UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported): January 24, 2020

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

Delaware	000-21326	04-3145961
(State or other jurisdiction of incorporation or organization)	*Commission file number*	*(I.R.S. Employer Identification No.)*

32 Wiggins Avenue, Bedford, MA 01730
(Address of principal executive offices) (Zip code)

(781)-457-9000
Registrant's telephone number, including area code:

Not applicable
(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))

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	ANIK	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
Emerging growth company [_]

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

EXPLANATORY NOTE

On January 24, 2020, Anika Therapeutics, Inc. (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K") reporting the completion of its acquisition (the "Parcus Merger") of Parcus Medical, LLC ("Parcus"), pursuant to the Agreement and Plan of Merger, dated January 4, 2020 (the "Parcus Merger Agreement"), by and among the Company, Parcus, Sunshine Merger Sub LLC ("Parcus Merger Sub") and Philip Mundy, solely in his capacity as the representative, agent and attorney-in-fact of the Equityholders (as defined in the Parcus Merger Agreement). This Current Report on Form 8-K/A amends and supplements Item 9.01(a) and 9.01(b) of the Original Form 8-K to provide financial statements and pro forma financial information required by such items, respectively.

Item 9.01. Financial Statements and Exhibits.

***(a) Financial Statements of Businesses Acquired*.**

The audited financial statements of Parcus as of and for the nine months ended September 30, 2019 and the year ended December 31, 2018, and the notes related thereto, are filed as Exhibit 99.1 hereto and are incorporated by reference herein.

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

The unaudited pro forma condensed combined balance sheet as of September 30, 2019, giving effect to the Parcus Merger as if it occurred on September 30, 2019, and the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2019 and the fiscal year ended December 31, 2018, in each case giving effect to the Parcus Merger as if it occurred on January 1, 2018, are filed as Exhibit 99.2 hereto and incorporated herein by reference.

***(d) Exhibits*.**

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm
99.1	Audited financial statements of Parcus Medical, LLC as of and for the nine months ended September 30, 2019 and the year ended December 31, 2018, and the notes related thereto.
99.2	Unaudited pro forma condensed combined balance sheet as of September 30, 2019, giving effect to the Parcus Merger as if it occurred on September 30, 2019, and the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2019 and the fiscal year ended December 31, 2018 in each case giving effect to the Parcus Merger as if it occurred on January 1, 2018.

SIGNATURE

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.

Anika Therapeutics, Inc.

Date: March 13, 2020

BY: /s/ SYLVIA CHEUNG
Chief Financial Officer

400 North Ashley Drive, Suite 700
Tampa, FL 33602
813.229.2321
warrenaverett.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference on Form 8-K (No. 001-14027/20545479) of Anika Therapeutics Inc. of our audit report dated December 11, 2019 (reissued on December 18, 2019), with respect to the financial statements of Parcus Medical, LLC, appearing in this Form 8-K/A.

Warren Averett, LLC

Warren Averett
March 12, 2020

Exhibit 99.1

PARCUS MEDICAL, LLC

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018 AND SEPTEMBER 30, 2019

FOR THE YEAR ENDED DECEMBER 31, 2018
AND PERIOD ENDED SEPTEMBER 30, 2019

PARCUS MEDICAL, LLC
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Warren Averett
CPAs AND ADVISORS

400 North Ashley Drive, Suite 700
Tampa, FL 33602
813.229.2321
warrenaverett.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members
Parcus Medical, LLC

Opinion on the Financial Statements
We have audited the accompanying balance sheets of Parcus Medical, LLC (the Company) as of September 30, 2019 and December 31, 2018 and the related statements of operations, changes in members' equity, and cash flows for the nine month period ended September 30, 2019 and the year ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and December 31, 2018, and the results of its operations and its cash flows for the nine month period ended September 30, 2019 and the year ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Critical Audit Matters
The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the Board of Directors and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

The Company performed a roll-back of the physical inventory from September 30, 2019 to December 31, 2018 and January 1, 2018 that was challenging and complex and resulted in adjusting entries. In addition, the Company implemented standard costing procedures to value inventory which involved significant judgement. Management was able to provide all the necessary support and substantiate their methodology in order for us to complete our audit.

Warren Averett, LLC

We have served as the Company's auditor since 2019.
Tampa, Florida
December 11, 2019
Reissued December 18, 2019

PARCUS MEDICAL, LLC
BALANCE SHEETS
DECEMBER 31, 2018 AND SEPTEMBER 30, 2019

ASSETS

		2018		2019
CURRENT ASSETS				
Cash	$	334,179	$	366,062
Accounts receivable, net of allowance for doubtful accounts of $30,023 and 40,549, respectively		1,535,054		2,133,516
Inventories		3,052,638		3,397,674
Prepaid expenses and other current assets		225,469		143,272
Total current assets		5,147,340		6,040,524
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION		839,484		1,284,769
OTHER ASSETS				
Deposits		24,176		27,892
Intangibles, net		605,910		204,195
Total other assets		630,086		232,087
	$	6,616,910	$	7,557,380

LIABILITIES AND MEMBERS' EQUITY

		2018		2019
CURRENT LIABILITIES				
Accounts payable	$	820,341	$	1,112,835
Accrued expenses		143,268		255,648
Line of credit		564,968		964,968
Current portion of term loans		170,370		192,370
Current portion of capital leases		152,492		272,643
Guaranteed Payments		942,500		942,500
Total current liabilities		2,793,939		3,740,964
LONG-TERM LIABILITIES				
Term loans, less current portion		104,487		234,219
Capital leases, less current portion		236,926		540,161
Total long-term liabilities		341,413		774,380
MEMBER EQUITY		3,481,558		3,042,036
	$	6,616,910	$	7,557,380

See notes to the financial statements.

