest-only through December 31, 2019.

The A&R LSA carried a one-time success fee of $375,000 and a prepayment penalty of 1% if the drawn tranche was prepaid prior to October 27, 2020. The success fee was triggered in December 2019 by the sale of common stock and was recorded as interest expense of $375,000 during the year ended December 2019. Accrued interest was included in Other accrued expenses in the Balance Sheets as of December 31, 2020 and 2019. The minimum cash covenant was $8.5 million. Pacific Western maintained a blanket lien on all assets excluding intellectual property, for which it was provided a negative pledge. Pursuant to the A&R LSA, the Company was also obligated to comply with various other customary covenants, including, among others, restrictions on its ability to dispose of assets, replace or suffer the departure of the CEO or CFO without delivering ten days' prior written notification to Pacific Western, suffer a change on the Board of Directors which would result in the failure of at least one partner of Canaan Partners or their respective affiliates to serve as a voting member in each case without having used best efforts to deliver at least 15 days' prior written notification to Pacific Western, make acquisitions, be acquired, incur indebtedness, grant liens, make distributions to its stockholders, make investments, enter into certain transactions with affiliates or pay down subordinated debt, subject to specified exceptions.

In May 2019, the Company and Pacific Western entered into a First Amendment to A&R LSA to provide for a limit of $2.5 million of Liquidia Technologies' capital expenditures during the year ended December 31, 2019. As of December 31, 2020, the Company was in compliance with all covenants under the A&R LSA.

On July 3, 2020, the Company, Liquidia Technologies, Liquidia Merger Sub and RareGen Merger Sub entered into a Joinder and Second Amendment to the A&R LSA (the "Second Amendment"), with Pacific Western pursuant to which, among other things, (i) the Company, Liquidia Merger Sub and RareGen Merger Sub executed a joinder to the A&R LSA for the purpose of acknowledging that it shall be a "Borrower" along with Liquidia Technologies thereunder and, in connection therewith, collaterally assigned and transferred to Pacific Western, and grant the Bank a continuing security interest in, all of such parties' now owned and existing or hereafter acquired and arising assets of "Collateral" (as defined in the A&R LSA), (ii) the Borrowers shall not make any payments pursuant to that certain Litigation Funding and Indemnification Agreement, entered into by and between RareGen and the Members' Representative prior to closing the Merger Transaction, without Pacific Western's consent unless such payments are reimbursed within 30 days and do not exceed $250,000 at any time and (iii) the definition of "Permitted Indebtedness" was amended to accommodate the transactions contemplated by the Litigation Funding and Indemnification Agreement.

On February 26, 2021 (the "Effective Date"), the Company and its two wholly owned subsidiaries, Liquidia Technologies and Liquidia PAH, entered into a Loan and Security Agreement (the "Loan Agreement") with Silicon Valley Bank, a California corporation, as lender ("SVB"). The Loan Agreement established a term loan facility in the aggregate principal amount of up to $20.5 million (the "Term Loan Facility"). An initial $10.5 million (the "Term A Loan") was funded on March 1, 2021 and was used to satisfy the Company's existing obligations under the A&R LSA, consisting of approximately $9.4 million in outstanding principal and interest, and such obligations are considered fully repaid and terminated as of that date, with the excess proceeds funded to the Company. As a result of the refinance, the entire balance of outstanding debt related to the A&R LSA at December 31, 2020 has been presented as noncurrent in accordance with ASC 470-10-45-14. See Note 14 for additional details regarding the Loan Agreement.

12. Defined Contribution Retirement Plan

The Company maintains a defined contribution 401(k) retirement plan for its employees, pursuant to which employees who have completed sixty days of service may elect to contribute a portion of their compensation on a tax-deferred basis up to the maximum amount permitted by the Internal Revenue Code. The Company provides a 4% matching contribution to eligible employee contributions. Matching contributions are paid subsequent to the year to which they relate. The Company's matching contributions for the years ended December 31, 2020 and 2019 were $416,345 and $400,378, respectively, and such amounts were included in Other Accrued Expenses on the Consolidated Balance Sheets as of December 31, 2020 and 2019, respectively.

13. Legal Proceedings

LIQ861-Related Litigation

On June 4, 2020, United Therapeutics filed a complaint for patent infringement against us in the U.S. District Court for the District of Delaware (Case No. 1:20-cv-00755-UNA) (the "Hatch-Waxman Litigation"), asserting infringement by us of U.S. Patent Nos. 9,604,901, entitled "Process to Prepare Treprostinil, the Active Ingredient in Remodulin®" (the "'901 Patent"), and 9,593,066, entitled "Process to Prepare Treprostinil, the Active Ingredient in Remodulin®" (the "'066 Patent"), relating to United Therapeutics' Tyvaso®, a nebulized treprostinil solution for the treatment of PAH. On July 16, 2020, we filed an answer to United Therapeutics' complaint and also included counterclaims of invalidity, non-infringement, and Orange Book de-listing of the '901 Patent and '066 Patent. United Therapeutics seeks a judgment that the asserted patents are infringed and an injunction of FDA final approval and subsequent commercial launch of LIQ861 product until after the latest to expire asserted patent. United Therapeutics' complaint is in response to the Company's NDA for LIQ861, filed with the FDA, requesting approval to market LIQ861, a dry powder inhalation of treprostinil for the treatment of PAH. The LIQ861 NDA was filed under the 505(b)(2) regulatory pathway with Tyvaso® as the reference listed drug. Under the Hatch-Waxman Act, the FDA is automatically precluded from approving the LIQ861 NDA for up to 30 months, absent an earlier judgment unfavorable to United Therapeutics by the court. Although the Company believes its LIQ861 dry powder inhaler for the treatment of PAH is highly differentiated from Tyvaso®, since the Company is seeking approval of the LIQ861 NDA under the 505(b)(2) regulatory pathway, the LIQ861 NDA is subject to the provisions of the Hatch-Waxman Act.

On July 21, 2020, the U.S. Patent and Trademark Office (the "USPTO") issued U.S. Patent No. 10,716,793 (the "793 Patent"), entitled "Treprostinil Administration by Inhalation", to United Therapeutics. On July 22, 2020, United Therapeutics filed an amended complaint in the Hatch-Waxman Litigation asserting infringement of the '793 Patent by the practice of LIQ861. The infringement allegation of the '793 Patent is separate from the 30-month regulatory stay on final approval of the NDA for LIQ861, which is only associated with the infringement allegations of the '901 Patent and the '066 Patent. The Company intends to make a certification with respect to the '793 Patent in its future resubmission of the NDA for LIQ861. United Therapeutics' motion to dismiss the Company's invalidity defenses and counterclaims concerning the '793 Patent was denied by the U.S. District Court for the District of Delaware on November 3, 2020.

On July 30, 2020, Judge Andrews, presiding over the Hatch-Waxman Litigation, conducted a scheduling conference and set a claim construction hearing in May 2021 and set the trial to begin in March 2022.

On March 30, 2020, the Company filed two petitions for inter partes review with the Patent Trial and Appeal Board (the "PTAB") of the USPTO. One petition was for inter partes review of the '901 Patent, and sought a determination that the claims in the '901 Patent are invalid, and a second petition was for inter partes review of the '066 Patent, and sought a determination that the claims in the '066 Patent are invalid. Both the '901 Patent and '066 Patent are owned by United Therapeutics, and both patents are related to U.S. Patent No. 8,497,393 which was granted to United Therapeutics and subsequently invalidated by the USPTO in an inter partes review instituted in 2016 by SteadyMed Ltd. On October 13, 2020, the PTAB instituted an inter partes review of the '901 Patent and concurrently denied institution on the '066 Patent, stating that the '066 petition has not established a reasonable likelihood that it would prevail in showing that at least one of the challenged claims is unpatentable. A final written decision determining the validity of the challenged claims of the '901 Patent is expected within 12 months from institution.

On January 7, 2021, the Company filed a petition for inter partes review with the PTAB, relating to the '793 patent, seeking a determination that the claims in the '793 patent are invalid. A determination by the PTAB to institute the petition is expected in the third quarter of 2021, and a final written decision determining the validity of the challenged claims of the '793 patent, if the petition is instituted by the PTAB, is expected within 12 months from institution.

Liquidia PAH-Related Litigation

On April 16, 2019, Sandoz and Liquidia PAH (then known as RareGen) filed a complaint against United Therapeutics and Smiths Medical in the District Court of New Jersey (Case No. No. 3:19-cv-10170), (the "UTC/Smiths Medical litigation"), alleging that United Therapeutics and Smiths Medical violated the Sherman Antitrust Act of 1890, state law antitrust statutes and unfair competition statutes by engaging in anticompetitive acts regarding the drug treprostinil for the treatment of PAH. On March 20, 2020, Sandoz and Liquidia PAH filed a first amended complaint adding a claim that United Therapeutics breached a settlement agreement that was entered into in 2015, in which United Therapeutics agreed to not interfere with Sandoz's efforts to launch its generic treprostinil, by taking calculated steps to restrict and interfere with the launch of Sandoz's competing generic product. United Therapeutics developed treprostinil under the brand name Remodulin® and Smiths Medical manufactured a pump and cartridges that are used to inject treprostinil into patients continuously throughout the day. Sandoz and Liquidia PAH allege that United Therapeutics and Smiths Medical entered into anticompetitive agreements (i) whereby Smiths Medical placed restrictions on the cartridges such that they can only be used with United Therapeutics' branded Remodulin® product and (ii) requiring Smiths Medical to enter into agreements with specialty pharmacies to sell the cartridges only for use with Remodulin®.

On January 29, 2020, the court denied Liquidia PAH's and Sandoz's motion for a preliminary injunction and United Therapeutics' and Smiths Medicals' motion to dismiss. On November 6, 2020, Sandoz and Liquidia PAH entered into a term sheet with Smiths Medical, in order to resolve the outstanding UTC/Smiths Medical litigation solely with respect to disputes between Smiths Medical, Liquidia PAH and Sandoz (the "Term Sheet"). In accordance with the Term Sheet, former RareGen members and Sandoz received a payment of $4.25 million, or the Settlement Proceeds, which was evenly split between the parties. In addition, pursuant to the Term Sheet, Smiths Medical disclosed and made available to Sandoz and Liquidia PAH certain specifications and other information related to the cartridge that Smiths Medical developed and manufactures for use with the CADD-MS 3 Infusion pump, or the CADD-MS 3 Cartridge. Pursuant to the Term Sheet, Smiths Medical also granted Liquidia PAH and Sandoz a non-exclusive, royalty-free license in the United States to Smiths Medical's 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 Cartridges. As of the date of this Annual Report on Form 10-K, the UTC/Smiths Medical litigation was still in process.

14. Subsequent Event

On February 26, 2021 (the "Effective Date"), the Company and its two wholly owned subsidiaries, Liquidia Technologies and Liquidia PAH entered into a Loan and Security Agreement (the "Loan Agreement") with Silicon Valley Bank, a California corporation, as lender ("Lender").

The Loan Agreement established a term loan facility in the aggregate principal amount of up to $20.5 million (the "Term Loan Facility"). An initial $10.5 million (the "Term A Loan") was funded to the Company on the Effective Date. Availability of $5.0 million under the second tranche of the Term Loan Facility (the "Term B Loan") is conditioned upon Liquidia having received tentative U.S. Food and Drug Administration (FDA) approval for LIQ861 by June 30, 2022, and availability of $5.0 million under the third tranche of the Term Loan Facility (the "Term C Loan" and, collectively with the Term A Loan and Term B Loan, the "Term Loans") is conditioned upon Liquidia having received final and unconditional FDA approval for LIQ861 by December 31, 2022. The entire Term A Loan was used to satisfy the Company's existing obligations under its previously disclosed Amended and Restated Loan and Security Agreement, dated as of October 26, 2018, as amended, by and between Liquidia and Pacific Western Bank, consisting of approximately $9.4 million in outstanding principal and interest, and such obligations are considered fully repaid and terminated.

As security for its obligations under the Loan Agreement, Liquidia granted Lender a continuing security interest in substantially all of the assets of Liquidia, other than intellectual property.

The Term Loans made under the Term Loan Facility mature on September 1, 2024 (the "Maturity Date") and have an interest-only monthly payment period through March 31, 2023 (the "Interest-Only Period"). Following the Interest-Only Period, the Company will begin making monthly payments of principal and interest until the Maturity Date. Interest will accrue on the unpaid principal balance of the outstanding Term Loans at a floating per annum rate equal to the greater of (i) the Wall Street Journal prime rate plus 0.75% and (ii) four percent (4.0%). Furthermore, on the earliest to occur of (x) the Maturity Date, (y) the date the Term Loans are repaid in full or (z) the date of termination of the Loan Agreement, the Company shall pay to Lender five percent (5.0%) of the aggregate original principal amount of all Term Loans made by the Lender (the "Final Payment").

In the event that Liquidia elects to terminate the Term Loan Facility in its entirety, it may do so at any time by paying the outstanding principal balance, unpaid accrued interest, the Final Payment and a prepayment fee equal to (i) five percent (5.0%) of the outstanding principal balance, if such prepayment is made during the Interest-Only Period or (ii) zero, if such prepayment is made after the Interest-Only Period and before the Maturity Date.

Subject to certain exceptions, the Loan Agreement contains covenants prohibiting the Company from, among other things, and subject to certain limited exceptions: (a) conveying, selling, leasing, transferring or otherwise disposing of its properties or assets; (b) liquidating or dissolving; (c) engaging in any business other than the business currently engaged in or reasonably related thereto by it or any of its subsidiaries; (d) engaging in mergers or acquisitions; (e) incurrence of additional indebtedness; (f) allowing any lien or encumbrance on any of its property; (g) paying any dividends; (h) repurchasing its equity; and (i) making payment on subordinated debt. In addition, the Loan Agreement requires Liquidia to maintain an unrestricted and unencumbered "Minimum Cash Balance" (as defined therein) equal to at least (i) $30.0 million during the period commencing on the Effective Date and including the date immediately prior to the funding date of the Term B Loan (the "Term B Loan Funding Date") and (ii) during the period commencing on the Term B Loan Funding Date through and including the date immediately prior to the funding date of the Term C Loan (the "Term C Loan Funding Date"), $35.0 million. Moreover, in the event the Minimum Cash Balance is not achieved during any calendar quarter during the term of the Loan Agreement, the Loan Agreement requires Liquidia to maintain cumulative "Cash Burn" (as defined in the Loan Agreement) for the periods ending March 31, 2021, June 30, 2021, September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022 and for each calendar quarter thereafter equal to $10.5 million, $17.0 million, $23.0 million, $28.5 million, $33.5 million and $38.0 million, respectively; *provided*, *however*, that the above amounts shall be increased by an amount equal to 75% of the aggregate net cash proceeds received by the Company from the sale of the Company's equity securities on or after the Effective Date but on or prior to the last day of such calendar quarter; *provided*, *further*, that upon the Term C Loan Funding Date, the Cash Burn covenant shall no longer apply.

The Loan Agreement also contains customary events of default, including among other things, the Company's failure to make any principal or interest payments when due, the occurrence of certain bankruptcy or insolvency events or the Company's breach of the covenants under the Loan Agreement, or other material adverse changes relating to Liquidia. Furthermore, per the Loan Agreement, an event of default shall occur upon any formal court ruling against Liquidia that the Lender determines in its good faith busines judgment is reasonably likely to prohibit its ability to obtain final approval from the FDA with respect to its New Drug Application for LIQ861 or impair or delay Liquidia's ability to commercialize LIQ861 as currently contemplated. Upon the occurrence of an event of default, SVB may, among other things, accelerate Liquidia's obligations under the Loan Agreement.

In connection with the Loan Agreement, the Company issued to the Lender a warrant, dated as of the Effective Date (the "Warrant") to purchase up to 200,000 shares of the Company's common stock, $0.001 par value per share (the "Common Stock"), of which (x) 100,000 shares vested on the Effective Date, with an exercise price per share equal to $3.05, and (y) 50,000 shares shall vest on each of the Term B Loan Funding Date and Term C Loan Funding Date, with an exercise price per share equal to the lower of (i) the trailing 10-day average price of the Common Stock on the applicable funding date and (ii) the closing price per share of Common Stock on the trading day prior to applicable funding date. The Warrant is exercisable for ten (10) years from the date of issuance, and will be exercised automatically on a net issuance basis if not exercised prior to the expiration date and if the then-current fair market value of one share of Common Stock is greater than the exercise price then in effect.

Exhibit 4.5

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The only class of securities of Liquidia Corporation, a Delaware corporation (the "Company"), registered under Section 12 of the Securities Exchange Act of 1934, as amended, is common stock, par value $0.001 per share ("common stock"). The following description of the Company's common stock and preferred stock, $0.001 par value per share ("preferred stock"), summarizes the material terms and provisions of the Company's common stock and preferred stock.

General

The total number of shares of capital stock that the Company has authorized is 90,000,000, divided into two classes consisting of (i) 80,000,000 shares of common stock and (ii) 10,000,000 shares of preferred stock.

Common Stock

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock are entitled to receive ratably those dividends, if any, that may be declared from time to time by the Board of Directors of the Company (the "Board") out of funds legally available, subject to preferences that may be applicable to preferred stock, if any, then outstanding. In the event of a liquidation, dissolution or winding up of the Company, the holders of common stock will be entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and non-assessable.

Preferred Stock

The Board is authorized to issue preferred stock in one or more series, to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of these shares and any qualifications, limitations or restrictions thereof. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. At present, the Company has no plans to issue any of the preferred stock.

Warrants

As of February 28, 2021, the Company had outstanding warrants to purchase an aggregate of 106,274 shares of common stock at an exercise price of $0.0168 per share. These warrants expire on December 31, 2026.

Registration Rights

On December 23, 2019, Liquidia Technologies, Inc., a wholly owned subsidiary of the Company and predecessor-in-interest for U.S. Securities and Exchange Commission ("SEC") reporting purposes ("Liquidia Technologies"), entered into a common stock purchase agreement for a private placement with certain purchasers whereby, on December 27, 2019 Liquidia Technologies issued and sold 7,164,534 shares of its common stock at a price of $3.13 per share for aggregate gross proceeds of approximately $22.4 million (the "Private Placement"). In connection with the Private Placement, on December 23, 2019, Liquidia Technologies entered into a registration rights agreement with the purchasers (the "Registration Rights Agreement"), pursuant to which Liquidia Technologies agreed to file a registration statement with the SEC covering the resale of the shares of Liquidia Technologies common stock sold in the Private Placement. Liquidia Technologies agreed to file such registration statement within 60 days following the date of the Registration Rights Agreement, which registration statement was filed with the SEC on February 3, 2020 and declared effective by the SEC on February 13, 2020. The Registration Rights Agreement includes customary indemnification rights in connection with the registration statement.

Exhibit 4.5

Pursuant to a Limited Waiver and Modification, dated as of August 3, 2020, to that certain Agreement and Plan of Merger, dated as of June 29, 2020, by and among the Company, Liquidia Technologies and RareGen, LLC ("RareGen"), among other parties (the "Merger Agreement"), (i) RareGen waived the requirement in the Merger Agreement that the shares issuable to RareGen members in the merger transaction be registered on the related Registration Statement on Form S-4 and (ii) the Company covenanted and agreed to file with the SEC a resale registration statement as promptly as practicable following the closing of the merger transaction to register for resale the shares of common stock issuable to RareGen members in the merger transaction and to use reasonable best efforts to cause such resale registration statement to be declared effective by the SEC within 60 days following the closing date of the merger transaction, which registration statement was initially filed with the SEC on December 16, 2020 and declared effective on December 23, 2020.

Additionally, Liquidia Technologies entered into a Seventh Amended and Restated Investors' Rights Agreement ("IRA") on February 2, 2018 with its then-largest stockholders. Subject to the terms of the IRA, Holders (as defined in the IRA) of shares having registration rights ("Registrable Securities", as defined in the IRA) can demand that the Company file a registration statement or request that their shares be covered by a registration statement that the Company is otherwise filing, until the earliest to occur of: (i) July 30, 2023, (ii) as to any Holder, such earlier time at which such Holder can sell all Registrable Securities held by such Holder (together with any affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) in a single three (3)-month period without registration in compliance with Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"), or (iii) after the consummation of a "Liquidation Event," as defined in the IRA.

Demand Registration Rights. At any time after January 30, 2019, subject to certain exceptions set forth in the IRA, if the Holders of at least a majority of the Liquidia Technologies common stock issued upon conversion of the Series C, Series C-1 and Series D preferred stock demand that the Company file a registration statement covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $10 million, the Company is required to use all commercially reasonable efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities requested to be registered.

Form S-3 Registration Rights. If the Company receives from the Holders of Registrable Securities a written request that the Company effects a registration on Form S-3, the Company is required to provide written notice of the proposed registration to all other Holders and use all commercially reasonable efforts to effect the registration of such shares on Form S-3; provided, however, that such Form S-3 registration right is subject to a number of exceptions, such as the Company being eligible to use Form S-3 at the time such Form S-3 registration request is made, the proposed sale of Registrable Securities to be registered on Form S-3 having an aggregate price to the public (net of any underwriters' discounts or commissions) of at least $5 million and the Company not being required to file more than two registration statements on Form S-3 in a 12-month period. Furthermore, the Company has the ability to delay the filing of a registration statement under specified conditions, such as for a period of time following the effective date of a prior registration statement, if the Board deems it detrimental to the Company and the Company's stockholders to delay the filing. Such postponements cannot exceed 90 days during any 12-month period and cannot be made more than once in any 12-month period.

Piggyback Registration Rights. If the Company proposes to register any of its securities under the Securities Act in connection with the public offering of such securities, the Company is required to, at such time, promptly give each Holder party to the IRA written notice of such registration. Upon the written request of each such Holder given within 20 days after receipt of the Company's registration notice, the Company is required to use all commercially reasonable efforts to cause to be registered under the Securities Act all of the Registrable Securities that each holder requests to be registered. In connection with any such offering, the Company is not required to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed between the Company and the underwriters selected by the Company and enter into an underwriting agreement in customary form with such underwriters, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If marketing factors require a limitation of the number of shares to be underwritten, then the number of shares that may be included in the underwriting will be allocated, first, to the Company; second, to the Holders other than the Common Holders on a pro rata basis based on the total number of Registrable Securities held by such Holders; third, to the Common Holders on a pro rata basis based on the total number of Registrable Securities held by the Common Holders; and fourth, to any stockholder other than a Holder and/or Common Holder on a pro rata basis.

Expenses of Registration. The Company will pay all expenses, other than underwriting discounts and commissions, related to any demand, Form S-3 or piggyback registration, including without limitation all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders, not to exceed $50,000.

Indemnification. The IRA contains customary cross-indemnification provisions under which the Company is obligated to indemnify the selling stockholders in the event of material misstatements or omissions or other "Violation," as defined in the IRA, in the registration statement attributable to the Company, and they are obligated to indemnify the Company for material misstatements or omissions or other Violation attributable to them.

Termination of Registration Rights. All registration rights granted under the IRA will terminate on July 30, 2023.

Anti-Takeover Effects of the Company's Charter and Bylaws and Delaware Law

Some provisions of Delaware law and the Company's certificate of incorporation and bylaws could make the following transactions more difficult:

- acquisition of the Company by means of a tender offer, a proxy contest or otherwise; and
- removal of the Company's incumbent officers and directors.

These provisions, summarized below, are expected to discourage and prevent coercive takeover practices and inadequate takeover bids. These provisions are designed to encourage persons seeking to acquire control of the Company to negotiate first with the Board. They are also intended to provide Company management with the flexibility to enhance the likelihood of continuity and stability if the Board determines that a takeover is not in the best interests of its stockholders. These provisions, however, could have the effect of discouraging attempts to acquire the Company, which could deprive the Company's stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices. The Company believes that the benefits of these provisions, including increased protection of the Company's potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company, outweigh the disadvantages of discouraging takeover proposals, because negotiation of takeover proposals could result in an improvement of their terms.

Election and Removal of Directors

The Company's certificate of incorporation and bylaws contain provisions that establish specific procedures for appointing and removing members of the Board. Under the Company's certificate of incorporation and bylaws, the Board consists of three classes of directors: Class I, Class II and Class III. A nominee for director shall be elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election. Each director will serve a three-year term and will stand for election upon the third anniversary of the annual meeting at which such director was elected. In addition, the Company's certificate of incorporation and bylaws provide that vacancies and newly created directorships on the Board may be filled only by a majority of the directors then serving on the Board. Under the Company's certificate of incorporation, directors may be removed by the stockholders only by the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the Company's capital stock entitled to vote generally in the election of directors, voting together as a single class.

Authorized but Unissued Shares. The authorized but unissued shares of common stock and preferred stock are available for future issuance without any further vote or action by the Company's stockholders. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control over the Company by means of a proxy contest, changes in the Company's management, tender offer, merger or otherwise. In particular, the authorization of undesignated preferred stock makes it possible for the Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of the Company.

Stockholder Action; Advance Notification of Stockholder Nominations and Proposals. The Company's certificate of incorporation and bylaws require that any action required or permitted to be taken by its stockholders must be effected at a duly called annual or special meeting of stockholders and does not allow for stockholders to act by written consent without a meeting. In addition, the Company's bylaws provide that candidates for director may be nominated and other business brought before an annual meeting only by the Board or by a stockholder who gives written notice to the Company no later than 90 days prior to nor earlier than 120 days prior to the first anniversary of the last annual meeting of stockholders. These provisions may have the effect of deterring unsolicited offers to acquire the Company or delaying changes in the Company's management, which could depress the market price of the common stock.

