UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8â€‘K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 30, 2018

Aclaris Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-37581**	**46-0571712**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

640 Lee Road, Suite 200
Wayne, PA 19087
(Address of principal executive offices, including zip code)

(484) 324-7933
(Registrantâ€™s telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

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

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

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

Emerging growth company â˜

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. â˜

Explanatory Note

On December 3, 2018, Aclaris Therapeutics, Inc. (the â€œ***Company***â€) filed with the Securities and Exchange Commission a Current Report on Form 8-K (the â€œ***Initial 8-K***â€) to disclose that it had completed its previously announced acquisition of the worldwide rights to RHOFADE (oxymetazoline hydrochloride) cream, 1%, which includes an exclusive license to certain intellectual property for RHOFADE cream, as well as additional intellectual property. This Form 8-K/A amends the Initial 8-K to include the historical financial statements and the pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were previously omitted from the Initial 8-K as permitted by Item 9.01(a)(4) of Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The audited special purpose financial information for the RHOFADE product comprised of the special purpose statement of assets acquired and liabilities assumed as of December 31, 2017, the special purpose statement of revenues and direct expenses for the year ended December 31, 2017, and the related notes, is filed as Exhibit 99.1 to this Current Report on Form 8-K/A and incorporated herein by reference.

The unaudited special purpose financial information for the RHOFADE product comprised of the special purpose statement of assets acquired and liabilities assumed as of September 30, 2018 and December 31, 2017, the special purpose statement of revenues and direct expenses for the nine months ended September 30, 2018 and 2017, and the related notes, is filed as Exhibit 99.2 to this Current Report on Form 8-K/A and incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial statements of the Company comprised of the pro forma condensed combined balance sheet as of September 30, 2018, the pro forma condensed combined statement of operations for the nine months ended September 30, 2018, the pro forma condensed combined statement of operations for the year ended December 31, 2017, and the related notes, is filed as Exhibit 99.3 to this Current Report on Form 8-K/A and incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Exhibit Description
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
99.1	Audited Special Purpose Financial Information for the RHOFADE Product.
99.2	Unaudited Special Purpose Financial Information for the RHOFADE Product.
99.3	Unaudited Pro Forma Condensed Combined Financial Statements and Related Notes of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ACLARIS THERAPEUTICS, INC.

By: /s/ Frank Ruffo
Frank Ruffo
Chief Financial Officer

Date: January 18, 2019

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (No. 333-212095) and S-8 (No. 333-223922, 333-220149, 333-216703, 333-210379 and 333-207434) of Aclaris Therapeutics, Inc. of our report dated December 21, 2018 relating to the special purpose financial statements of the Rhofade® Product of Allergan plc, which appears in this Current Report on Form 8-K/A.

/s/ PricewaterhouseCoopers LLP
Florham Park, NJ
January 18, 2019

Rhofade® Product of Allergan plc

Special Purpose Statement of Assets Acquired and Liabilities Assumed as of December 31, 2017
and Special Purpose Statement of Revenues and Direct Expenses for
the year ended December 31, 2017

Rhofade® Product of Allergan plc

Index to Special Purpose Financial Statements

Report of Independent Auditors

To the Management of Allergan plc

We have audited the accompanying special purpose financial statements of the Rhofade® Product of Allergan plc, which comprise the special purpose statement of assets acquired and liabilities assumed as of December 31, 2017, and the related special purpose statement of revenues and direct expenses for the year then ended.

Managementâ€™s Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditorsâ€™ Responsibility

Our responsibility is to express an opinion on the special purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Companyâ€™s preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companyâ€™s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets acquired and liabilities assumed of the Rhofade® Product of Allergan plc as of December 31, 2017 and the results of its revenues and direct expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying special purpose financial statements were prepared in connection with Allergan plcâ€™s divestiture of the Rhofade® Product and, as described in Note 1, were prepared in accordance with an SEC waiver received by the buyer, for the purpose of the buyer complying with Rule 3â€‘05 of the Securities and Exchange Commissionâ€™s Regulation S-X. These special purpose financial statements are not intended to be a complete presentation of the financial position, results of operations or cash flows of the Rhofade® Product of Allergan plc. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
December 21, 2018

Rhofade® Product of Allergan plc

Special Purpose Statement of Assets Acquired and Liabilities Assumed as of December 31, 2017

($ in thousands)	December 31, 2017
Assets acquired:	
Inventories	$ 574
Samples	2,433
Intangible assets	407,369
Total assets acquired	**410,376**
Contingent consideration obligations	11,800
Total liabilities assumed	**11,800**
Net assets acquired	$ **398,576**

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

Rhofade® Product of Allergan plc

Special Purpose Statement of Revenues and Direct Expenses for the year ended December 31, 2017

($ in thousands)	Year ended December 31, 2017
Net revenues	**$ 12,317**
Direct expenses:	
Cost of sales (excludes amortization and contingent consideration)	1,692
Contingent consideration accretion and fair value adjustments	(61,100)
Research and development (excludes contingent consideration)	3,977
Selling and marketing	45,692
General and administrative	437
Amortization	26,801
Total direct expenses	**17,499**
Revenues less direct expenses	**$ (5,182)**

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1 â€" Basis of Presentation

Background

Allergan plc (â€œAllerganâ€ or the â€œCompanyâ€), including its subsidiaries, is a global pharmaceutical company focused on developing, manufacturing and commercializing branded pharmaceutical (â€œbrandâ€, â€œbrandedâ€ or â€œspecialty brandâ€), device, biologic, surgical and regenerative medicine products for patients around the world. Allergan markets a portfolio of leading brands and best-in-class products for the central nervous system, eye care, medical aesthetics and dermatology, gastroenterology, womenâ€™s health, urology and anti-infective therapeutic categories.

On October 15, 2018, Aclaris Therapeutics, Inc. (â€œAclarisâ€) and Allergan Sales, LLC entered into an Asset Purchase Agreement (the â€œAclaris Agreementâ€) whereby Aclaris agreed to purchase the Companyâ€™s rights to Rhofade® (the â€œProductâ€). Pursuant to the Aclaris Agreement, Aclaris acquired from the Company certain existing assets and assumed liabilities and rights related to the development, manufacture, import, export, commercialization, distribution, marketing, use, storage, transport, promotion, disposition or sales of the Product. On November 30, 2018, Aclaris and Allergan Sales, LLC completed this transaction.

Basis of Presentation

The accompanying Special Purpose Financial Statements (the â€œFinancial Statementsâ€) are prepared in accordance with accounting principles generally accepted in the U.S. (â€œGAAPâ€), and have been prepared for inclusion in Aclarisâ€™ filing with the Securities and Exchange Commission (â€œSECâ€) under Rule 3.05 of Regulation S-X. It is impracticable to prepare complete financial statements related to the Rhofade® product line as the product line was not a separate legal entity of Allergan and was never operated as a stand-alone business, division or subsidiary. Aclaris received a waiver from the SEC to present a Statement of Revenues and Direct Expenses and a Statement of Assets Acquired and Liabilities Assumed for the purpose of complying with Rule 3.05. These Financial Statements are not intended to be a complete presentation of financial position, results of operations, or cash flows of the Product in conformity with GAAP.

The Financial Statements have been derived from the accounting records of Allergan using historical results of operations and financial position and only present assets acquired and liabilities assumed and the associated revenues and direct expenses, including certain allocated expenses, of the Product. The net assets acquired include inventory, samples, intangible assets and contingent liabilities specifically identified in the Aclaris Agreement.

Allergan plc supported the Product through November 30, 2018. From November 30, 2018 through twelve months after the issuance of these financial statements, Aclaris will support the Product on a going concern basis.

The Financial Statements are not necessarily indicative of the results of operations that would have occurred or may occur in the future if the Product had been an independent company.

Allocations

These Financial Statements include revenues generated by the Product, less expenses directly attributable to the Product, and certain allocations of direct operating costs incurred by Allergan relating to the Product. Direct expenses attributable to the Product include cost of sales, contingent consideration accretion and fair value adjustments, research and development (â€œR&Dâ€), amortization and select selling and marketing expenses.

Shared selling and marketing expenses were attributed to the Product utilizing an allocation methodology based on a percentage of sales, percentage of allocated headcount, percentage of marketing efforts for promoted products or percentage of allocated selling efforts from the Companyâ€™s incentive compensation program. General and administrative expenses were attributed to the Product utilizing an allocation methodology based on a percentage of sales for costs applicable to the Product. Allocations of Allergan corporate overhead not directly related to the operations

of the Product, as well as allocations of interest or income taxes, have been excluded from these Financial Statements. The Financial Statements have been prepared utilizing consistent methodologies for all periods reported.