PARCUS MEDICAL, LLC
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND THE PERIOD ENDED SEPTEMBER 30, 2019

	2018	2019
REVENUE	$ 10,820,442	$ 9,601,808
COST OF GOODS SOLD	4,086,653	3,985,342
GROSS PROFIT	6,733,789	5,616,466
OPERATING EXPENSES		
Research and development	709,865	568,840
Selling, general and administrative	5,710,273	5,399,976
Total operating expenses	6,420,138	5,968,816
INCOME (LOSS) FROM OPERATIONS	313,651	(352,350)
OTHER EXPENSE, NET	85,965	87,172
NET INCOME (LOSS)	$ 227,686	$ (439,522)

See notes to the financial statements.

PARCUS MEDICAL, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
AND THE PERIOD ENDED SEPTEMBER 30, 2019

	Member's Equity	Retained Earnings	Total Member's Equity
BALANCE AT JANUARY 1, 2018	$ 9,128,500	$ (5,874,628)	$ 3,253,872
Net income	-	227,686	227,686
BALANCE AT DECEMBER 31, 2018	9,128,500	(5,646,942)	3,481,558
Net (loss)	-	(439,522)	(439,522)
BALANCE AT SEPTEMBER 30, 2019	$ 9,128,500	$ (6,086,464)	$ 3,042,036

See notes to the financial statements.

PARCUS MEDICAL, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND THE PERIOD ENDED SEPTEMBER 30, 2019

	2018	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 227,686	$ (439,522)
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	197,251	185,697
Loss on impairment of patent	-	410,417
(Increase) decrease in:		
Accounts receivable	(847,920)	(598,462)
Inventories	540,861	(345,036)
Prepaid expenses and other current assets	(95,392)	82,197
Increase (decrease) in:		
Accounts payable	(56,511)	292,494
Accrued expenses	51,836	112,380
Total adjustments	(209,875)	139,687
Net cash provided by (used in) operating activities	17,811	(299,835)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(11,280)	(44,434)
Purchase of property and equipment	(95,120)	(16,538)
Net cash used in investing activities	(106,400)	(60,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from line of credit	-	400,000
Payments on capital leases	(116,514)	(159,042)
Payments on term notes	(161,192)	(148,268)
Borrowings from term notes	-	300,000
Payment of member distributions	(200,000)	-
Net cash (used in) provided by financing activities	(477,706)	392,690
NET (DECREASE) INCREASE IN CASH	(566,295)	31,883
CASH AT BEGINNING OF YEAR / PERIOD	900,474	334,179
CASH AT END OF YEAR / PERIOD	$ 334,179	$ 366,062
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash paid during the year / period for interest	$ 74,321	$ 81,698
Fixed assets financed through debt	$ 252,430	$ 582,428

During 2017, the Company accrued $200,00 for distributions that was declared, which are reflected in the opening retained earnings balance at January 1, 2018.

See notes to the financial statements.

1. DESCRIPTION OF BUSINESS

Parcus Medical, LLC (hereinafter referred to as the “Company”) was formed and incorporated in Wisconsin on April 13, 2007. The Company is engaged in the business of manufacturing and sales of medical devices, instruments and supplies. The Company services the orthopedic surgery market throughout the United States and internationally. The corporate headquarters for the Company is located in Sarasota, Florida.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Company are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Management Estimates
Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents
Cash and cash equivalents include all highly liquid investments with maturities of 90 days or less at the time of purchase.

Cash and cash equivalents are maintained at major financial institutions and, at times, balances may exceed federally insured limits of $250,000. The Company has never experienced any losses related to these balances. The Company’s deposits did not exceed federally insured limits at December 31, 2018. At September 30, 2019, the Company had approximately $92,600 in excess of federally insured limits.

Accounts Receivable
Accounts receivable principally consist of amounts due from customers for the sale of medical devices, instruments and supplies. The Company records an allowance for doubtful accounts to allow for any amounts that may not be recoverable, which is based on an analysis of the Company’s prior collection experience, customer creditworthiness, and current economic trends. Based on management’s review of accounts receivables, an allowance for doubtful accounts of approximately $30,000 and $40,500 is considered adequate at December 31, 2018 and September 30, 2019, respectively. Interest is not typically charged on past due receivables. The Company determines receivables to be past due based on the payment terms of original invoices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories
Inventories include merchandise and materials held for resale, work in progress and raw materials. The Company provides reserves for inventory that management believes to be obsolete or slow moving. Based on management's review of obsolete or slow-moving inventory, no inventory reserve was necessary at December 31, 2018 and September 30, 2019, respectively. Inventories for the Company are stated at the lower of cost, determined on the first in first out method, or net realizable value.