Special Stockholder Meetings. Under the Company's certificate of incorporation and bylaws, only the Board, the Chairman of the Board or the Company's Chief Executive Officer may call special meetings of stockholders.

Delaware Anti-Takeover Law. The Company is subject to Section 203 of the Delaware General Corporation Law (the "DGCL"), which is an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date that the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale, or another transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, together with affiliates and associates, owns 15% or more of the corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions that are not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

No Cumulative Voting. Under Delaware law, cumulative voting for the election of directors is not permitted unless a corporation's certificate of incorporation authorizes cumulative voting. The Company's certificate of incorporation does not provide for cumulative voting in the election of directors. Cumulative voting allows a minority stockholder to vote a portion or all of its shares for one or more candidates for seats on the Board. Without cumulative voting, a minority stockholder will not be able to gain as many seats on the Board based on the number of shares of Company stock the stockholder holds as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on the Board to influence its decision regarding a takeover.

Amendment of Charter Provisions. The amendment of certain of the above provisions in the Company's certificate of incorporation and bylaws requires approval by holders of at least a majority of the Company's outstanding capital stock entitled to vote generally in the election of directors.

These and other provisions could have the effect of discouraging others from attempting hostile takeovers, and, as a consequence, they may also inhibit temporary fluctuations in the market price of the common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the Company's management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Exhibit 4.5

Exclusive Forum

The Company's certificate of incorporation provides that the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for any (1) derivative action or proceeding brought on behalf of the Company, (2) action asserting a claim of breach of a fiduciary duty owed by any director or officer of the Company to the Company or its stockholders, (3) action asserting a claim against the Company arising pursuant to any provision of the DGCL or the Company's certificate of incorporation or bylaws or (4) action asserting a claim against the Company governed by the internal affairs doctrine. This provision does not apply to any actions arising under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and consented to the forum provisions in the Company's certificate of incorporation. However, the enforceability of similar forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be unenforceable.

Transfer Agent

The transfer agent and registrar for the common stock is Computershare Trust Company, N.A. and its address is 250 Royall Street, Canton, MA 02021.

LIQUIDIA CORPORATION
2020 LONG-TERM INCENTIVE PLAN

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1. History; Existence of the Plan.

LIQUIDIA CORPORATION, a Delaware corporation ("*Liquidia Corporation*"), has established the LIQUIDIA CORPORATION 2020 LONG-TERM INCENTIVE PLAN, as set forth herein, and as the same may be amended from time to time (the "*Plan*"). The Plan will come into existence on the Adoption Date; *provided*, *however*, that no Award may be granted prior to the closing of the merger transaction between Liquidia Technologies, Inc. and RareGen, LLC (the "*Effective Date*"). In addition, no Award will be exercised (or, in the case of Restricted Stock, Restricted Stock Units, Performance Shares, or Other Stock-Based Awards, no Award will be granted) and no Performance Units will be settled unless and until the Plan has been approved by the shareholders of Liquidia Corporation, which approval will be within 12 months after the date the Plan is adopted by the Board of Directors of Liquidia Corporation (the "*Board*").

On the Effective Date, (i) Liquidia Corporation will assume the Liquidia Technologies, Inc. 2018 Long-Term Incentive Plan (the "*Liquidia 2018 Plan*"), the Liquidia Technologies, Inc. 2016 Equity Incentive Plan, as amended, and the Liquidia Technologies, Inc. Stock Option Plan (collectively the "*Assumed Plans*"), and the outstanding awards under each such plan and such awards will remain subject to the same terms and conditions set forth in the Assumed Plans and related agreements.

No awards will be made under Liquidia 2018 Plan on or after the Effective Date.

2. Purposes of the Plan.

The Plan is designed to:

(a) promote the long-term financial interests and growth of Liquidia Corporation and its Subsidiaries (together, the "*Company*") by attracting and retaining management and other personnel of Liquidia Corporation and other Eligible Individuals.

(b) motivate management personnel by means of growth-related incentives to achieve long-range goals; and

(c) further the alignment of interests of Participants with those of the stockholders of Liquidia Corporation through opportunities for increased stock or stock-based ownership in Liquidia Corporation.

Toward these objectives, the Administrator may grant stock options, stock appreciation rights, stock awards, stock units, performance shares, performance units, and other stock-based awards to eligible individuals on the terms and subject to the conditions set forth in the Plan.

3. Terminology.

Except as otherwise specifically provided in an Award Agreement, capitalized words and phrases used in the Plan or an Award Agreement shall have the meaning set forth in the glossary at Section 17 of the Plan or as defined the first place such word or phrase appears in the Plan.

4. Administration.

(a) *Administration of the Plan*. The Plan shall be administered by the Administrator.

(b) *Powers of the Administrator*. The Administrator shall, except as otherwise provided under the Plan, have plenary authority, in its sole and absolute discretion, to grant Awards pursuant to the terms of the Plan to Eligible Individuals and to take all other actions necessary or desirable to carry out the purpose and intent of the Plan. Among other things, the Administrator shall have the authority, in its sole and absolute discretion, subject to the terms and conditions of the Plan to:

(i) determine the Eligible Individuals to whom, and the time or times at which, Awards shall be granted;

(ii) determine the types of Awards to be granted any Eligible Individual;

(iii) determine the number of shares of Common Stock to be covered by or used for reference purposes for each Award or the value to be transferred pursuant to any Award;

(iv) determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (A) the purchase price of any shares of Common Stock, (B) the method of payment for shares purchased pursuant to any Award, (C) the method for satisfying any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Common Stock, (D) the timing, terms and conditions of the exercisability, vesting or payout of any Award or any shares acquired pursuant thereto, (E) the Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (F) the time of the expiration of any Award, (G) the effect of the Participant's Termination of Service on any of the foregoing, and (H) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto as the Administrator shall consider to be appropriate and not inconsistent with the terms of the Plan;

(v) subject to Sections 7(e), 10(c) and 15, modify, amend or adjust the terms and conditions of any Award;

(vi) accelerate or otherwise change the time at or during which an Award may be exercised or becomes payable and waive or accelerate the lapse, in whole or in part, of any restriction, condition or risk of forfeiture with respect to such Award; *provided, however*, that, except in connection with death, disability or a Change in Control, no such change, waiver or acceleration to any Award that is considered "deferred compensation" within the meaning of Section 409A of the Code if the effect of such action is inconsistent with Section 409A of the Code;

(vii) determine whether an Award will be paid or settled in cash, shares of Common Stock, or in any combination thereof and whether, to what extent and under what circumstances cash or shares of Common Stock payable with respect to an Award shall be deferred either automatically or at the election of the Participant;

(viii) for any purpose, including but not limited to, qualifying for preferred or beneficial tax treatment, accommodating the customs or administrative challenges or otherwise complying with the tax, accounting or regulatory requirements of one or more jurisdictions, adopt, amend, modify, administer or terminate sub-plans, appendices, special provisions or supplements applicable to Awards regulated by the laws of a particular jurisdiction, which sub-plans, appendices, supplements and special provisions may take precedence over other provisions of the Plan, and prescribe, amend and rescind rules and regulations relating to such sub-plans, supplements and special provisions;

(ix) establish any "blackout" period, during which transactions affecting Awards may not be effectuated, that the Administrator in its sole discretion deems necessary or advisable;

(x) determine the Fair Market Value of shares of Common Stock or other property for any purpose under the Plan or any Award;

(xi) administer, construe and interpret the Plan, Award Agreements and all other documents relevant to the Plan and Awards issued thereunder, and decide all other matters to be determined in connection with an Award;

(xii) establish, amend, rescind and interpret such administrative rules, regulations, agreements, guidelines, instruments and practices for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable;

(xiii) correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent the Administrator shall consider it desirable to carry it into effect; and

(xiv) otherwise administer the Plan and all Awards granted under the Plan.

(c) *Delegation of Administrative Authority.* The Administrator may designate officers or employees of the Company to assist the Administrator in the administration of the Plan and, to the extent permitted by applicable law and stock exchange rules, the Administrator may delegate to officers or other employees of the Company the Administrator's duties and powers under the Plan, subject to such conditions and limitations as the Administrator shall prescribe, including without limitation the authority to execute agreements or other documents on behalf of the Administrator; provided, however, that such delegation of authority shall not extend to the granting of, or exercise of discretion with respect to, Awards to Eligible Individuals who are officers under Section 16 of the Exchange Act.

(d) *Non-Uniform Determinations*. The Administrator's determinations under the Plan (including without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Award Agreements evidencing such Awards, and the ramifications of a Change in Control upon outstanding Awards) need not be uniform and may be made by the Administrator selectively among Awards or persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

(e) *Limited Liability; Advisors.* To the maximum extent permitted by law, no member of the Administrator, nor any director, officer, employee or representative of Liquidia Corporation shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder. The Administrator may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Administrator, Liquidia Corporation and the officers and directors Liquidia Corporation shall be entitled to rely upon the advice, opinions or valuations of any such persons.

(f) *Indemnification*. To the maximum extent permitted by law, by Liquidia Corporation' charter and by-laws, and by any directors' and officers' liability insurance coverage which may be in effect from time to time, the members of the Administrator and any agent or delegate of the Administrator who is a director, officer or employee of Liquidia Corporation or an Affiliate shall be indemnified by Liquidia Corporation against any and all liabilities and expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan.

(g) *Effect of Administrator's Decision*. All actions taken and determinations made by the Administrator on all matters relating to the Plan or any Award pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion, unless in contravention of any express term of the Plan, including, without limitation, any determination involving the appropriateness or equitableness of any action. All determinations made by the Administrator shall be conclusive, final and binding on all parties concerned, including Liquidia Corporation, any Participants and any other employee, or director of Liquidia Corporation and its Affiliates, and their respective successors in interest. No member of the Administrator, nor any director, officer, employee or representative of Liquidia Corporation shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards.

5. Shares Issuable Pursuant to Awards.

(a) *Initial Share Pool.* Subject to adjustments as provided in Section 10 of the Plan, the number of shares of Common Stock issuable pursuant to Awards that may be granted under the Plan shall equal 1,700,000 (the "*Share Pool*").

(b) *Adjustments to Share Pool*. On and after the Effective Date, the Share Pool shall be adjusted, in addition to any adjustments to be made pursuant to Section 10 of the Plan, as follows:

(i) The Share Pool shall be increased automatically, without further action of the Board, on January 1st of each calendar year commencing after the Effective Date and ending on (and including) January 1, 2030, by a number of shares of Common Stock equal to the lesser of (A) four percent (4%) of the aggregate number of shares of Common Stock outstanding on December 31st of the immediately preceding calendar year, excluding for this purpose any such outstanding shares of Common Stock that were granted under this Plan and remain unvested and subject to forfeiture as of the relevant December 31st, or (B) a lesser number of shares of Common Stock determined by the Board or Compensation Committee prior to the relevant January 1st.

(ii) The Share Pool shall be reduced, on the date of grant, by one share for each share of Common Stock made subject to an Award granted under the Plan;

(iii) The Share Pool shall be increased, on the relevant date, by the number of unissued shares of Common Stock underlying or used as a reference measure for any Award or portion of an Award that is cancelled, forfeited, expired, terminated unearned or settled in cash, in any such case without the issuance of shares and by the number of shares of Common Stock used as a reference measure for any Award that are not issued upon settlement of such Award either due to a net settlement or otherwise;

(iv) The Share Pool shall be increased, on the forfeiture date, by the number of shares of Common Stock that are forfeited back to Liquidia Corporation after issuance due to a failure to meet an Award contingency or condition with respect to any Award or portion of an Award;

(v) The Share Pool shall be increased, on the exercise date, by the number of shares of Common Stock withheld by or surrendered (either actually or through attestation) to Liquidia Corporation in payment of the exercise price of any Award; and

(vi) The Share Pool shall be increased, on the relevant date, by the number of shares of Common Stock withheld by or surrendered (either actually or through attestation) to Client in payment of the Tax Withholding Obligation that arises in connection with any Award.

(vii) Notwithstanding the foregoing, the Share Pool will not be increased to include any shares of Common Stock issuable upon exercise of options granted under the Assumed Plans that expire or terminate without having been exercised in full.

(c) *ISO Limit*. Subject to adjustment pursuant to Section 10 of the Plan, the maximum number of shares of Common Stock that may be issued pursuant to stock options granted under the Plan that are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code shall be equal to 10,000,000.

(d) *Source of Shares*. The shares of Common Stock with respect to which Awards may be made under the Plan shall be shares authorized for issuance under Liquidia Corporation' charter but unissued, or issued and reacquired, including without limitation shares purchased in the open market or in private transactions.

(e) *Non-Employee Director Award Limit*. In addition, the Administrator may establish compensation for Non-Employee Directors from time to time, subject to the limitations in the Plan. The Administrator will from time to time determine the terms, conditions and amounts of all such Non-Employee Director compensation in its discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time, provided that the sum of any cash compensation and the grant date fair value of Awards (as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) granted under the Plan to a Non-Employee Director as compensation for services as a Non-Employee Director during any calendar year of the Company may not exceed $500,000 for an annual grant, *provided however*, in a Non-Employee Director's first year of service compensation for services may not exceed $1,000,000 (such limits, the "*Director Limits*"). The Administrator may make exceptions to this limit for individual Non-Employee directors in extraordinary circumstances, as the Administrator may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation or in other compensation decisions involving Non-Employee Director.

6. Participation.

Participation in the Plan shall be open to all Eligible Individuals, as may be selected by the Administrator from time to time. The Administrator may also grant Awards to Eligible Individuals in connection with hiring, recruiting or otherwise, prior to the date the individual first performs services for Liquidia Corporation or an Affiliate; *provided, however*, that such Awards shall not become vested or exercisable and no shares shall be issued to such individual, prior to the date the individual first commences performance of such services.

7. Awards.

(a) *Awards, In General.* The Administrator, in its sole discretion, shall establish the terms of all Awards granted under the Plan consistent with the terms of the Plan. Awards may be granted individually or in tandem with other types of Awards, concurrently with or with respect to outstanding Awards. All Awards are subject to the terms and conditions provided in the Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. Unless otherwise specified by the Administrator, in its sole discretion, or otherwise provided in the Award Agreement, an Award shall not be effective unless the Award Agreement is signed or otherwise accepted by Liquidia Corporation and the Participant receiving the Award (including by electronic delivery and/or electronic signature).

(b) *Stock Options*.

(i) *Grants*. A stock option means a right to purchase a specified number of shares of Common Stock from Liquidia Corporation at a specified price during a specified period of time. The Administrator may from time to time grant to Eligible Individuals Awards of Incentive Stock Options or Nonqualified Options; *provided, however*, that Awards of Incentive Stock Options shall be limited to employees of Liquidia Corporation or of any current or hereafter existing "parent corporation" or "subsidiary corporation," as defined in Sections 424(e) and 424(f) of the Code, respectively, of Liquidia Corporation, and any other Eligible Individuals who are eligible to receive Incentive Stock Options under the provisions of Section 422 of the Code. No stock option shall be an Incentive Stock Option unless so designated by the Administrator at the time of grant or in the applicable Award Agreement.

(ii) *Exercise*. Stock options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; *provided, however,* that Awards of stock options may not have a term in excess of ten years' duration unless required otherwise by applicable law.

(iii) *Termination of Service*. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock options are not vested and exercisable, a Participant's stock options shall be forfeited upon his or her Termination of Service.

(iv) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock options, *provided* they are not inconsistent with the Plan.

(c) *Limitation on Reload Options*. The Administrator shall not grant stock options under this Plan that contain a reload or replenishment feature pursuant to which a new stock option would be granted automatically upon receipt of delivery of Common Stock to Liquidia Corporation in payment of the exercise price or any tax withholding obligation under any other stock option.

(d) *Stock Appreciation Rights*.

(i) *Grants.* The Administrator may from time to time grant to Eligible Individuals Awards of stock appreciation rights. A stock appreciation right entitles the Participant to receive, subject to the provisions of the Plan and the Award Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one share of Common Stock over (B) the base price per share specified in the Award Agreement, times (ii) the number of shares specified by the stock appreciation right, or portion thereof, which is exercised. The base price per share specified in the Award Agreement shall not be less than the lower of the Fair Market Value on the date of grant or the exercise price of any tandem stock option to which the stock appreciation right is related, or with respect to stock appreciation rights that are granted in substitution of similar types of awards of a company acquired by Liquidia Corporation or a Subsidiary or with which Liquidia Corporation or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) such base price as is necessary to preserve the intrinsic value of such awards.

(ii) *Exercise*. Stock appreciation rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; *provided, however,* that stock appreciation rights granted under the Plan may not have a term in excess of ten years' duration unless required otherwise by applicable law. The applicable Award Agreement shall specify whether payment by Liquidia Corporation of the amount receivable upon any exercise of a stock appreciation right is to be made in cash or shares of Common Stock or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or upon the exercise of the stock appreciation right. If upon the exercise of a stock appreciation right a Participant is to receive a portion of such payment in shares of Common Stock, the number of shares shall be determined by dividing such portion by the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.

(iii) *Termination of Service*. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock appreciation rights are not vested and exercisable, a Participant's stock appreciation rights shall be forfeited upon his or her Termination of

(iv) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock appreciation rights, *provided* they are not inconsistent with the Plan.

(e) *Repricing.* Notwithstanding anything herein to the contrary, except in connection with a corporate transaction involving Liquidia Corporation (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of options and stock appreciation rights granted under the Plan may not be amended, after the date of grant, to reduce the exercise price of such options or stock appreciation rights, nor may outstanding options or stock appreciation rights be canceled in exchange for (i) cash, (ii) options or stock appreciation rights with an exercise price or base price that is less than the exercise price or base price of the original outstanding options or stock appreciation rights, or (iii) other Awards, unless such action is approved by Liquidia Corporation' stockholders.

(f) *Stock Awards*.

(i) *Grants*. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted Common Stock or Restricted Stock (collectively, "*Stock Awards*") on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as the Administrator shall determine, subject to the limitations set forth in Section 7(b). Stock Awards shall be evidenced in such manner as the Administrator may deem appropriate, including via book-entry registration.

(ii) *Vesting*. Restricted Stock shall be subject to such vesting, restrictions on transferability and other restrictions, if any, and/or risk of forfeiture as the Administrator may impose at the date of grant or thereafter. The Restriction Period to which such vesting, restrictions and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Goals, in such installments, or otherwise, as the Administrator may determine. Subject to the provisions of the Plan and the applicable Award Agreement, during the Restriction Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock.

(iii) *Rights of a Stockholder; Dividends*. Except to the extent restricted under the Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder of Common Stock including, without limitation, the right to vote Restricted Stock. Cash dividends declared payable on Common Stock shall be paid, with respect to outstanding Restricted Stock, either as soon as practicable following the dividend payment date or deferred for payment to such later date as determined by the Administrator, and shall be paid in cash or as unrestricted shares of Common Stock having a Fair Market Value equal to the amount of such dividends or may be reinvested in additional shares of Restricted Stock as determined by the Administrator; *provided*, *however*, that dividends declared payable on Restricted Stock that is granted as a Performance Award shall be held by Liquidia Corporation and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such shares of Restricted Stock. Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Common Stock or other property has been distributed. As soon as is practicable following the date on which restrictions on any shares of Restricted Stock lapse, Liquidia Corporation shall deliver to the Participant the certificates for such shares or shall cause the shares to be registered in the Participant's name in book-entry form, in either case with the restrictions removed, provided that the Participant shall have complied with all conditions for delivery of such shares contained in the Award Agreement or otherwise reasonably required by Liquidia Corporation.

(iv) *Termination of Service*. Except as provided in the applicable Award Agreement, upon Termination of Service during the applicable Restriction Period, Restricted Stock and any accrued but unpaid dividends that are at that time subject to restrictions shall be forfeited; *provided* that the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock.

(v) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Restricted Stock, *provided* they are not inconsistent with the Plan.

(g) *Stock Units*.

(i) *Grants*. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted stock Units or Restricted Stock Units on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine, subject to the limitations set forth in Section 7(b). Restricted Stock Units represent a contractual obligation by Liquidia Corporation to deliver a number of shares of Common Stock, an amount in cash equal to the Fair Market Value of the specified number of shares subject to the Award, or a combination of shares of Common Stock and cash, in accordance with the terms and conditions set forth in the Plan and any applicable Award Agreement.

(ii) *Vesting and Payment*. Restricted Stock Units shall be subject to such vesting, risk of forfeiture and/or payment provisions as the Administrator may impose at the date of grant. The Restriction Period to which such vesting and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of Performance Goals, in such installments, or otherwise, as the Administrator may determine. Shares of Common Stock, cash or a combination of shares of Common Stock and cash, as applicable, payable in settlement of Restricted Stock Units shall be delivered to the Participant as soon as administratively practicable, but no later than 30 days, after the date on which payment is due under the terms of the Award Agreement *provided* that the Participant shall have complied with all conditions for delivery of such shares or payment contained in the Award Agreement or otherwise reasonably required by Liquidia Corporation, or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) *No Rights of a Stockholder; Dividend Equivalents*. Until shares of Common Stock are issued to the Participant in settlement of stock Units, the Participant shall not have any rights of a stockholder of Liquidia Corporation with respect to the stock Units or the shares issuable thereunder. The Administrator may grant to the Participant the right to receive Dividend Equivalents on stock Units, on a current, reinvested and/or restricted basis, subject to such terms as the Administrator may determine *provided, however*, that Dividend Equivalents payable on stock Units that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such stock Units.

(iv) *Termination of Service*. Upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply, or upon failure to satisfy any other conditions precedent to the delivery of shares of Common Stock or cash to which such Restricted Stock Units relate, all Restricted Stock Units and any accrued but unpaid Dividend Equivalents with respect to such Restricted Stock Units that are then subject to deferral or restriction shall be forfeited; *provided* that the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock Units will be waived in whole or in part in the event of termination resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock Units.

(v) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock Units, *provided* they are not inconsistent with the Plan.

(h) *Performance Shares and Performance Units*.

(i) *Grants*. The Administrator may from time to time grant to Eligible Individuals Awards in the form of Performance Shares and Performance Units. Performance Shares, as that term is used in this Plan, shall refer to shares of Common Stock or Units that are expressed in terms of Common Stock, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. Performance Units, as that term is used in this Plan, shall refer to dollar-denominated Units valued by reference to designated criteria established by the Administrator, other than Common Stock, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period. The applicable Award Agreement shall specify whether Performance Shares and Performance Units will be settled or paid in cash or shares of Common Stock or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or at the payment or settlement date.

(ii) *Performance Criteria*. The Administrator shall, prior to or at the time of grant, condition the grant, vesting or payment of, or lapse of restrictions on, an Award of Performance Shares or Performance Units upon (A) the attainment of Performance Goals during a Performance Period or (B) the attainment of Performance Goals and the continued service of the Participant. The length of the Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained shall be conclusively determined by the Administrator in the exercise of its absolute discretion. Performance Goals may include minimum, maximum and target levels of performance, with the size of the Award or payout of Performance Shares or Performance Units or the vesting or lapse of restrictions with respect thereto based on the level attained. Performance Goals may be applied on a per share or absolute basis and relative to one or more Performance Metrics, or any combination thereof, and may be measured pursuant to U.S. generally accepted accounting principles ("GAAP"), non-GAAP or other objective standards in a manner consistent with Liquidia Corporation' or its Subsidiary's established accounting policies, all as the Administrator shall determine at the time the Performance Goals for a Performance Period are established. The Administrator may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to the manner in which one or more of the Performance Goals is to be calculated or measured to take into account, or ignore, one or more of the following: (1) items related to a change in accounting principle; (2) items relating to financing activities; (3) expenses for restructuring or productivity initiatives; (4) other non-operating items; (5) items related to acquisitions; (6) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (7) items related to the sale or disposition of a business or segment of a business; (8) items related to discontinued operations that do not qualify as a segment of a business under U.S. generally accepted accounting principles; (9) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the Performance Period; (10) any other items of significant income or expense which are determined to be appropriate adjustments; (11) items relating to unusual or extraordinary corporate transactions, events or developments, (12) items related to amortization of acquired intangible assets; (13) items that are outside the scope of the Company's core, on-going business activities; (14) changes in foreign currency exchange rates; (15) items relating to changes in tax laws; (16) certain identified expenses (including, but not limited to, cash bonus expenses, incentive expenses and acquisition-related transaction and integration expenses); (17) items relating to asset impairment charges; (18) items relating to gains or unusual or nonrecurring events or changes in applicable law, accounting principles or business conditions, or (19) or any other items selected by the Administrator. Shares or Performance Units shall be settled as and when the Award vests or at a later time specified in the Award Agreement or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

(iii) *Additional Terms and Conditions*. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Performance Shares or Performance Units, *provided* they are not inconsistent with the Plan.

(i) *Other Stock-Based Awards.* The Administrator may from time to time grant to Eligible Individuals Awards in the form of Other Stock-Based Awards. Other Stock-Based Awards in the form of Dividend Equivalents may be (A) awarded on a free-standing basis or in connection with another Award other than a stock option or stock appreciation right, (B) paid currently or credited to an account for the Participant, including the reinvestment of such credited amounts in Common Stock equivalents, to be paid on a deferred basis, and (C) settled in cash or Common Stock as determined by the Administrator; *provided, however*, that Dividend Equivalents payable on Other Stock-Based Awards that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such Other Stock- Based Awards. Any such settlements, and any such crediting of Dividend Equivalents, may be subject to such conditions, restrictions and contingencies as the Administrator shall establish.