NOTE 2 â€" Summary of Significant Accounting Policies

Use of Estimates

Management is required to make certain estimates and assumptions in order to prepare financial statements in conformity with GAAP. Such estimates and assumptions affect the reported financial statements. The Companyâ€™s most significant estimates relate to the determination of SRAs (defined below), the valuation of inventory balances, the determination of useful lives for intangible assets and measurement of assets acquired and liabilities assumed in business combinations at fair value. The estimation process requires assumptions about future events and conditions, and as such, is inherently subjective and uncertain. Actual results could differ materially from those estimates.

Product Rights and Other Definite Lived Intangible Assets

Our product rights and other definite lived intangible assets are stated at cost, less accumulated amortization, and are amortized using the economic benefit model or the straight-line method over their estimated useful lives. We determine amortization periods for product rights and other definite lived intangible assets based on our assessment of various factors impacting estimated useful lives and cash flows. Such factors include the productâ€™s position in its life cycle, the existence or absence of like products in the market, various other competitive and regulatory issues, and contractual terms. Significant changes to any of these factors may result in a reduction in the intangibles useful life and an acceleration of related amortization expense, which could cause our net results to decline.

Product rights and other definite lived intangible assets are evaluated at the Product level to determine if the held-for-sale criteria are met in accordance with Financial Accounting Standards Board (â€œFASBâ€) Accounting Standards Codification (â€œASCâ€) Topic 360, Property, Plant, and Equipment (â€œASC 360â€). If the held-for-sale criteria are met, then the Product would evaluate the asset for impairment under the held-for-sale model. If the held-for-sale criteria are not met at Product level, the product rights and other definite lived intangible assets should be evaluated to determine if any impairment indicators exists under the held-and-used model in accordance with ASC 360. It was determined that the held-for-sale criteria was not met at the Product level and therefore, we accounted for product rights and other definite lived intangible assets under the held-and-used model.

Under the held-and-used model, product rights and other definite lived intangible assets are tested periodically for impairment when events or changes in circumstances indicate that an assetâ€™s carrying value may not be recoverable. The impairment testing involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value is considered not recoverable and an impairment exists. An impairment loss is measured as the excess of the assetâ€™s carrying value over its fair value, calculated using discounted future cash flows. The computed impairment loss is recognized in net (loss) / income in the period that the impairment occurs. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset. Our projections of discounted cash flows use a discount rate determined by our management to be commensurate with the risk inherent in the business model. Our estimates of future cash flows attributable to our other definite lived intangible assets require significant judgment based on our historical and anticipated results and are subject to many factors. Different assumptions and judgments could materially affect the calculation of the fair value of the other definite lived intangible assets which could trigger impairment.

Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work in process. Inventory represents Food and Drug Administration (â€œFDAâ€) approved product. Inventory valuation reserves are established based on a number of factors/situations including, but not limited to, raw materials, work in process or finished goods not meeting product specifications, product obsolescence, or application of the lower of cost (first-in, first-out method) or market (net realizable value) concepts. The determination of events requiring the establishment of inventory valuation

reserves, together with the calculation of the amount of such reserves may require judgment. Assumptions utilized in our quantification of inventory reserves include, but are not limited to, estimates of future product demand, consideration of current and future market conditions, product net selling price, anticipated product launch dates, potential product obsolescence and other events relating to special circumstances surrounding certain products. No material adjustments have been required to our inventory reserve estimates for the periods presented. Adverse changes in assumptions utilized in our inventory reserve calculations could result in an increase to our inventory valuation reserves and higher cost of sales.

Samples

Samples consist of product samples used in selling and marketing efforts and are recorded at cost as a separate line item on the statement of assets acquired and liabilities assumed.

Contingent Consideration

Contingent consideration is recorded at the acquisition date estimated fair value of the contingent payments. The fair value of the contingent consideration is remeasured at each reporting period with any adjustments in fair value included in our statements of operations. We determine the fair value of contingent consideration obligations based on a probability-weighted income approach derived from revenue estimates, post-tax gross profit levels and a probability assessment with respect to the likelihood of achieving contingent obligations including contingent payments such as milestone obligations, royalty obligations and contract earn-out criteria, where applicable. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined using the fair value concepts defined in Topic ASC 820 (as defined below). The resultant probability-weighted cash flows are discounted using an appropriate effective annual interest rate. At each reporting date, the contingent consideration obligation will be revalued to estimated fair value and changes in fair value will be reflected as income or expense in our statement of operations. Changes in the fair value of the contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of future revenue estimates and changes in probability assumptions with respect to the likelihood of achieving the various contingent payment obligations. Changes in assumptions utilized in our contingent consideration fair value estimates could result in an increase or decrease in our contingent consideration obligation and a corresponding charge or reduction to operating results.

Revenue Recognition

General

Revenue from product sales is recognized when title and risk of loss to the product transfers to the customer, which is based on the transaction shipping terms. Recognition of revenue also requires reasonable assurance of collection of sales proceeds, the sellerâ€™s price to the buyer to be fixed or determinable and the completion of all performance obligations. The Company warrants products against defects and for specific quality standards, permitting the return of products under certain circumstances. Product sales are recorded net of all sales-related deductions including, but not limited to: chargebacks, trade discounts, sales returns and allowances, commercial and government rebates, customer loyalty programs and fee-for-service arrangements with certain distributors, which we refer to in the aggregate as â€œSRAâ€ allowances.

Provisions for SRAs

As is customary in the pharmaceutical industry, our gross product sales are subject to a variety of deductions in arriving at reported net product sales. When the Company recognizes gross revenue from the sale of products, an estimate of SRA is recorded, which reduces the product revenues. These provisions are estimated based on historical payment experience, historical relationship of the deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms. The Company uses a variety of methods to assess the adequacy of the SRA reserves to ensure that our financial statements are fairly stated.

Chargebacks â€” A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid by our wholesale customer for a particular product and the negotiated contract price that the wholesalerâ€™s customer pays for that product. The chargeback provision and related reserve varies with changes in product mix, changes in customer pricing and changes to estimated wholesaler inventories. The provision for chargebacks also takes into account an estimate of the expected wholesaler sell-through levels to indirect customers at certain contract prices. The Company validates the chargeback accrual quarterly through a review of the inventory reports obtained from our largest wholesale customers. This customer inventory information is used to verify the estimated liability for future chargeback claims based on historical chargeback and contract rates. These large wholesalers represent the vast majority of the recipients of the Companyâ€™s chargeback payments. We continually monitor current pricing trends and wholesaler inventory levels to ensure the liability for future chargebacks is fairly stated.

Rebates â€” Rebates include volume related incentives to direct and indirect customers, third-party managed care and Medicare Part D rebates, Medicaid rebates and other government rebates. Rebates are accrued based on an estimate of claims to be paid for product sold into trade by the Company. Volume rebates are generally offered to customers as an incentive to use the Companyâ€™s products and to encourage greater product sales. These rebate programs include contracted rebates based on customersâ€™ purchases made during an applicable monthly, quarterly or annual period. The provision for third-party rebates is estimated based on our customersâ€™ contracted rebate programs and the Companyâ€™s historical experience of rebates paid. Any significant changes to our customer rebate programs are considered in establishing the provision for rebates. The provisions for government rebates are based, in part, upon historical experience of claims submitted by the various states / authorities, contractual terms and government regulations. We monitor legislative changes to determine what impact such legislation may have on our provision.

Cash Discounts â€” Cash discounts are provided to customers that pay within a specific period. The provision for cash discounts is estimated based upon invoice billings and historical customer payment experience. The Companyâ€™s experience of payment history is fairly consistent and most customer payments qualify for the cash discount.

Coupons â€” Coupons allow the end user patients a discount per prescription and are accrued based on historical experience, contract terms and the volume of product and coupons in the distribution channel.

Returns and Other Allowances â€” The Companyâ€™s provision for returns and other allowances include returns and promotional allowances.

Consistent with industry practice, the Company maintains a returns policy that allows customers to return product for a credit. In accordance with the Companyâ€™s policy, credits for customer returns of products are applied against outstanding account activity or are settled in cash. Product exchanges are not permitted. Customer returns of product are generally not resalable. As the product is a recently launched product with limited returns history, the Companyâ€™s estimate of the provision for returns is based on the historical return experience of other similar products. Additionally, we consider other factors when estimating the current period returns provision, including levels of inventory in the distribution channel, as well as significant market changes which may impact future expected returns.