Property and Equipment
Property and equipment are recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 15 years. Leasehold improvements are amortized over the estimated useful life of the assets or the lease term. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Long-Lived Assets
The Company reviews its long-lived assets for impairment in accordance with Accounting Standards Codification Topic 360, Property, Plant, and Equipment (ASC Topic 360), whenever events or changes in circumstances indicate that the carrying amount of its assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2018 the Company determined that its long-lived assets were not impaired. At September 30, 2019 the Company determined that a license was impaired and the Company recognized an impairment loss of approximately $410,400.

Income Taxes
The Company, with the consent of the stockholders, has elected under the Internal Revenue Code to be treated as a partnership. In lieu of corporate income taxes, the stockholders of a partnership are taxed on their proportionate shares of the Company's taxable income. Therefore, no liability or provision for income taxes has been included in these financial statements.

The Company follows ASC Topic 740, *Income Taxes*. This standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There was no material impact on the Company's financial position or results of operations as a result of the adoption of this standard. The Company has evaluated its tax positions and determined that there are none that need to be recognized as of December 31, 2018 and September 30, 2019.

Revenue Recognition
The Company derives revenues from the sale of surgical equipment used by orthopedic surgeons in procedures to repair shoulder, knee, hip and distal extremities. In order for revenue and related cost of sales to be recognized, there must be persuasive evidence that an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable, and the collectability of the related receivable is reasonably assured, The Company's standard terms are FOB shipping point, but a portion of its customers have FOB destination terms. Based on the above criteria, revenue is recognized depending on the specific terms of the arrangement; either at the pint of shipment for those sales under FOB shipping point terms or when it is received by the customer for sales under FOB destination terms. For those transactions that are shipped at or near the end of the reporting period for which the sales terms are FOB destination, the Company confirms receipt of the shipment; and, if delivery has not occurred, then revenue is not recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Shipping and Handling Costs
Costs incurred by the Company for shipping and handling are included in cost of sales.

Sales Taxes
Amounts collected on behalf of governmental authorities for sales taxes and other similar taxes are reported on a net basis.

Trade Show Costs
The Company expenses trade show costs as incurred. Trade show expense was approximately $160,700 and $168,300 for the year ended December 31, 2018 and the period ended September 30, 2019, respectively.

Impact of Recently issued Accounting Pronouncements
Effective January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides accounting guidance on the recognition of revenues from contracts and requires gross presentation of certain costs that were previously offset against revenue. The Company has applied ASU 2014-09 retrospectively which requires that the cumulative effect of initial application be recognized as an adjustment to beginning retained earnings. The Company's sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. There was no beginning balance effect on the financial statements for the period ended December 31, 2018 as the adoption of ASU 2014-09 did not result in a change of timing of the Company's revenue recognition.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU No. 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

3. INVENTORIES

Inventories at December 31, 2018 and September 30, 2019 consist of the following:

	2018	2019
Raw materials	$ 315,464	$ 453,350
Work in progress	1,589,703	1,853,238
Finished goods	1,147,471	1,091,086
	$ 3,052,638	$ 3,397,674

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and September 30, 2019 consist of the following:

	2018	2019
Machinery and equipment	$ 1,696,475	$ 1,753,857
Furniture and fixtures	48,250	48,250
Leasehold improvements	30,914	58,266
Leased equipment	790,048	1,372,476
	2,565,687	3,232,849
Less accumulated depreciation	1,726,203	1,948,080
	$ 839,484	$ 1,284,769

As of December 31, 2018 and September 30, 2019, the Company had machinery and equipment under capital lease obligations totaling approximately $790,000 and $1,372,500, respectively, with related accumulated depreciation of approximately $222,400 and $259,400, respectively.

Depreciation expense, including depreciation on capital lease assets, amounted to approximately $154,000 and $154,000 for the year ended December 31, 2018 and the period ended September 30, 2019, respectively.

5. TRADEMARKS, PATENTS AND LICENCES

Trademarks, patents and licenses at December 31, 2018 and September 30, 2019 consist of the following:

	2018	2019
Licences	$ 500,000	$ -
Patents	275,545	316,263
Trademarks	24,577	24,577
	800,122	340,840
Less accumulated amortization	194,212	136,645
	$ 605,910	$ 204,195

Amortization expense amounted to approximately $43,000 and $32,000 for the year ended December 31, 2018 and the period ended September 30, 2019, respectively. Annual amortization expense over the next five years is expected to be approximately $34,000.

6. LINE OF CREDIT

The Company has a $1,150,000 unsecured line of credit agreement with a bank, guaranteed by one of the Company's members. At December 31, 2018 and September 30, 2019 the balance outstanding on the line of credit was approximately $565,000 and $965,000, respectively. Interest on borrowings is payable monthly at prime plus 1% (6.50% and 6.00% at December 31, 2018 and September 30, 2019, respectively). Principal and all accrued interest is due on June 12, 2020. The maturity of the line of credit is June 12, 2020. There is no automatic provision for renewal.

7. TERM LOANS

The Company has unsecured term loans payable to a bank, guaranteed by one of the Company's members. At December 31, 2018 and September 30, 2019, the balances outstanding on the notes were approximately $275,000 and $426,600, respectively. Principal and interest on borrowings is payable in monthly installments of $5,813 at an interest rate of 5.25% and 6.00% at December 31, 2018 and September 30, 2019, respectively. One of the notes matures in July 2020 while the other matures in April 2024. The future principal payments on the term notes are as follows:

Year Ending December 31,	
2020	$ 192,370
2021	48,892
2022	54,059
2023	59,773
2024	71,495
Total	426,589

7. TERM LOANS – CONTINUED

The term loans require the Company to maintain certain financial covenants. At December 31, 2018 and September 30, 2019, the Company was not in compliance with the financial covenants, and received a covenant waiver from the bank.