(j) *Awards to Participants Outside the United States.* The Administrator may grant Awards to Eligible Individuals who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause Liquidia Corporation or a Subsidiary to be subject to) tax, legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable in order that any such Award shall conform to laws, regulations, and customs of the country or jurisdiction in which the Participant is then resident or primarily employed or to foster and promote achievement of the purposes of the Plan.

(k) *Limitation on Dividend Reinvestment and Dividend Equivalents*. Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of shares of Common Stock with respect to dividends to Participants holding Awards of stock Units, shall only be permissible if sufficient shares are available under the Share Pool for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient shares are not available under the Share Pool for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of stock Units equal in number to the shares of Common Stock that would have been obtained by such payment or reinvestment, the terms of which stock Units shall provide for settlement in cash and for Dividend Equivalent reinvestment in further stock Units on the terms contemplated by this Section 7(k).

8. Withholding of Taxes.

Participants and holders of Awards shall pay to Liquidia Corporation or its Affiliate, or make arrangements satisfactory to the Administrator for payment of, any Tax Withholding Obligation in respect of Awards granted under the Plan no later than the date of the event creating the tax or social insurance contribution liability. The obligations of Liquidia Corporation under the Plan shall be conditional on such payment or arrangements. Unless otherwise determined by the Administrator, Tax Withholding Obligations may be settled in whole or in part with shares of Common Stock, including unrestricted outstanding shares surrendered to Liquidia Corporation and unrestricted shares that are part of the Award that gives rise to the Tax Withholding Obligation, having a Fair Market Value on the date of surrender or withholding equal to the statutory minimum amount (or such greater amount permitted under FASB Accounting Standards Codification Topic 718, Compensation—Stock Compensation, for equity-classified awards) required to be withheld for tax or social insurance contribution purposes, all in accordance with such procedures as the Administrator establishes. Liquidia Corporation or its Affiliate may deduct, to the extent permitted by law, any such Tax Withholding Obligations from any payment of any kind otherwise due to the Participant or holder of an Award.

9. Transferability of Awards.

(a) *General Nontransferability Absent Administrator Permission.* Except as otherwise determined by the Administrator, and in any event in the case of an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, no Award granted under the Plan shall be transferable by a Participant otherwise than by will or the laws of descent and distribution. The Administrator shall not permit any transfer of an Award for value. An Award may be exercised during the lifetime of the Participant, only by the Participant or, during the period the Participant is under a legal disability, by the Participant's guardian or legal representative, unless otherwise determined by the Administrator. Awards granted under the Plan shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator; *provided, however*, that the restrictions in this sentence shall not apply to the shares of Common Stock received in connection with an Award after the date that the restrictions on transferability of such shares set forth in the applicable Award Agreement have lapsed. Nothing in this paragraph shall be interpreted or construed as overriding the terms of any Liquidia Corporation stock ownership or retention policy, now or hereafter existing, that may apply to the Participant or shares of Common Stock received under an Award.

(b) *Administrator Discretion to Permit Transfers Other Than For Value.* Except as otherwise restricted by applicable law, the Administrator may, but need not, permit an Award, other than an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, to be transferred to a Participant's Family Member (as defined below) as a gift or pursuant to a domestic relations order in settlement of marital property rights. The Administrator shall not permit any transfer of an Award for value. For purposes of this Section 9, "Family Member" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests. The following transactions are not prohibited transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity.

10. Adjustments for Corporate Transactions and Other Events.

(a) *Mandatory Adjustments*. In the event of a merger, consolidation, stock rights offering, statutory share exchange or similar event affecting Liquidia Corporation (each, a "*Corporate Event*") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, recapitalization, capital reduction distribution, or similar event affecting the capital structure of Liquidia Corporation (each, a "*Share Change*") that occurs at any time after the Effective Date (including any such Corporate Event or Share Change that occurs after such adoption and coincident with or prior to the Effective Date), the Administrator shall make equitable and appropriate substitutions or proportionate adjustments to (i) the aggregate number and kind of shares of Common Stock or other securities on which Awards under the Plan may be granted to Eligible Individuals, (ii) the maximum number of shares of Common Stock or other securities that may be issued with respect to Incentive Stock Options granted under the Plan, (iii) the number of shares of Common Stock or other securities covered by each outstanding Award and the exercise price, base price or other price per share, if any, and other relevant terms of each outstanding Award, and (iv) all other numerical limitations relating to Awards, whether contained in this Plan or in Award Agreements; *provided*, *however*, that any fractional shares resulting from any such adjustment shall be eliminated.

(b) *Discretionary Adjustments*. In the case of Corporate Events, the Administrator may make such other adjustments to outstanding Awards as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which stockholders of Liquidia Corporation receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of a stock option or stock appreciation right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Event over the exercise price or base price of such stock option or stock appreciation right shall conclusively be deemed valid and that any stock option or stock appreciation right may be cancelled for no consideration upon a Corporate Event if its exercise price or base price equals or exceeds the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of Liquidia Corporation and securities of entities other than Liquidia Corporation) for the shares of Common Stock subject to outstanding Awards, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof ("*Substitute Awards*").

(c) *Adjustments to Performance Goals*. The Administrator may, in its discretion, adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in Liquidia Corporation' consolidated financial statements, notes to the consolidated financial statements, management's discussion and analysis or other Liquidia Corporation filings with the Securities and Exchange Commission. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of Liquidia Corporation or the applicable subsidiary, business segment or other operational unit of Liquidia Corporation or any such entity or segment, or the manner in which any of the foregoing conducts its business, or other events or circumstances, render the Performance Goals to be unsuitable, the Administrator may modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, as the Administrator deems appropriate and equitable.

(d) *Statutory Requirements Affecting Adjustments*. Notwithstanding the foregoing: (A) any adjustments made pursuant to Section 10 to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (B) any adjustments made pursuant to Section 10 to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (1) continue not to be subject to Section 409A of the Code or (2) comply with the requirements of Section 409A of the Code; (C) in any event, the Administrator shall not have the authority to make any adjustments pursuant to Section 10 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the date of grant to be subject thereto; and (D) any adjustments made pursuant to Section 10 to Awards that are Incentive Stock Options shall be made in compliance with the requirements of Section 424(a) of the Code.

(e) *Dissolution or Liquidation.* Unless the Administrator determines otherwise, all Awards outstanding under the Plan shall terminate upon the dissolution or liquidation of Liquidia Corporation.

11. Change in Control Provisions.

(a) *Termination of Awards*. Notwithstanding the provisions of Section 11(b), in the event that any transaction resulting in a Change in Control occurs, outstanding Awards will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof. Solely with respect to Awards that will terminate as a result of the immediately preceding sentence and except as otherwise provided in the applicable Award Agreement:

(i) the outstanding Awards of stock options and stock appreciation rights that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable and the holders of such Awards will be permitted, immediately before the Change in Control, to exercise the Awards;

(ii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then solely time-based and not subject to achievement of Performance Goals shall, immediately before the effective time of the Change in Control, become fully vested, free of all transfer and lapse restrictions and free of all risks of forfeiture;

(iii) the outstanding shares of Restricted Stock the vesting or restrictions on which are then subject to and pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting or lapsing of restrictions in a greater amount upon the occurrence of a Change in Control, become vested, free of transfer and lapse restrictions and risks of forfeiture in such amounts as if the applicable Performance Goals for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement;

(iv) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then solely time-based and not subject to or pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control, become fully earned and vested and shall be settled in cash or shares of Common Stock (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code; and

(v) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then subject to and pending achievement of Performance Goals shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting, earning or settlement in a greater amount upon the occurrence of a Change in Control, become vested and earned in such amounts as if the applicable Performance Goals for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement and shall be settled in cash or shares of Common Stock (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code.

Implementation of the provisions of this Section 11(a) shall be conditioned upon consummation of the Change in Control.

(b) *Continuation, Assumption or Substitution of Awards*. The Administrator may specify, on or after the date of grant, in an award agreement or amendment thereto, the consequences of a Participant's Termination of Service that occurs coincident with or following the occurrence of a Change in Control, if a Change in Control occurs under which provision is made in connection with the transaction for the continuation or assumption of outstanding Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof.

(c) *Other Permitted Actions*. In the event that any transaction resulting in a Change in Control occurs, the Administrator may take any of the actions set forth in Section 10 with respect to any or all Awards granted under the Plan.

(d) *Section 409A Savings Clause*. Notwithstanding the foregoing, if any Award is considered to be a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, this Section 11 shall apply to such Award only to the extent that its application would not result in the imposition of any tax or interest or the inclusion of any amount in income under Section 409A of the Code.

12. Substitution of Awards in Mergers and Acquisitions.

Awards may be granted under the Plan from time to time in substitution for assumed awards held by employees, officers, or directors of entities who become employees, officers, or directors of Liquidia Corporation or a Subsidiary as the result of a merger or consolidation of the entity for which they perform services with Liquidia Corporation or a Subsidiary, or the acquisition by Liquidia Corporation of the assets or stock of the such entity. The terms and conditions of any Awards so granted may vary from the terms and conditions set forth herein to the extent that the Administrator deems appropriate at the time of grant to conform the Awards to the provisions of the assumed awards for which they are substituted and to preserve their intrinsic value as of the date of the merger, consolidation or acquisition transaction. To the extent permitted by applicable law and marketplace or listing rules of the primary securities market or exchange on which the Common Stock is listed or admitted for trading, any available shares under a stockholder-approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards granted pursuant to this Section 12 and, upon such grant, shall not reduce the Share Pool.

13. Compliance with Securities Laws; Listing and Registration.

(a) The obligation of Liquidia Corporation to sell or deliver Common Stock with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal, state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Administrator. If at any time the Administrator determines that the delivery of Common Stock under the Plan is or may be unlawful under the laws of any applicable jurisdiction, or Federal, state or foreign (non-United States) securities laws, the right to exercise an Award or receive shares of Common Stock pursuant to an Award shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Common Stock under the Plan would or may violate the rules of any exchange on which Liquidia Corporation' securities are then listed for trade, the right to exercise an Award or receive shares of Common Stock pursuant to an Award shall be suspended until the Administrator determines that such delivery would not violate such rules. If the Administrator determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any stock exchange upon which any of Liquidia Corporation' equity securities are listed, then the Administrator may postpone any such exercise, nonforfeitability or delivery, as applicable, but Liquidia Corporation shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date.

(b) Each Award is subject to the requirement that, if at any time the Administrator determines, in its absolute discretion, that the listing, registration or qualification of Common Stock issuable pursuant to the Plan is required by any securities exchange or under any state, federal or foreign (non-United States) law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Common Stock, no such Award shall be granted or payment made or Common Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Administrator.

(c) In the event that the disposition of Common Stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "*Securities Act*"), and is not otherwise exempt from such registration, such Common Stock shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Administrator may require a person receiving Common Stock pursuant to the Plan, as a condition precedent to receipt of such Common Stock, to represent to Liquidia Corporation in writing that the Common Stock acquired by such person is acquired for investment only and not with a view to distribution and that such person will not dispose of the Common Stock so acquired in violation of Federal, state or foreign securities laws and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company to issue the Common Stock in compliance with applicable Federal, state or foreign securities laws.

14. Section 409A Compliance.

It is the intention of Liquidia Corporation that any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code shall comply in all respects with the requirements of Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code, and the terms of each such Award shall be construed, administered and deemed amended, if applicable, in a manner consistent with this intention. Notwithstanding the foregoing, neither Liquidia Corporation nor any of its Affiliates nor any of its or their directors, officers, employees, agents or other service providers will be liable for any taxes, penalties or interest imposed on any Participant or other person with respect to any amounts paid or payable (whether in cash, shares of Common Stock or other property) under any Award, including any taxes, penalties or interest imposed under or as a result of Section 409A of the Code. Any payments described in an Award that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. For purposes of any Award, each amount to be paid or benefit to be provided to a Participant that constitutes deferred compensation subject to Section 409A of the Code shall be construed as a separate identified payment for purposes of Section 409A of the Code. For purposes of Section 409A of the Code, the payment of Dividend Equivalents under any Award shall be construed as earnings and the time and form of payment of such Dividend Equivalents shall be treated separately from the time and form of payment of the underlying Award. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, any payments (whether in cash, shares of Common Stock or other property) to be made with respect to the Award that become payable on account of the Participant's separation from service, within the meaning of Section 409A of the Code, while the Participant is a "specified employee" (as determined in accordance with the uniform policy adopted by the Administrator with respect to all of the arrangements subject to Section 409A of the Code maintained by Liquidia Corporation and its Affiliates) and which would otherwise be paid within six months after the Participant's separation from service shall be accumulated (without interest) and paid on the first day of the seventh month following the Participant's separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death. Notwithstanding anything in the Plan or an Award Agreement to the contrary, in no event shall the Administrator exercise its discretion to accelerate the payment or settlement of an Award where such payment or settlement constitutes deferred compensation within the meaning of Code section 409A unless, and solely to the extent that, such accelerated payment or settlement is permissible under Treasury Regulation section 1.409A-3(j)(4).

15. Plan Duration; Amendment and Discontinuance.

(a) *Plan Duration*. The Plan shall remain in effect, subject to the right of the Board or the Compensation Committee to amend or terminate the Plan at any time, until the earlier of (a) the earliest date as of which all Awards granted under the Plan have been satisfied in full or terminated and no shares of Common Stock approved for issuance under the Plan remain available to be granted under new Awards or (b) June 27, 2030. No Awards shall be granted under the Plan after such termination date. Subject to other applicable provisions of the Plan, all Awards made under the Plan on or before June 27, 2030 or such earlier termination of the Plan, shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

(b) *Amendment and Discontinuance of the Plan*. The Board or the Compensation Committee may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of a Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law or rule of any securities exchange or market on which the Common Stock is listed or admitted for trading or to prevent adverse tax or accounting consequences to Liquidia Corporation or the Participant. Notwithstanding the foregoing, no such amendment shall be made without the approval of Liquidia Corporation' stockholders to the extent such amendment would (A) materially increase the benefits accruing to Participants under the Plan, (B) materially increase the number of shares of Common Stock which may be issued under the Plan or to a Participant, (C) materially expand the eligibility for participation in the Plan, (D) eliminate or modify the prohibition set forth in Section 7(e) on repricing of stock options and stock appreciation rights, (E) lengthen the maximum term or lower the minimum exercise price or base price permitted for stock options and stock appreciation rights, or (F) modify the prohibition on the issuance of reload or replenishment options. Except as otherwise determined by the Board or Compensation Committee, termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

(c) *Amendment of Awards*. Subject to Section 7(e), the Administrator may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall materially impair the rights of any Participant with respect to an Award without the Participant's consent, except such an amendment made to cause the Plan or Award to comply with applicable law, applicable rule of any securities exchange on which the Common Stock is listed or admitted for trading, or to prevent adverse tax or accounting consequences for the Participant or the Company or any of its Affiliates. For purposes of the foregoing sentence, an amendment to an Award that results in a change in the tax consequences of the Award to the Participant shall not be considered to be a material impairment of the rights of the Participant and shall not require the Participant's consent.

16. General Provisions.

(a) *Non-Guarantee of Employment or Service*. Nothing in the Plan or in any Award Agreement thereunder shall confer any right on an individual to continue in the service of Liquidia Corporation or any Affiliate or shall interfere in any way with the right of Liquidia Corporation or any Affiliate to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest or become payable; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under any Award or the Plan. No person, even though deemed an Eligible Individual, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. To the extent that an Eligible Individual who is an employee of a Subsidiary receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that Liquidia Corporation is the Participant's employer or that the Participant has an employment relationship with Liquidia Corporation.

(b) *No Trust or Fund Created*. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Liquidia Corporation and a Participant or any other person. To the extent that any Participant or other person acquires a right to receive payments from Liquidia Corporation pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Liquidia Corporation.

(c) *Status of Awards.* Awards shall be special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for purposes of determining any pension, retirement, death, severance or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance, severance or other employee benefit plan of Liquidia Corporation or any Affiliate now or hereafter in effect under which the availability or amount of benefits is related to the level of compensation or (b) any agreement between (i) Liquidia Corporation or any Affiliate and (ii) the Participant, except as such plan or agreement shall otherwise expressly provide.

(d) *Subsidiary Employees*. In the case of a grant of an Award to an Eligible Individual who provides services to any Subsidiary, Liquidia Corporation may, if the Administrator so directs, issue or transfer the shares of Common Stock, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Administrator may specify, upon the condition or understanding that the Subsidiary will transfer the shares of Common Stock to the Eligible Individual in accordance with the terms of the Award specified by the Administrator pursuant to the provisions of the Plan. All shares of Common Stock underlying Awards that are forfeited or canceled after such issue or transfer of shares to the Subsidiary shall revert to Liquidia Corporation.

(e) *Governing Law and Interpretation.* The validity, construction and effect of the Plan, of Award Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Award Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable United States federal laws and the laws of the State of Delaware, without regard to its conflict of laws principles. The captions of the Plan are not part of the provisions hereof and shall have no force or effect. Except where the context otherwise requires: (i) the singular includes the plural and vice versa; (ii) a reference to one gender includes other genders; (iii) a reference to a person includes a natural person, partnership, corporation, association, governmental or local authority or agency or other entity; and (iv) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(f) *Use of English Language*. The Plan, each Award Agreement, and all other documents, notices and legal proceedings entered into, given or instituted pursuant to an Award shall be written in English, unless otherwise determined by the Administrator. If a Participant receives an Award Agreement, a copy of the Plan or any other documents related to an Award translated into a language other than English, and if the meaning of the translated version is different from the English version, the English version shall control.

(g) *Recovery of Amounts Paid.* Except as otherwise provided by the Administrator, Awards granted under the Plan shall be subject to any and all policies, guidelines, codes of conduct, or other agreement or arrangement adopted by the Board or Compensation Committee with respect to the recoupment, recovery or clawback of compensation (collectively, the "Recoupment Policy") and/or to any provisions set forth in the applicable Award Agreement under which Liquidia Corporation may recover from current and former Participants any amounts paid or shares of Common Stock issued under an Award and any proceeds therefrom under such circumstances as the Administrator determines appropriate. The Administrator may apply the Recoupment Policy to Awards granted before the policy is adopted to the extent required by applicable law or rule of any securities exchange or market on which shares of Common Stock are listed or admitted for trading, as determined by the Administrator in its sole discretion.

17. Glossary.

Under this Plan, except where the context otherwise indicates, the following definitions apply:

"*Administrator*" means the Compensation Committee, or such other committee(s) of director(s) duly appointed by the Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by the Board or the Compensation Committee; provided, however, that at any time the Board may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) of director(s) to whom administrative authority has been delegated. With respect to any Award to which Section 16 of the Exchange Act applies, the Administrator shall consist of either the Board or a committee of the Board, which committee shall consist of three or more directors, each of whom is intended to be, to the extent required by Rule 16b-3 of the Exchange Act, a "non-employee director" as defined in Rule 16b-3 of the Exchange Act and an "independent director" to the extent required by the rules of the national securities exchange that is the principal trading market for the Common Stock, provided that, with respect to Awards made to a member of the Board who is not an employee of the Company, Administrator means the Board. Any member of the Administrator who does not meet the foregoing requirements shall abstain from any decision regarding an Award and shall not be considered a member of the Administrator to the extent required to comply with Rule 16b-3 of the Exchange Act.

"*Adoption Date*" means the date the Plan is adopted by the Board.

"*Affiliate*" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Liquidia Corporation or any successor to Liquidia Corporation. For this purpose, "control" (including the correlative meanings of the terms "controlled by" and "under common control with") shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

"*Award*" means any stock option, stock appreciation right, stock award, stock unit, Performance Share, Performance Unit, and/or Other Stock-Based Award, whether granted under this Plan.

"*Award Agreement*" means the written document(s), including an electronic writing acceptable to the Administrator, and any notice, addendum or supplement thereto, memorializing the terms and conditions of an Award granted pursuant to the Plan and which shall incorporate the terms of the Plan.

"*Board*" means the Board of Directors of Liquidia Corporation.

"*Cause*" means, with respect to a Participant, except as otherwise provided in the relevant Award Agreement (i) the Participant's plea of guilty or *nolo contendere* to, or conviction of, (A) a felony (or its equivalent in a non-United States jurisdiction) or (B) other conduct of a criminal nature that has or is likely to have a material adverse effect on the reputation or standing in the community of Liquidia Corporation, any of its Affiliates or a successor to Liquidia Corporation or an Affiliate, as determined by the Administrator in its sole discretion, or that legally prohibits the Participant from working for Liquidia Corporation, any of its Subsidiaries or a successor to Liquidia Corporation or a Subsidiary; (ii) a breach by the Participant of a regulatory rule that adversely affects the Participant's ability to perform the Participant's employment duties to Liquidia Corporation, any of its Subsidiaries or a successor to Liquidia Corporation or a Subsidiary, in any material respect; or (iii) the Participant's failure, in any material respect, to (A) perform the Participant's employment duties, (B) comply with the applicable policies of Liquidia Corporation, or of its Subsidiaries, or a successor to Liquidia Corporation or a Subsidiary, or (C) comply with covenants contained in any contract or Award Agreement to which the Participant is a party; *provided, however*, that the Participant shall be provided a written notice describing in reasonable detail the facts which are considered to give rise to a breach described in this clause and the Participant shall have 30 days following receipt of such written notice (the "*Cure Period*") during which the Participant may remedy the condition and, if so remedied, no Cause for Termination of Service shall exist.]

"*Change in Control*" means the first of the following to occur: (i) a Change in Ownership of Liquidia Corporation, (ii) a Change in Effective Control of Liquidia Corporation, or (iii) a Change in the Ownership of Assets of Liquidia Corporation, as described herein and construed in accordance with Code section 409A.

(i) A "Change in Ownership of Liquidia Corporation" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire, ownership of the capital stock of Liquidia Corporation that, together with the stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the capital stock of Liquidia Corporation. However, if any one Person is, or Persons Acting as a Group are, considered to own more than 50%, on a fully diluted basis, of the total fair market value or total voting power of the capital stock of Liquidia Corporation, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of Liquidia Corporation or to cause a Change in Effective Control of Liquidia Corporation (as described below). An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which Liquidia Corporation acquires its stock in exchange for property will be treated as an acquisition of stock.

(ii) A "Change in Effective Control of Liquidia Corporation" shall occur on the date either (A) a majority of members of Liquidia Corporation' Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Liquidia Corporation' Board before the date of the appointment or election, or (B) any one Person, or Persons Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of Liquidia Corporation possessing 50% or more of the total voting power of the stock of Liquidia Corporation.

(iii) A "Change in the Ownership of Assets of Liquidia Corporation" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons), assets from Liquidia Corporation that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of Liquidia Corporation immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Liquidia Corporation, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

The following rules of construction apply in interpreting the definition of Change in Control:

(A) A "*Person*" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than employee benefit plans sponsored or maintained by Liquidia Corporation and by entities controlled by Liquidia Corporation or an underwriter, initial purchaser or placement agent temporarily holding the capital stock of Liquidia Corporation pursuant to a registered public offering.

(B) Persons will be considered to be Persons Acting as a Group (or Group) if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(C) A Change in Control shall not include a transfer to a related person as described in Code section 409A or a public offering of capital stock of Liquidia Corporation.

(D) For purposes of the definition of Change in Control, Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation §1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor section, regulations and guidance.

"*Common Stock*" means shares of common stock of Liquidia Corporation, par value $0.001 per share, and any capital securities into which they are converted.

"*Company*" means Liquidia Corporation and its Subsidiaries, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Liquidia Corporation.

"*Compensation Committee*" means the Compensation Committee of the Board.

"*Director Limits*" shall have the meaning ascribed to it in Section 5(e) of the Plan.

"*Dividend Equivalent*" means a right, granted to a Participant, to receive cash, Common Stock, stock Units or other property equal in value to dividends paid with respect to a specified number of shares of Common Stock.

"*Eligible Individuals*" means (i) officers and employees of, and other individuals, including non-employee directors, who are natural persons providing bona fide services to or for, Liquidia Corporation or any of its Subsidiaries, *provided* that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for Liquidia Corporation' securities, and (ii) prospective officers, employees and service providers who have accepted offers of employment or other service relationship from Liquidia Corporation or a Subsidiary.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto. Reference to any specific section of the Exchange Act shall be deemed to include such regulations and guidance issued thereunder, as well as any successor section, regulations and guidance.

"*Fair Market Value*" means, on a per share basis as of any date, unless otherwise determined by the Administrator:

(i) if the principal market for the Common Stock (as determined by the Administrator if the Common Stock is listed or admitted to trading on more than one exchange or market) is a national securities exchange or an established securities market, unless otherwise determined by the Administrator, the official closing price per share of Common Stock for the regular market session on that date on the principal exchange or market on which the Common Stock is then listed or admitted to trading or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(ii) if the principal market for the Common Stock is not a national securities exchange or an established securities market, but the Common Stock is quoted by a national quotation system, the average of the highest bid and lowest asked prices for the Common Stock on that date as reported on a national quotation system or, if no prices are reported for that date, on the last preceding day on which prices were reported, all as reported by such source as the Administrator may select; or

(iii) if the Common Stock is neither listed or admitted to trading on a national securities exchange or an established securities market, nor quoted by a national quotation system, the value determined by the Administrator in good faith by the reasonable application of a reasonable valuation method, which method may, but need not, include taking into account an appraisal of the fair market value of the Common Stock conducted by a nationally recognized appraisal firm selected by the Administrator.

