ACORDA THERAPEUTICS INC
Form 10-Q
May 09, 2012

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 000-50513

ACORDA THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3831168
(State of Incorporation)	(I.R.S. Employer Identification Number)

15 Skyline Drive
Hawthorne, New York 10532
(914) 347-4300
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2012
Common Stock, $0.001 par value per share	40,096,193 shares

ACORDA THERAPEUTICS, INC.
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This Quarterly Report on Form 10-Q contains forward-looking statements relating to future events and our future performance within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Stockholders are cautioned that such statements involve risks and uncertainties, including: our ability to successfully market and sell Ampyra in the U.S.; third party payers (including governmental agencies) may not reimburse for the use of Ampyra at acceptable rates or at all and may impose restrictive prior authorization requirements that limit or block prescriptions; the risk of unfavorable results from future studies of Ampyra or from our other research and development programs, including any acquired or in-licensed programs; the occurrence of adverse safety events with our products; delays in obtaining or failure to obtain regulatory approval of or to successfully market Fampyra outside of the U.S. and our dependence on our collaboration partner Biogen Idec in connection therewith; competition, including the impact of generic competition on Zanaflex Capsules revenues; failure to protect our intellectual property, to defend against the intellectual property claims of others, or to obtain third party intellectual property licenses needed for the commercialization of our products; and the ability to obtain additional financing to support our operations. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions are intended to identify forward-looking statem although not all forward-looking statements contain these identifying words. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make, and investors should not place undue reliance on these statements. In addition to the risks and uncertainties described above, we have included important factors in the cautionary statements included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2011, particularly in the "Risk Factors" section, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make. Forward-looking statements in this report are made only as of the date hereof, and we do not assume any obligation to publicly update any forward-looking statements as a result of developments occurring after the date of this report.

We own several registered trademarks in the U.S. and in other countries. These registered trademarks include, in the U.S., the marks "Acorda Therapeutics," our stylized Acorda Therapeutics logo, "Ampyra," "Zanaflex," and "Zanaflex Capsules." Also, our mark "Fampyra" is a registered mark in the European Community Trademark Office and we have registrations or pending applications for this mark in other jurisdictions. Our trademark portfolio also includes several registered trademarks and pending trademark applications in the U.S. and worldwide for potential product names or for disease awareness activities. Third party trademarks, trade names, and service marks used in this report are the property of their respective owners.

PART I

Item 1. Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$55,300	$57,954
Restricted cash	303	303
Short-term investments	222,945	237,953
Trade accounts receivable, net of allowances of $909 and $879, as of March 31, 2012 and December 31, 2011, respectively	21,526	22,828
Prepaid expenses	8,201	6,534
Finished goods inventory held by the Company	27,614	27,256
Finished goods inventory held by others	1,045	1,126
Other current assets	10,780	6,988
Total current assets	347,714	360,942
Long-term investments	17,046	—
Property and equipment, net of accumulated depreciation	6,521	3,858
Intangible assets, net of accumulated amortization	8,950	8,769
Non-current portion of deferred cost of license revenue	5,283	5,442
Other assets	538	477
Total assets	$386,052	$379,488
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$20,010	$21,393
Accrued expenses and other current liabilities	20,487	24,149
Deferred product revenue—Zanaflex tablets	9,959	9,967
Deferred product revenue—Zanaflex Capsules	20,196	20,632
Current portion of deferred license revenue	9,057	9,057
Current portion of revenue interest liability	1,204	1,001
Current portion of convertible notes payable	1,144	1,144
Total current liabilities	82,057	87,343
Non-current portion of deferred license revenue	75,478	77,742
Put/call liability	495	1,030
Non-current portion of revenue interest liability	1,908	1,898
Non-current portion of convertible notes payable	4,126	5,230
Other non-current liabilities	2,894	1,036
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value. Authorized 80,000,000 shares at March 31, 2012 and December 31, 2011; issued and outstanding 39,422,865 and 39,328,495 shares, including those held in treasury, as of March 31, 2012 and December 31,	39	39

2011, respectively		
Treasury stock at cost (12,420 shares at March 31, 2012 and December 31, 2011)	(329)	(329)
Additional paid-in capital	621,053	614,914
Accumulated deficit	(401,635)	(409,481)
Accumulated other comprehensive income (loss)	(34)	66
Total stockholders' equity	219,094	205,209
Total liabilities and stockholders' equity	$386,052	$379,488

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(unaudited)