8. CAPITAL LEASES

The Company leases equipment under capital lease obligations which mature through 2024. The balances ate December 31, 2018 and September 30, 2019 are as follows:

	2018	2019
7.47% capital lease obligation, due in monthly installments of $3,811 through September 2020	$ 77,752	$ 46,898
4.85% capital lease obligation, due in monthly installments of $1,448 through September 2020	30,271	18,405
3.87% capital lease obligation, due in monthly installments of $1,414 through September 2020	29,610	17,711
4.96% capital lease obligation, due in monthly installments of $2,339 through April 2020	42,581	22,782
4.93% capital lease obligation, due in monthly installments of $1,828 through September 2020	43,331	28,239
4.29% capital lease obligation, due in monthly installments of $630 through June 2021	17,823	12,692
5.65% capital lease obligation, due in monthly installments of $2,827 through October 2023	148,050	126,317
4.90% capital lease obligation, due in monthly installments of $10,968 through April 2024	-	539,760
	389,418	812,804
Less current portion	152,492	272,643
	$ 236,926	$ 540,161

8. CAPITAL LEASES – CONTINUED

Scheduled future minimum payments under capital lease obligations are as follows:

Year Ending December 31,		
2020	$	291,997
2021		156,824
2022		158,830
2023		171,327
2024		76,092
Total minimum lease payments		855,070
Less amount representing interest		42,266
	$	812,804

Interest expense for the year ended December 31, 2018 and period ended September 30, 2019 was approximately $17,350 and $37,800 for capital leases.

9. GUARANTEED PAYMENTS

Member managers performed services for the Company in prior years without compensation. There is $942,500 due to member managers for these services as of December 31, 2018 and September 30, 2019 which is expected to be paid during 2019.

10. COMMITMENTS AND CONTINGENCIES

The Company currently leases real property for operations under non-cancellable operating leases expiring at various dates through 2024. Total rental expense for the year ended December 31, 2018 and the period ended September 30, 2019 was approximately $327,000 and $261,000, respectively. This is composed of common area maintenance fees of approximately $97,000 and $84,000 and rental expenses of approximately $230,000 and $236,000 for the year ended December 31, 2018 and the period ended September 30, 2019, respectively.

Scheduled future minimum payments under non-cancellable operating leases of real property are as follows:

Year Ending December 31,		
2019	$	59,612
2020		243,462
2021		250,866
2022		258,480
2023		157,800
Thereafter		134,740
	$	1,104,960

10. COMMITMENTS AND CONTINGENCIES – CONTINUED

From time to time, the Company is a party as Plaintiff or Defendant to various legal proceedings related to normal business operations. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Company in connection with its legal proceedings will not have a material effect on its financial position, but could be material to the results of operations in any one future accounting period.

11. CONCENTRATIONS

During the year ended December 31, 2018 and period ended September 30, 2019 the Company sales to one customer approximated 17% and 14%, respectively of total revenue. Accounts receivable from this customer amounted to approximately $83,400 and $112,400 for the year ended December 31, 2018 and period ended September 30, 2019, respectively.

The Company purchased inventory from two supplier totaling approximately $1,288,600, or 64% of purchases for the year ended December 31, 2018. Accounts payable to these suppliers totaled approximately $297,300, or 36% of accounts payable at December 31, 2018. For the period ended September 30, 2019, the Company had purchases from three vendors totaling approximately $1,515,200 or 99% of the total purchases for the period ended September 30, 2019. Accounts payable to these suppliers totaled approximately $445,000, or 40% of accounts payable at September 30, 2019.

12. REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognized when, or as, the Company satisfies performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring progress in satisfying the performance

13. REVENUES FROM CONTRACTS WITH CUSTOMERS

obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time when it is determined the customer obtains control over the promised goods or services. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for those promised goods or services (i.e., the “transaction price”). In determining the transaction price, the Company considers multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, the Company considers the range of possible outcomes, the predictive value of past experiences, the time period of when uncertainties expect to be resolved, and the amount of consideration that is susceptible to factors outside of the Company’s influence, such as market volatility or the judgment and actions of third parties.

13. REVENUES FROM CONTRACTS WITH CUSTOMERS – CONTINUED

Various economic factors affect revenues and cash flows. The surgical products are sold to retail resellers or large medical surgery institutions. Domestic sales are usually collected within 2 months but international sales may take up to 4 months to collect.

The Company recognizes revenue at a point in time when control passes to the customer. For the year ended December 31, 2018, international sales were approximately $5,408,200 while domestic sales were approximately $5,412,200. For the period ended September 30, 2019, international sales were approximately $4,704,800 while domestic sales were approximately $4,897,000.

The Company sometimes receives advances or deposits from customers, particularly on international contracts, before revenue is recognized, resulting in contract liabilities. These deposits are liquidated when revenue is recognized. At December 31, 2018 and September 30, 2019, the Company had no contract liabilities.