Notwithstanding the preceding, for foreign, federal, state and local income tax reporting purposes and for such other purposes as the Administrator deems appropriate, the Fair Market Value shall be determined by the Administrator in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

"*Full Value Award*" means an Award that results in Liquidia Corporation transferring the full value of a share of Common Stock under the Award, whether or not an actual share of stock is issued. Full Value Awards shall include, but are not limited to, stock awards, stock units, Performance Shares, Performance Units that are payable in Common Stock, and Other Stock-Based Awards for which Li quidia Corporation transfers the full value of a share of Common Stock under the Award, but shall not include Dividend Equivalents.

"*Incentive Stock Option*" means any stock option that is designated, in the applicable Award Agreement or the resolutions of the Administrator under which the stock option is granted, as an "incentive stock option" within the meaning of Section 422 of the Code and otherwise meets the requirements to be an "incentive stock option" set forth in Section 422 of the Code.

"*Liquidia Corporation*" means Liquidia Corporation, a Delaware corporation.

"*Non-Employee Director*" means a member of the Board who is not an employee of Liquidia Corporation or any of its Affiliates.

"*Nonqualified Option*" means any stock option that is not an Incentive Stock Option.

"*Other Stock-Based Award*" means an Award of Common Stock or any other Award that is valued in whole or in part by reference to, or is otherwise based upon, shares of Common Stock, including without limitation Dividend Equivalents and convertible debentures.

"*Participant*" means an Eligible Individual to whom one or more Awards are or have been granted pursuant to the Plan and have not been fully settled or cancelled and, following the death of any such person, his successors, heirs, executors and administrators, as the case may be.

"*Performance Award*" means a Full Value Award, the grant, vesting, lapse of restrictions or settlement of which is conditioned upon the achievement of performance objectives over a specified Performance Period and includes, without limitation, Performance Shares and Performance Units.

"*Performance Goals*" means the performance goals established by the Administrator in connection with the grant of Awards based on Performance Metrics or other performance criteria selected by the Administrator.

"*Performance Period*" means that period established by the Administrator during which any Performance Goals specified by the Administrator with respect to such Award are to be measured.

"*Performance Metrics*" means criteria established by the Administrator relating to any of the following, as it may apply to an individual, one or more business units, divisions, or Affiliates, or on a company-wide basis, and in absolute terms, relative to a base period, or relative to the performance of one or more comparable companies, peer groups, or an index covering multiple companies:

(i) *Earnings or Profitability Metrics*: any derivative of revenue; earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes ("EBIT"); earnings/loss before interest, taxes, depreciation and amortization ("EBITDA"); profit margins; operating margins; expense levels or ratios; *provided* that any of the foregoing metrics may be adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments or investment losses, early extinguishment of debt or stock-based compensation expense;

(ii) *Return Metrics*: any derivative of return on investment, assets, equity or capital (total or invested);

(iii) *Investment Metrics:* relative risk-adjusted investment performance; investment performance of assets under management;

(iv) *Cash Flow Metrics*: any derivative of operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;

(v) *Liquidity Metrics*: any derivative of debt leverage (including debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios); and/or

(vi) *Stock Price and Equity Metrics*: any derivative of return on stockholders' equity; total stockholder return; stock price; stock price appreciation; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes).

"*Performance Shares*" means a grant of stock or stock Units the issuance, vesting or payment of which is contingent on performance as measured against predetermined objectives over a specified Performance Period.

"*Performance Units*" means a grant of dollar-denominated Units the value, vesting or payment of which is contingent on performance against predetermined objectives over a specified Performance Period.

"*Plan*" means this Liquidia Corporation 2020 Long-Term Incentive Plan, as set forth herein and as it may be amended from time to time.

"*Restricted Stock*" means an Award of shares of Common Stock to a Participant that may be subject to certain transferability and other restrictions and to a risk of forfeiture (including by reason of not satisfying certain Performance Goals).

"*Restricted Stock Unit*" means a right granted to a Participant to receive shares of Common Stock or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of certain requirements (including the satisfaction of certain Performance Goals).

"*Restriction Period*" means, with respect to Full Value Awards, the period commencing on the date of grant of such Award to which vesting or transferability and other restrictions and a risk of forfeiture apply and ending upon the expiration of the applicable vesting conditions, transferability and other restrictions and lapse of risk of forfeiture and/or the achievement of the applicable Performance Goals (it being understood that the Administrator may provide that vesting shall occur and/or restrictions shall lapse with respect to portions of the applicable Award during the Restriction Period.

"*Subsidiary*" means any corporation or other entity in an unbroken chain of corporations or other entities beginning with Liquidia Corporation if each of the corporations or other entities, or group of commonly controlled corporations or other entities, other than the last corporation or other entity in the unbroken chain then owns stock or other equity interests possessing 50% or more of the total combined voting power of all classes of stock or other equity interests in one of the other corporations or other entities in such chain or otherwise has the power to direct the management and policies of the entity by contract or by means of appointing a majority of the members of the board or other body that controls the affairs of the entity; *provided, however,* that solely for purposes of determining whether a Participant has a Termination of Service that is a "separation from service" within the meaning of Section 409A of the Code or whether an Eligible Individual is eligible to be granted an Award that in the hands of such Eligible Individual would constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code , a "Subsidiary" of a corporation or other entity means all other entities with which such corporation or other entity would be considered a single employer under Sections 414(b) or 414(c) of the Code.

"*Tax Withholding Obligation*" means any federal, state, local or foreign (non-United States) income, employment or other tax or social insurance contribution required by applicable law to be withheld in respect of Awards.

"*Termination of Service*" means the termination of the Participant's employment, or performance of services for, Liquidia Corporation and its Subsidiaries. Temporary absences from employment because of illness, vacation or leave of absence and transfers among Liquidia Corporation and its Subsidiaries shall not be considered Terminations of Service. With respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, "Termination of Service" shall mean a "separation from service" as defined under Section 409A of the Code to the extent required by Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code. A Participant has a separation from service within the meaning of Section 409A of the Code if the Participant terminates employment with Liquidia Corporation and all Subsidiaries for any reason. A Participant will generally be treated as having terminated employment with Liquidia Corporation and all Subsidiaries as of a certain date if the Participant and the entity that employs the Participant reasonably anticipate that the Participant will perform no further services for Liquidia Corporation or any Subsidiary after such date or that the level of bona fide services that the Participant will perform after such date (whether as an employee or an independent contractor) will permanently decrease to no more than 20 percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if the Participant has been providing services for fewer than 36 months); *provided, however,* that the employment relationship is treated as continuing while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six months or, if longer, so long as the Participant retains the right to reemployment with Liquidia Corporation or any Subsidiary.

"*Total and Permanent Disability*" means, with respect to a Participant, except as otherwise provided in the relevant Award Agreement, that a Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant's death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Participant participates and which conditions the right to receive benefits under such program on the Participant being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant's death or result in death. The Administrator shall have sole authority to determine whether a Participant has suffered a Total and Permanent Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant's condition.

"*Unit*" means a bookkeeping entry used by Liquidia Corporation to record and account for the grant of the following types of Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be: stock units, Restricted Stock Units, Performance Units, and Performance Shares that are expressed in terms of units of Common Stock.

{*end of document*}

LIQUIDIA CORPORATION

RESTRICTED STOCK UNITS NOTICE
UNDER THE
LIQUIDIA CORPORATION
2020 LONG-TERM INCENTIVE PLAN

Name of Grantee:

This Notice evidences the award of restricted stock units (each, an "***RSU***," and collectively, the "***RSUs***") of LIQUIDIA Corporation, a Delaware corporation (the "***Company***"), that have been granted to you pursuant to the Liquidia Corporation 2020 Long-Term Incentive Plan (the "***Plan***") and conditioned upon your agreement to the terms of the attached Restricted Stock Units Agreement (the "***Agreement***"). This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. Each RSU is equivalent in value to one share of the Company's Common Stock and represents the Company's commitment to issue one share of the Company's Common Stock at a future date, subject to the terms of the Agreement and the Plan. The RSUs are credited to a separate account maintained for you on the books and records of the Company (the "***Account***"). All amounts credited to the Account will continue for all purposes to be part of the general assets of the Company.

Grant Date:

Number of RSUs:

Vesting Schedule: All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service (as defined in the Agreement) is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur:

Liquidia Corporation

Date

I acknowledge that I have carefully read the Agreement and the prospectus for the Plan. I agree to be bound by all of the provisions set forth in those documents. I also consent to electronic delivery of all notices or other information with respect to the RSUs or the Company.

Signature of Grantee	Date

LIQUIDIA CORPORATION

RESTRICTED STOCK UNITS AGREEMENT
UNDER THE
LIQUIDIA CORPORATION
2020 LONG-TERM INCENTIVE PLAN

1. Terminology. Unless otherwise provided in this Agreement, capitalized terms used herein are defined in the Glossary at the end of this Agreement.

2. Vesting. All of the RSUs are nonvested and forfeitable as of the Grant Date. So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, the RSUs will become vested and nonforfeitable in accordance with the vesting schedule set forth in the Notice. Except for the circumstances, if any, described in the Notice, none of the RSUs will become vested and nonforfeitable after your Service ceases.

3. Termination of Employment or Service. Unless otherwise provided in the Notice, if your Service with the Company ceases for any reason, all RSUs that are not then vested and nonforfeitable will be forfeited to the Company immediately and automatically upon such cessation without payment of any consideration therefor and you will have no further right, title or interest in or to such RSUs or the underlying shares of Common Stock.

4. Restrictions on Transfer. Neither this Agreement nor any of the RSUs may be assigned, transferred, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise, and the RSUs shall not be subject to execution, attachment or similar process. All rights with respect to this Agreement and the RSUs shall be exercisable during your lifetime only by you or your guardian or legal representative. Notwithstanding the foregoing, the RSUs may be transferred upon your death by last will and testament or under the laws of descent and distribution.

5. Settlement of RSUs.

(a) Manner of Settlement. You are not required to make any monetary payment (other than applicable tax withholding, if required) as a condition to settlement of the RSUs. The Company will issue to you, in settlement of your RSUs and subject to the provisions of Section 6 below, the number of whole shares of Common Stock that equals the number of whole RSUs that become vested, and such vested RSUs will terminate and cease to be outstanding upon such issuance of the shares. Upon issuance of such shares, the Company will determine the form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) and may deliver such shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason.

(b) Timing of Settlement. Your RSUs will be settled by the Company, via the issuance of Common Stock as described herein, on the date that the RSUs become vested and nonforfeitable. However, if a scheduled issuance date falls on a Saturday, Sunday or federal holiday, such issuance date shall instead fall on the next following day that the principal executive offices of the Company are open for business. In all cases, the issuance and delivery of shares under this Agreement is intended to comply with Treasury Regulation 1.409A-1(b)(4) and shall be construed and administered in such a manner.

6. Tax Withholding. On or before the time you receive a distribution of the shares subject to your RSUs, or at any time thereafter as requested by the Company, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate which arise in connection with your RSUs (the "***Withholding Taxes***"). Additionally, the Company may, in its sole discretion, satisfy all or any portion of the Withholding Taxes obligation relating to your RSUs by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; (iii) permitting you to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "***FINRA Dealer***") whereby you irrevocably elect to sell a portion of the shares to be delivered under the Agreement to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company; or (iv) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the RSUs with a Fair Market Value (measured as of the date shares of Common Stock are issued to you pursuant to Section 5) equal to the amount of such Withholding Taxes; provided, however, that the number of such shares of Common Stock so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock. In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

7. Adjustments for Corporate Transactions and Other Events.

(a) Stock Dividend, Stock Split and Reverse Stock Split. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of outstanding RSUs shall, without further action of the Administrator, be adjusted to reflect such event; provided, however, that any fractional RSUs resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive.

(b) Merger, Consolidation and Other Events. If the Company shall be the surviving or resulting corporation in any merger or consolidation and the Common Stock shall be converted into other securities, the RSUs shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled. If the stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property (including cash) to which a holder of the number of shares of Common Stock subject to the RSUs would have been entitled, in the same manner and to the same extent as the RSUs.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement shall alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any nonvested and forfeitable RSUs or any other adverse effect on your interests under the Plan.

9. Rights as Stockholder. You shall not have any of the rights of a stockholder with respect to any shares of Common Stock that may be issued in settlement of the RSUs until such shares of Common Stock have been issued to you.

10. The Company's Rights. The existence of the RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11. Restrictions on Issuance of Shares. The issuance of shares of Common Stock upon settlement of the RSUs shall be subject to and in compliance with all applicable requirements of federal, state, or foreign law with respect to such securities. No shares of Common Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the RSUs shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the RSUs, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

12. Notices. All notices and other communications made or given pursuant to this Agreement shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company, or in the case of notices delivered to the Company by you, addressed to the Administrator, care of the Company for the attention of its Secretary at its principal executive office or, in either case, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this award of RSUs by electronic means or to request your consent to participate in the Plan or accept this award of RSUs by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

13. Entire Agreement. This Agreement, together with the relevant Notice and the Plan, contain the entire agreement between the parties with respect to the RSUs granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the RSUs granted hereunder shall be void and ineffective for all purposes.

14. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the RSUs as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

15. 409A Savings Clause. This Agreement and the RSUs granted hereunder are intended to fit within the "short-term deferral" exemption from Section 409A of the Code as set forth in Treasury Regulation Section 1.409A-1(b) (4). In administering this Agreement, the Company shall interpret this Agreement in a manner consistent with such exemption. Notwithstanding the foregoing, if it is determined that the RSUs fail to satisfy the requirements of the short-term deferral rule and are otherwise deferred compensation subject to Section 409A, and if you are a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a "separate payment" for purposes of Section 409A of the Code and Treasury Regulation Section 1.409A-2(b)(2).

16. No Obligation to Minimize Taxes. The Company has no duty or obligation to minimize the tax consequences to you of this award of RSUs and shall not be liable to you for any adverse tax consequences to you arising in connection with this award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this award and by signing the Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

17. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

18. No Funding. This Agreement constitutes an unfunded and unsecured promise by the Company to issue shares of Common Stock in the future in accordance with its terms. You have the status of a general unsecured creditor of the Company as a result of receiving the grant of RSUs.

19. Effect on Other Employee Benefit Plans. The value of the RSUs subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

20. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Delaware, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Delaware or any state court in the district which includes Delaware. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

21. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's decision.

22. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

23. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the RSUs, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

24. No Future Entitlement. By your signing the Notice, you acknowledge and agree that: (i) the grant of a restricted stock unit award is a one-time benefit which does not create any contractual or other right to receive future grants of restricted stock units, or compensation in lieu of restricted stock units, even if restricted stock units have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants and the terms thereof will be at the sole discretion of the Committee; (iii) the value of the restricted stock units is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of the restricted stock units is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of the restricted stock units ceases upon termination of Service with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) the Company does not guarantee any future value of the restricted stock units; and (vii) no claim or entitlement to compensation or damages arises if the restricted stock units decrease or do not increase in value and you irrevocably release the Company from any such claim that does arise.

25. Personal Data. For purposes of the implementation, administration and management of the restricted stock units or the effectuation of any acquisition, equity or debt financing, joint venture, merger, reorganization, consolidation, recapitalization, business combination, liquidation, dissolution, share exchange, sale of stock, sale of material assets or other similar corporate transaction involving the Company (a "***Corporate Transaction***"), you consent, by execution of the Notice, to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors or any potential party to a potential Corporate Transaction. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of the restricted stock units or the effectuation of a Corporate Transaction and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage the restricted stock units or effect a Corporate Transaction. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a restricted stock unit award.

{*Glossary begins on next page*}

GLOSSARY

(a) "***Administrator***" means the Board of Directors of Liquida Corporation or such committee or committees appointed by the Board to administer the Plan.

(b) "***Affiliate***" shall have the meaning set forth in the Plan.

(c) "***Agreement***" means this document, as amended from time to time, together with the Plan which is incorporated herein by reference.

(d) "***Change in Control***" shall have the meaning set forth in the Plan.

(e) "***Code***" means the Internal Revenue Code of 1986, as amended, and the Treasury regulations and other guidance promulgated thereunder.

(f) "***Common Stock***" means the common stock, US$0.001 par value per share, of Liquidia Corporation.

(g) "***Company***" means Liquidia Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Liquidia Technologies, Inc.

(h) "***Fair Market Value***" has the meaning set forth in the Plan.

(i) "***Grant Date***" means the effective date of a grant of RSUs made to you as set forth in the relevant Notice.

(j) "***Notice***" means the statement, letter or other written notification provided to you by the Company setting forth the terms of a grant of RSUs made to you.

(k) "***Plan***" means the Liquidia Corporation 2020 Long-Term Incentive Plan, as amended from time to time.

(l) "***RSU***" means the Company's commitment to issue one share of Common Stock at a future date, subject to the terms of the Agreement and the Plan.

(m) " ***Service***" means your employment, service as a non-executive director, or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger, or other corporate transaction, the trade, business, or entity with which you are employed or otherwise have a service relationship is not Liquida Corporation or its successor or an Affiliate of Liquidia Corporation or its successor.

(n) "***You***" or "***Your***" means the recipient of the RSUs as reflected on the applicable Notice. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the RSUs may be transferred by will or by the laws of descent and distribution, the words "you" and "your" shall be deemed to include such person.

{*End of Agreement*}

Grant No.:

LIQUIDIA CORPORATION
INCENTIVE STOCK OPTION NOTICE

This Notice evidences the award of stock options (each, an "***Option***" or collectively, the "***Options***") that have been granted to you, [NAME], subject to and conditioned upon your agreement to the terms of the attached Incentive Stock Option Agreement (the "***Agreement***"). The Options entitle you to purchase shares of common stock, par value $0.001 per share ("***Common Stock***"), of Liquidia Corporation, a Delaware corporation (the "***Company***"), under the Liquidia Corporation 2020 Long-Term Incentive Plan (the "***Plan***"). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein.

You must return an executed copy of this Notice to the Company within 30 days of the date hereof. If you fail to do so, the Options may be rendered null and void in the Company's discretion.

Grant Date: [GRANT DATE]

Number of Options: [NUMBER] Options, each permitting the purchase of one Share

Exercise Price: [PRICE] per share

Expiration Date: The Options expire at 5:00 P.M. Eastern Time on the last business day coincident with or prior to the 10th anniversary of the Grant Date (the "***Expiration Date***"), unless fully exercised or terminated earlier.

Exercisability Schedule: Subject to the terms and conditions described in the Agreement, the Options become exercisable in accordance with the schedule below:

LIQUIDIA CORPORATION

By:_____

Date:_____

I acknowledge that I have carefully read the attached Agreement and the prospectus for the Plan and agree to be bound by all of the provisions set forth in these documents.

Enclosures: Incentive Stock Option Agreement
Prospectus for the 2020 Long-Term Incentive Plan
Exercise Form

OPTIONEE

_____

Date:_____

Grant No.:

INCENTIVE STOCK OPTION AGREEMENT

UNDER THE

LIQUIDIA CORPORATION 2020 LONG-TERM INCENTIVE PLAN

1. Terminology. Capitalized terms used in this Agreement are defined in the correlating Stock Option Notice and/or the Glossary at the end of the Agreement.

2. Exercise of Options.

(a) Exercisability. The Options will become exercisable in accordance with the Exercisability Schedule set forth in the Stock Option Notice, so long as you are in the Service of the Company from the Grant Date through the applicable exercisability dates. None of the Options will become exercisable after your Service with the Company ceases, unless the Stock Option Notice provides otherwise with respect to exercisability that arises as a result of your cessation of Service.

(b) Right to Exercise. You may exercise the Options, to the extent exercisable, at any time on or before 5:00 P.M. Eastern Time on the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or Federal, state or foreign securities laws, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the shares are then listed for trade, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Section 3 below describes certain limitations on exercise of the Options that apply in the event of your death, Total and Permanent Disability, or termination of Service. The Options may be exercised only in multiples of whole Shares and may not be exercised at any one time as to fewer than one hundred Shares (or such lesser number of Shares as to which the Options are then exercisable). No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to exercise the Options, you must provide the following items to the Secretary of the Company or his or her delegate before the expiration or termination of the Options:

(i) notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options; and

(ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 2(d) of this Agreement.

An exercise will not be effective until the Secretary of the Company or his or her delegate receives all of the foregoing items, and such exercise otherwise is permitted under and complies with all applicable federal, state and foreign securities laws. Notwithstanding the foregoing, if the Administrator permits payment by means of delivering properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise and such instructions provide for sale of Shares under a limit order rather than at the market, the exercise will not be effective until the earlier of the date the Company receives delivery of cash or cash equivalents in full payment of the Exercise Price or the date the Company receives confirmation from the broker that the sale instruction has been fulfilled, and the exercise will not be effective unless the earlier of such dates occurs on or before termination of the Options.

(d) Method of Payment. You may pay the Exercise Price by:

(i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;

(ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;

(iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;

(iv) subject to such limits as the Administrator may impose from time to time, net share settlement with respect to any portions of the Options that do not qualify as incentive stock options within the meaning of Code section 422;

(v) any other method approved by the Administrator; or

(vi) any combination of the foregoing.

(e) Issuance of Shares upon Exercise. The Company shall issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate exercise price and the requisite withholding taxes, if any. Upon issuance of such Shares, the Company may deliver, subject to the provisions of Section 7 below, such Shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason, or may retain such Shares in uncertificated book-entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

3. Termination of Service.

(a) Termination of Unexercisable Options. If your Service with the Company ceases for any reason, the Options that are then unexercisable will terminate immediately upon such cessation.

(b) Exercise Period Following Termination of Service. If your Service with the Company ceases for any reason other than discharge for Cause, the Options that are then exercisable will terminate upon the earliest of:

(i) the expiration of 90 days following such cessation, if your Service ceases on account of (1) your termination by the Company other than a discharge for Cause, or (2) your voluntary termination other than for Total and Permanent Disability or death;

(ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;

(iii) the expiration of 12 months following your death, if your death occurs during the periods described in clauses (i) or (ii) of this Section 3(b), as applicable; or

(iv) the Expiration Date.

In the event of your death, the exercisable Options may be exercised by your executor, personal representative, or the person(s) to whom the Options are transferred by will or the laws of descent and distribution.

(c) Misconduct. The Options will terminate in their entirety, regardless of whether the Options are then exercisable, immediately upon your discharge from Service for Cause, or upon your commission of any of the following acts during the exercise period following your termination of Service: (i) fraud on or misappropriation of any funds or property of the Company, or (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company, as determined by the Administrator, which determination will be conclusive.

(d) Changes in Status. If you cease to be a "common law employee" of the Company but you continue to provide bona fide services to the Company following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a termination of Service shall not be deemed to have occurred for purposes of this Section 3 upon such change in capacity. Notwithstanding the foregoing, the Options shall not be treated as incentive stock options within the meaning of Code section 422 with respect to any exercise that occurs more than three months after such cessation of the common law employee relationship (except as otherwise permitted under Code section 421 or 422). In the event that your Service is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part or an Affiliate of the Company, your Service will be deemed to have terminated for purposes of this Section 3 upon such cessation if your Service does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

4. Nontransferability of Options. These Options are nontransferable otherwise than by will or the laws of descent and distribution and during your lifetime, the Options may be exercised only by you or, during the period you are under a legal disability, by your guardian or legal representative. Except as provided above, the Options may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

5. Qualified Nature of the Options.

(a) General Status. The Options are intended to qualify as incentive stock options within the meaning of Code section 422 ("***Incentive Stock Options***"), to the fullest extent permitted by Code section 422, and this Agreement shall be so construed. The Company, however, does not warrant any particular tax consequences of the Options. Code section 422 provides limitations, not set forth in this Agreement, respecting the treatment of the Options as Incentive Stock Options. You should consult with your personal tax advisors in this regard.

(b) Code Section 422(d) Limitation. Pursuant to Code section 422(d), the aggregate fair market value (determined as of the Grant Date) of shares of Common Stock with respect to which all Incentive Stock Options first become exercisable by you in any calendar year under the Plan or any other plan of the Company (and its parent and subsidiary corporations, within the meaning of Code section 424(e) and (f), as may exist from time to time) may not exceed $100,000 or such other amount as may be permitted from time to time under Code section 422. To the extent that such aggregate fair market value exceeds $100,000 or other applicable amount in any calendar year, such stock options will be treated as nonstatutory stock options with respect to the amount of aggregate fair market value thereof that exceeds the Code section 422(d) limit. For this purpose, the Incentive Stock Options will be taken into account in the order in which they were granted. In such case, the Company may designate the shares of Common Stock that are to be treated as stock acquired pursuant to the exercise of Incentive Stock Options and the shares of Common Stock that are to be treated as stock acquired pursuant to nonstatutory stock options by issuing separate certificates for such shares and identifying the certificates as such in the stock transfer records of the Company.

(c) Significant Stockholders. Notwithstanding anything in this Agreement or the Stock Option Notice to the contrary, if you own, directly or indirectly through attribution, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its subsidiaries (within the meaning of Code section 424(f)) on the Grant Date, then the Exercise Price is the greater of (a) the Exercise Price stated on the Stock Option Notice or (b) 110% of the Fair Market Value of the Common Stock on the Grant Date, and the Expiration Date is the last business day prior to the fifth anniversary of the Grant Date.

(d) Disqualifying Dispositions. If you make a disposition (as that term is defined in Code section 424(c)) of any Shares acquired pursuant to the Options within two years of the Grant Date or within one year after the Shares are transferred to you, you must notify the Company of such disposition in writing within 30 days of the disposition. The Administrator may, in its discretion, take reasonable steps to ensure notification of such dispositions, including but not limited to requiring that Shares acquired under the Options be held in an account with a Company-designated broker-dealer until they are sold.