(In thousands, except per share data)	Three-month period ended March 31, 2012	Three-month period ended March 31, 2011
Revenues:		
Net product revenues	$65,673	$58,925
License revenue	2,265	2,265
Royalty revenues	3,310	96
Total net revenues	71,248	61,286
Costs and expenses:		
Cost of sales	12,464	12,050
Cost of license revenue	159	159
Research and development	11,025	10,708
Selling, general and administrative	38,745	37,928
Total operating expenses	62,393	60,845
Operating income	8,855	441
Other expense (net):		
Interest and amortization of debt discount expense	(766)	(1,136)
Interest income	129	140
Total other expense (net)	(637)	(996)
Income (loss) before taxes	8,218	(555)
Provision for income taxes	(372)	(117)
Net income (loss)	$7,846	$(672)
Net income (loss) per share—basic	$0.20	$(0.02)
Net income (loss) per share—diluted	$0.19	$(0.02)
Weighted average common shares outstanding used in computing net income (loss) per share—basic	39,340	38,781
Weighted average common shares outstanding used in computing net income (loss) per share—diluted	40,407	38,781

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(In thousands)	Three-month period ended March 31, 2012	Three-month period ended March 31, 2011
Net income (loss)	$7,846	$(672)
Other comprehensive income (loss):		
Unrealized gains (losses) on available for sale securities	(100)	52
Other comprehensive income (loss)	(100)	52
Comprehensive income (loss)	$7,746	$(620)

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

(In thousands)	Three-month period ended March 31, 2012	Three-month period ended March 31, 2011
Cash flows from operating activities:		
Net income (loss)	$7,846	$(672)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	4,191	3,755
Amortization of net premiums and discounts on investments	1,507	1,863
Amortization of revenue interest issuance cost	30	36
Depreciation and amortization expense	912	1,139
Gain on put/call liability	(535)	—
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,302	(1,523)
Increase in prepaid expenses and other current assets	(5,459)	(1,294)
Increase in inventory held by the Company	(357)	(6,363)
Decrease (increase) in inventory held by others	81	(14)
Decrease in non-current portion of deferred cost of license revenue	159	133
Increase in other assets	(92)	—
Decrease in accounts payable, accrued expenses, other current liabilities	(6,144)	(7,216)
Increase in revenue interest liability interest payable	421	659
Decrease in current portion of deferred license revenue	—	(371)
Decrease in non-current portion of deferred license revenue	(2,264)	(1,893)
Increase in other non-current liabilities	1,858	—
Increase (decrease) in deferred product revenue—Zanaflex tablets	(8)	168
Decrease in deferred product revenue—Zanaflex Capsules	(436)	(529)
Net cash provided by (used in) operating activities	3,012	(12,122)
Cash flows from investing activities:		
Purchases of property and equipment	(3,104)	(743)
Purchases of intangible assets	(656)	(164)
Purchases of investments	(65,396)	(42,812)
Proceeds from maturities of investments	61,750	99,500
Net cash (used in) provided by investing activities	(7,406)	55,781
Cash flows from financing activities:		
Proceeds from issuance of common stock and option exercises	1,949	392
Repayments of revenue interest liability	(209)	(235)
Net cash provided by financing activities	1,740	157
Net (decrease) increase in cash and cash equivalents	(2,654)	43,816
Cash and cash equivalents at beginning of period	57,954	34,641
Cash and cash equivalents at end of period	$55,300	$78,457
Supplemental disclosure:		
Cash paid for interest	304	429
Cash paid for taxes	165	102

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(unaudited)

(1) Organization and Business Activities

Acorda Therapeutics, Inc. (“Acorda” or the “Company”) is a commercial stage biopharmaceutical company dedicated to the identification, development and commercialization of novel therapies that improve neurological function in people with multiple sclerosis (MS), spinal cord injury (SCI) and other disorders of the nervous system.

The management of the Company is responsible for the accompanying unaudited interim consolidated financial statements and the related information included in the notes to the consolidated financial statements. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, including normal recurring adjustments necessary for the fair presentation of the Company’s financial position and results of operations and cash flows for the periods presented. Results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the year ended December 31, 2011 included in the Company’s Annual Report on Form 10-K for such year, as filed with the Securities and Exchange Commission (the “SEC”).

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the results of operations of the Company and its majority owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include share-based compensation accounting, which are largely dependent on the fair value of the Company’s equity securities. In addition, the Company recognizes Zanaflex revenue based on estimated prescriptions filled. The Company adjusts its Zanaflex inventory value based on an estimate of inventory that may be returned. Actual results could differ from those estimates.