The Company's performance obligations relates to contracts all due within one year or less. As a result, they have elected not to separately disclose amounts of unsatisfied performance obligations as of December 31, 2018 and September 30, 2019.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2019, the date on which the financial statements were available to be issued.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On January 24, 2020, (the "Closing Date"), Anika Therapeutics, Inc. (the "Company" or "Anika") completed the acquisition of Parcus Medical, LLC, a Wisconsin limited liability company ("Parcus") pursuant to the terms of the Agreement and Plan of Merger, dated as of January 4, 2020 (the "Parcus Merger Agreement"), by and among the Company, Parcus, Sunshine Merger Sub LLC, a Wisconsin limited liability company and a wholly-owned subsidiary of the Company ("Merger Sub") and Philip Mundy, an individual, solely in his capacity as the representative, agent and attorney-in-fact of the equityholders of Parcus. At the closing of the merger of Merger Sub with and into Parcus, Parcus continued as the surviving company and became a wholly-owned subsidiary of the Company (the "Transaction").

The unaudited pro forma condensed combined financial statements are based on Anika's historical financial statements as adjusted to give effect to the Transaction. The unaudited pro forma condensed combined balance sheet as of September 30, 2019 assumes the Transaction took place on September 30, 2019. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2019 and for the year ended December 31, 2018 that combine the historical consolidated statements of operations of Anika and Parcus assume the Transaction occurred on January 1, 2018.

The pro forma adjustments are based upon currently available information and certain assumptions that Anika's management believes are reasonable. The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not intended to present or be indicative of what the results of operations or financial position would have been had the events actually occurred on the dates indicated, nor is it meant to be indicative of future results of operations or financial position for any future period or as of any future date. The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions, or any anticipated revenue enhancements, cost savings or operating synergies that may result from the Transaction.

The historical consolidated financial information has been adjusted in the accompanying unaudited pro forma condensed combined financial statements to give pro forma effect to events that are (1) directly attributable to the Transaction, (2) factually supportable, and (3) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information was based on and should be read in conjunction with Anika's and Parcus' historical financial statements referenced below:

- the historical audited consolidated financial statements of Anika as of and for the year ended December 31, 2018, contained in its Annual Report on Form 10-K;

- the historical unaudited condensed consolidated financial statements of Anika as of and for the nine months ended September 30, 2019, contained in its Quarterly Report on Form 10-Q for that period; and

- the historical audited financial statements of Parcus as of and for the year ended December 31, 2018 and as of and for the nine months ended September 30, 2019, which are included in this Form 8-K/A dated March 13, 2020.

In the accompanying unaudited pro forma condensed combined financial statements, the Transaction has been accounted for as a business combination using the acquisition method of accounting under the provisions of Accounting Standards Codification 805 ("ASC 805"). Under ASC 805, Anika, as the accounting acquirer, records assets acquired and liabilities assumed in a business combination at their fair values as of the Closing Date. The final valuation of assets acquired and liabilities assumed related to the Transaction is expected to be completed as soon as practicable, but no later than one year after the consummation of the Transaction. The allocation of purchase consideration reflected in the unaudited pro forma condensed combined financial statements is preliminary and will be adjusted based on Anika's final valuations of the fair value of the assets acquired and liabilities assumed of Parcus as of the date of the Transaction, which requires use of critical accounting estimates and significant management judgment. Although Anika believes the fair values preliminarily assigned to the assets to be acquired and liabilities to be assumed to be reflected in the unaudited pro forma condensed combined financial statements are based on reasonable estimates and assumptions using currently available data, the results of the final allocation could be materially different from the preliminary allocations.

ANIKA THERAPEUTICS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2019
(In thousands)

	Historical				
	Anika Therapeutics	**Parcus After Reclassifications (Note 4)**	**Pro Forma Adjustments**	**Notes**	**Pro Forma Condensed Combined**
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 103,381	$ 366	$ (33,695)	(6a), (6e)	$ 70,052
Investments	69,825	–	–		69,825
Accounts receivable, net	23,889	2,134	–		26,023
Inventories, net	25,243	3,398	5,602	(6b)	34,243
Prepaid expenses and other current assets	1,479	143	–		1,622
Total current assets	223,817	6,041	(28,093)		201,765
Property and equipment, net	51,750	1,285	622	(6h)	53,657
Operating lease right-of-use assets	23,082	–	943	(6h)	24,025
Other long-term assets	5,761	28	–		5,789
Intangible assets, net	7,680	203	48,797	(6d)	56,680
Goodwill	7,489	–	15,691	(6c)	23,180
Total assets	$ 319,579	$ 7,557	$ 37,960		$ 365,096
LIABILITIES AND STOCKHOLDERS' EQUITY:					
Current liabilities:					
Accounts payable	2,702	$ 1,113	$ (350)	(6f)	$ 3,465
Accrued expenses and other current liabilities	8,493	2,628	2,346	(6e), (6f), (6g), (6h)	13,467
Total current liabilities	11,195	3,741	1,996		16,932
Other long-term liabilities	372	774	(45)	(6h)	1,101
Deferred tax liability	4,727	–	–		4,727
Operating lease liabilities	21,603	–	751	(6h)	22,354
Contingent consideration	–	–	41,700	(6a)	41,700
Total liabilities	37,897	4,515	44,402		86,814
Stockholders' equity:					
Member's equity	–	9,128	(9,128)	(6i)	–
Common stock	143	–	–		143
Additional paid-in-capital	46,482	–	–		46,482
Accumulated other comprehensive loss	(6,318)	–	–		(6,318)
Retained earnings (accumulated deficit)	241,375	(6,086)	2,686	(6e), (6i)	237,975
Total stockholders' equity (deficit)	281,682	3,042	(6,442)		278,282
Total liabilities and stockholders' equity	319,579	$ 7,557	$ 37,960		$ 365,096

See accompanying notes to the unaudited pro forma condensed combined financial statements.