6. Withholding of Taxes.

(a) At the time the Options are exercised, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll or any other payment of any kind due to you and otherwise agree to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Options (including upon a disqualifying disposition within the meaning of Code section 421(b)). The Company may require you to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Options or issuance of share certificates representing Shares.

(b) The Administrator may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Options either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares, in either case having a Fair Market Value not in excess of the amount necessary to satisfy the statutory minimum withholding amount due.

7. Adjustments. The Administrator may make various adjustments to your Options, including adjustments to the number and type of securities subject to the Options and the Exercise Price, in accordance with the terms of the Plan. In the event of any transaction resulting in a Change in Control (as defined in the Plan) of the Company, the outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Options by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the event of such termination, you will be permitted, immediately before the Change in Control, to exercise or convert all portions of such Options that are then exercisable or which become exercisable upon or prior to the effective time of the Change in Control.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement will alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between you and the Company, or as a contractual right for you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the failure of any of the Options to become exercisable or any other adverse effect on your interests under the Plan.

9. No Rights as a Stockholder. You shall not have any of the rights of a stockholder with respect to the Shares until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued.

10. The Company's Rights. The existence of the Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11. Entire Agreement. This Agreement, together with the correlating Stock Option Notice and the Plan, contain the entire agreement between you and the Company with respect to the Options. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Options shall be void and ineffective for all purposes.

12. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Options or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by you and the Company.

13. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

14. Section 409A. This Agreement and the Options granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code. This Agreement and the Options shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to you.

15. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

16. No Future Entitlement. By execution of the Notice, you acknowledge and agree that: (i) the grant of these Options is a one-time benefit which does not create any contractual or other right to receive future grants of stock options, or compensation in lieu of stock options, even if stock options have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants, including, but not limited to, the times when stock options shall be granted or shall become exercisable, the maximum number of shares subject to each stock option, and the purchase price, will be at the sole discretion of the Administrator; (iii) the value of these Options is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of these Options is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of these Options ceases upon termination of employment with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) if the underlying Common Stock does not increase in value, these Options will have no value, nor does the Company guarantee any future value; and (vii) no claim or entitlement to compensation or damages arises if these Options do not increase in value and you irrevocably release the Company from any such claim that does arise.

17. Personal Data. For the purpose of implementing, administering and managing these Options, you, by execution of the Notice, consent to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors or any potential party to any Change in Control transaction or capital raising transaction involving the Company. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, exercised, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of these Options and the Plan and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage these Options. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a stock option.

18. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Delaware, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Delaware or any state court in the district which includes Delaware. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

19. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's decision.

20. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

{*Glossary begins on next page*}

GLOSSARY

(a) "***Administrator***" means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.

(b) "***Affiliate***" shall have the meaning set forth in the Plan.

(c) "***Cause***" shall have the meaning set forth in the Plan.

(d) "***Change in Control***" shall have the meaning set forth in the Plan.

(e) "***Code***" means the Internal Revenue Code of 1986, as amended.

(f) "***Company***" includes Liquidia Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Liquidia Corporation.

(g) "***Fair Market Value***" shall have the meaning set forth in the Plan.

(h) "***Service***" means your employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not the Company or its successor or an Affiliate of the Company or its successor.

(i) "***Shares***" mean the shares of Common Stock underlying the Options.

(j) "***Stock Option Notice***" means the written notice evidencing the award of the Options that correlates with and makes up a part of this Agreement.

(k) "***Total and Permanent Disability***" shall have the meaning set forth in the Plan.

(l) "***You***" or "***your***" means the recipient of the award of Options as reflected on the Stock Option Notice. Whenever the Agreement refers to "you" under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to your estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the word "you" shall be deemed to include such person.

EXERCISE FORM

Administrator of 2020 Long-Term Incentive Plan
c/o Office of the Corporate Secretary
Liquidia Corporation
P.O. Box 110085
Research Triangle Park
North Carolina, 27709

Gentlemen:

I hereby exercise the Options granted to me on _____,_____, by Liquidia Corporation (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Liquidia Corporation 2020 Long-Term Incentive Plan (the "Plan"), and notify you of my desire to purchase _____shares of Common Stock of the Company at a price of $_____per share pursuant to the exercise of said Options.

Total Amount Enclosed: $

Date: _____

(Optionee)

Received by LIQUIDIA CORPORATION on,

_____

By: _____

Grant No.:

LIQUIDIA CORPORATION
NONSTATUTORY STOCK OPTION NOTICE

This Notice evidences the award of nonstatutory stock options (each, an "***Option***" or collectively, the "***Options***") that have been granted to you, [NAME], subject to and conditioned upon your agreement to the terms of the attached Nonstatutory Stock Option Agreement (the "***Agreement***"). The Options entitle you to purchase shares of common stock, par value $0.001 per share ("***Common Stock***"), of Liquidia Corporation, a Delaware corporation (the "***Company***"), under the Liquidia Corporation 2020 Long-Term Incentive Plan (the "***Plan***"). The number of shares you may purchase and the exercise price at which you may purchase them are specified below. This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. ***You must return an executed copy of this Notice to the Company within 30 days of the date hereof***. ***If you fail to do so, the Options may be rendered null and void in the Company's discretion.***

Grant Date: [GRANT DATE]

Number of Options: [NUMBER] Options, each permitting the purchase of one Share

Exercise Price: [PRICE] per share

Expiration Date: The Options expire at 5:00 P.M. Eastern Time on the last business day coincident with or prior to the 10th anniversary of the Grant Date (the "***Expiration Date***"), unless fully exercised or terminated earlier.

Exercisability Schedule: Subject to the terms and conditions described in the Agreement, the Options become exercisable in accordance with the schedule below:

LIQUIDIA CORPORATION

By:_____

Date:_____

I acknowledge that I have carefully read the attached Agreement and the prospectus for the Plan and agree to be bound by all of the provisions set forth in these documents.

Enclosures: Nonstatutory Stock Option Agreement
Prospectus for the 2020 Long-Term Incentive Plan
Exercise Form

OPTIONEE

_____

Date:_____

Grant No.:

NONSTATUTORY STOCK OPTION AGREEMENT

UNDER THE

LIQUIDIA CORPORATION 2020 LONG-TERM INCENTIVE PLAN

1. Terminology. Capitalized terms used in this Agreement are defined in the correlating Stock Option Notice and/or the Glossary at the end of the Agreement.

2. Exercise of Options.

(a) Exercisability. The Options will become exercisable in accordance with the Exercisability Schedule set forth in the Stock Option Notice, so long as you are in the Service of the Company from the Grant Date through the applicable exercisability dates. None of the Options will become exercisable after your Service with the Company ceases, unless the Stock Option Notice provides otherwise with respect to exercisability that arises as a result of your cessation of Service.

(b) Right to Exercise. You may exercise the Options, to the extent exercisable, at any time on or before 5:00 P.M. Eastern Time on the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or Federal, state or foreign securities laws, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the shares are then listed for trade, the right to exercise the Options or receive Shares pursuant to the Options shall be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Section 3 below describes certain limitations on exercise of the Options that apply in the event of your death, Total and Permanent Disability, or termination of Service. The Options may be exercised only in multiples of whole Shares and may not be exercised at any one time as to fewer than one hundred Shares (or such lesser number of Shares as to which the Options are then exercisable). No fractional Shares will be issued under the Options.

(i) Exercise Procedure. In order to exercise the Options, you must provide the following items to the Secretary of the Company or his or her delegate before the expiration or termination of the Options notice, in such manner and form as the Administrator may require from time to time, specifying the number of Shares to be purchased under the Options;

(ii) full payment of the Exercise Price for the Shares or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 2(d) of this Agreement; and

(iii) full payment of applicable withholding taxes pursuant to Section 7 of this Agreement.

An exercise will not be effective until the Secretary of the Company or his or her delegate receives all of the foregoing items, and such exercise otherwise is permitted under and complies with all applicable federal, state and foreign securities laws. Notwithstanding the foregoing, if the Administrator permits payment by means of delivering properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise and such instructions provide for sale of Shares under a limit order rather than at the market, the exercise will not be effective until the earlier of the date the Company receives delivery of cash or cash equivalents in full payment of the Exercise Price or the date the Company receives confirmation from the broker that the sale instruction has been fulfilled, and the exercise will not be effective unless the earlier of such dates occurs on or before termination of the Options.

(c) Method of Payment. You may pay the Exercise Price by:

(i) delivery of cash, certified or cashier's check, money order or other cash equivalent acceptable to the Administrator in its discretion;

(ii) a broker-assisted cashless exercise in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator;

(iii) subject to such limits as the Administrator may impose from time to time, tender (via actual delivery or attestation) to the Company of other shares of Common Stock of the Company which have a Fair Market Value on the date of tender equal to the Exercise Price;

(iv) subject to such limits as the Administrator may impose from time to time, net share settlement;

(v) any other method approved by the Administrator; or

(vi) any combination of the foregoing.

(d) Issuance of Shares upon Exercise. The Company shall issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate exercise price and the requisite withholding taxes, if any. Upon issuance of such Shares, the Company may deliver, subject to the provisions of Section 7 below, such Shares on your behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason, or may retain such Shares in uncertificated book-entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

3. Termination of Service.

(a) Termination of Unexercisable Options. If your Service with the Company ceases for any reason, the Options that are then unexercisable will terminate immediately upon such cessation.

(b) Exercise Period Following Termination of Service. If your Service with the Company ceases for any reason other than discharge for Cause, the Options that are then exercisable will terminate upon the earliest of:

(i) the expiration of 90 days following such cessation, if your Service ceases on account of (1) your termination by the Company other than a discharge for Cause, or (2) your voluntary termination other than for Total and Permanent Disability or death;

(ii) the expiration of 12 months following such cessation, if your Service ceases on account of your Total and Permanent Disability or death;

(iii) the expiration of 12 months following your death, if your death occurs during the periods described in clauses (i) or (ii) of this Section 3(b), as applicable; or

(iv) the Expiration Date.

In the event of your death, the exercisable Options may be exercised by your executor, personal representative, or the person(s) to whom the Options are transferred by will or the laws of descent and distribution.

(c) Misconduct. The Options will terminate in their entirety, regardless of whether the Options are then exercisable, immediately upon your discharge from Service for Cause, or upon your commission of any of the following acts during the exercise period following your termination of Service: (i) fraud on or misappropriation of any funds or property of the Company, or (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company, as determined by the Administrator, which determination will be conclusive.

(d) Change in Status. In the event that your Service is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part or an Affiliate of the Company, your Service will be deemed to have terminated for purposes of this Section 3 upon such cessation if your Service does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

4. Nontransferability of Options. These Options and, before exercise, the underlying Shares are nontransferable otherwise than by will or the laws of descent and distribution and, during your lifetime, the Options may be exercised only by you or, during the period you are under a legal disability, by your guardian or legal representative. Except as provided above, the Options and, before exercise, the underlying Shares may not be assigned, transferred, pledged, hypothecated, subjected to any "put equivalent position," "call equivalent position" (as each preceding term is defined by Rule 16(a)-1 under the Securities Exchange Act of 1934), or short position, or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

5. Nonqualified Nature of the Options. The Options are not intended to qualify as incentive stock options within the meaning of Code section 422, and this Agreement shall be so construed. You hereby acknowledge that, upon exercise of the Options, you will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Exercise Price and must comply with the provisions of Section 7 of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.

6. Withholding of Taxes.

(a) At the time the Options are exercised, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll or any other payment of any kind due to you and otherwise agree to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Options. The Company may require you to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Options or issuance of share certificates representing Shares.

(b) The Administrator may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Options either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares, in either case having a Fair Market Value not in excess of the amount necessary to satisfy the statutory minimum withholding amount due.

7. Adjustments. The Administrator may make various adjustments to your Options, including adjustments to the number and type of securities subject to the Options and the Exercise Price, in accordance with the terms of the Plan. In the event of any transaction resulting in a Change in Control of the Company, the outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Options by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the event of such termination, you will be permitted, immediately before the Change in Control, to exercise or convert all portions of such Options that are then exercisable or which become exercisable upon or prior to the effective time of the Change in Control.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement will alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between you and the Company, or as a contractual right for you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without Cause or notice and whether or not such discharge results in the failure of any of the Options to become exercisable or any other adverse effect on your interests under the Plan.

9. No Rights as a Stockholder. You shall not have any of the rights of a stockholder with respect to the Shares until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued.

10. The Company's Rights. The existence of the Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11. Entire Agreement. This Agreement, together with the correlating Stock Option Notice and the Plan, contain the entire agreement between you and the Company with respect to the Options. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Options shall be void and ineffective for all purposes.

12. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Options or Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by you and the Company.

13. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

14. Section 409A. This Agreement and the Options granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code. This Agreement and the Options shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to you.

15. Electronic Delivery of Documents. By your signing the Notice, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

16. No Future Entitlement. By execution of the Notice, you acknowledge and agree that: (i) the grant of these Options is a one-time benefit which does not create any contractual or other right to receive future grants of stock options, or compensation in lieu of stock options, even if stock options have been granted repeatedly in the past; (ii) all determinations with respect to any such future grants, including, but not limited to, the times when stock options shall be granted or shall become exercisable, the maximum number of shares subject to each stock option, and the purchase price, will be at the sole discretion of the Administrator; (iii) the value of these Options is an extraordinary item of compensation which is outside the scope of your employment contract, if any; (iv) the value of these Options is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any termination, severance, resignation, redundancy, end of service payments or similar payments, or bonuses, long-service awards, pension or retirement benefits; (v) the vesting of these Options ceases upon termination of employment with the Company or transfer of employment from the Company, or other cessation of eligibility for any reason, except as may otherwise be explicitly provided in this Agreement; (vi) if the underlying Common Stock does not increase in value, these Options will have no value, nor does the Company guarantee any future value; and (vii) no claim or entitlement to compensation or damages arises if these Options do not increase in value and you irrevocably release the Company from any such claim that does arise.

17. Personal Data. For the purpose of implementing, administering and managing these Options, you, by execution of the Notice, consent to the collection, receipt, use, retention and transfer, in electronic or other form, of your personal data by and among the Company and its third party vendors or any potential party to any Change in Control transaction or capital raising transaction involving the Company. You understand that personal data (including but not limited to, name, home address, telephone number, employee number, employment status, social security number, tax identification number, date of birth, nationality, job and payroll location, data for tax withholding purposes and shares awarded, cancelled, exercised, vested and unvested) may be transferred to third parties assisting in the implementation, administration and management of these Options and the Plan and you expressly authorize such transfer as well as the retention, use, and the subsequent transfer of the data by the recipient(s). You understand that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that data will be held only as long as is necessary to implement, administer and manage these Options. You understand that you may, at any time, request a list with the names and addresses of any potential recipients of the personal data, view data, request additional information about the storage and processing of data, require any necessary amendments to data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's Secretary. You understand, however, that refusing or withdrawing your consent may affect your ability to accept a stock option.

18. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Delaware, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Delaware, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Delaware or any state court in the district which includes Delaware. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

19. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than twenty-four (24) months after the Administrator's decision.

20. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

{*Glossary begins on next page*}

GLOSSARY

(a) "***Administrator***" means the Board or the committee(s) or officer(s) appointed by the Board that have authority to administer the Plan.

(b) "***Affiliate***" shall have the meaning set forth in the Plan.

(c) "***Cause***" shall have the meaning set forth in the Plan

(d) "***Change in Control***" shall have the meaning set forth in the Plan.

(e) "***Code***" means the Internal Revenue Code of 1986, as amended.

(f) "***Company***" includes Liquidia Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Liquidia Corporation

(g) "***Fair Market Value***" shall have the meaning set forth in the Plan.

(h) "***Service***" means your employment or other service relationship with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not the Company or its successor or an Affiliate of the Company or its successor.

(i) "***Shares***" mean the shares of Common Stock underlying the Options.

(j) "***Stock Option Notice***" means the written notice evidencing the award of the Options that correlates with and makes up a part of this Agreement.

(k) "***Total and Permanent Disability***" shall have the meaning set forth in the Plan.

(l) "***You***" or "***your***" means the recipient of the award of Options as reflected on the Stock Option Notice. Whenever the Agreement refers to "you" under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to your estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the word "you" shall be deemed to include such person.

EXERCISE FORM

Administrator of 2020 Long-Term Incentive Plan
c/o Office of the Corporate Secretary
Liquidia Corporation
P.O. Box 110085
Research Triangle Park
North Carolina, 27709

Gentlemen:

I hereby exercise the Options granted to me on _____,_____, by Liquidia Corporation (the "Company"), subject to all the terms and provisions of the applicable grant agreement and of the Liquidia Corporation 2020 Long-Term Incentive Plan (the "Plan"), and notify you of my desire to purchase _____shares of Common Stock of the Company at a price of $_____ per share pursuant to the exercise of said Options.

Total Amount Enclosed: $

Date:_____

(Optionee)

Received by LIQUIDIA CORPORATION on

_____

By: _____

EXHIBIT 10.23

EXECUTIVE EMPLOYMENT AGREEMENT

This **Executive Employment Agreement** (the "***Agreement***") is entered into effective May 18, 2020 (the "***Effective Date***"), by and between Tushar Shah ("***Executive***") and Liquidia Technologies, Inc., a Delaware corporation (the "***Company***"). Each of the Company and Executive is a "***Party***" and, collectively, they are the "***Parties***."

The Company desires to employ Executive and, in connection with such employment, to compensate Executive for Executive's personal services to the Company; and

Executive desires to provide personal services to the Company in return for certain compensation.

Accordingly, in consideration of the mutual promises and covenants contained herein, the Parties agree to the following:

1. Employment by the Company.

1.1 **At-Will Employment**. Executive shall be employed by the Company on an "at will" basis, meaning either the Company or Executive may terminate Executive's employment at any time, with or without cause or advance notice. Any contrary representations that may have been made to Executive shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between Executive and the Company on the "at will" nature of Executive's employment with the Company, which may be changed only in an express written agreement signed by Executive and a duly authorized officer of the Company. Executive's rights to any compensation following a termination shall be only as set forth in Section 6.

1.2 **Position**. Subject to the terms set forth herein, the Company agrees to employ Executive in the position of Chief Medical Officer, and Executive hereby accepts such employment. Executive will report to the Chief Executive Officer ("***CEO***") and/or such Company officers or directors designated by the CEO.

1.3 **Duties**. Executive shall faithfully perform all duties of the Company related to the position or positions held by Executive, including but not limited to all duties set forth in this Agreement and/or in the Bylaws of the Company related to the position or positions held by Executive and all additional duties that are reasonably prescribed from time to time by the CEO or other designated officers or directors of the Company. Executive shall devote Executive's full business time and attention to the performance of Executive's duties and responsibilities on behalf of the Company and in furtherance of its best interests. Executive is expected to perform Executive's duties under this Agreement principally out of the Company's corporate headquarters in North Carolina at least four (4) days per workweek, unless Executive is otherwise traveling for work. In addition, Executive shall make such business trips at the Company's expense to such places as may be necessary or advisable for the efficient operations of the Company.

1.4 **Company Policies**. Executive shall comply with all Company policies, standards, rules and regulations (a "***Company Policy***" or collectively, the "***Company Policies***") and all applicable government laws, rules and regulations that are now or hereafter in effect. Executive acknowledges receipt of copies of all written Company Policies that are in effect as of the date of this Agreement. Notwithstanding the foregoing, in the event that the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control.

2. COMPENSATION.

2.1 **Salary**. Executive shall receive a base salary of $435,000 on an annualized basis, payable subject to standard federal and state payroll withholding requirements in accordance with the Company's standard payroll practices ("***Base Salary***"). Executive's Base Salary may be increased from time to time by the Board of Directors of the Company (the "***Board***"). Notwithstanding anything to the contrary, the Base Salary may be reduced if the Board determines such reduction is necessary and justified by the financial condition of the Company and implements an equal percentage reduction in the base salaries of all of the Company's executive officers, but in no event will such reduction be greater than ten percent (10%) of the Base Salary. A reduction in Executive's Base Salary in accordance with the immediately preceding sentence shall not constitute a material diminution in Base Salary as described in Section 6.4(b) of this Agreement.

2.2 **Bonus**. During the period Executive is employed with the Company, Executive shall be eligible to earn a discretionary annual cash bonus of up to 40% of Base Salary ("***Target Award***"), subject to review and adjustment by the Company in its sole discretion, pursuant to the terms of the Liquidia Technologies, Inc. Annual Cash Bonus Plan, as amended by the Company from time to time (the "***Bonus Plan***"), or its successor plan. Any bonus, if earned, will be paid to Executive within the time period set forth in the Bonus Plan.

2.3 **LTIP**. Upon employment and subject to approval of the Compensation Committee of the Board, Executive will receive an incentive stock option entitling the purchase up to 230,000 shares (the "***Option***") of common stock of the Company ("***Common Stock***"), with the exercise price per share of Common Stock underlying the Option equaling the Fair Market Value (as defined under the Liquidia Technologies, Inc. 2018 Long-Term Incentive Plan (the "***Plan***")) of a share of Common Stock on the date of grant. The Option shall (i) be granted under and subject to the terms of the Plan and the form of incentive stock option grant agreement, and (ii) be subject to the following vesting schedule: 25% of the grant will become vested and exercisable or settled, as applicable, on first anniversary of Executive's start date and the balance will become vested and exercisable or settled, as applicable, in equal monthly installments over the following thirty-six (36) months, subject to Executive's continuous employment with the Company on each such vesting date.

2.4 **Commuting Expenses**. The Company will reimburse Executive for reasonable out-of-pocket expenses incurred by Executive in connection with Executive's commute to Morrisville, North Carolina, from Executive's residence in Pennsylvania prior to Executive's relocation to the Raleigh-Durham-Chapel Hill area of North Carolina, for up to twenty-four (24) months after Executive's start date, up to a maximum cap of $30,000 for the first twelve-month period and a maximum cap of $78,000 for the second twelve-month period (these amounts are gross and applicable tax deductions will apply). Such commuting expenses shall only include the out-of-pocket cost of temporary housing and transportation and the payment of income taxes that may be assessed in connection with the payment by the Company of such reimbursable expenses. Ordinary course meals and entertainment-related expenses will not be reimbursed. The Company shall reimburse such commuting expenses within thirty (30) days following receipt of an invoice or other documentation that complies with Company policy. The Company will withhold from any such reimbursements the applicable income and employment tax withholdings, as Executive will be responsible for paying any taxes on these commuting expense reimbursements if they are taxable income under applicable tax law. If Executive's reimbursable commuting expenses in the second twelve-month period equals less than $78,000 (the "***Commuting Surplus***"), then the difference may be added to the Relocation Allowance and shall be paid by the Company subject to the payment terms and timing set forth in Section 2.5 below. For purposes of clarity, Executive shall have no obligation to repay to the Company any amounts paid by the Company to Executive as reimbursement for his out-of-pocket expenses incurred in his commute to Morrisville, North Carolina; however, the Commuting Surplus shall be subject to the repayment terms set forth in Section 2.5 below.

2.5 **Relocation Allowance**. The Company agrees that Executive shall not be required to relocate his permanent residence during the first twelve (12) months of employment. However, Executive agrees that, prior to the second anniversary of Executive's start date with the Company, Executive shall relocate Executive's permanent residence to the Raleigh-Durham-Chapel Hill area of North Carolina. Subject to Executive's relocation to North Carolina within such timeframe and Executive's continued employment with the Company through the time of relocation, the Company shall reimburse Executive for the cost of relocating Executive's household from Pennsylvania to the Raleigh-Durham-Chapel Hill area of North Carolina, up to a maximum aggregate gross amount of $60,000, plus the Commuting Surplus (the "***Relocation Allowance***"). Such relocation expenses may only include the reasonable cost of packing, shipping and transporting household goods, real estate commissions and closing costs, transfer taxes, airfare or other means of transport and accommodations and meal allowance for the moving of Executive and Executive's family, and the payment of income taxes that may be assessed in connection with the payment by the Company to Executive of such reimbursable expenses. In order to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), any taxable reimbursements incurred pursuant to this Section 2.5 shall be paid to Executive in 2022 and all relocation expenses must be incurred and documentation submitted with respect to all such relocation expenses no later than June 30, 2022. Notwithstanding the foregoing, Executive and the Company agree that if, on or before the second anniversary of the date Executive completes Executive's relocation to North Carolina, Executive resigns his employment with the Company without Good Reason or the Company terminates Executive's employment for Cause (as such terms are defined below), then Executive shall be required to repay the entire Relocation Allowance to the Company. Executive hereby authorizes the Company to deduct the Relocation Allowance from any amount that may be due to Executive from the Company, and agrees that any remaining balance not covered by such deduction shall be repaid no later than thirty (30) days after the termination of employment. For purposes of clarity, Executive shall have no obligation to repay the Relocation Allowance to the Company in the event that Executive's employment is terminated due to his death or Disability (as defined below).

2.6 **Sign-On Bonus**. As an incentive for Executive to commence employment with the Company on the Effective Date and to remain employed with the Company for at least one (1) year thereafter, the Company agrees to pay to Executive a one-time, sign-on bonus equal to $25,000, less standard payroll withholding requirements (the "**Sign-On Bonus**"). The Company shall advance such Sign-On Bonus to Executive within thirty (30) days after the Executive's start date, subject to Executive's obligation to repay the full amount of the Sign-On Bonus if, prior to the first anniversary of the Executive's start date, Executive's employment is terminated by the Company for Cause or Executive resigns without Good Reason. In the event Executive is required to repay the Sign-On Bonus as set forth herein, Executive agrees that the Company may deduct, in accordance with applicable law, said amount from any payments the Company owes Executive, including but not limited to Executive's final paycheck, bonus or other compensation, and any expense reimbursements, and Executive further agrees to pay to the Company, within thirty (30) days of his termination date, any remaining unpaid balance of the Sign-On Bonus not covered by such deductions. For purposes of clarity, Executive shall have no obligation to repay the Sign-On Bonus to the Company in the event that Executive's employment is terminated due to his death or Disability.