Investments

Both short-term and long-term investments consist of US Treasury bonds. The Company classifies marketable securities available to fund current operations as short-term investments in current assets on its consolidated balance sheets. Marketable securities are classified as long-term investments in long-term assets on the consolidated balance sheets if (i) they have been in an unrealized loss position for longer than one year and (ii) the Company has the ability and intent to hold them (a) until the carrying value is recovered and (b) such holding period may be longer than one

year. The Company classifies its investments as available-for-sale. Available-for-sale securities are recorded at fair value of the investments based on quoted market prices.

Unrealized holding gains and losses on available-for-sale securities, which are determined to be temporary, are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss).

Premiums and discounts on investments are amortized over the life of the related available-for-sale security as an adjustment to yield using the effective-interest method. Dividend and interest income are recognized when earned. Amortized premiums and discounts, dividend and interest income and realized gains and losses are included in interest income.

Revenue Recognition

Ampyra

Ampyra is available only through a network of specialty pharmacy providers that provide the medication to patients by mail; Kaiser Permanente (Kaiser), which distributes Ampyra to patients through a closed network of on-site pharmacies; and ASD Specialty Healthcare, Inc. (an AmerisourceBergen affiliate), which is the exclusive specialty pharmacy distributor for Ampyra to the U.S. Department of Veterans Affairs (VA). Ampyra is not available in retail pharmacies. The Company does not recognize revenue from product sales until there is persuasive evidence of an arrangement, delivery has occurred, the price is fixed and determinable, the buyer is obligated to pay the Company, the obligation to pay is not contingent on resale of the product, the buyer has economic substance apart from the Company, the Company has no obligation to bring about the sale of the product, the amount of returns can be reasonably estimated and collectability is reasonably assured. The Company recognizes product sales of Ampyra following shipment of product to a network of specialty pharmacy providers, Kaiser, and the specialty distributor to the VA. The specialty pharmacy providers, Kaiser, and the specialty distributor to the VA are contractually obligated to hold no more than 30 days of inventory.

The Company's net revenues represent total revenues less allowances for customer credits, including estimated rebates, discounts and returns. These allowances are recorded for cash consideration given by a vendor to a customer that is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, are characterized as a reduction of revenue. At the time product is shipped to specialty pharmacies, Kaiser and the specialty distributor to the VA, an adjustment is recorded for estimated rebates, discounts and returns. These allowances are established by management as its best estimate based on available information and will be adjusted to reflect known changes in the factors that impact such allowances. Allowances for rebates, discounts and returns are established based on the contractual terms with customers, communications with customers and the levels of inventory remaining in the distribution channel, as well as expectations about the market for the product and anticipated introduction of competitive products. Product shipping and handling costs are included in cost of sales.

Based on the Company's specialty distribution model where it sells to only specialty pharmacies, Kaiser and the specialty distributor to the VA, the inventory and prescription data it receives from these distributors, and returns experience of other specialty products with similar selling models, the Company has been able to make a reasonable estimate for product returns. The Company will accept returns of Ampyra for two months prior to and six months after the product expiration date. The Company will provide a credit for such returns to customers with whom we have a direct relationship. Once product is prescribed, it cannot be returned. The Company does not exchange product from inventory for the returned product.

Zanaflex

The Company applies the revenue recognition guidance in Accounting Standards Codification (ASC) 605-15-25, which among other criteria requires that future returns can be reasonably estimated in order to recognize revenue. The amount of future tablet returns is uncertain due to generic competition and customer conversion to Zanaflex Capsules. The Company has accumulated some sales history with Zanaflex Capsules; however, due to existing and potential generic competition and customer conversion from Zanaflex tablets to Zanaflex Capsules, we do not believe we can reasonably determine a return rate at this time. As a result, the Company accounts for these product shipments using a deferred revenue recognition model. Under the deferred revenue model, the Company does not recognize revenue upon product shipment. For these product shipments, the Company invoices the wholesaler, records deferred revenue at gross invoice sales price, and classifies the cost basis of the product held by the wholesaler as a component of

inventory. The Company recognizes revenue when prescribed to the end-user, on a first-in first-out (FIFO) basis. The Company's revenue to be recognized is based on (1) the estimated prescription demand, based on pharmacy sales for its products; and (2) the Company's analysis of third-party information, including third-party market research data. The Company's estimates are subject to the inherent limitations of estimates that rely on third-party data, as certain third-party information is itself in the form of estimates, and reflect other limitations. The Company's sales and revenue recognition reflects the Company's estimates of actual product prescribed to the end-user. The Company expects to be able to apply a more traditional revenue recognition policy such that revenue is recognized following shipment to the customer when it believes it has sufficient data to develop reasonable estimates of expected returns based upon historical returns and greater certainty regarding generic competition.