ANIKA THERAPEUTICS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In thousands, except per share data)

	Historical				
	Anika Therapeutics	Parcus After Reclassifications (Note 4)	Pro Forma Adjustments	Note	Pro Forma Condensed Combined
Product revenue	$ 84,745	$ 9,602	$ –		$ 94,347
Licensing, milestone and contract revenue	93	–	–		93
Total revenue	84,838	9,602	–		94,440
Operating expenses:					
Cost of product revenue	20,098	4,322	2,481	(7a), (7c)	26,901
Research & development	12,581	569	27	(7c)	13,177
Selling, general & administrative	22,713	5,063	(69)	(7c)	27,707
Total operating expenses	55,392	9,954	2,439		67,785
Income (loss) from operations	29,446	(352)	(2,439)		26,655
Interest and other income, net	1,513	(86)	31	(7b), (7c)	1,458
Income (loss) before income taxes	30,959	(438)	(2,408)		28,113
Provision for income taxes	7,817	(2)	–		7,815
Net income (loss)	$ 23,142	$ (440)	$ (2,408)		$ 20,298
Basic net income per share:					
Net income	$ 1.65			(7d)	$ 1.44
Basic weighted average common shares outstanding	14,065				14,065
Diluted net income per share:					
Net income	$ 1.62			(7d)	$ 1.42
Diluted weighted average common share:outstanding	14,266				14,266

See accompanying notes to the unaudited pro forma condensed combined financial statements.

ANIKA THERAPEUTICS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands, except per share data)

	Historical				
	Anika Therapeutics	Parcus After Reclassifications (Note 4)	Pro Forma Adjustments	Notes	Pro Forma Condensed Combined
Product revenue	$ 105,531	$ 10,820	$ –		$ 116,351
Licensing, milestone and contract revenue	24	–	–		24
Total revenue	105,555	10,820	–		116,375
Operating expenses:			–		–
Cost of product revenue	31,280	4,416	3,224	(7a)	38,920
Research & development	18,190	710	–		18,900
Selling, general & administrative	34,336	5,380	–		39,716
Total operating expenses	83,806	10,506	3,224		97,536
Income from operations	21,749	314	(3,224)		18,839
Interest and other income, net	1,458	(80)	37	(7b)	1,415
Income before income taxes	23,207	234	(3,187)		20,254
Provision for (benefit from) income taxes	4,485	(6)	–		4,479
Net income (loss)	$ 18,722	$ 228	$ (3,187)		$ 15,775
Basic net income per share:					
Net income	$ 1.30			(7d)	$ 1.09
Basic weighted average common shares outstanding	14,442				14,442
Diluted net income per share:					
Net income	$ 1.27			(7d)	$ 1.07
Diluted weighted average common shares outstanding	14,689				14,689

See accompanying notes to the unaudited pro forma condensed combined financial statements.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 – Description of the Transaction

On January 4, 2020, Anika entered into the Parcus Merger Agreement to acquire all outstanding equity of Parcus. On January 24, 2020, the acquisition was completed and Parcus became a wholly-owned subsidiary of the Company. Pursuant to the terms of the Parcus Merger Agreement, the Company acquired all outstanding equity of Parcus for an estimated total purchase consideration of $76.2 million, which consists of $32.6 million of cash paid at closing, $1.9 million of deferred consideration and $41.7 million for the acquisition-date estimated fair valued future cash payment of contingent consideration.

Note 2 – Basis of presentation

The accompanying unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of SEC Regulation S-X. The historical financial statements of Anika and Parcus have only been adjusted to show pro forma effects that are (i) directly attributable to the Transaction, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined balance sheet as of September 30, 2019 was prepared using the historical balance sheets of Anika and Parcus as of September 30, 2019 and gives effect to the Transaction as if it occurred on September 30, 2019. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2019 and the year ended December 31, 2018 give effect to the Transaction as if it occurred on January 1, 2018 and were prepared using:

- the historical unaudited condensed consolidated financial statements of Anika as of and for the nine months ended September 30, 2019;
- the historical audited financial statements of Parcus as of and for the nine months ended September 30, 2019;
- the historical audited consolidated financial statements of Anika as of and for the year ended December 31, 2018; and
- the historical audited financial statements of Parcus as of and for the year ended December 31, 2018.

The unaudited pro forma condensed combined financial information does not include the impacts of any revenue, cost or other operating synergies that may result from the Transaction or any related restructuring costs that may be contemplated.

Note 3 – Conforming accounting policies

The unaudited pro forma condensed combined financial statements do not assume any differences in accounting policies, except as described below, as the Company is not aware of any differences that would have a material impact on the unaudited pro forma condensed combined financial statements. Further review of Parcus' detailed accounting policies following the completion of the Transaction may result in the identification of additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the financial statements of the combined company. Certain reclassifications have been made to the historical financial statements of Parcus to conform to the Company's presentation, which are discussed in more detail in "Note 4 – Historical Parcus."