The following table summarizes the charges recognized for SRA provisions ($ in thousands):

	Chargebacks	Rebates	Coupons	Returns and Other Allowances	Cash Discounts	Total
Year Ended December 31, 2017	$ 34	$ 3,546	$ 12,174	$ 1,798	$ 610	$ 18,162

R&D Activities

R&D activities are expensed as incurred and consist of self-funded R&D costs, the costs associated with work performed under regulatory fees, and acquisition and license related milestone payments, if any.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (â€œFASBâ€) issued Accounting Standards Update (â€œASUâ€) No. 2014â€‘09 (Topic 606) â€œRevenue from Contracts with Customers.â€ Topic 606 supersedes the revenue recognition requirements in ASC Topic 605, â€œRevenue Recognitionâ€, and requires entities to recognize revenue when they transfer control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company will adopt Topic 606 as of January 1, 2018, using the modified retrospective transition method applied to those contracts which were not completed as of that date. The Company has assessed our revenue recognition practices with respect to the agreements for which the Company currently recognizes revenues and has concluded that there is no material impact from the new revenue recognition standard.

Under Topic 606, the Company will apply the practical expedient to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs will be included in selling, general, and administrative expenses which are consistent with current accounting prior to the adoption of Topic 606. The Company will also elect to use the practical expedient to not adjust the promised amount of consideration for the effects of the time value of money for contracts in which the anticipated period between when the Company transfers the goods or services to the customer and when the customer pays is equal to one year or less.

In August 2018, the FASB issued ASU No. 2018â€‘13, Fair Value Measurement (Topic 820): â€œDisclosure Framework â€” Changes to the Disclosure Requirements for Fair Value Measurement,â€ which removes, adds and modifies certain disclosure requirements for fair value measurements in Topic 820. The Company will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and the valuation processes of Level 3 fair value measurements. However, the Company will be required to additionally disclose the changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements, and the range and weighted average of assumptions used to develop significant unobservable inputs for Level 3 fair value measurements. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments relating to additional disclosure requirements will be applied prospectively for only the most recent interim or annual period presented in the initial year of adoption. All other amendments will be applied retrospectively to all periods presented upon their effective date. The Company is permitted to early adopt either the entire ASU or only the provisions that eliminate or modify the requirements.

NOTE 3 â€” Inventories

Inventories consisted of the following ($ in thousands):

	December 31, 2017
Raw Materials	$ 78
Finished Goods	496
Inventories	**$ 574**

NOTE 4 â€” Intangible Assets

Intangible Assets

Rhofade® was acquired by the Company as part of the acquisition of legacy Allergan, Inc. Rhofade® was previously acquired by Allergan, Inc. as part of a transaction with Vicept Therapeutics. The Company valued the Rhofade® asset during the valuation period of the acquisition of Allergan, Inc. utilizing the market participant view of the asset.

Intangible assets are product rights which were acquired through the Allergan, Inc. business combination. Intangible assets consisted of the following ($ in thousands):

Cost Basis	December 31, 2017
Total definite-lived intangible assets	$ 434,170
Total intangibles	$ 434,170

Accumulated Amortization	December 31, 2017
Total intangibles	$ (26,801)
Net Intangibles	$ 407,369

On January 19, 2017, the FDA approved Rhofade® for the topical treatment of persistent facial erythema (redness) associated with rosacea in adults. In conjunction with the approval, the Company reclassified the intangible asset related to Rhofade® from an In-process Research and Development indefinite-lived intangible asset to a Currently Marketed Product definite-lived intangible asset and began amortizing the product over its useful life. As a result of the approval, the Company paid a milestone not part of contingent liabilities to Aspect Pharmaceuticals of $1,500 thousand, which was capitalized as an intangible asset and will be amortized over the useful life of the product.

The carrying value of intangible assets is re-evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Further, the appropriateness of useful lives assigned to long-lived assets, including product rights, is continually evaluated.

Amortization expense was $26,801 thousand for the year ended December 31, 2017. Amortization expense is recorded on a straight-line basis over the useful life of the definite-lived intangible asset.

Assuming no additions, disposals or adjustments are made to the carrying value and/or useful lives of the intangible assets, annual amortization expense on intangible assets as of December 31, 2017 over each of the next five years is estimated to be as follows ($ in thousands):

	Amortization Expense
2018	$ 28,198
2019	$ 28,198
2020	$ 28,198
2021	$ 28,198
2022	$ 28,198

The above amortization expense is an estimate. Actual amounts may change for such estimated amounts due to potential impairments, accelerated amortization or other events.

NOTE 5 â€” Contingent Consideration Obligations

Companies are required to use a fair value hierarchy as defined in ASC Topic 820 â€œFair Value Measurement,â€ (â€œASC 820â€) which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value (â€œFair Value Levelingâ€). There are three levels of inputs used to measure fair value with Level 1 having the highest priority and Level 3 having the lowest:

Level 1 â€” Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 â€” Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 â€” Unobservable inputs that are supported by little or no market activity. The Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants.

The fair value measurement of the contingent consideration obligations is determined using Level 3 inputs and is based on a probability-weighted income approach. The payments are discounted at rates interpolated between 5.3% and 8.4% based on potential respective payment dates. As of December 31, 2017, Vicept Therapeutics may receive earnout payments of $75 million, $125 million and $175 million if annual nets sales of RhofadeÂ® exceeded $250 million, $350 million and $500 million, respectively. The cash flows utilized in estimating the fair value of the contingent consideration obligations were based on market participant assumptions, including price and volume as well as the overall market size and demand.

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2017 ($ in thousands):

	Balance as of December 31, 2016	Net transfers in to (out of) Level 3	Purchases, settlements, and other net	Net accretion and fair value adjustments	Balance as of December 31, 2017
Liabilities:					
Contingent consideration obligations	$ 182,900	$ â€”	$ (110,000)	$ (61,100)	$ 11,800

The Company made a $110,000 thousand payment to Vicept Therapeutics as a result of the Product receiving approval by the FDA. The net accretion and fair value adjustment of $61,100 thousand was a result of lower than expected volume growth and higher discounting experienced in late 2017 after the Product was launched.

NOTE 6 â€” Other

Included within selling and marketing expenses for the year ended December 31, 2017 was $4,765.3 thousand relating to the anticipated restructuring of the Companyâ€™s sales force, which occurred in January of 2018. The charges primarily related to severance for the Companyâ€™s sales force.

Included within selling and marketing expenses for the year ended December 31, 2017 was $615.7 thousand relating to sample expenses.

NOTE 7 â€” Concentration

The Company considers there to be a concentration risk for customers that account for 10% or more of their third-party revenues. The following table illustrates any customer which accounted for 10% or more of our annual revenues within the U.S. and the respective percentage of our revenues for which they account for:

	Year ended December 31, 2017
Customers:	
AmerisourceBergen Corporation	44 %
McKesson Corporation	26 %
Cardinal Health, Inc.	25 %

NOTE 8 â€” Subsequent Events

The financial statements of the Company are derived from the consolidated financial statements of Allergan plc, which issued its financial statements for the year-ended December 31, 2017 on February 16, 2018. Accordingly, the Company has evaluated transactions or other events for consideration as recognized subsequent events in the annual financial statements through February 16, 2018. Additionally, the Company has evaluated transactions and other events that occurred through the issuance of these financial statements, December 21, 2018, for purposes of disclosure of unrecognized subsequent events.

Exhibit 99.2

Rhofade[Â®] Product of Allergan plc

Unaudited Special Purpose Statements of Assets Acquired and Liabilities Assumed as of September 30, 2018 and December 31, 2017 and Special Purpose Statements of Revenues and Direct Expenses for the nine months ended September 30, 2018 and September 30, 2017

Rhofade® Product of Allergan plc

Index to Unaudited Special Purpose Financial Statements

Special Purpose Statements of Assets Acquired and Liabilities Assumed as of September 30, 2018 and December 31, 2017

(unaudited; $ in thousands)	September 30, 2018	December 31, 2017
Assets acquired:		
Inventories	$ 315	$ 574
Samples	2,220	2,433
Intangible assets	386,221	407,369
Total assets acquired	**388,756**	**410,376**
Contingent consideration obligations	3,900	11,800
Total liabilities assumed	**3,900**	**11,800**
Net assets acquired	**$ 384,856**	**$ 398,576**

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

Special Purpose Statements of Revenues and Direct Expenses for the nine months ended September 30, 2018 and 2017

(unaudited; $ in thousands)	Nine Months Ended September 30, 2018	2017
Net revenues	**$ 10,523**	**$ 5,400**
Direct expenses:		
Cost of sales (excludes amortization and contingent consideration)	905	479
Contingent consideration accretion and fair value adjustments	(7,900)	(6,600)
Research and development (excludes contingent consideration)	1,725	2,908
Selling and marketing	5,564	27,049
General and administrative	390	174
Amortization	21,148	19,751
Total direct expenses	**21,832**	**43,761**
Revenues less direct expenses	**$ (11,309)**	**$ (38,361)**

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

NOTES TO THE UNAUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1 â€" Basis of Presentation

Background

Allergan plc (â€œAllerganâ€ or the â€œCompanyâ€), including its subsidiaries, is a global pharmaceutical company focused on developing, manufacturing and commercializing branded pharmaceutical (â€œbrandâ€, â€œbrandedâ€ or â€œspecialty brandâ€), device, biologic, surgical and regenerative medicine products for patients around the world. Allergan markets a portfolio of leading brands and best-in-class products for the central nervous system, eye care, medical aesthetics and dermatology, gastroenterology, womenâ€™s health, urology and anti-infective therapeutic categories.