2.7 **Benefits**. Executive will be eligible to participate on the same basis as similarly situated employees in the Company's benefit plans in effect from time to time during Executive's employment. All matters of eligibility for coverage or benefits under any benefit plan shall be determined in accordance with the provisions of such plan. The Company reserves the right to change, alter, or terminate any benefit plan in its sole discretion.

2.8 **Expense Reimbursement**. The Company shall reimburse Executive for all customary and appropriate business-related expenses actually incurred and documented in accordance with Company Policy, as in effect from time to time. For the avoidance of doubt, to the extent that any reimbursements payable to Executive are subject to the provisions of Section 409A of the Code: (a) any such reimbursements will be paid no later than December 31 of the year following the year in which the expense was incurred, (b) the amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (c) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

3. Proprietary Information, Inventions, Non-Competition and Non-Solicitation Obligations. As a condition of employment with the Company, Executive agrees to execute and abide by a Confidentiality, Inventions and Non-Competition Agreement (the "***Confidential Information Agreement***"), which may be amended by the Parties from time to time without regard to this Agreement. The Confidential Information Agreement contains provisions that are intended by the Parties to survive and do survive termination of this Agreement.

3.1 **Permissible Communications**. Notwithstanding anything to the contrary in the Confidential Information Agreement, Executive acknowledges that nothing in the Confidential Information Agreement shall be construed to prohibit Executive from (a) filing a charge or complaint with, or participating in any proceeding before, a government agency authorized to enforce and investigate suspected violations of federal anti-discrimination laws, labor relations laws, occupational health and safety laws, wage and hour laws, and such similar state or local laws; (b) reporting possible violations of federal securities laws to the appropriate government enforcing agency and make such other disclosures that are expressly protected under such laws, or (c) responding truthfully to inquiries from, or otherwise cooperating with, any governmental or regulatory investigation (the activities set forth in clauses (a) through (c) are collectively referred to as the "***Protected Activities***"). Executive understands that in connection with such Protected Activity, Executive is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company; *provided*, *however*, that Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Proprietary Information under the Confidential Information Agreement to any parties other than the appropriate government agencies. Executive further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications, and that any such disclosure without the Company's written consent shall constitute a material breach of this Agreement.

3.2 **Defend Trade Secrets Act.** Pursuant to the Defend Trade Secrets Act of 2016, Executive acknowledges that Executive will not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and may use the trade secret information in the court proceeding, if Executive (x) files any document containing the trade secret under seal and (y) does not disclose the trade secret, except pursuant to court order.

4. **Outside Activities During Employment**. Except with the prior written consent of the Company, which shall not be unreasonably withheld, Executive will not, while employed by the Company, undertake or engage in any other employment, occupation or business enterprise that would interfere with Executive's responsibilities and the performance of Executive's duties hereunder, except for (i) reasonable time devoted to volunteer services for or on behalf of such religious, educational, non-profit and/or other charitable organization as Executive may wish to serve, (ii) reasonable time devoted to activities in the non-profit and business communities consistent with Executive's duties, and (iii) such other activities as may be specifically approved by the Company. This restriction shall not, however, preclude Executive from owning less than one percent (1%) of the total outstanding shares of a publicly traded company, or employment or service in any capacity with Affiliates of the Company. As used in this Agreement, "***Affiliates***" means an entity under common management or control with the Company.

5. **No Conflict with Existing Obligations**. Executive represents that Executive's performance of all the terms of this Agreement and as an executive of the Company do not and will not breach any agreement or obligation of any kind made prior to Executive's employment by the Company, including agreements or obligations Executive may have with prior employers or entities for which Executive has provided services. Executive has not entered into, and Executive agrees that Executive will not enter into, any agreement or obligation, either written or oral, in conflict herewith.

6. **TERMINATION OF EMPLOYMENT**. The Parties acknowledge that Executive's employment relationship with the Company is at-will. The provisions in this Section govern the amount of compensation, if any, to be provided to Executive upon termination of employment and do not alter this at-will status.

6.1 **Termination by the Company Without Cause**.

(a) The Company shall have the right to terminate Executive's employment with the Company pursuant to this Section 6.1 at any time without "Cause" (as defined in Section 6.2(b) below) by giving notice as described in Section 7.1 of this Agreement. A termination pursuant to Sections 6.3 and 6.5 below is not a termination without "Cause" for purposes of receiving the benefits described in this Section 6.1.

(b) If the Company terminates Executive's employment at any time without Cause and provided that such termination constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h) a "***Separation from Service***"), then Executive shall be entitled to receive the Accrued Obligations (defined below) and, subject to Executive's compliance with the obligations in Section 6.1(c) below, then Executive shall also be entitled to receive (collectively, the "***Severance Benefits***"):

(i) an amount equal to Executive's then current Base Salary for nine (9) months (the "***Severance Period***"), less all applicable withholdings and deductions, paid in equal installments beginning on the Company's first regularly scheduled payroll date following the Release Effective Date (as defined in Section 6.1(c) below), with the remaining installments occurring on the Company's regularly scheduled payroll dates thereafter;

(ii) an amount equal to the unpaid bonus (if any) that Executive would have earned pursuant to the Bonus Plan with respect to any Performance Period (as defined in the Bonus Plan) completed prior to the termination date but for the employment requirement set forth in Section 6.3 of the Bonus Plan; and

(iii) payment of the employer portion of the premiums required to continue Executive's group health care coverage under the applicable provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***"), provided that Executive timely elects to continue coverage under COBRA, until the earliest of (A) the close of the Severance Period, (B) the expiration of Executive's eligibility for the continuation coverage under COBRA, or (C) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment (such period from the termination date through the earliest of (A), (B) or (C), the "***COBRA Payment Period***"). Notwithstanding the foregoing, if at any time the Company determines in its sole discretion that the payment of the COBRA premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Code, or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of providing the COBRA premiums, the Company will instead pay Executive on the last day of each remaining month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable tax withholdings for the remainder of the COBRA Payment Period, regardless of whether Executive elects COBRA coverage (the "***Special Severance Payment***"). Executive may, but is not obligated to, use such Special Severance Payment toward the cost of COBRA premiums. If Executive becomes eligible for coverage under another employer's group health plan or otherwise ceases to be eligible for COBRA during the COBRA Payment Period, Executive must immediately notify the Company of such event, and all payments and obligations under this clause will cease.

(c) Executive will be paid all of the Accrued Obligations on the Company's first payroll date after Executive's date of termination from employment or earlier if required by law. Executive shall receive the Severance Benefits pursuant to Section 6.1(b) of this Agreement if: (i) Executive signs and delivers to the Company an effective, general release of claims in favor of the Company and its affiliates and representatives, in a form acceptable to the Company (the "***Release***"), by the 60th day following the termination date or such earlier date as set forth in the Release, which cannot be revoked in whole or part (if applicable) by such date or such earlier date as set forth in the Release (the date that the Release can no longer be revoked is referred to as the "***Release Effective Date***"); (ii) if Executive holds any other positions with the Company, Executive resigns such position(s) to be effective no later than the date of Executive's termination date (or such other date as requested by the Board); (iii) Executive returns all Company property in proper order and condition, reasonable wear and tear excepted, (including, but not limited to, all books, documents, papers, materials and any other property or assets relating to the business or affairs of the Company which may be in Executive's possession or under his control but excluding copies of records related to Executive's compensation from the Company and any equity ownership in the Company); (iv) Executive complies with all post-termination obligations under this Agreement and the Confidential Information Agreement; and (v) Executive complies with the terms of the Release, including without limitation any non-disparagement and confidentiality provisions contained in the Release. To the extent that any Severance Benefits are deferred compensation under Section 409A of the Code, and are not otherwise exempt from the application of Section 409A, then, if the period during which Executive may consider and sign the Release spans two calendar years, the payment of Severance Benefits will not be made or begin until the later calendar year.

(d) For purposes of this Agreement, "***Accrued Obligations***" are (i) Executive's accrued but unpaid salary through the date of termination, (ii) any unreimbursed business expenses incurred by Executive payable in accordance with the Company's standard expense reimbursement policies, and (iii) benefits owed to Executive under any qualified retirement plan or health and welfare benefit plan in which Executive was a participant in accordance with applicable law and the provisions of such plan.

(e) The Severance Benefits provided to Executive pursuant to this Section 6.1 is in lieu of, and not in addition to, any benefits to which Executive may otherwise be entitled under any Company severance plan, policy or program.

(f) Any damages caused by the termination of Executive's employment without Cause would be difficult to ascertain; therefore, the Severance Benefits for which Executive is eligible pursuant to Section 6.1(b) above in exchange for the Release is agreed to by the Parties as liquidated damages, to serve as full compensation, and not a penalty.

6.2 **Termination by the Company for Cause**.

(a) Subject to Section 6.2(c) below, the Company shall have the right to terminate Executive's employment with the Company at any time for Cause by giving notice as described in Section 7.1 of this Agreement.

(b) "***Cause***" for termination shall mean that the Company has determined in its sole discretion that Executive has engaged in any of the following: (i) any material breach of the terms of this Agreement by Executive, or the willful failure of Executive to diligently and properly perform Executive's material duties for the Company; (ii) Executive's misappropriation or unauthorized use of the Company's tangible or intangible property that causes or is likely to cause material harm to the Company or its reputation, or material breach of the Confidential Information Agreement or any other similar agreement regarding confidentiality, intellectual property rights, non-competition or non-solicitation; (iii) any material failure to comply with the Company Policies or any other policies and/or directives of the Board; (iv) Executive's use of illegal drugs or any illegal substance, or Executive's use of alcohol in any manner that materially interferes with the performance of Executive's duties under this Agreement; (v) any (A) dishonest or illegal action (including, without limitation, embezzlement) by Executive, or (B) other action, whether or not dishonest or illegal, by Executive, in either case which is materially detrimental to the interest and well-being of the Company, including, without limitation, harm to its reputation; (vi) Executive's failure to fully disclose any material conflict of interest Executive may have with the Company in a transaction between the Company and any third party which is materially detrimental to the interest and well-being of the Company; (vii) any adverse action or omission by Executive which would be required to be disclosed pursuant to public securities laws or which would limit the ability of the Company or any entity affiliated with the Company to sell securities under any Federal or state law or which would disqualify the Company or any affiliated entity from any exemption otherwise available to it; or (viii) become prohibited by law or any order from any regulatory body or governmental body from being an employee or director of any company, firm or entity; *provided*, *however*, that prior to any termination of Executive for "Cause," if the grounds for such Cause are reasonably capable of cure by Executive, the Company shall provide Executive with written notice of the grounds for Cause and provide Executive with ten (10) business days in which to cure such Cause.

(c) In the event Executive's employment is terminated at any time for Cause, Executive will not receive Severance Benefits or any other severance compensation or benefits, except that, pursuant to the Company's standard payroll policies, the Company shall pay to Executive the Accrued Obligations.

6.3 **Resignation by Executive.**

(a) Executive may resign from Executive's employment with the Company at any time by giving notice as described in Section 7.1.

(b) In the event Executive resigns from Executive's employment with the Company for any reason (other than a resignation for Good Reason as described in Section 6.4 below), Executive will not receive Severance Benefits or any other severance compensation or benefits, except that, pursuant to the Company's standard payroll policies, the Company shall pay to Executive the Accrued Obligations.

6.4 **Resignation by Executive for Good Reason.**

(a) Provided Executive has not previously been notified of the Company's intention to terminate Executive's employment, Executive may resign from employment with the Company for Good Reason (as defined in Section 6.4(b) below).

(b) "***Good Reason***" for resignation shall mean the occurrence of any of the following without Executive's prior consent: (i) a material diminution in Executive's authority, duties or responsibilities; (ii) a material diminution in Executive's Base Salary; (iii) a requirement that Executive report to an employee other than the CEO; (iv) Executive's principal place of employment is relocated by more than fifty (50) miles from the Company's present location in Research Triangle Park, North Carolina; or (v) the Company materially breaches its obligations under this Agreement. In addition to any requirements set forth above, in order for any of the above events to constitute "Good Reason," Executive must (X) inform the Company of the existence of the event within sixty (60) days of the initial existence of the event, after which date the Company shall have no less than thirty (30) days to cure the event which otherwise would constitute "Good Reason" hereunder and (Y) Executive must terminate his employment with the Company for such "Good Reason" no later than ninety (90) days after the initial existence of the event which prompted Executive's termination. Any actions taken by the Company to accommodate a disability of Executive or pursuant to the Family and Medical Leave Act shall not be a Good Reason for purposes of this Agreement.

(c) In the event Executive resigns from Executive's employment for Good Reason, and provided that such termination constitutes a Separation from Service, then subject to Executive's compliance with the obligations in Section 6.1(c) above, Executive shall be eligible to receive the same Severance Benefits as described in Section 6.1 and on the same terms and conditions set forth in Section 6.1(c) and Section 6.1(e) as if Executive had been terminated by the Company without Cause.

(d) Any damages caused by the termination of Executive's employment for Good Reason would be difficult to ascertain; therefore, the Severance Benefits for which Executive is eligible pursuant to Section 6.1(b) above in exchange for the Release is agreed to by the Parties as liquidated damages, to serve as full compensation, and not a penalty.

6.5 **Termination by Virtue of Death or Disability of Executive.**

(a) In the event of Executive's death while employed pursuant to this Agreement, all obligations of the Parties hereunder shall terminate immediately, and the Company shall, pursuant to the Company's standard payroll policies, pay to Executive's legal representatives all Accrued Obligations.

(b) Subject to applicable state and federal law, the Company shall at all times have the right, upon written notice to Executive, to terminate this Agreement based on Executive's Disability. Termination by the Company of Executive's employment based on "***Disability***" shall mean termination because a qualified medical doctor mutually acceptable to the Company and Executive or Executive's personal representative has certified in writing that: (A) Executive is unable, because of a medically determinable physical or mental disability, to perform the essential functions of Executive's job, with or without a reasonable accommodation, for more than one hundred and eighty (180) calendar days measured from the last full day of work; or (B) by reason of mental or physical disability, it is unlikely that Executive will be able, within one hundred and eighty (180) calendar days, to resume the essential functions of Executive's job, with or without a reasonable accommodation, and to otherwise discharge Executive's duties under this Agreement. This definition shall be interpreted and applied consistent with the Americans with Disabilities Act, the Family and Medical Leave Act, and other applicable law. In the event Executive's employment is terminated based on Executive's Disability, Executive will not receive Severance Benefits or any other severance compensation or benefit, except that, pursuant to the Company's standard payroll policies, the Company shall pay to Executive the Accrued Obligations.

6.6 **Change in Control Benefits.** In the event the Company (or any surviving or acquiring corporation) terminates Executive's employment without Cause or Executive resigns for Good Reason within twelve (12) months following the effective date of a Change in Control (as defined under the Plan), then Executive shall be entitled to the Accrued Obligations and, provided that Executive complies with the obligations in Section 6.1(c) of this Agreement (including the requirement to provide an effective Release), Executive shall be eligible to receive the same Severance Benefits as described in Section 6.1(b) and on the same conditions as if Executive had been terminated by the Company without Cause; *provided, however,* that (a) the Severance Period shall be increased to twelve (12) months; (b) the bonus set forth in Section 6.1(b)(ii) shall instead be payable at the Target Amount; and (c) in the event that Executive's outstanding equity as of the closing of the Change in Control is assumed or continued (in accordance with its terms) by the surviving entity in a Change in Control, then 100% of the unvested portion of such equity shall become vested.

6.7 **Cooperation With Company After Termination of Employment**. Following termination of Executive's employment for any reason and for a period of one (1) year thereafter, Executive agrees to cooperate (a) with the Company in (i) the defense of any legal matter involving any matter that arose during Executive's employment with the Company, and (ii) all matters relating to the winding up of Executive's pending work and the orderly transfer of any such pending work to such other employees as may be designated by the Company; and (b) with all government authorities on matters pertaining to any investigation, litigation or administrative proceeding pertaining to the Company. The Company will reimburse Executive for any reasonable travel and out of pocket expenses incurred by Executive in providing such cooperation. The Company will also pay Executive a per diem amount equal to Executive's Base Salary as of the date of termination divided by two hundred and thirty (230) for each day or partial day that Executive devotes to fulfilling his obligation to cooperate under this Section 6.7, unless Executive is then receiving continued payment of his Base Salary under 6.1(b)(ii), above. Following termination of Executive's employment for any reason, and in the event of a failure by Executive (following reasonable efforts by the Company to secure his voluntary cooperation) to resign from any position as officer or director of the Company, with such resignation to be effective no later than the date of Executive's termination date (or such other date as requested by the Board), the Company is hereby irrevocably authorized to appoint its then-current Chief Executive Officer to act in Executive's name and on his behalf to execute any documents and to do all things reasonably necessary to effect such resignation. Further, Executive shall not, at any time after termination of Executive's employment for any reason, represent himself as being an agent or representative of the Company, unless expressly authorized in a written agreement executed by an authorized officer of the Company.

6.8 **Application of Section 409A**.

(a) It is intended that all of the severance payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively, "***Section 409A***") provided under Treasury Regulations Sections 1.409A-1(b)(4) and 1.409A-1(b)(9), and this Agreement will be construed in a manner that complies with Section 409A. If not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A, and incorporates by reference all required definitions and payment terms.

(b) The preceding provisions shall not be construed as a guarantee by the Company of any particular tax effect to Executive under this Agreement. The Company shall not be liable to Executive for any payment made under this Agreement which is determined to result in an additional tax, penalty or interest under Section 409A, nor for reporting in good faith any payment as an amount includible in gross income under Section 409A.

(c) No severance payments will be made under this Agreement unless Executive's termination of employment constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h)).

(d) For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement (whether severance payments or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

(e) If the Company determines that the severance benefits provided under this Agreement constitutes "deferred compensation" under Section 409A and if Executive is a "specified employee" of the Company, as such term is defined in Section 409A(a)(2)(B)(i) of the Code at the time of Executive's Separation from Service, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefits will be delayed as follows: on the earlier to occur of (i) the date that is six months and one day after Executive's Separation from Service, and (ii) the date of Executive's death (such earlier date, the "***Delayed Initial Payment Date***"), the Company will (1) pay to Executive a lump sum amount equal to the sum of the Severance Benefits that Executive would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the Severance Benefits had not been delayed pursuant to this Section 6.8, and (2) commence paying the balance of the Severance Benefits in accordance with the applicable payment schedule set forth in Section 6.1. No interest shall be due on any amounts deferred pursuant to this Section 6.8.

6.9 **Parachute Payments**.

(a) Notwithstanding any other provisions of this Agreement to the contrary, in the event that it shall be determined that any payment or distribution to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "***Payment***") would be nondeductible by the Company for Federal income tax purposes because of Section 280G of the Code, the Company shall reduce the aggregate present value of the Payments under this Agreement to the Reduced Amount (as defined below) if, and only if, reducing the Payments under this Agreement will provide Executive with a greater net after-tax amount than would be the case if no such reduction was made, taking into account the applicable federal, state, local and foreign income, employment and other taxes, including the excise tax imposed by Section 4999 of the Code. If a reduction in the Payments is necessary, such reduction shall occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. Within any such category of payments and benefits (that is, clauses (1), (2), (3) or (4) of this Section 6.9(a)), a reduction shall occur first with respect to amounts that are not "deferred compensation" within the meaning of Section 409A of the Code and then with respect to amounts that are. The "***Reduced Amount***" shall be an amount expressed in present value that maximizes the aggregate present value of Payments under this Agreement without causing any Payment to be nondeductible by the Company because of Section 280G of the Code.

(b) All determinations to be made under this Section 6.9 shall be made at the Company's expense by a firm of certified public accountants of national standing selected by the Company (the "***Accounting Firm***") which may be the firm regularly auditing the financial statements of the Company. The Company and Executive shall furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably require in order to make a determination under this Section. To the extent requested by Executive, the Company shall cooperate with Executive in good faith in valuing, and the Accounting Firm shall value, services to be provided by Executive (including refraining from performing services pursuant to a covenant not to compete) before, on or after the date of the transaction which cause the application of Section 280G of the Code such that payments in respect of such services may be considered to be "reasonable compensation" within the meaning of the regulations under Section 280G of the Code. In making its determinations hereunder, the Accounting Firm shall apply reasonable, good faith interpretations regarding the applicability of Section 280G and Section 4999, along with any other applicable portions of the Code or other tax laws. The Accounting Firm shall make all determinations required to be made under this Section and shall provide detailed supporting calculations to the Company and Executive within 30 days after the Termination Date or such earlier time as is requested by the Company, and provide an opinion to Executive that he or she has substantial authority not to report any excise tax on his or her Federal income tax return with respect to any Payments. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. Subject to Sections 6.1(c) and 6.9, within five business days thereafter, the Company shall pay to or distribute to or for the benefit of Executive such amounts as are then due to Executive under this Agreement.

(c) As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm or the Company hereunder, it is possible that Payments, as the case may be, will have been made by the Company which should not have been made ("***Overpayment***") or that additional Payments, as the case may be, which will not have been made by the Company could have been made ("***Underpayment***"), in each case, consistent with the calculations required to be made hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against Executive which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, promptly on notice and demand Executive shall repay to the Company any such Overpayment paid or distributed by the Company to or for the benefit of Executive together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that no such amount shall be payable by Executive to the Company if and to the extent such payment would not either reduce the amount on which Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code.

7. GENERAL PROVISIONS.

7.1 **Notices**. Any notices required hereunder to be in writing shall be deemed effectively given: (a) upon personal delivery to the Party to be notified, (b) when sent by electronic mail or confirmed facsimile if sent during normal business hours of the recipient, and if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at its primary office location and to Executive at Executive's address as listed on the Company payroll, or at such other address as the Company or Executive may designate by ten (10) days advance written notice to the other.

7.2 **Severability**. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

7.3 **Survival.** Provisions of this Agreement which by their terms must survive the termination of this Agreement in order to effectuate the intent of the Parties will survive any such termination, whether by expiration of the term, termination of Executive's employment, or otherwise, for such period as may be appropriate under the circumstances.

7.4 **Waiver**. If either Party should waive any breach of any provisions of this Agreement, it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

7.5 **Complete Agreement**. This Agreement constitutes the entire agreement between Executive and the Company with regard to the subject matter hereof. This Agreement is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter and supersedes any prior oral discussions or written communications and agreements. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in writing signed by Executive and an authorized officer of the Company, subject to the approval of the Board, its compensation committee or (if necessary) the stockholders of the Company. The Parties have entered into a separate Confidential Information Agreement and have entered or may enter into separate agreements related to equity. These separate agreements govern other aspects of the relationship between the Parties, have or may have provisions that survive termination of Executive's employment under this Agreement, may be amended or superseded by the Parties without regard to this Agreement and are enforceable according to their terms without regard to the enforcement provision of this Agreement.

7.6 **Headings**. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

7.7 **Successors and Assigns**. The Company shall assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said Company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a Party, but may not otherwise assign this Agreement or its rights and obligations hereunder. Executive may not assign or transfer this Agreement or any rights or obligations hereunder, other than to Executive's estate upon death.

7.8 **Withholding**. All amounts payable hereunder shall be subject to applicable tax withholding.

7.9 **Choice of Law**. This Agreement in all respects shall be governed by and interpreted in accordance with the laws of the State of North Carolina, both procedural and substantive, without regard to conflicts of law, except to the extent that federal laws and regulations preempt otherwise applicable law.

7.10 **Mandatory Mediation.** Prior to and as a condition of either Party's filing suit in state or federal court, the Parties shall engage in a mediated settlement conference in accordance with the North Carolina Superior Court Rules Implementing Statewide Mediation. The Parties shall mediate in good faith until settlement is reached or an impasse is declared by the mediator.

7.11 **Jurisdiction.** Each Party hereby irrevocably submits to the exclusive jurisdiction of the United States District Court located in Wake County, North Carolina, or any state court located within such state, in respect of any claim relating to this Agreement or Executive's employment with the Company, and hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding in which any such claim is made that said Party is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in such courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts. Any appellate proceedings shall take place in the appropriate courts having appellate jurisdiction over the courts set forth in this Section.

7.12 **Counterparts**. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one Party, but all of which taken together will constitute one and the same Agreement. Facsimile signatures and signatures transmitted by PDF shall be equivalent to original signatures.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

In Witness Whereof, the Parties have executed this Agreement on the day and year first written above.

Liquidia Technologies, Inc.

By: /s/ Neal Fowler
Name: Neal Fowler
Title: Chief Executive Officer

Executive:

/s/ Tushar Shah
Tushar Shah

Exhibit A

CONFIDENTIALITY, INVENTIONS AND NON-COMPETITION AGREEMENT

Liquidia Corporation
Executive Severance and Change in Control Plan

Table of Contents

ARTICLE I
Statement of Purpose and Effective Date

1.01 Purpose. Liquidia Corporation, a Delaware corporation (the "Company" or "Liquidia Corporation"), hereby establishes the Liquidia Corporation Executive Severance and Change in Control Plan (the "Plan"). The Plan is intended to encourage and motivate key employees to devote their full attention to the performance of their assigned duties without the distraction or concerns regarding their involuntary termination of employment. The Company believes that it is in the best interests of the shareholders of the Company to provide financial assistance through severance payments and other benefits to eligible key employees who are involuntarily terminated. With respect to each Participant, the Plan supersedes all plans, agreements, or other arrangements for severance benefits or for enhanced severance payments whether or not before, on or after a change in control, except as specifically provided herein. To the extent the Plan provides deferred compensation it is an unfunded plan primarily for the purposes of providing deferred compensation for a select group of management or highly compensated employees.