Note 4 – Historical Parcus

Certain reclassification adjustments have been made to conform Parcus' financial statement presentation to that of the Anika's as indicated in the tables below.

a) The reclassification adjustments to conform Parcus' balance sheet presentation as of September 30, 2019 to that of Anika's have no impact on net assets and are summarized below:

Item	Amount (in $ thousands)	Presentation in Parcus Financial Statements	Presentation in Unaudited Pro Forma Condensed Combined Balance Sheet
Deposits	28	Deposits	Other long-term assets
Line of credit	965	Line of credit	Accrued expenses and other current liabilities
Current portion of term loans	192	Current portion of term loans	Accrued expenses and other current liabilities
Current portion of capital leases	273	Current portion of capital leases	Accrued expenses and other current liabilities
Guaranteed payments	942	Guaranteed payments	Accrued expenses and other current liabilities
Term loans, less current portion	234	Term loans, less current portion	Other long-term liabilities
Capital leases, less current portion	540	Capital leases, less current portion	Other long-term liabilities
Accumulated deficit	6,086	Members' equity	Accumulated deficit

b) The reclassification adjustments to conform Parcus' statement of operations presentation to that of Anika's have no impact on net income and are summarized below:

Unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2019

Item	Amount (in $ thousands)	Presentations in Parcus Financial Statements	Presentation in Unaudited Pro Forma Condensed Combined Statement of Operations
Revenue	9,602	Revenue	Product revenue
Royalties	337	Selling, general & administrative	Cost of product revenue
Interest expense	86	Other expense	Interest and other income, net
Income tax expense	2	Other expense	Provision for income taxes

Unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018

Item	Amount (in $ thousands)	Presentations in Parcus Financial Statements	Presentation in Unaudited Pro Forma Condensed Combined Statement of Operations
Revenue	10,820	Revenue	Product revenue
Royalties	330	Selling, general & administrative	Cost of product revenue
Interest expense	80	Other expense	Interest and other income, net
Income tax expense	6	Other expense	Provision for income taxes

Note 5 – Preliminary purchase price allocation

The estimated total purchase consideration for the Transaction is approximately $76.2 million, which consists of $32.6 million of cash paid at closing, $1.9 million of deferred consideration and $41.7 million for the acquisition-date estimated fair value of future cash payment of contingent consideration. The deferred consideration is related to certain purchase price holdbacks. The contingent consideration is related to the earn-out amounts pursuant to the Parcus Merger Agreement and represents the estimated fair value of potential future payments based on the estimated probability of achieving certain net sales levels from 2020 through 2022. The following is a preliminary estimate of acquired assets and assumed liabilities of Parcus at September 30, 2019, reconciled to the estimated total purchase consideration (in thousands):

Cash and cash equivalents	$	366
Accounts receivable		2,134
Inventories		9,000
Prepaid expenses and other current assets		143
Property and equipment		1,907
Operating lease right-of-use assets		943
Other long-term assets		28
Intangible assets		49,000
Accounts payable		(763)
Accrued expenses and other current liabilities		(766)
Other long-term liabilities		(729)
Operating lease liabilities		(751)
Goodwill		15,691
Total purchase consideration	$	76,203

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma condensed combined balance sheet and condensed combined statement of operations. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments.

Note 6 – Pro forma adjustments to the unaudited pro forma condensed combined balance sheet as of September 30, 2019

a) *Estimated purchase consideration*

Reflects the adjustment to record cash paid at closing of $32.6 million, deferred consideration of $1.9 million, and the acquisition-date estimated fair value of contingent consideration of $41.7 million. The estimated total purchase consideration includes payment of $1.6 million for Parcus costs related to the Transaction, and compensation payments to certain Parcus employees of $0.9 million and managing members of $1.4 million. The cash payment is reflected as a reduction in cash and the deferred consideration is reflected as an increase in accrued expenses and other current liabilities in the unaudited pro forma condensed combined balance sheet. The estimated fair value of contingent consideration is recorded as an increase to the transferred consideration.

The following is a summary of consideration transferred to affect the Transaction:

Cash paid at closing	$	32,594
Deferred consideration		1,909
Estimated fair value of contingent consideration		41,700
Estimated total purchase consideration	$	76,203

b) *Inventory*

Reflects the adjustment to record inventories at their preliminary estimated fair value of $9.0 million and to eliminate the book value of historical inventory of $3.4 million. The fair value estimate of inventory is preliminary and is determined based on the estimated selling price less the sum of (i) cost to complete (for the work in process), (ii) costs of disposal, and (iii) a profit allowance for the completion and selling effort of the buyer. The final fair value determination of inventory may differ from this preliminary determination, and such differences could be material.

c) *Goodwill*

Reflects the adjustment to goodwill arising from the Transaction of $15.7 million. Goodwill is calculated as the difference between the fair value of the consideration expected to be transferred and the fair values assigned to the assets acquired and liabilities assumed.