On October 15, 2018, Aclaris Therapeutics, Inc. (â€œAclarisâ€) and Allergan Sales, LLC entered into an Asset Purchase Agreement (the â€œAclaris Agreementâ€) whereby Aclaris agreed to purchase the Companyâ€™s rights to Rhofade® (the â€œProductâ€). Pursuant to the Aclaris Agreement, Aclaris acquired from the Company certain existing assets and liabilities and rights related to the development, manufacture, import, export, commercialization, distribution, marketing, use, storage, transport, promotion, disposition or sales of the Product. On November 30, 2018, Aclaris and Allergan Sales, LLC completed this transaction.

Basis of Presentation

The accompanying Special Purpose Financial Statements (the â€œFinancial Statementsâ€) are prepared in accordance with accounting principles generally accepted in the U.S. (â€œGAAPâ€), and have been prepared for inclusion in Aclarisâ€™ filing with the Securities and Exchange Commission (â€œSECâ€) under Rule 3.05 of Regulation S-X. It is impracticable to prepare complete financial statements related to the Rhofade® product line as the product line was not a separate legal entity of Allergan and was never operated as a stand-alone business, division or subsidiary. Aclaris received a waiver from the SEC to present a Statement of Revenues and Direct Expenses and a Statement of Assets Acquired and Liabilities Assumed for the purpose of complying with Rule 3.05 (the â€œSEC Waiver Letterâ€). These Financial Statements are not intended to be a complete presentation of financial position, results of operations, or cash flows of the Product in conformity with GAAP.

The Financial Statements have been derived from the accounting records of Allergan using historical results of operations and financial position and only present the assets acquired and liabilities assumed and the associated revenues and direct expenses, including certain allocated expenses, of the Product. The net assets acquired include inventory, samples, intangible assets and contingent liabilities specifically identified in the Aclaris Agreement.

Allergan plc supported the Product through November 30, 2018. From November 30, 2018 through twelve months after the issuance of these financial statements, Aclaris will support the Product on a going concern basis.

The Financial Statements are not necessarily indicative of the results of operations that would have occurred or may occur in the future if the Product had been an independent company.

Allocations

These Financial Statements include revenues generated by the Product, less expenses directly attributable to the Product, and certain allocations of direct operating costs incurred by Allergan relating to the Product. Direct expenses attributable to the Product include cost of sales, contingent consideration accretion and fair value adjustments, research and development (â€œR&Dâ€), amortization and select selling and marketing expenses.

Shared selling and marketing expenses were attributed to the Product utilizing an allocation methodology based on a percentage of sales, percentage of allocated headcount, percentage of marketing efforts for promoted products or percentage of allocated selling efforts from the Companyâ€™s incentive compensation program. General and administrative expenses were attributed to the Product utilizing an allocation methodology based on a percentage of sales for costs applicable to the Product. Allocations of Allergan corporate overhead not directly related to the operations

of the Product, as well as allocations of interest or income taxes, have been excluded from these Financial Statements. The Financial Statements have been prepared utilizing consistent methodologies for all periods reported.

NOTE 2 â€" Summary of Significant Accounting Policies

Use of Estimates

Management is required to make certain estimates and assumptions in order to prepare financial statements in conformity with GAAP. Such estimates and assumptions affect the reported financial statements. The Companyâ€™s most significant estimates relate to the determination of SRAs (defined below), the valuation of inventory balances, the determination of useful lives for intangible assets and measurement of assets acquired and liabilities assumed in business combinations at fair value. The estimation process requires assumptions about future events and conditions, and as such, is inherently subjective and uncertain. Actual results could differ materially from those estimates.

Product Rights and Other Definite Lived Intangible Assets

Our product rights and other definite lived intangible assets are stated at cost, less accumulated amortization, and are amortized using the economic benefit model or the straight-line method over their estimated useful lives. We determine amortization periods for product rights and other definite lived intangible assets based on our assessment of various factors impacting estimated useful lives and cash flows. Such factors include the productâ€™s position in its life cycle, the existence or absence of like products in the market, various other competitive and regulatory issues, and contractual terms. Significant changes to any of these factors may result in a reduction in the intangibles useful life and an acceleration of related amortization expense, which could cause our net results to decline.

Product rights and other definite lived intangible assets are evaluated at the Product level to determine if the held-for-sale criteria are met in accordance with Financial Accounting Standards Board (â€œFASBâ€) Accounting Standards Codification (â€œASCâ€) Topic 360, Property, Plant, and Equipment (â€œASC 360â€). If the held-for-sale criteria are met, then the Product would evaluate the asset for impairment under the held-for-sale model. If the held-for-sale criteria are not met at Product level, the product rights and other definite lived intangible assets should be evaluated to determine if any impairment indicators exists under the held-and-used model in accordance with ASC 360. It was determined that the held-for-sale criteria was not met at the Product level and therefore, we accounted for product rights and other definite lived intangible assets under the held-and-used model.

Under the held-and-used model, product rights and other definite lived intangible assets are tested periodically for impairment when events or changes in circumstances indicate that an assetâ€™s carrying value may not be recoverable. The impairment testing involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value is considered not recoverable and an impairment exists. An impairment loss is measured as the excess of the assetâ€™s carrying value over its fair value, calculated using discounted future cash flows. The computed impairment loss is recognized in net (loss) / income in the period that the impairment occurs. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset. Our projections of discounted cash flows use a discount rate determined by our management to be commensurate with the risk inherent in the business model. Our estimates of future cash flows attributable to our other definite lived intangible assets require significant judgment based on our historical and anticipated results and are subject to many factors. Different assumptions and judgments could materially affect the calculation of the fair value of the other definite lived intangible assets which could trigger impairment.

Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work in process. Inventory represents Food and Drug Administration (â€œFDAâ€) approved product. Inventory valuation reserves are established based on a number of factors/situations including, but not limited to, raw materials, work in process or finished goods not meeting product specifications, product obsolescence, or application of the lower of cost (first-in, first-out method) or market (net realizable value) concepts. The determination of events requiring the establishment of inventory valuation

reserves, together with the calculation of the amount of such reserves may require judgment. Assumptions utilized in our quantification of inventory reserves include, but are not limited to, estimates of future product demand, consideration of current and future market conditions, product net selling price, anticipated product launch dates, potential product obsolescence and other events relating to special circumstances surrounding certain products. No material adjustments have been required to our inventory reserve estimates for the periods presented. Adverse changes in assumptions utilized in our inventory reserve calculations could result in an increase to our inventory valuation reserves and higher cost of sales.

Samples

Samples consist of product samples used in selling and marketing efforts and are recorded at cost as a separate line item on the statement of assets acquired and liabilities assumed.

Contingent Consideration

Contingent consideration is recorded at the acquisition date estimated fair value of the contingent payments. The fair value of the contingent consideration is remeasured at each reporting period with any adjustments in fair value included in our statements of operations. We determine the fair value of contingent consideration obligations based on a probability-weighted income approach derived from revenue estimates, post-tax gross profit levels and a probability assessment with respect to the likelihood of achieving contingent obligations including contingent payments such as milestone obligations, royalty obligations and contract earn-out criteria, where applicable. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined using the fair value concepts defined in ASC 820 (as defined below). The resultant probability-weighted cash flows are discounted using an appropriate effective annual interest rate. At each reporting date, the contingent consideration obligation will be revalued to estimated fair value and changes in fair value will be reflected as income or expense in our statement of operations. Changes in the fair value of the contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of future revenue estimates and changes in probability assumptions with respect to the likelihood of achieving the various contingent payment obligations. Changes in assumptions utilized in our contingent consideration fair value estimates could result in an increase or decrease in our contingent consideration obligation and a corresponding charge or reduction to operating results.

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Update (â€œASUâ€) No. 2014â€‘09, â€œRevenue from Contracts with Customersâ€ (â€œTopic 606â€) using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting practices. The impact to revenues for the three and nine months ended September 30, 2018 was not significant as a result of the adoption. The adoption of this guidance does not have a material impact on the Companyâ€™s financial position or results of operations as the Companyâ€™s sales primarily are governed by standard bill and ship terms of pharmaceutical products to customers.