1.02 Effective Date. The Compensation Committee of the Board of Directors has approved the Plan and the Plan shall become effective as of the date the Company's common stock is listed on a national securities exchange or an established securities market (such date, the "Effective Date").

ARTICLE II
Definitions

When used in this Plan, the terms specified below have the following meanings:

2.01 "**Accrued Annual Incentive**" means the amount of any annual incentive earned in a year ended before the Termination Date, but not yet paid to a Participant as of the Termination Date, other than amounts that he or she has elected to defer or that have been automatically deferred.

2.02 "**Accrued Base Salary**" means the amount of a Participant's Base Salary that is accrued but unpaid as of the Termination Date, other than amounts that he or she has elected to defer.

2.03 "**Accrued Obligations**" means, as of any date, the sum of a Participant's Accrued Base Salary, Accrued Annual Incentive, any accrued but unpaid vacation pay, unreimbursed expenses for which proper documentation is provided, and any other vested amounts and benefits that are to be paid or provided to the Participant by the Company under the Company's plans (other than this Plan and other than any Section 409A Deferred Compensation), but which have not yet been paid or provided (as applicable).

2.04 "**Affiliate**" means any person with whom the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code and Treas. Reg. §1.409A-3(i)(5)(ii), except that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code; the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Treas. Reg. § 1.414(c)-(2) for purposes of determining a controlled group of trades or businesses under Section 414(c) of the Code, the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Treas. Reg. § 1.414(c)-(2). Notwithstanding the foregoing, where justified by legitimate business criteria as determined by the Committee in its sole discretion, "at least 20 percent" shall be substituted for "at least 50 percent" in the preceding sentence in determining whether a Participant has a Termination of Employment.

2.05 "**Award Agreement**" means a written agreement between the Company and the Participant setting forth the terms and conditions of a stock-based award granted to the Participant under any of the Company's stock incentive plans, now or hereafter existing.

2.06 "**Base Salary**" means an Employee's monthly rate of salary as of any date.

2.07 "**Board**" means the Board of Directors of the Company or, from and after a Change in Control that gives rise to a surviving corporation to the Company, the Board of Directors of such surviving corporation.

2.08 "**Cause**" means any one or more of the following, as determined by the Committee or its delegate in its sole discretion:

(a) any act or omission by a Participant which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude;

(b) a Participant's dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate;

(c) insubordination or a material violation of a material written policy of the Company or any Affiliate, violation of which would be grounds for dismissal under applicable Company policy;

(d) willful, repeated failure on the part of the Participant to perform his or her employment duties (provided that such duties are ethical and proper under applicable law) in any material respect, after reasonable written notice of such failure and an opportunity to correct it under a circumstance where the conduct constituting "Cause" is reasonably open to a cure (for instance, where the conduct does not involve a violation of trust or otherwise adversely affect the relationship between the Employee and the Employer on a going-forward basis), and the period to correct shall be established by the Committee;

(e) any act or omission materially adverse to the interest of the Company or any Affiliate, or reasonably likely to result in material harm to the Company or any Affiliate;

(f) failure to comply in any material respect with any Company policy, code of conduct, ethics or insider trading policy; or

(g) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any rules or regulations thereunder, or any similar, applicable statute, regulation or legal requirement.

2.09 "**Change Date**" means the first date on which a Change in Control occurs before the termination of the Plan.

2.10 "**Change in Control**" means the first of the following to occur: (i) a Change in Ownership of Liquidia Corporation, (ii) a Change in Effective Control of Liquidia Corporation, or (iii) a Change in the Ownership of Assets of Liquidia Corporation, as described herein and construed in accordance with Code section 409A.

(a) A "Change in Ownership of Liquidia Corporation" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire, ownership of the capital stock of Liquidia Corporation that, together with the stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the capital stock of Liquidia Corporation. However, if any one Person is, or Persons Acting as a Group are, considered to own more than 50%, on a fully diluted basis, of the total fair market value or total voting power of the capital stock of Liquidia Corporation, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of Liquidia Corporation or to cause a Change in Effective Control of Liquidia Corporation (as described below). An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which Liquidia Corporation acquires its stock in exchange for property will be treated as an acquisition of stock.

(b) A “Change in Effective Control of Liquidia Corporation” shall occur on the date either (A) a majority of members of Liquidia Corporation’ Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Liquidia Corporation’ Board before the date of the appointment or election, or (B) any one Person, or Persons Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of Liquidia Corporation possessing 50% or more of the total voting power of the stock of Liquidia Corporation.

(c) A “Change in the Ownership of Assets of Liquidia Corporation” shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons), assets from Liquidia Corporation that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of Liquidia Corporation immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Liquidia Corporation, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

The following rules of construction apply in interpreting the definition of Change in Control:

(i) A “Person” means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than employee benefit plans sponsored or maintained by Liquidia Corporation and by entities controlled by Liquidia Corporation or an underwriter, initial purchaser or placement agent temporarily holding the capital stock of Liquidia Corporation pursuant to a registered public offering.

(ii) Persons will be considered to be Persons Acting as a Group (or Group) if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(iii) A Change in Control shall not include a transfer to a related person as described in Code section 409A or a public offering of capital stock of Liquidia Corporation.

(iv) For purposes of the definition of Change in Control, Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation §1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

2.11 "**Code**" means the Internal Revenue Code of 1986, as amended. Reference to any provision of the Code or regulation thereunder, shall include any successor provision and any regulations and other applicable guidance or pronouncement of the Internal Revenue Service or the Department of the Treasury, and applicable case law relating to such Section of the Code.

2.12 "**Committee**" means the Compensation Committee of the Board. To the extent the Committee has delegated authority to another person or persons the term "Committee" shall refer to such other person or persons.

2.13 "**Company**" means Liquidia Corporation and any successor thereto.

2.14 "**Disability**" means (i) the Employee is determined to be totally and permanently disabled under any group long-term disability plan in which the Employee participates that is maintained by the Company or the Employee's Employer and in effect at that time, to the extent not inconsistent with applicable law, or (ii) the inability of the Employee, due to any medically determinable physical or mental impairment, to perform the essential functions of his or her job, with or without a reasonable accommodation, for (x) 120 days during any one employment year irrespective of whether such days are consecutive, or (y) such longer period, if any, that is available to the Employee under applicable law or Policies relating to the continuation of employee status after the onset of disability. In the event of any dispute under this Section, the Employee shall submit to a physical examination by a licensed physician mutually satisfactory to the Company and the Employee, the cost of such examination to be paid by the Company, and the determination of such physician shall be determinative.

2.15 "**Effective Date**" is defined in Section 1.02.

2.16 "**Employee**" means an individual who is designated as an employee of an Employer on the records of such Employer.

2.17 "**Employer**" means the Company and an Affiliate any of whose Employees are Participants in the Plan. The term "Employer" includes any successor to the Company or an Employer.

2.18 "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended. Reference to any provision of ERISA shall also include any successor provision and regulations and others applicable guidance or pronouncement of a federal regulatory agency and applicable case law relating to such Section of ERISA.

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

2.20 "**Good Reason** " means, prior to or absent the occurrence of a Change in Control, a greater than 20% reduction in any of the Participant's base salary, target short-term cash incentive opportunity or value of regular annual long-term target incentive opportunity, the latter as determined by a third-party compensation consulting or accounting firm chosen by the Company and using generally accepted methodologies which may include annualizing prior year long-term incentive grants over more than one year and ignoring prior special retention or sign-on grants, other than a broad-based compensation reduction imposed across-the-board on executives at the vice president or higher level within the Company, and means, after the Change Date, any one or more of the following actions or omissions occurring during the Post-Change Period without the Participant's consent:

(i) a material reduction in the Participant's base salary or short-term/annual target cash incentive opportunity;

(ii) requiring the Participant to be principally based at any office or location, without the Participant's consent, more than 50 miles from the Participant's then-current principal location and also farther from the Participant's residence than the Participant's then-current principal office or location;

(iii) any material diminution in the Participant's authority, duties or responsibilities, but excluding a mere change in reporting relationship or title; or

(iv) any material breach of this Plan by any Employer or the Committee;

provided that, in order for there to be a Termination of Employment by a Participant for Good Reason, the Participant must notify the Participant's Employer of the event constituting such Good Reason within 90 days of the occurrence of such event, by a Notice of Termination. The Employer must have failed to cure the event constituting Good Reason within 30 days following receipt of the Notice of Termination and the Participant must terminate employment within five days after the lapse of the cure period if no cure is effected. A delay in the delivery of such Notice of Termination or in the Termination of Employment after the lapse of the cure period shall waive the right of the Participant under this Plan to terminate employment for Good Reason. For the avoidance of doubt, no material diminution of authority, duties or responsibilities shall be deemed to occur solely because the Company becomes a subsidiary of another corporation if the Participant's authority, duties and responsibilities to the Company or his Employer remain materially undiminished.

2.21 "**Healthcare Assistance Multiple**" means 9X for a Termination Date occurring during the Post-Change Period.

2.22 "**Including**" means including without limitation.

2.23 "**Involuntary Termination**" means the Termination of Employment of a Participant (a) initiated by the Employer other than for Cause or Disability, and (b) for a reason other than death. A Termination of Employment initiated by the Participant for Good Reason shall also be an Involuntary Termination. For the avoidance of doubt, a Participant shall not have an Involuntary Termination of Employment if he or she (i) voluntarily resigns; (ii) voluntarily Retires; or (iii) has a Termination of Employment because of death, for Cause, or Disability.

2.24 "**Notice of Termination**" means a written notice given in accordance with Section 10.03 that sets forth (i) the specific termination provision in this Plan relied on by the party giving such notice, (ii) in reasonable detail the circumstances claimed to provide a basis for such Termination of Employment, and (iii) if the Termination Date is other than the date of receipt of such Notice of Termination (and is not determined under Section 2.35(a), (b), or (c)), the Termination Date.

2.25 "**Participant**" means an Employee who is selected by the Committee to participate in the Plan.

2.26 "**Plan**" means this Liquidia Corporation Executive Severance and Change in Control Plan as set forth herein and as from time to time amended.

2.27 "**Plans**" means plans, programs, or Policies of the Company or the Employer that employs a Participant.

2.28 "**Policies**" means policies, practices or procedures of the Company or the Employer that employs a Participant.

2.29 "**Post-Change Period**" means the period beginning on the Change Date and ending on the second anniversary of the Change Date.

2.30 "**Pro-rata Annual Incentive**" means, in respect of an Employer's fiscal year during which the Termination Date occurs, an amount equal to the product of (a) (i) in the case of a Termination Date before the Change Date, the actual annual incentive the Participant would have been paid if he or she remained employed on the payment date applicable to then-current employees based on actual performance, and (ii) in the case of a Termination Date on or after the Change Date, the Participant's Target Annual Incentive (determined as of the Termination Date) multiplied by (b) a fraction, the numerator of which equals the number of days from and including the first day of such fiscal year through and including the Termination Date, and the denominator of which equals 365.

2.31 "**Retire**" **or** "**Retirement**" means a voluntary Termination of Employment after attaining age 65 (or such other age at which the Company or Employer permits early retirement).

2.32 "**Section 409A Deferred Compensation**" means a deferral of compensation that is subject to (and not otherwise exempt from) the requirements of Section 409A of the Code.

2.33 "**Severance Multiple**" means:

(a) 6X for a Termination Date occurring before or absent a Change Date,

(b) 9X for a Termination Date occurring during the Post-Change Period.

2.34 "**Target Annual Incentive**", as of any date, means the amount equal to the product of a Participant's Base Salary multiplied by the percentage of such Base Salary to which such Participant would be entitled as an annual incentive, based on the terms in effect on such date under any annual incentive plans for the performance period for which the annual incentive is awarded if the performance goals established pursuant to such bonus plan were achieved at the 100% (target) level as of the end of the performance period, but disregarding any reduction in Target Annual Incentive that would constitute Good Reason.

2.35 "**Termination Date**" means the date of the receipt of the Notice of Termination by a Participant (if such Notice of Termination is given by the Company or the Participant's Employer) or by the Participant's Employer (if such Notice is given by the Participant), or any later date specified in the Notice of Termination but not more than 35 days after the giving of such Notice if the Notice of Termination is given by the Participant for Good Reason and not more than 15 days after the giving of such Notice of Termination in all other cases, on which an Employee has a Termination of Employment; provided, however, that:

(a) if the Participant's employment is terminated by reason of death, the Termination Date shall be the date of the Participant's death;

(b) if the Participant's employment is terminated by reason of Disability, the Termination Date shall be the date assigned by the Company's Human Resource function;

(c) if no Notice of Termination is given, the Termination Date shall be the last date on which the Participant is at work; and

(d) if the Notice of Termination is for a Termination by the Participant for Good Reason, the Termination Date shall be the 35th day after the giving of the Notice of Termination if the Employer has not cured the Good Reason subject to Sections 3.03 and Section 5.01.

2.36 "**Termination of Employment**" means in respect of a Participant, a termination of employment as determined by the Committee; provided, however, that with respect to payment of any Section 409A Deferred Compensation, "Termination of Employment" shall mean "separation from service" within the meaning of Section 409A of the Code.

ARTICLE III
Participation and Eligibility for Benefits

3.01 Eligibility.

(a) Generally, Employees holding a position of vice president or a more senior position with the Company or an Affiliate are eligible to be selected by the Committee to participate in the Plan, subject to each such Employee fulfilling the requirements to participate as provided in Section 3.02. The Committee in its discretion also may designate selected Employees with a position below the vice president level to be eligible to participate in this Plan.

(b) Notwithstanding subsection (a), any individual who is (i) a party to an agreement ("Employment Agreement") between the individual and an Employer that provides for payments upon Termination of Employment (either before or after a Change in Control) or (ii) entitled to Section 409A Deferred Compensation paid in installments as severance after a separation from service pursuant to a broad-based severance plan; shall not be eligible to become a Participant in this Plan.

3.02 Participation. Except as provided in Section 3.01(b), each eligible Employee shall become a Participant in the Plan on the first date (not earlier than the Effective Date) on which he or she has been designated by the Committee as an Employee who is eligible to participate and he or she has delivered to the Company, within such timeframe as may be specified by the Committee, a signed Participation Agreement in substantially the form attached hereto as Appendix A.

3.03 Eligibility for Benefits. A Participant becomes eligible for benefits under the Plan if, prior to or absent a Change Date or during the Post-Change Period, the Participant has an Involuntary Termination or a Termination of Employment for Good Reason. For the avoidance of doubt, a Termination of Employment for Good Reason must occur during the Post-Change Period if the Good Reason arises during the Post-Change Period.

ARTICLE IV
Obligations of the Employer Upon Involuntary Termination Prior to or Absent a Change Date

4.01 Involuntary Termination. If a Participant has an Involuntary Termination, then unless Article V applies, the Employer's sole obligations to such Participant under the Plan shall be as follows:

(a) The Employer shall pay the Participant the following:

(i) all Accrued Obligations in a single lump sum payment within 15 days after the Termination Date or such earlier date as required by applicable law; and

(ii) subject to Section 9.01, an amount equal to the Base Salary determined as of the Termination Date, multiplied by the applicable Severance Multiple (the "Severance Payment"). The Severance Payment shall be paid in substantially equal installments over a six-month period in accordance with the Company's normal payroll schedule. The first installment of the Severance Payment shall be made no more than 60 days after the Termination of Employment, provided the applicable revocation period for the release required by Section 9.01 has expired at that time, and subject to Section 10.11(c) and Section 10.11(e); and

(iii) an amount equal to the bonus (if any) that the Participant would have earned pursuant to an annual incentive plan with respect to any full performance period through which the Participant continued to provide services, notwithstanding any applicable employment requirement set forth therein, which shall be paid at the same time and in the same manner that bonus awards are paid to other participants in such annual incentive plan.

(b) The Employer shall provide for post-Termination of Employment nonqualified deferred compensation benefits, equity awards, and employee welfare benefits pursuant to the terms of the respective Plans and Policies under which such post-Termination of Employment benefits, awards and welfare benefits, if any, are provided, except as provided in (c) below.

(c) Subject to Section 9.01, if as of the Termination Date the Participant is participating in the Company's or the Employer's healthcare plan with respect to medical, vision, prescription and/or dental coverage and, as a result of the Termination of Employment, will be eligible for post-termination continuation coverage under Section 4980B of the Code ("COBRA"), then the Company shall pay on a monthly basis the employer-portion (i.e., the difference between the monthly COBRA premium paid by the Participant for himself or herself and his or her eligible dependents, if previously elected, and the monthly premium amount paid by similarly situated active executives) of the premiums required to continue the Participant's group health care coverage for the same level of health coverage and benefits as in effect for the Participant on the day immediately preceding the Termination Date for a period of six (6) months, provided that the Participating timely elects to continue such COBRA benefits and remains eligible for such benefits under applicable law. Notwithstanding the foregoing, if the Company determines, in its reasonable discretion, that the payment of the monthly premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Code or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act) (the "Impermissible Payment"), then, in lieu of paying such premiums with respect to the Impermissible Payment, the Company, in its sole discretion, may elect to instead pay the Participant on the first day of each month during the COBRA coverage period, a fully taxable cash payment equal to the Impermissible Payment for the remainder of the COBRA coverage period.

4.02 Termination for Any Other Reason. If a Participant has a Termination of Employment for any reason other than as described in Section 4.01 (including termination by the Employer for Cause, termination by the Employee other than for Good Reason, termination by the Employer or the Employee for Disability, Retirement, or termination on account of death), then unless Article V applies, the Employer's sole obligations to such Participant under the Plan shall be to pay the Participant all Accrued Obligations determined as of the Termination Date.

ARTICLE V
Obligations of the Employer on Involuntary Termination in the Post-Change Period

5.01 Application. If a Participant has an Involuntary Termination during the Post-Change Period a Participant shall be entitled to benefits under this Article V in lieu of, and not in addition to, benefits under Article IV. For the avoidance of doubt, a Termination of Employment for Good Reason must occur during the Post-Change Period if the Good Reason arises during the Post-Change Period.

5.02 Involuntary Termination in the Post-Change Period. If a Participant has an Involuntary Termination during the Post-Change Period for which a Notice of Termination is timely given, then the Employer's sole obligations to such Participant under the Plan shall be as follows:

(a) The Employer shall pay the Participant the following:

(i) all Accrued Obligations in a single lump sum payment within 15 days after the Termination Date;

(ii) subject to Section 9.01, an amount equal to the sum of (a) Base Salary multiplied by the applicable Severance Multiple and (b) one-twelfth of the Target Annual Incentive multiplied by the applicable Severance Multiple, each determined as of the Termination Date, ("Post-Change Severance Payment"); provided, however, that any reduction in the Participant's Base Salary or Target Annual Incentive that would qualify as Good Reason shall be disregarded for this purpose.

The Post-Change Severance Payment shall be paid no more than sixty days after the Termination of Employment, provided the applicable revocation period required for the release under Section 9.01 has expired at that time; and subject to Section 10.11(c) and Section 10.11(e).

(b) Post-Termination of Employment non-qualified deferred compensation benefits, equity awards, and employee welfare benefits shall be provided pursuant to the terms of the respective Plans and Policies under which such post-Termination of Employment benefits, awards and welfare benefits, if any, are provided, except as provided in (c) below.

(c) Subject to Section 9.01, if as of the Termination Date the Participant is participating in the Company's or the Employer's healthcare plan with respect to medical, vision, prescription and/or dental coverage and, as a result of the Termination of Employment, will be eligible for post-termination continuation coverage under Section 4980B of the Code ("COBRA"), then the Employer shall pay to the Participant, in a lump sum payment (the "Healthcare Assistance Payment"), an amount equal to (i) the excess of the monthly premium rate for such COBRA coverage for the Participant and his or her eligible dependents (measured as of the Termination of Employment) over the monthly premium rate payable by active employees (i.e., the non-Employer paid portion) for similar employer-provided coverage (measured as of the Termination of Employment), multiplied by (ii) the applicable Healthcare Assistance Multiple. The Healthcare Assistance Payment shall be made no more than 60 days after the Termination of Employment, provided the applicable revocation period for the release required by Section 9.01 has expired at that time, and subject to Section 10.11(c) and Section 10.11(e).

5.03 Termination on or After the Change Date for Any Other Reason. If a Participant has a Termination of Employment for which a Notice of Termination is given during the Post-Change Period, for any reason other than as described in Section 5.02 (including termination by the Employer for Cause, termination by the Employee other than for Good Reason, termination by the Employer or the Employee for Disability, Retirement, or termination on account of death), then the Employer's sole obligation to the Participant under this Plan shall be to pay the Participant all Accrued Obligations determined as of the Termination Date.

5.04 Limitation on Benefits.

(a) In the event it shall be determined that any payment or distribution by an Employer to or for the benefit of the Participant (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) (a "Payment") would be nondeductible by the Employer for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of amounts payable or distributable to or for the benefit of the Participant pursuant to this Plan ("Plan Payments") shall be reduced to the Reduced Amount if, and only if, by reason of such reduction, the net after-tax benefit received by the Participant, taking into account the applicable federal, state, local and foreign income, employment and other taxes, is greater than the net after-tax benefit that would be received by the Participant if no such reduction was made, taking into account the applicable federal, state, local and foreign income, employment and other taxes, including the excise tax imposed by Section 4999 of the Code. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Plan Payments without causing any Payment to be nondeductible by the Employer because of Section 280G of the Code. Such reduction shall be applied before any reduction of any other payments that are not Plan Payments unless the plan or agreement calling for such payments expressly provides to the contrary making specific reference to this Plan. Anything to the contrary notwithstanding, if the Reduced Amount under the Plan is zero and it is determined further that any Payment that is not a Plan Payment would nevertheless be nondeductible by the Employer for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of Payments which are not Plan Payments shall also be reduced (but not below zero) to an amount expressed in present value which maximizes the aggregate present value of Payments without causing any Payment to be nondeductible by the Employer because of Section 280G of the Code. For purposes of this Section, present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) The Committee shall select a firm of certified public accountants of national standing, (the "Accounting Firm"), which may be the firm regularly auditing the financial statements of the Company or the Employer. The Accounting Firm shall make all determinations required to be made under this Section and shall provide detailed supporting calculations to the Company, the Employer and the Employee within 30 days after the Termination Date or such earlier time as is requested by the Company, and provide an opinion to the Participant that he or she has substantial authority not to report any Excise Tax on his or her Federal income tax return with respect to any Payments. Any such determination by the Accounting Firm shall be binding upon the Company, the Employer and the Participant. The Accounting Firm shall determine how much of the Plan Payment or Payments, as the case may be, shall be eliminated or reduced consistent with the requirements of this Section and any such reduction shall apply first to lump sum cash amounts payable pursuant to this Plan in the form of the Severance Payment or the Post-Change Severance Payment, as applicable. Subject to Sections 9.01, 10.11(c) and 10.11(e), within five business days thereafter, the Employer shall pay to or distribute to or for the benefit of the Participant such amounts as are then due to the Participant under this Plan.

(c) As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm or the Company hereunder, it is possible that Plan Payments or Payments, as the case may be, will have been made by the Employer which should not have been made ("Overpayment") or that additional Plan Payments or Payments, as the case may be, which will not have been made by the Employer could have been made ("Underpayment"), in each case, consistent with the calculations required to be made hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against the Employee which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, promptly on notice and demand the Participant shall repay to the Employer any such Overpayment paid or distributed by the Employer to or for the benefit of the Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such amount shall be payable by the Participant to the Employer if and to the extent such payment would not either reduce the amount on which the Participant is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Employer to or for the benefit of the Participant together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

ARTICLE VI
Administration

6.01 The Company and Committee.

(a) The Company shall have overall responsibility for the establishment, amendment and termination of the Plan. In carrying out its responsibilities hereunder, the Company shall act through the Committee. The Committee shall have, in its discretion, the responsibilities, duties, powers and authority, assigned to it in this Plan and any responsibilities, duties, powers and authority, under this Plan that are not specifically delegated to anyone else, including the following:

(i) to determine which individuals shall be selected as Participants.

(ii) to decide on questions concerning the Plan and the eligibility of any Participant to participate in the Plan, including whether the Participant should remain (or become) a Participant;

(iii) to determine the nature and timing of any Termination of Employment or the existence of Good Reason;

(iv) subject to any limitations under the Plan or applicable law, to make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;

(v) to require any person to furnish such information as it may request as a condition to receiving any benefit under the Plan;

(vi) to compute or have computed the amount of benefits that shall be payable to any person in accordance with the provisions of the Plan;

(vii) to construe and interpret the Plan and correct defects, supply omissions and reconcile inconsistencies in the Plan; and

(viii) to make all other decisions and determinations (including factual determinations) as the Committee may deem necessary or advisable in carrying out its duties and responsibilities or exercising its powers.

(b) Decisions of the Committee shall be final, conclusive and binding on all persons interested in the Plan, including Participants, beneficiaries and other persons claiming rights from or through a Participant.

6.02 Delegation of Committee Authority. The Committee may delegate to officers or employees of the Company, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such administrative functions and exercise such administrative powers and authority, as the Committee in its discretion may determine. Such delegation may be revoked at any time.