Estimated total purchase consideration	$	76,203
Less: Estimated fair value of net assets acquired		(60,512)
Total estimated goodwill	$	15,691

The goodwill is attributable to the workforce of the business and the value of future technologies expected to arise after the merger. Goodwill will not be amortized and is not expected to be deductible for income tax purposes. The fair value estimate for goodwill is preliminary. The final fair value determination of goodwill may differ from this preliminary determination once Anika’s valuation of the fair value of tangible and intangible assets acquired and liabilities assumed has been completed, and such differences could be material.

d) *Intangible assets*

Reflects the adjustment to record intangible assets at the preliminary estimated fair value of $49.0 million and to eliminate the historical book value of intangible assets of $0.2 million. The estimated fair value of identifiable intangible assets includes $45.1 million of developed technology, $1.9 million of customer relationships and $2.0 million of trade names. The preliminary estimated useful life of the intangible assets is 15 years.

The estimated fair value of the acquired intangible assets is based on a preliminary valuation and is determined using the multi-period excess earnings method which is a variation of the income approach, which is a valuation technique that provides an estimate of the fair value of an asset based on the principle that the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable to the asset, after taking charges for the use of other assets employed by the business. Key estimates and assumptions used in this model are projected revenues and expenses related to the asset, estimated contributory asset charges, and a risk-adjusted discount rate used to calculate the present value of the future expected cash inflows from the asset. The fair value estimate for identified intangible assets is preliminary. The final fair value determination of the identified intangible assets may differ from this preliminary determination, and such differences could be material.

e) *Transaction costs*

Reflects the adjustment to record $3.4 million of estimated Anika transaction costs related to the Transaction that were not previously recorded in the historical financial statements as of September 30, 2019. Of these costs, $0.9 million were paid and $2.5 million were accrued at closing. These costs are recorded as a reduction to retained earnings in the unaudited pro forma condensed combined balance sheet. Additionally, since there is no continuing impact, these costs are not included in the unaudited pro forma condensed combined statement of operations.

f) *Parcus guaranteed payments*

Reflects the payments to certain Parcus managing members who performed services for Parcus in prior years without compensation. The adjustment is accounted for as part of the purchase consideration and is reflected as a decrease of $0.4 million in accounts payable and a decrease of $0.9 million in accrued expenses and other current liabilities in the unaudited pro forma condensed combined balance sheet.

g) *Debt*

Reflects the adjustment to settle Parcus’ line of credit of $1.0 million at September 30, 2019 in accordance with the Parcus Merger Agreement. The adjustment is reflected as a decrease in accrued expenses and other current liabilities in the unaudited pro forma condensed combined balance sheet.

h) *Leases*

Reflects the adjustment to:

(i) eliminate the historical finance leases liabilities of $0.3 million in accrued expenses and other current liabilities and $0.5 million in other long-term liability;

(ii) record the adjustments related to the acquired Parcus finance leases, including the right-of-use asset of $0.6 million in property, plant and equipment, current portion of lease liabilities of $0.1 million in accrued expenses and other current liabilities, and non-current portion of lease liabilities of $0.5 million in other long-term liabilities; and

(iii) record the adjustments related to the acquired Parcus operating leases, including the right-of-use assets of $0.9 million in operating lease right-of-use assets, current portion of lease liabilities of $0.2 million in accrued expenses and other current liabilities, and non-current portion of lease liabilities of $0.7 million in operating lease liabilities.

i) *Shareholder's equity*

Reflects the elimination of Parcus' historical member's equity and retained earnings which was eliminated upon completion of the Transaction.

Note 7 – Pro forma adjustments to the unaudited pro forma condensed combined statements of operations

a) *Amortization expense*

Reflects the adjustment to amortization expense to:

(i) eliminate historical amortization expense of $32 thousand and $43 thousand for the nine months ended September 30, 2019 and for the year ended December 31, 2018, respectively; and

(ii) record amortization expense based on the straight-line method of $2.5 million and $3.3 million for the nine months ended September 30, 2019 and for the year ended December 31, 2018, respectively. The amortization expense is related to the fair value of the acquired intangible assets with a preliminary estimated useful life of 15 years.

b) *Elimination of interest expense and interest income*

Reflects the adjustment for the elimination of historical Parcus' interest expense of $36 thousand for the nine months ended September 30, 2019 and $37 thousand for the year ended December 31, 2018 related to Parcus' line of credit which was settled in accordance with the Parcus Merger Agreement.

c) *Leases*

Reflects the adjustment of rent expense associated with Parcus' finance and operating leases as a result of the adoption of Financial Accounting Standards Board's Accounting Standards Codification, Leases, (ASC 842). The adjustment to record the rent expense is as follows (in thousands):

	Nine Months Ended September 30, 2019
Cost of product revenue	$ 63
Research & development	27
Selling, general & administrative	(69)
Interest expenses	5
Total	**$ 26**

There is no adjustment of rent expense for the year ended December 31, 2018.

d) *Earnings per share*

The unaudited pro forma condensed combined basic and diluted earnings per share calculations are based on the unaudited pro forma condensed combined net income of the combined company and the weighted average outstanding shares of Anika for the nine months ended September 30, 2019 and for the year ended December 31, 2018.

Note 8 – Items not included in the unaudited pro forma condensed combined financial statements

The unaudited pro forma condensed combined statements of operations do not include the impacts of any revenue, cost or other operating synergies that may result from the Transaction or any related restructuring costs that may be contemplated.

The unaudited pro forma condensed combined statements of operations do not include any non-recurring transaction costs incurred by Anika or Parcus after September 30, 2019 as those costs are not expected to have a continuing impact on the operations of the combined business.