The Company's net revenues represent total revenues less allowances for customer credits, including estimated discounts, rebates, and chargebacks. These allowances are recorded for cash consideration given by a vendor to a customer

that is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's statement of operations. Adjustments are recorded for estimated chargebacks, rebates, and discounts. These allowances are established by management as its best estimate based on available information and are adjusted to reflect known changes in the factors that impact such allowances. Allowances for chargebacks, rebates and discounts are established based on the contractual terms with customers, analysis of historical levels of discounts, chargebacks and rebates, communications with customers and the levels of inventory remaining in the distribution channel, as well as expectations about the market for each product and anticipated introduction of competitive products. In addition, the Company records a charge to cost of goods sold for the cost basis of the estimated product returns the Company believes may ultimately be realized at the time of product shipment to wholesalers. The Company has recognized this charge at the date of shipment since it is probable that it will receive a level of returned products; upon the return of such product it will be unable to resell the product considering its expiration dating; and it can reasonably estimate a range of returns. This charge represents the cost basis for the low end of the range of the Company's estimated returns. Product shipping and handling costs are included in cost of sales.

Milestones and royalties

In order to determine the revenue recognition for contingent milestones, the Company evaluates the contingent milestones using the criteria as provided by the Financial Accounting Standards Boards (FASB) guidance on the milestone method of revenue recognition. At the inception of a collaboration agreement the Company evaluates if payments are substantive. The criteria requires that (i) the Company determines if the milestone is commensurate with either its performance to achieve the milestone or the enhancement of value resulting from the Company's activities to achieve the milestone, (ii) the milestone be related to past performance, and (iii) the milestone be reasonable relative to all deliverable and payment terms of the collaboration arrangement. If these criteria are met then the contingent milestones can be considered as substantive milestones and will be recognized as revenue in the period that the milestone is achieved. Royalties are recognized as earned in accordance with the terms of various research and collaboration agreements.

Collaborations

The Company recognizes collaboration revenues and expenses by analyzing each element of the agreement to determine if it shall be accounted for as a separate element or single unit of accounting. If an element shall be treated separately for revenue recognition purposes, the revenue recognition principles most appropriate for that element are applied to determine when revenue shall be recognized. If an element shall not be treated separately for revenue recognition purposes, the revenue recognition principles most appropriate for the bundled group of elements are applied to determine when revenue shall be recognized. Payments received in excess of revenues recognized are recorded as deferred revenue until such time as the revenue recognition criteria have been met.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of investments in cash, cash equivalents, restricted cash and accounts receivable. The Company maintains cash, cash equivalents, restricted cash, short-term and long-term investments with approved financial institutions. The Company is exposed to credit risks and liquidity in the event of default by the financial institutions or issuers of investments in excess of FDIC insured limits. The Company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any institution.

Segment Information

The Company is managed and operated as one business. The entire business is managed by a single management team that reports to the chief executive officer. The Company does not operate separate lines of business with respect to any of its products or product candidates. Accordingly, the Company does not prepare discrete financial information with respect to separate products or product candidates or by location and does not have separately reportable segments.

Reclassification

Certain prior period amounts have been reclassified to conform to current year presentation.

Recent Accounting Pronouncements

In June 2011, the FASB issued an accounting standards update regarding the presentation of comprehensive income in financial statements. The provisions of this standard provide an option to present the components of net income and other comprehensive income either as one continuous statement of comprehensive income or as two separate but consecutive statements. The Company reports components of comprehensive income in two separate consecutive statements in accordance with the Financial Accounting Standard Board's amended guidance on the presentation of comprehensive income. The new guidance was effective for the Company January 1, 2012.

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" (ASU 2011-04). This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. The provisions of this new disclosure standard are effective January 1, 2012. This accounting standard update did not have a material effect on the Company's financial statements.

(3) Share-based Compensation

During the three-month periods ended March 31, 2012 and 2011, the Company recognized share-based compensation expense of $4.2 million and $3.8 million, respectively. Activity in options and restricted stock during the three-month period ended March 31, 2012 and related balances outstanding as of that date are reflected below. The weighted average fair value per share of options granted to employees for the three-month periods ended March 31, 2012 and 2011 were approximately $14.15 and $12.41, respectively.