6.03 Advisors and Agents of the Committee. The Committee may (i) authorize one or more of its members or an agent to execute or deliver any instrument, and make any payment on its behalf and (ii) utilize and cause the Company to pay for the services of associates and engage accountants, agents, clerks, legal counsel, record keepers and professional consultants (any of whom may also be serving an Employer or another Affiliate of the Company) to assist in the administration of this Plan or to render advice with regard to any responsibility under this Plan.

6.04 Records and Reports of the Committee. The Committee or its delegate shall maintain records and accounts relating to the administration of the Plan.

6.05 Limitation of Liability; Indemnification.

(a) The members of the Board and the Committee shall have no liability with respect to any action or omission made by them in good faith nor from any action made in reliance on (i) the advice or opinion of any accountant, legal counsel, medical adviser or other professional consultant or (ii) any resolutions of the Board certified by the secretary or assistant secretary of the Company. Each member of the Board, the Committee, and each employee to whom are delegated duties, responsibilities and authority with respect to the Plan shall be indemnified, defended, and held harmless by the Company and the Employers and their respective successors against all claims, liabilities, fines and penalties and all expenses (including but not limited to attorneys' fees) reasonably incurred by or imposed on such member or Participant that arise as a result of his actions or failure to act in connection with the operation and administration of the Plan, to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty or expense is not paid for by liability insurance purchased by or paid for by the Company or an Employer. Notwithstanding the foregoing, the Company or an Employer shall not indemnify any person for any such amount incurred through any settlement or compromise of any action unless the Company or an Employer consents in writing to such settlement or compromise.

(b) The Company will continue to cover each Participant under its directors' and officers' insurance policy following the Termination Date for a period of time equal to the applicable statute of limitations. The Company shall indemnify and hold each Participant harmless to the fullest extent legally permitted or authorized by the Company's by-laws or, if greater, by the laws of the State of Delaware, as may be in effect from time to time, in respect of any liability, damage, cost or expense (including reasonable attorneys' fees) actually and reasonably incurred in connection with the defense of any claim, action, suit or proceeding to which the Participant is a party by reason of the Participant's being or having been an officer or director of the Company or any subsidiary or affiliate thereof, or the Participant's serving or having served at the request of such other entity as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, business organization, enterprise or other entity, including service with respect to employee benefit plans. Without limiting the generality of the foregoing, the Company shall pay the expenses (including reasonable attorneys' fees) actually and reasonably incurred in defending any such claim, action, suit or proceeding in advance of its final disposition, upon receipt of the Participant's undertaking to repay all amounts advanced unless it is ultimately determined that Executive is entitled to be indemnified under this Section.

6.06 Plan Expenses. Expenses relating to the Plan before its termination shall be paid from the general assets of the Company or an Employer. Any individual who serves as a member of the Committee shall receive no additional compensation for such service.

ARTICLE VII
Amendments; Termination

7.01 Amendment or Termination of the Plan. The Company by duly adopted resolution of the Committee shall have the sole right to alter, amend or terminate this Plan in whole or in part at any time and to terminate the participation of any Employee; provided, however, that:

(a) any such adverse amendment or termination shall be effective only as to those Participants, if any, who have consented to such amendment or termination or who have received from the Company at least 12 months' prior written notice ("Amendment Notice" or "Expiration Notice," respectively) of such adverse amendment or termination that sets forth the date of termination or amendment ("Amendment Date" or "Expiration Date"), and

(b) no such Amendment Notice or Expiration Notice shall be effective as to any Participant if a Change Date occurs before the Amendment or Expiration Date specified in the Amendment Notice or Expiration Notice. Any purported Plan termination or amendment in violation of this Section 7.01 shall be void and of no effect.

ARTICLE VIII
Claims Procedure

8.01 Filing a Claim.

(a) No claim shall be required for benefit due under the Plan. Any individual eligible for benefits under this Plan who believes he or she is entitled to additional benefits or who desires to clarify his or her right to future benefits under the Plan ("Claimant") may submit his application for benefits ("Claim") to the Committee (or to such other person or persons as may be designated by the Committee) in writing in such form as is provided or approved by the Committee. The Committee shall be the named fiduciary for purposes of this Plan.

(b) When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within 90 days after the receipt of such Claim. A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain (i) the specific reasons for the denial, (ii) references to pertinent provisions of this Plan on which the denial is based, (iii) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, and (iv) a description of the Plan's review procedure and time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a benefit claim denial on review.

8.02 Review of Claim Denial. If a Claim is denied, in whole or in part, or if a Claim is neither approved nor denied within the 90-day period specified Section 8.01(b), the Claimant shall have the right, within 60 days after receipt of such denial (or after such claim is deemed denied), to (i) request that the Committee (or such other person or persons as shall be designated in writing by the Committee) review the denial or the failure to approve or deny the Claim, (ii) review pertinent documents, and (iii) submit issues and comments in writing.

(a) Within 60 days after such request is received, the Committee shall complete its review and give the Claimant written notice of its decision.

(b) The Committee shall include in its notice to Claimant (i) the specific reasons for its decision; (ii) references to pertinent provisions of this Plan on which its decision is based; (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Plan and all documents, records and other information relevant to his or her claim for benefits; and (iv) a statement describing the Claimant ‘s right to bring an action under Section 502(a) of ERISA.

(c) A Claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a Claim, before his filing a Claim and exhausting his rights to review under Sections 8.01 and 8.02.

8.03 Dispute Resolution. The Company and the Participant agree to attempt to resolve any dispute between them quickly and fairly through informal, good faith negotiations. If a mutually satisfactory resolution is not reached by such good faith negotiations within 45 days, the Company and the Participant agree that the state courts of North Carolina and, if the jurisdictional prerequisites exist at the time, the federal courts in the State of North Carolina, shall have sole and exclusive jurisdiction to hear and determine any dispute or controversy arising under or relating to this Plan. The Company and each Participant irrevocably (i) consents to the exclusive jurisdiction and venue of the courts of North Carolina and federal courts in the State of North Carolina, in any and all actions arising under or relating to this Plan (including Appendix A and Appendix B hereto), and (ii) waives any jurisdictional defenses (including personal jurisdiction and venue) to any such action. The Committee’s interpretation of Plan provisions, and any findings of fact, including eligibility to participate and eligibility for benefits, are final, shall be given deference by any court of law and will not be subject to “de novo” review unless shown to be arbitrary and capricious. The Company and Participant will each separately pay its counsel fees and expenses unless otherwise determined by a court of competent jurisdiction.

ARTICLE IX
Release; No Mitigation; No Duplication of Benefits; Recoupment

9.01 Release and Other Conditions Required. Any and all amounts payable and benefits or additional rights provided pursuant to this Plan other than the Accrued Obligations and amounts provided under Section 4.01(b) and 5.02(b) shall only be payable if: (a) the Participant (or Participant’s beneficiary in the event of Participant’s death) timely delivers to the Employer and does not revoke a general waiver and release of claims in favor of the Company and related parties (“Company Parties”) in substantially the form attached hereto as Appendix B, with such changes therein as may be necessary to make it valid and encompassing under applicable law, and the revocation period related to such general waiver and release has expired; (b) Participant resigns from any other positions Participant holds with the Company or an Affiliate, with such resignation to be effective no later than the Termination Date (or such other date as requested by the Company); (c) Participant returns all Company property; and (d) Participant complies with all post-termination obligations under the Confidentiality, Inventions and Non-Competition Agreement that Participant signed in connection with his or her employment with the Company or an Affiliate. The general waiver and release shall be executed and delivered (and the revocation period related thereto, if any, shall have lapsed without revocation having been made) within sixty (60) days following the Termination Date.

9.02 No Mitigation. No Participant shall have any duty to mitigate the amounts payable under this Plan by seeking or accepting new employment or self-employment following termination. Except as specifically otherwise provided in this Plan, all amounts payable pursuant to this Plan shall be paid without reduction regardless of any amounts of salary, compensation or other amounts that may be paid or payable to the Participant as the result of the Participant's employment by another employer or self-employment.

9.03 No Duplication of Benefits. Subject to Section 10.11(f), to the extent that a Participant shall have received severance payments or other severance benefits under any other Plan or agreement of the Company before receiving severance payments or other severance benefits pursuant to Article IV or Article V, the severance payments or other severance benefits under such other Plan or agreement shall reduce (but not below zero) the corresponding severance payments or other severance benefits to which such Participant shall be entitled under Article IV or Article V. To the extent that a Participant accepts payments made pursuant to Article IV or Article V, he shall be deemed to have waived his right to receive a corresponding amount of future severance payments or other severance benefits under any other Plan or agreement of the Company. Payments and benefits provided under the Plan shall be in lieu of any termination or severance payments or benefits for which the Participant may be eligible under any of the Plans or Policy of the Company or an Affiliate or under the Worker Adjustment Retraining Notification Act of 1988 or any similar statute or regulation.

9.04 Recoupment Policy. The payments and benefits provided under this Plan shall be subject to recovery under any clawback, recovery or recoupment policy which the Company or an Employer may adopt from time to time, including without limitation the Company's existing recoupment policy and any policy which the Company or an Employer may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law and the rules and regulations of the U.S. Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Company's common stock may be listed.

ARTICLE X
Miscellaneous

10.01 Participant Information. Each Participant shall notify the Committee of his home address and each change of home address. Each Participant shall also furnish the Committee with any other information and data that the Committee considers necessary for the proper administration of the Plan. The information provided by the Participant under this Section shall be binding on the Participant, his dependents and any beneficiary for all purposes of the Plan and the Committee shall be entitled to rely on any representations regarding personal facts made by a Participant, his dependents or beneficiary, unless such representations are known to be false.

10.02 Electronic Media. Under procedures authorized or approved by the Committee, any form for any notice, election, designation, or similar communication required or permitted to be given to or received from a Participant under this Plan may be communicated or made available to the Company or Participant in an electronic medium (including computer network, e-mail or voice response system) and any such communication to or from a Participant or Beneficiary through such electronic media shall be fully effective under this Plan for such purposes as such procedures shall prescribe. Any record of such communication retrieved from such electronic medium under its normal storage and retrieval parameters shall be effective as a fully authentic executed writing for all purposes of this Plan absent manifest error in the storage or retrieval process.

10.03 Notices. All notices and other communications under this Plan shall be in writing and delivered by hand, by nationally recognized delivery service that promises overnight delivery, or by first-class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Participant, at his most recent home address on file with the Company.

If to the Company or any other Employer,

Human Resources
P.O. Box 110085
Research Triangle Park
North Carolina, 27709

or to such other address as either party shall have furnished to the other in writing. Notice and communications shall be effective the day of receipt if delivered by hand or electronically, the second business day after deposit with an overnight delivery service if so deposited, or the fifth business day after mailing in the case of first class registered or certified mail.

10.04 No Employment Contract. The existence of this Plan shall not confer any legal or other rights upon any Participant to employment or continuation of employment. Employees are employees at will. The Company and each Employer reserve the right to terminate any Participant with or without cause at any time, notwithstanding the provisions of this Plan.

10.05 Headings. The headings in this Plan are for convenience of reference and shall not be given substantive effect.

10.06 Construction. Any masculine pronoun shall also mean the corresponding female or neuter pronoun, as the context requires. The singular and plural forms of any term used in this Plan shall be interchangeable, as the context requires.

10.07 Joint and Several Liability. In the event that any Employer incurs any obligation to a Participant pursuant to this Plan, such Employer, the Company and each Affiliate, if any, of which such Employer is a subsidiary shall be jointly and severally liable with such Employer for such obligation.

10.08 Successors. This Plan shall inure to the benefit of and be binding upon the Company, each Employer and their respective successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of any Employer to assume expressly and agree to comply with this Plan in the same manner and to the same extent that the Employer would be required to comply with it if no such succession had taken place. Failure to require such assumption will be a material breach of this Plan. Any successor to the business or assets of any Employer that assumes or agrees to perform this Plan by operation of law, contract, or otherwise shall be jointly and severally liable with the Employer under this Plan as if such successor were the Employer.

10.09 Payments to Beneficiary. If a Participant dies after becoming entitled to payments under Section 4.01 or 5.02 but before receiving all amounts to which he is entitled under this Plan, then, subject to Section 9.01, such remaining amounts shall be paid to his or her estate.

10.10 Non-Alienation of Benefits. Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, before actually being received by the Participant, and any such attempt to dispose of any right to benefits payable under this Plan shall be void.

10.11 Tax Matters.

(a) An Employer may withhold from any amounts payable under this Plan or from any other amount due a Participant any federal, state, local and other income, employment and other taxes that are required to be withheld pursuant to any applicable law or regulation.

(b) The intent of the Employers is that payments and benefits under this Plan are exempt from or comply with Section 409A of the Code and, accordingly, to the maximum extent permitted, this Plan shall be interpreted in accordance with that intent. To the extent that any provision hereof is modified in order to comply with Section 409A of the Code, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Participant and the Employer of the applicable provision without violating the provisions of Section 409A of the Code. In no event whatsoever shall the Company or any Employer be liable for any additional tax, interest or penalty that may be imposed on a Participant or Employee by Section 409A of the Code or damages for failing to comply with Section 409A of the Code.

(c) If a Participant is deemed to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit that is considered "nonqualified deferred compensation" under Section 409A of the Code payable on account of a "separation from service" and which becomes payable under the terms of the Plan within six months following such separation from service, then, to the extent required by Section 409A of the Code, such payment or benefit shall not be made or provided until the date which is the earlier of (i) the day after the expiration of the six-month period measured from the date of such "separation from service" of the Employee, and (ii) the date of the Employee's death. Upon the expiration of the six-month delay period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum without interest, and all remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) To the extent that reimbursements or other in-kind benefits under this Plan constitute "nonqualified deferred compensation" for purposes of Section 409A of the Code, (A) all expenses or other reimbursements hereunder shall be made on before to the last day of the taxable year following the taxable year in which such expenses were incurred by the Participant, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(e) For purposes of Section 409A of the Code, the Participant's right to receive installment payments pursuant to this Plan shall be treated as a right to receive a series of separate and distinct payments. Whenever this Plan specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Employer and the Participant shall have no right to directly or indirectly specify the date of payment; provided that if the timing of the payment or the provision of any benefit that is considered "nonqualified deferred compensation" under Section 409A of the Code is contingent on the lapse or expiration of the revocation period for the release required under Section 9.01 and such revocation period could lapse either in the same year or in the following year, the actual date of payment or benefit within the specified period shall be in such following year.

(f) Notwithstanding any other provision of this Plan to the contrary, in no event shall any payment or benefit under this Plan that constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code be subject to offset by any other amount unless such offset would not trigger additional taxes and penalties under Section 409A of the Code.

10.12 Governing Law. The provisions of this Plan shall be governed, construed and administered in accordance with the laws of the State of North Carolina, other than its laws respecting choice of law, except to the extent preempted by federal law, including ERISA.

10.13 Severability. If any one or more Articles, Sections or other portions of this Plan are declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any Article, Section or other portion not so declared to be unlawful or invalid; provided that if the release required under Section 10.01 is declared to be unlawful or unenforceable, then no payments shall be made the payment of which is subject to such release, and the Participant shall forthwith restore to the Employer any payments previously made that were subject to such release. Any Article, Section or other portion so declared to be unlawful or invalid shall be construed so as to effectuate the terms of such Article, Section or other portion to the fullest extent possible while remaining lawful and valid.

ARTICLE XI
ERISA Compliance Provisions

11.01 Summary Plan Description Provisions

(a) *General Information*. This document also serves as the summary plan description for the Plan. The following is additional information about the Plan.

Plan sponsor:	Liquidia Corporation EIN: 85-171062 P.O. Box 110085 Research Triangle Park North Carolina, 27709 Tel: 919-328-4428
Plan name:	Liquidia Corporation Executive Severance and Change in Control Plan
Plan number:	502
Type of plan:	Severance pay plan that is a “welfare benefit plan” under ERISA.
Funding:	Paid from the Company’s general assets.
Plan year:	Calendar year
Plan Administrator:	Compensation Committee of the Board of Directors of Liquidia Corporation. P.O. Box 110085 Research Triangle Park North Carolina, 27709 Tel: (919) 328-4428
Agent for service of legal process:	If you have to bring legal action against the Plan for any reason, legal process can be served on the Plan Administrator at P.O. Box 110085, Research Triangle Park, North Carolina, 27709.

(b) *Statement of ERISA Rights*. As a Participant in the Plan, you are entitled to certain rights and protections under the ERISA. ERISA provides that all Plan Participants shall be entitled to:

(i) *Receive Information About Your Plan and Benefits*

(1) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents verning the Plan, including a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the blic Disclosure Room of the Employee Benefits Security Administration.

(2) Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including pies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

(3) Receive a summary of the Plan's annual financial report, if applicable. The Plan Administrator is required by law to furnish :h Participant with a copy of this summary annual report.

(ii) *Prudent Actions by Plan Fiduciaries*

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

(iii) *Enforce Your Rights*

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator.

If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

(iv) *Assistance with Your Questions*

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

APPENDIX A
PARTICIPATION AGREEMENT

This PARTICIPATION AGREEMENT (this "Agreement" or this "Restrictive Covenants Agreement") is entered into as of _____, 20__, between Liquidia Corporation (the "Company") and _____ (the "Executive") (jointly the "Parties") pursuant to which the Executive accepts participation in the Liquidia Corporation Executive Severance and Change in Control Plan (the "Severance Plan") subject to the terms and conditions thereof as amended from time to time.

REASONS FOR THIS AGREEMENT: During Executive's relationship with the Company, Executive has learned, will learn, or has or will have access to, trade secrets and important proprietary and confidential information related to the operations and business of Liquidia Corporation and its subsidiaries and affiliates (collectively, the "Company's Business").

Executive acknowledges executing and being subject to the terms of the Confidentiality, Invention and Non-Competition Agreement (the "Restrictive Covenants Agreement"). [*To the extent a participant has not previously entered into the Confidentiality, Invention and Non-Competition Agreement, the participant will need to execute it in order to participate in plan.*] In consideration of employment or continued employment, participation in the Severance Plan and other valuable consideration, the receipt and sufficiency of which are acknowledged, Executive agrees to continue to be subject to, and abide by, such Restrictive Covenants Agreement.

IN WITNESS WHEREOF, the Company and the Executive have executed this Participation Agreement as of the date first written above.

PARTICIPANT:

_____ _____
(signature)

LIQUIDIA CORPORATION:

By:_____

_____
(print name)

Its:_____

APPENDIX B
GENERAL RELEASE AND WAIVER

1. I, _____, in consideration of and subject to the performance by Liquidia Corporation (together with its Affiliates, the "Company Parties"), of its obligations under the Liquidia Corporation Executive Severance and Change in Control Plan effective as of [ ], as amended from time to time before the date hereof (the "Plan"), do hereby release and forever discharge as of the date hereof the Company Parties and their respective affiliates, subsidiaries and direct or indirect parent entities and all present, former and future shareholders, directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates, subsidiaries and direct or indirect parent entities (collectively, the "Released Parties") to the extent provided below (this "General Release"). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Plan.

2. I understand that any payments or benefits paid or granted to me under Section 4.01 or 5.02 of the Plan (other than the Accrued Obligations) represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits specified in the Plan unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its Affiliates.

3. Except as provided in paragraphs 4, 5, and 11 below and except for the provisions of the Plan which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date you sign this Agreement, including, but not limited to (all of the following collectively referred to herein as the "Claims"):

(a) any and all claims that in any way result from, or relate to, Executive's hire, employment with or separation from employment with the Company Parties, whether pursuant to federal, state or local law, statute, regulation, ordinance, executive order or common law including, but not limited to, wrongful discharge of employment, constructive discharge from employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract, both express and implied, breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, and conversion, including costs and attorneys' fees;

(b) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; the National Labor Relations Act ("NLRA"); the North Carolina Retaliatory Employment Discrimination Act; the North Carolina Persons with Disabilities Protection Act; the North Carolina Equal Employment Practices; and any other statute that pertains or relates to, or otherwise touches upon, the employment relationship between the Company Parties and Executive.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967, as amended ("ADEA") which arise after the date I execute this General Release and does not extend to any claims that, by statute, may not be waived. I acknowledge and agree that my separation from employment with the Company Parties in compliance with the terms of the Plan shall not serve as the basis for any claim or action (including, without limitation, any claim under the ADEA).

5. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file a claim for workers' compensation benefits or unemployment insurance benefits; provided, however, that I waive, to the extent permitted by law, any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on any such claims in which any of the Company Parties is a party. Additionally, I am not waiving (i) any right to the Accrued Obligations or any severance benefits to which I am entitled under the Plan, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise, (iii) my rights as an equity or security holder in the Company or its Affiliates, (iv) my rights under any equity awards that survive termination of employment; or (v) my rights under any retirement plan that is "qualified" under Section 401(a) of the Internal Revenue Code of 1986. Furthermore, nothing in this General Release prevents me from filing a charge or complaint, reporting to, cooperating with, communicating with, or participating in any proceeding before the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the United States Department of Labor, the National Labor Relations Board, or other similar state or local agency (the "Government Agencies"), or from exercising any rights pursuant to Section 7 of the NLRA, or from taking any action protected under the whistleblower provisions of any federal securities law ("Protected Activities"), none of which activities shall constitute a breach of the release, non-disparagement or confidentiality clauses of this General Release. I understand that, in connection with such Protected Activity, I am permitted to disclose documents or other information as permitted by law, but I shall take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute confidential or proprietary information under my Confidentiality, Invention and Non-Competition Agreement to any parties other than the Government Agencies, and further understand that "Protected Activity" does not include the disclosure of any attorney-client privileged communications with the Company Parties, and that any such disclosure without the written consent of the Company Parties shall constitute a material breach of this General Release.

6. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied, except those described in Section 5 above. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver I would not have become a Participant in the Plan. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law.

7. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

8. I agree not to disparage the Company Parties, and the Company Parties' directors, managers, partners, employees, and agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation, provided that I may respond accurately and fully to any question, inquiry or request for information when required by legal process and otherwise engage in a Protected Activity.

9. I agree that this General Release and the Plan are confidential and agree not to disclose any information regarding the terms of this General Release or the Plan, except to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof or to a successor employer respecting the terms of any restrictive covenants to which I may be subject, or as required by law, and I will instruct each of the foregoing not to further disclose the same to anyone.

10. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other securities regulatory organization or any governmental entity.

11. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 3 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it. I represent and warrant that I have never suffered an on the job or occupational injury or incurred any leave, wage or overtime claims, whether pursuant to the Fair Labor Standards Act, Family Medical Leave Act, or otherwise, during my employment, or in the alternative that any such claims have been resolved to my complete satisfaction, and as such, no such claims by me or on my behalf exist as of the date of this Agreement. I further represent that I have been provided by the Company Parties all wages, severance, vacation, benefits, commissions, bonuses, expense reimbursements, or other amounts owed to me by the Company Parties, other than the Accrued Obligations and the payments or benefits paid or granted to me under Section 4.01 or 5.02 of the Plan.

12. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Plan after the date hereof.

13. The Parties understand and acknowledge that this General Release constitutes a compromise and settlement of actual or potential disputed claims. No action taken by the Parties hereto, or either of them, either previously or in connection with this General Release shall be deemed or construed to be:

(a) an admission of the truth or falsity of any claims made or any potential claims; or

(b) an acknowledgment or admission by either Party of any fault or liability whatsoever to the other Party or to any third party.

14. I waive any claim to reinstatement or re-employment with the Released Parties and agree not to bring any claim based upon the failure or refusal of the Released Parties to employ me hereafter. If I seek employment or become employed with the Released Parties (knowingly or unknowingly), this General Release shall conclusively be deemed the sole and exclusive reason for denying such application for employment with the Released Parties and/or the basis for my discharge if hired.

15. In entering into this General Release, neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this General Release.

16. The language in all parts of this Agreement will be construed, in all cases, according to its fair meaning, and not for or against either Party hereto. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement. The captions of the Paragraphs of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any Paragraph of this Agreement.

17. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

18. BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY; AND I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(b) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(c) THE CONSIDERATION GIVEN TO ME FOR THIS GENERAL RELEASE IS IN ADDITION TO ANYTHING OF VALUE TO WHICH I WAS ALREADY ENTITLED;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD [21 DAYS/45 DAYS] FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED [21/45]-DAY PERIOD;

(f) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(g) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(h) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: _____ DATED: _____

Participant

EXHIBIT 21.1

Liquidia Technologies, Inc.

Jurisdiction of incorporation:	Delaware
Name under which business conducted:	Liquidia Technologies, Inc.

Liquidia PAH, LLC

Jurisdiction of organization:	Delaware
Name under which business conducted:	Liquidia PAH, LLC

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-251394) and Form S-8 (Nos. 333-250179, 333-251904 and 333-252647) of Liquidia Corporation of our report dated March 25, 2021 relating to the financial statements which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Raleigh, North Carolina
March 25, 2021

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Damian deGoa, certify that:

1. I have reviewed this Annual Report on Form 10-K of Liquidia Corporation;

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 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 15(d)-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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 25, 2021

By: /s/ Damian deGoa
Name: Damian deGoa
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Kaseta, certify that:

1. I have reviewed this Annual Report on Form 10-K of Liquidia Corporation;

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 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 15(d)-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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 25, 2021

By: /s/ Michael Kaseta
Name: Michael Kaseta
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Liquidia Corporation, a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Damian deGoa, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 25, 2021

By: /s/ Damian deGoa
Name: Damian deGoa
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Liquidia Corporation, a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Kaseta, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 25, 2021

By: /s/ Michael Kaseta
Name: Michael Kaseta
Title: Chief Financial Officer
(Principal Financial Officer)