The Company applies the practical expedient as defined in Topic 606 to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs which are included in selling, general, and administrative expenses are consistent with the accounting prior to the adoption of Topic 606. The Company also elected to use the practical expedient to not adjust the promised amount of consideration for the effects of the time value of money for contracts in which the anticipated period between when the Company transfers the goods or services to the customer and when the customer pays is equal to one year or less.

General

Topic 606 provides that revenues are recognized when control of the promised goods under a contract is transferred to a customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods as

specified in the underlying terms with the customer. The Company warrants products against defects and for specific quality standards, permitting the return of products under certain circumstances. Product sales are recorded net of all sales-related deductions including, but not limited to: chargebacks, trade discounts, commercial and government rebates, customer loyalty programs, fee-for-service arrangements with certain distributors, returns, and other allowances which we refer to in the aggregate as sales returns and allowances (â€œSRAâ€).

The Companyâ€™s performance obligations are primarily achieved when control of the products is transferred to the customer. Transfer of control is based on contractual performance obligations, but typically occurs upon receipt of the goods by the customer.

Prior to the achievement of performance obligations, shipping and handling costs associated with outbound freight for a product to be transferred to a customer are accounted for as a fulfillment cost and are included in selling and marketing expenses.

Significant Payment Terms

A contract with a customer states the final terms of the sale, including the description, quantity, and price of each product purchased. The Companyâ€™s payment terms vary by the type and location of the customer and the products offered. A customer agrees to a stated rate and price in the contract and given that most of the products sold contain variable consideration, the amount of revenue recognized incorporates adjustments for SRAs as appropriate.

Determining the Transaction Price

The Company offers discounts and rebates to certain customers who participate in various programs that are referred to as SRA allowances as described further below in the section â€œProvisions for SRAsâ€. Such discounting and rebating activity is included as part of the Companyâ€™s estimate of the transaction price and is accounted for as a reduction to gross sales. At time of sale, the Company records the related SRA adjustments. The Company performs validation activities each period to assess the adequacy of the liability or contra receivable estimates recorded to reflect actual activity and will adjust the reserve balances accordingly.

Provisions for SRAs

As is customary in the pharmaceutical industry, certain customers may receive cash-based incentives or credits, which are variable consideration accounted for as SRAs. The Company estimates SRA amounts based on the expected amount to be provided to customers, which reduces the revenues recognized. The Company believes that there will not be significant changes to our estimates of variable consideration. The Company uses a variety of methods to assess the adequacy of the SRA reserves to ensure that our financial statements are fairly stated. These provisions are estimated based on historical payment experience, the historical relationship of the deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms. The estimation process used to determine our SRA provisions has been applied on a consistent basis.

Chargebacks â€” A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid by such wholesaler customer for a particular product and the negotiated contract price that the wholesalerâ€™s customer pays for that product. The chargeback provision and related reserve varies with changes in product mix, changes in customer pricing and changes to estimated wholesaler inventories. The provision for chargebacks also takes into account an estimate of the expected wholesaler sell-through levels to indirect customers at certain contract prices. The Company validates the chargeback accrual quarterly through a review of the inventory reports obtained from our largest wholesale customers. This customer inventory information is used to verify the estimated liability for future chargeback claims based on historical chargeback and contract rates. These large wholesalers represent the vast majority of the recipients of the Companyâ€™s chargeback credits. We continually monitor current pricing trends and wholesaler inventory levels to ensure the contra-receivable for future chargebacks is fairly stated.

Rebates â€" Rebates include volume related incentives to direct and indirect customers, third-party managed care and Medicare Part D rebates, Medicaid rebates and other government rebates. Rebates are accrued based on an estimate of claims to be paid for product sold into trade by the Company. Volume rebates are generally contractually offered to customers as an incentive to use the Companyâ€™s products and to encourage greater product sales. These rebate programs include contracted rebates based on customersâ€™ purchases made during an applicable monthly, quarterly or annual period. The provision for third-party rebates is estimated based on our customersâ€™ contracted rebate programs and the Companyâ€™s historical experience of rebates paid. Any significant changes to our customer rebate programs are considered in establishing the provision for rebates. The provisions for government rebates are based, in part, upon historical experience of claims submitted by the various states and authorities, contractual terms and government regulations. We monitor legislative changes to determine what impact such legislation may have on our provision.

Cash Discounts â€" Cash discounts are provided to customers that pay within a specific time period. The provision for cash discounts is estimated based upon invoice billings and historical customer payment experience. The Companyâ€™s experience of payment history is fairly consistent and most customer payments qualify for a cash discount.

Coupons â€" Coupons allow end-user patients a discount per prescription and are accrued based on historical experience, contract terms and the volume of product and coupons in the distribution channel.

Returns and Other Allowances â€" The Companyâ€™s provision for returns and other allowances include returns and promotional allowances.

Consistent with industry practice, the Company maintains a returns policy that allows customers to return product for a credit. In accordance with the Companyâ€™s policy, credits for customer returns of products are applied against outstanding account activity or are settled in cash. Product exchanges are not permitted.

Customer returns of product are generally not resalable. As the product is a recently launched product with limited returns history, the Companyâ€™s estimate of the provision for returns is based on the historical return experience of other similar products. Additionally, we consider other factors when estimating the current period returns provision, including levels of inventory in the distribution channel, as well as significant market changes which may impact future expected returns.

The following table summarizes the charges recognized for SRA provisions ($ in thousands):

	Chargebacks	Rebates	Coupons	Return and Other Allowances	Cash Discounts	Total
Nine Months Ended September 30, 2018	$ 14	$ 5,251	$ 16,691	$ 2,064	$ 705	$ 24,725
Nine Months Ended September 30, 2017	$ 2	$ 1,769	$ 6,243	$ 859	$ 292	$ 9,165

R&D Activities

R&D activities are expensed as incurred and consist of self-funded R&D costs, the costs associated with work performed under regulatory fees, and acquisition and license related milestone payments, if any.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018â€'13, Fair Value Measurement (Topic 820): Disclosure Framework â€" Changes to the Disclosure Requirements for Fair Value Measurement, which removes, adds and modifies certain disclosure requirements for fair value measurements in Topic 820. The Company will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and the valuation processes of Level 3 fair value measurements. However, the Company will be required to additionally disclose the changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements, and the range and weighted average of assumptions used to develop significant unobservable inputs for Level 3 fair value measurements. The ASU is effective for fiscal years, and interim periods within those fiscal years,

beginning after December 15, 2019. The amendments relating to additional disclosure requirements will be applied prospectively for only the most recent interim or annual period presented in the initial year of adoption. All other amendments will be applied retrospectively to all periods presented upon their effective date. The Company is permitted to early adopt either the entire ASU or only the provisions that eliminate or modify the requirements.

NOTE 3 â€" Inventories

Inventories consisted of the following ($ in thousands):

	September 30, 2018	December 31, 2017
Raw Materials	$ 41	$ 78
Finished Goods	394	496
	435	574
Less: inventory reserves	120	â€"
Inventories	**$ 315**	**$ 574**

NOTE 4 â€" Intangible Assets

Intangible Assets

Rhofade® was acquired by the Company as part of the acquisition of legacy Allergan, Inc. Rhofade® was previously acquired by Allergan, Inc. as part of a transaction with Vicept Therapeutics. The Company valued the Rhofade® asset during the valuation period of the acquisition of Allergan, Inc. utilizing the market participant view of the asset. Intangible assets are product rights which were acquired through the Allergan, Inc. business combination. Intangible assets consisted of the following ($ in thousands):

Cost Basis	September 30, 2018	December 31, 2017
Total definite-lived intangible assets	$ 434,170	$ 434,170
Total intangibles .	$ 434,170	$ 434,170

Accumulated Amortization	September 30, 2018	December 31, 2017
Total intangibles	$ (47,949)	$ (26,801)
Net Intangibles	$ 386,221	$ 407,369

On January 19, 2017, the FDA approved Rhofade® for the topical treatment of persistent facial erythema (redness) associated with rosacea in adults. In conjunction with the approval, the Company reclassified the intangible asset related to Rhofade® from an In-process Research and Development indefinite-lived intangible asset to a Currently Marketed Product definite-lived intangible asset and began amortizing the product over its useful life. As a result of the approval, the Company paid a milestone not part of contingent liabilities to Aspect Pharmaceuticals of $1,500 thousand, which was capitalized as an intangible asset and will be amortized over the useful life of the product.

The carrying value of intangible assets is re-evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Further, the appropriateness of useful lives assigned to long-lived assets, including product rights, is continually evaluated.

As a result of the transaction with Aclaris, the Rhofade® intangible asset was reviewed for impairment by comparing the undiscounted pre-tax cash flows over its useful life to the asset carrying value, noting no impairment under step 1 of the impairment testing process under the held-and-used model. The useful life, which extends in excess of ten years, is within the range of patent expiries for the product. If the cash flows were to fail step 1 of the testing process, the impairment resulting would be material due to the addition of taxes and the discounting of the cash flows over the useful life. As the Product is expected to achieve revenue growth, on a discounted basis, the future earnings achieved in later

periods would have a relatively lower fair value than if they were achieved in year one of the projections. The fair value of the cash flow forecast utilized in step 1 of the impairment testing process approximated the fair value of the estimated purchase price.

In the second quarter of 2018, Allergan plc determined that the held-for-sale criteria was met for the Companyâ€™s sale of Rhofade® and recorded an impairment charge of approximately $252.0 million using the anticipated fair value of the transaction.

Amortization expense for the nine months ended September 30, 2018 and 2017 was $21,148 thousand and $19,751 thousand, respectively. Amortization expense is recorded on a straight-line basis over the useful life of the definite-lived intangible asset.

Assuming no additions, disposals or adjustments are made to the carrying value and/or useful lives of the intangible assets, annual amortization expense on intangible assets as of September 30, 2018 over each of the next five years is estimated to be as follows ($ in thousands):

	Amortization Expense
2018 Remaining	$ 7,050
2019	$ 28,198
2020	$ 28,198
2021	$ 28,198
2022	$ 28,198
2023	$ 28,198

The above amortization expense is an estimate. Actual amounts may change for such estimated amounts due to potential impairments, accelerated amortization or other events.

NOTE 5 â€” Contingent Consideration Obligations

Companies are required to use a fair value hierarchy as defined in ASC Topic 820 â€œFair Value Measurement,â€ (â€œASC 820â€) which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value (â€œFair Value Levelingâ€). There are three levels of inputs used to measure fair value with Level 1 having the highest priority and Level 3 having the lowest:

Level 1 â€” Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 â€” Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 â€” Unobservable inputs that are supported by little or no market activity. The Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants.

The fair value measurement of the contingent consideration obligations is determined using Level 3 inputs and is based on a probability-weighted income approach. The payments are discounted at rates interpolated between 5.9% and 8.9% based on potential respective payment dates. As of December 31, 2017, Vicept Therapeutics may receive earnout payments of $75 million, $125 million and $175 million if annual nets sales of Rhofade® exceeded $250 million, $350 million and $500 million, respectively. The cash flows utilized in estimating the fair value of the contingent

consideration obligations were based on market participant assumptions, including price and volume as well as the overall market size and demand.

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2018 and 2017 ($ in thousands):

	Balance as of December 31, 2017	Net transfers in to (out of) Level 3	Purchases, settlements, and other net	Net accretion and fair value adjustments	Balance as of September 30, 2018
Liabilities:					
Contingent consideration obligations	**$ 11,800**	**$ â€”**	**$ â€”**	**$ (7,900)**	**$ 3,900**

	Balance as of December 31, 2016	Net transfers in to (out of) Level 3	Purchases, settlements, and other net	Net accretion and fair value adjustments	Balance as of September 30, 2017
Liabilities:					
Contingent consideration obligations	**$ 182,900**	**$ â€”**	**$ (110,000)**	**$ (6,600)**	**$ 66,300**

The Company made a $110,000 thousand payment to Vicept Therapeutics as a result of the Product receiving approval by the FDA. The net accretion and fair value adjustment for the nine month periods ended September 30, 2018 and 2017 was $7,900 thousand as a result of higher discounting experienced in 2018 and $6,600 thousand as a result of lower than expected volumes partially offset by a probability of success adjustment due to the FDA approval in January 2017.

NOTE 6 â€” Other

Included within selling and marketing expenses for the nine months ended September 30, 2018 and 2017 was $645.1 thousand and $474.1 thousand, respectively, relating to sample expenses.

NOTE 7 â€” Subsequent Events

The financial statements of the Company are derived from the consolidated financial statements of Allergan plc, which issued its financial statements for the nine months-ended September 30, 2017 on October 30, 2018. Accordingly, the Company has evaluated transactions or other events for consideration as recognized subsequent events in the quarterly financial statements through October 30, 2018. Additionally, the Company has evaluated transactions and other events that occurred through the issuance of these financial statements, December 21, 2018, for purposes of disclosure of unrecognized subsequent events.

ACLARIS THERAPEUTICS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

These unaudited pro forma condensed combined financial statements of Aclaris Therapeutics, Inc. (â€œAclarisâ€ or the â€œCompanyâ€) are presented to illustrate the estimated effects of the acquisition of RHOFADE (oxymetazoline hydrochloride) cream, 1% from Allergan Sales, LLC (â€œAllerganâ€) pursuant to the Asset Purchase Agreement dated as of October 15, 2018 (â€œAPAâ€), the $30 million borrowing under the Loan and Security Agreement with Oxford Finance LLC dated as of October 15, 2018 (the â€œLoan Agreementâ€), and the sale of common stock pursuant to an underwriting agreement dated as of October 17, 2018 (collectively, the â€œTransactionsâ€). See â€œNote 1. Description of the Transactionsâ€ below for more information on the Transactions.

These unaudited pro forma condensed combined financial statements have been presented for informational purposes only. These unaudited pro forma condensed combined financial statements present how the combined financial statements of the Company may have appeared had the Transactions occurred at earlier dates. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2018 and for the year ended December 31, 2017 are presented for informational purposes only as if the Transactions had occurred on January 1, 2017. The unaudited pro forma condensed combined balance sheet as of September 30, 2018 is presented for informational purposes only as if the Transactions had occurred on September 30, 2018. These unaudited pro forma combined financial statements are not necessarily indicative of what the combined financial position or results of operations would have been had the Transactions been completed as of the date indicated. In addition, these unaudited pro forma condensed combined financial statements do not project the future financial position or operating results of the combined company.

These unaudited pro forma condensed combined financial statements include adjustments that are directly attributable to the Transactions, are factually supportable and, with respect to the unaudited pro forma condensed combined statement of operations, are expected to have a continuing impact on the financial results of the combined company. These unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes as well as the following information:

- Â· the audited consolidated financial statements and related notes of the Company for the year ended December 31, 2017, which are included in the Companyâ€™s 2017 Annual Report on Form 10-K filed with the Securities and Exchange Commission (â€œSECâ€) on March 12, 2018;
- Â· the unaudited condensed consolidated financial statements and related notes of the Company for the nine months ended September 30, 2018, which are included in the Companyâ€™s Quarterly Report on Form 10-Q filed with the SEC, on November 6, 2018;
- Â· the audited special purpose financial information for the RHOFADE product comprised of the special purpose statement of assets acquired and liabilities assumed as of December 31, 2017, the special purpose statement of revenues and direct expenses for the year ended December 31, 2017, and the related notes, filed as Exhibit 99.1 to the Companyâ€™s Amendment No. 1 to its Current Report on Form 8-K filed on December 3, 2018 (â€œForm 8-K/Aâ€); and
- Â· the unaudited special purpose financial information for the RHOFADE product comprised of the special purpose statement of assets acquired and liabilities assumed as of September 30, 2018 and December 31, 2017, the special purpose statement of revenues and direct expenses for the nine months ended September 30, 2018 and 2017, and the related notes, filed as Exhibit 99.2 to the Companyâ€™s Form 8-K/A.

These unaudited pro forma condensed combined financial statements have been prepared by the Company as an asset acquisition in accordance with Financial Accounting Standards Board Accounting Standards Codification Subtopic 805-50. As an asset acquisition, the cost to acquire assets is allocated to individual assets or liabilities assumed based upon their relative fair values. The accounting for the acquisition of RHOFADE is based upon valuations that are preliminary and are subject to change (see Note 1 for additional information). Differences between these preliminary amounts and the final accounting, if any, could have a material impact on the accompanying unaudited pro forma condensed combined financial statements.

The historical financial information for RHOFADE was prepared in accordance with SEC Rule 3-05 of Regulation S-X (â€œRule 3-05â€) for inclusion in these unaudited pro forma condensed combined financial statements. The Company received a waiver from the SEC, and accordingly, statements of assets acquired and liabilities assumed, and statements of revenues and direct expenses have been prepared for the RHOFADE historical financial information for purposes of complying with Rule 3-05. The RHOFADE historical financial information is not intended to be a complete presentation of financial position, results of operations, or cash flows for RHOFADE in accordance with accounting principles generally accepted in the United States.

In addition, these unaudited pro forma condensed combined financial statements presented here do not include any revenue growth, cost savings or operating synergies that the combined company may achieve, as well as any integration costs or other incremental costs that may be necessary in order to achieve revenue growth or operating synergies.

ACLARIS THERAPEUTICS, INC.
PRO FORMA CONDENSED COMBINED BALANCE SHEET
(Unaudited)

(In thousands, except share and per share data)

	As of September 30, 2018					
	Aclaris Historical	RHOFADE Historical (Note 4)	Term Loan Adjustment[a]	Equity Financing Adjustment[b]	Acquisition Adjustments	Aclaris Pro Forma Combined
Assets						
Current assets:						
Cash and cash equivalents	$ 26,590	$ â€”	$ 29,912	$ 100,248	$ (67,174)[c]	$ 89,576
Marketable securities	107,681	â€”	â€”	â€”	â€”	107,681
Accounts receivable, net	1,033	â€”	â€”	â€”	â€”	1,033
Inventory	1,044	315	â€”	â€”	578 [d]	1,937
Prepaid expenses and other current assets	9,171	2,220	â€”	â€”	(2,220)[e]	9,171
Total current assets	145,519	2,535	29,912	100,248	(68,816)	209,398
Property and equipment, net	4,409	â€”	â€”	â€”	â€”	4,409
Intangible assets	7,292	386,221	â€”	â€”	(319,940)[f]	73,573
Goodwill	18,504	â€”	â€”	â€”	â€”	18,504
Other assets	452	â€”	â€”	â€”	â€”	452
Total assets	$ 176,176	$ 388,756	$ 29,912	$ 100,248	$ (388,756)	$ 306,336
Liabilities and Stockholdersâ€™ Equity						
Current liabilities:						
Accounts payable	$ 13,735	$ â€”	$ â€”	$ â€”	$ â€”	$ 13,735
Accrued expenses	8,545	â€”	â€”	â€”	â€”	8,545
Total current liabilities	22,280	â€”	â€”	â€”	â€”	22,280
Contingent consideration	5,244	3,900	â€”	â€”	(3,900)[g]	5,244
Long-term debt	â€”	â€”	29,912	â€”	â€”	29,912
Other liabilities	1,775	â€”	â€”	â€”	â€”	1,775
Deferred tax liability	549	â€”	â€”	â€”	â€”	549
Total liabilities	29,848	3,900	29,912	â€”	(3,900)	59,760
Stockholdersâ€™ Equity:						
Preferred stock	â€”	â€”	â€”	â€”	â€”	â€”
Common stock	â€”	â€”	â€”	â€”	â€”	â€”
Additional paidâ€‘in capital	400,066	â€”	â€”	100,248	â€”	500,314
Accumulated other comprehensive loss	(116)	â€”	â€”	â€”	â€”	(116)
Accumulated deficit	(253,622)	â€”	â€”	â€”	â€”	(253,622)
Total stockholdersâ€™ equity	146,328	â€”	â€”	100,248	â€”	246,576
Total liabilities and stockholdersâ€™ equity	$ 176,176	$ 3,900	$ 29,912	$ 100,248	$ (3,900)	$ 306,336

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

ACLARIS THERAPEUTICS, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the nine months ended September 30, 2018
(Unaudited)

(In thousands, except share and per share data)

	Nine Months Ended September 30, 2018				
	Aclaris Historical	RHOFADE Historical (Note 4)	Term Loan Adjustment	Acquisition Adjustments	Aclaris Pro Forma Combined
Revenues:					
Product sales, net	$ 2,043	$ 10,523	$ â€”	$ â€”	$ 12,566
Contract research	3,379	â€”	â€”	â€”	3,379
Other revenue	1,000	â€”	â€”	â€”	1,000
Total revenue, net	6,422	10,523	â€”	â€”	16,945
Cost of revenue (excludes amortization of product rights and contingent consideration)	3,341	905	â€”	â€”	4,246
Amortization of product rights	â€”	21,148	â€”	(16,177)[h]	4,971
Change in contingent consideration	â€”	(7,900)	â€”	7,900 [g]	â€”
Gross profit	3,081	(3,630)	â€”	8,277	7,728
Operating expenses:					
Research and development	43,472	1,725	â€”	â€”	45,197
Sales and marketing	35,030	5,564	â€”	(213)[i]	40,381
General and administrative	20,955	390	â€”	â€”	21,345
Total operating expenses	99,457	7,679	â€”	(213)	106,923
Loss from operations	(96,376)	(11,309)	â€”	8,490	(99,195)
Other income (expense), net	2,189	â€”	(2,282)[j]	â€”	(93)
Net loss	$ (94,187)	$ (11,309)	$ (2,282)	$ 8,490	$ (99,288)
Net loss per share, basic and diluted	$ (3.04)				$ (2.43)
Weighted average common shares outstanding, basic and diluted	30,938,026				40,879,776 [l]

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

ACLARIS THERAPEUTICS, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the year ended December 31, 2017
(Unaudited)

(In thousands, except share and per share data)

	Year Ended December 31, 2017				
	Aclaris Historical	RHOFADE Historical (Note 4)	Term Loan Adjustment	Acquisition Adjustments	Aclaris Pro Forma Combined
Revenues:					
Product sales, net	$ â€”	$ 12,317	$ â€”	$ â€”	$ 12,317
Contract research	1,683	â€”	â€”	â€”	1,683
Other revenue	â€”	â€”	â€”	â€”	â€”
Total revenue, net	1,683	12,317	â€”	â€”	14,000
Cost of revenue (excludes amortization of product rights and contingent consideration)	1,207	1,692	â€”	â€”	2,899
Amortization of product rights	â€”	26,801	â€”	(20,173)[h]	6,628
Change in contingent consideration	â€”	(69,550)	â€”	69,550 [g]	â€”
Gross profit	476	53,374	â€”	(49,377)	4,473
Operating expenses:					
Research and development	39,790	12,427	â€”	(8,450)[g]	43,767
Sales and marketing	13,769	45,692	â€”	2,433 [i]	61,894
General and administrative	19,340	437	â€”	â€”	19,777
Total operating expenses	72,899	58,556	â€”	(6,017)	125,438
Loss from operations	(72,423)	(5,182)	â€”	(43,360)	(120,965)
Other income (expense), net	2,070	â€”	(3,051)[j]	â€”	(981)
Loss before income taxes	(70,353)	(5,182)	(3,051)	(43,360)	(121,946)
Benefit from income taxes [k]	(1,830)	â€”	â€”	â€”	(1,830)
Net loss	$ (68,523)	$ (5,182)	$ (3,051)	$ (43,360)	$ (120,116)
Net loss per share, basic and diluted	$ (2.44)				$ (3.16)
Weighted average common shares outstanding, basic and diluted	28,102,386				38,044,136 [l]

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

1. Description of the Transactions

Asset Purchase Agreement with Allergan

On November 30, 2018, Aclaris Therapeutics, Inc. (the â€œCompanyâ€) completed the acquisition of RHOFADE (oxymetazoline hydrochloride) cream, 1% from Allergan Sales, LLC (â€œAllerganâ€) pursuant to the Asset Purchase Agreement dated as of October 15, 2018 (the â€œAPAâ€). Pursuant to the APA, the Company acquired the worldwide rights to RHOFADE, which includes an exclusive license to certain intellectual property for RHOFADE, as well as additional intellectual property.

At the closing of the acquisition the Company paid Allergan total cash consideration of $66,074, consisting of $59,574 paid to Allergan and $6,500 placed in escrow. The Company has also agreed to pay Allergan a one-time payment of $5,000 upon the achievement of a specified development milestone related to the potential development of an additional dermatology product. In addition, the Company has agreed to pay Allergan specified royalties, ranging from a mid-single digit percentage to a mid-teen percentage of net sales, subject to specified reductions, limitations and other adjustments, on a country-by-country basis until the date that the patent rights related to a particular product, such as RHOFADE, have expired or, if later, ten years from the closing date of the acquisition. In addition, the Company has agreed to assume the obligation to pay specified royalties and milestone payments under agreements with Aspect Pharmaceuticals, LLC and Vicept Therapeutics, Inc. Members of the Companyâ€™s management team, including Neal Walker, Frank Ruffo, Christopher Powala and Stuart Shanler, as well as Stephen Tullman, the chairman of the Companyâ€™s board of directors, are former stockholders of Vicept Therapeutics, Inc., and Dr. Shanler is also a current member of Aspect Pharmaceuticals, LLC. In their capacities as current or former holders of equity interests in these entities, these individuals may be entitled to receive a portion of the potential future payments payable by the Company.

Loan Agreement with Oxford

On October 15, 2018, the Company and its wholly owned subsidiaries Confluence Discovery Technologies, Inc. and Aclaris Life Sciences, Inc. (together, the â€œBorrowersâ€) entered into a Loan and Security Agreement (â€œLoan Agreementâ€) with Oxford Finance LLC, a Delaware limited liability company (â€œOxfordâ€). The Loan Agreement provides for up to $65,000 in term loans (the â€œTerm Loan Facilityâ€). Of the $65,000, the Company borrowed $30,000 on October 31, 2018. The remaining $35,000 is available to be borrowed until the earlier of March 31, 2019 or an event of default. Should the Borrowers not draw all of the Term Loan Facility, or if the Borrowers repay the entirety of the amount drawn during the applicable draw timeframe, the Borrowers will be required to pay a non-utilization fee equal to 1.0% of the undrawn portion of the Term Loan Facility.

The Loan Agreement provides for interest only payments until November 1, 2021, followed by 24 consecutive equal monthly payments of principal and interest starting on November 1, 2021 and continuing through the maturity date of October 1, 2023. All unpaid principal and interest will be due and payable on the maturity date. The Loan Agreement provides for an interest rate equal to the greater of (i) 8.35% and (ii) the 30-day U.S. LIBOR rate plus 6.25%. The Loan Agreement also provides for a final payment fee equal to 5.75% of the original principal amount of the term loans drawn under the Term Loan Facility, which final payment is due on October 1, 2023 or upon the prepayment of the facility or the acceleration of amounts due under the facility as a result of an event of default.

October 2018 Public Offering

On October 17, 2018, the Company entered into an underwriting agreement pursuant to which the Company issued and sold 9,941,750 shares of common stock under registration statements on Form S-3, including the underwritersâ€™ full exercise of their option to purchase additional shares. The shares of common stock were sold to the public at a price of $10.75 per share, for gross proceeds of $106,874. The Company paid underwriting discounts and commissions of $6,412 to the underwriters, and incurred $214 of expenses, in connection with the offering. The net offering proceeds received by the Company, after deducting underwriting discounts and commissions and offering expenses, were $100,248.

2. Basis of Presentation

The acquisition of RHOFADE has been accounted for by the Company as an asset acquisition in accordance with Financial Accounting Standards Board (â€œFASBâ€) Accounting Standards Codification (â€œASCâ€) Subtopic 805-50, rather than as a business combination. As an asset acquisition, the cost to acquire the group of assets is allocated to the individual assets acquired or liabilities assumed based on their relative fair values. The relative fair values of identifiable tangible and intangible assets assumed from the acquisition of RHOFADE are based on a preliminary estimate of fair value using assumptions that the Company believes are reasonable. The Company accounted for the acquisition of RHOFADE as an asset acquisition because substantially all of the fair value of the assets acquired is concentrated in a single asset, the RHOFADE intangible product rights. ASC 805-10-55-5A, which sets forth a screen test, provides that if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the assets acquired are not considered to be a business.

The unaudited pro forma condensed combined financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted from this report, as is permitted by such rules and regulations.

3. Assets Acquired in Connection with the RHOFADE Transaction

The following table summarizes the aggregate amount paid for the assets acquired by the Company in connection with the acquisition of RHOFADE:

	November 30, 2018
	(In thousands)
Cash paid to Allergan at closing	$ 59,574
Cash deposited in escrow at closing	6,500
Transaction costs	1,100
Total purchase price of assets acquired	$ 67,174

The following table summarizes the allocation of the aggregate amount paid in connection with the acquisition of RHOFADE based upon the relative fair value of the assets acquired:

	November 30, 2018
	(In thousands)
Inventory [(i)]	$ 893
Intangible assets, net [(ii)]	66,281
Total assets acquired	$ 67,174

(i) The relative fair value of acquired finished goods inventory was estimated by adjusting the anticipated selling price for the costs to sell as well as an appropriate profit on selling activities.

(ii) These unaudited pro forma condensed combined financial statements include estimated identifiable intangible assets representing marketed product rights for RHOFADE, which have a relative fair value of $66,281. These product rights will be amortized on a straight-line basis over a period of 10 years.

4. RHOFADE Historical Financial Information

These unaudited pro forma condensed combined financial statements include revenues and direct expenses associated with the assets acquired and liabilities assumed which have been derived from special purpose financial information and should be read in conjunction with the following information:

Â· the audited special purpose financial information for the RHOFADE product comprised of the special purpose statement of assets acquired and liabilities assumed as of December 31, 2017, the special

purpose statement of revenues and direct expenses for the year ended December 31, 2017, and the related notes, filed as Exhibit 99.1 to the Companyâ€™s Amendment No. 1 to its Current Report on Form 8-K filed on December 3, 2018 (â€œForm 8-K/Aâ€); and

- Â· the unaudited special purpose financial information for the RHOFADE product comprised of the special purpose statement of assets acquired and liabilities assumed as of September 30, 2018 and December 31, 2017, the special purpose statement of revenues and direct expenses for the nine months ended September 30, 2018 and 2017, and the related notes, filed as Exhibit 99.2 to the Companyâ€™s Form 8-K/A.

The RHOFADE historical financial information includes $2,220 of samples that have been included in prepaid expenses and other current assets on the unaudited pro forma condensed combined balance sheet.

The RHOFADE historical financial information includes a $61,100 reduction in total direct expenses related to contingent consideration accretion and fair value adjustments for the year ended December 31, 2017. The Company included $(69,550) and $8,450 in change in contingent consideration and research and development, respectively, in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2017.

5. Pro Forma Adjustments

The following pro forma adjustments have been reflected in these unaudited pro forma condensed combined financial statements:

[a] Term loan adjustment â€“ Includes an adjustment of $30,000 to add the amount borrowed under the Loan Agreement partially offset by $88 of deferred financing costs.

[b] Equity financing adjustment â€“ adjustment to add the net proceeds received from the sale of common stock.

[c] Cash and cash equivalents â€“ Comprised of total cash consideration of $67,174, including $59,574 paid to Allergan at closing, $6,500 placed in escrow, and total estimated transaction costs of $1,100.

[d] Inventory â€“ Adjustment of $578 to record the relative fair value of the inventory acquired from Allergan. The fair value of finished goods inventory acquired was estimated using net selling price less the costs of disposal and a reasonable profit for the disposal efforts. Raw material has been valued at current replacement cost, which approximated Allerganâ€™s carrying value.

[e] Prepaid expenses and other current assets â€“ Adjustment to eliminate the historical cost of samples which the Company expenses immediately upon receipt.

[f] Intangible assets â€“ Includes an adjustment of $(319,940) to eliminate the historical cost of the Allergan intangible assets and to record the relative fair value of the intangible asset for the RHOFADE product rights acquired by the Company. As noted in Note 4 of the unaudited special purpose financial information for the RHOFADE product filed as Exhibit 99.2 to the Companyâ€™s Form 8-K/A, the RHOFADE intangible asset was reviewed for impairment by Allergan under a held-and-used model. As of September 30, 2018, no impairment was noted by Allergan under step 1 of the impairment testing model as the undiscounted pre-tax cash flows over RHOFADEâ€™s useful life exceeded its carrying value.

[g] Contingent consideration, change in contingent consideration and research and development â€“ As a result of the Company accounting for the acquisition of RHOFADE as an asset acquisition, these adjustments eliminate Allerganâ€™s historical liability for contingent consideration, as well as changes in contingent consideration which are considered non-recurring. FASB ASC Topic 450 requires the Company to recognize a liability for contingent consideration when a payment becomes probable. The Company has not recognized a liability for contingent consideration because it determined payment was not probable of occurring as of September 30, 2018.

[h] Amortization of product rights:

- Â· The nine months ended September 30, 2018 includes an adjustment of $(21,148) to eliminate the amortization expense related to Allerganâ€™s historical intangible asset value partially offset by an adjustment of $4,971 to record amortization expense related to the intangible asset for the RHOFADE product rights acquired by the Company.

- Â· The year ended December 31, 2017 includes an adjustment of $(26,801) to eliminate the amortization expense related to Allerganâ€™s historical intangible asset value partially offset by an adjustment of $6,628 to record amortization expense related to the intangible asset for the RHOFADE product rights acquired by the Company.

[i] Sales and marketing - Adjustment to reclassify the historical cost of samples which the Company expenses immediately upon receipt.

[j] Other income (expense), net â€“ Adjustment reflects the increase in interest expense related to the borrowing under the Loan Agreement. The variable interest rate used to calculate the increase in interest expense was based upon the terms of the Loan Agreement. An increase of 1/8th % in interest rates would result in approximately $38 of additional interest expense on an annualized basis.

[k] Provision for (benefit from) income taxes â€“ As a result of the Companyâ€™s history of net losses and full valuation allowance on its deferred income taxes, the income tax effect of the pro forma adjustments assumes an effective tax rate of 0%, and accordingly, the pro forma adjustments do not include any amounts for income taxes.

[l] Weighted average common shares outstanding, basic and diluted â€“ Includes an adjustment to add 9,941,750 shares issued by the Company in the October 2018 public offering.