The following table summarizes share-based compensation expense included within the consolidated statements of operations:

(In millions)	For the three-month period ended March 31, 2012	2011
Research and development	$1.0	$1.1
Selling, general and administrative	3.2	2.7
Total	$4.2	$3.8

A summary of share-based compensation activity for the three-month period ended March 31, 2012 is presented below:

Stock Option Activity

	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Intrinsic Value (In thousands)
Balance at January 1, 2012	4,793	$21.31		
Granted	914	26.36		
Cancelled	(22)	28.61		

Exercised	(94)	20.65		
Balance at March 31, 2012	5,591	$22.12	7.1	$31,867
Vested and expected to vest at March 31, 2012	5,499	$22.06	7.1	$31,733
Vested and exercisable at March 31, 2012	3,106	$18.87	5.6	$27,458

Restricted Stock Activity

(In thousands) Restricted Stock	Number of Shares
Nonvested at January 1, 2012	377
Granted	290
Vested	—
Forfeited	(2)
Nonvested at March 31, 2012	665

As of March 31, 2012, there was $48.5 million of total unrecognized compensation costs related to unvested options and restricted stock awards that the Company expects to recognize over a weighted average period of approximately 2.8 years.

(4) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three-month periods ended March 31, 2012 and 2011:

(In thousands, except per share data)	Three-month period ended March 31, 2012	Three-month period ended March 31, 2011
Basic and diluted		
Net income (loss)	$7,846	$(672)
Weighted average common shares outstanding used in computing net income (loss) per share—basic	39,340	38,781
Plus: net effect of dilutive stock options and restricted common shares	1,067	—
Weighted average common shares outstanding used in computing net income (loss) per share—diluted	40,407	38,781
Net income (loss) per share—basic	$0.20	$(0.02)
Net income (loss) per share—diluted	$0.19	$(0.02)

The difference between basic and diluted shares is that diluted shares include the dilutive effect of outstanding securities. The Company’s stock options and unvested shares of restricted common stock could have the most significant impact on diluted shares.

Securities that could potentially be dilutive are excluded from the computation of diluted earnings per share when a loss from continuing operations exists or when the exercise price exceeds the average closing price of the Company’s common stock during the period, because their inclusion would result in an anti-dilutive effect on per share amounts.

The following amounts were not included in the calculation of net income per diluted share because their effects were anti-dilutive:

(In thousands)	Three-month period ended	Three-month period ended

	March 31, 2012	March 31, 2011
Denominator		
Dilutive stock options and restricted common shares	5,189	5,523
Convertible note	67	67

(5) Income Taxes

The Company had available federal net operating loss (NOL) carryforwards of approximately $215.6 million and $230.4 million and state NOL carryforwards of approximately $175.0 million and $205.9 million as of March 31, 2012 and December 31, 2011 respectively which may be available to offset future taxable income, if any. The federal losses are expected to expire between 2022 and 2030 while the state losses are expected to expire between 2018 and 2030. The Company also has research and development tax credit carryforwards of approximately $4.0 million as of March 31, 2012, for federal income tax reporting purposes that may be available to reduce federal income taxes, if any, and expire in future years beginning in 2019. The Company is no longer subject to federal or state income tax audits for tax years prior to 2006; however, such taxing authorities can review any net operating losses utilized by the Company in years subsequent to 1999. The Company also has Alternative Minimum Tax credit carryforwards of $1.4 million and $1.1 million as of March 31, 2012 and December 31, 2011, respectively. Such credits can be carried forward indefinitely and have no expiration date.

At March 31, 2012 and December 31, 2011, the Company had a deferred tax asset of $143.9 million and $147.6 million, respectively, offset by a full valuation allowance. Since inception, the Company has incurred substantial losses and may incur losses in future periods. The Tax Reform Act of 1986 (the “Act”) provides for a limitation of the annual use of NOL and research and development tax credit carryforwards (following certain ownership changes, as defined by the Act) that could significantly limit the Company’s ability to utilize these carryforwards. The Company has experienced various ownership changes as a result of past financings. Accordingly, the Company’s ability to utilize the aforementioned carryforwards may be limited. Additionally, because U.S. tax laws limit the time during which these carryforwards may be applied against future taxes, the Company may not be able to take full advantage of these attributes for federal income tax purposes. Because of the above-mentioned factors, the Company has not recognized its gross deferred tax assets as of and for all periods presented. As of March 31, 2012, management believes that it is more likely than not that the gross deferred tax assets will not be realized based on future operations and reversal of deferred tax liabilities. Accordingly, the Company has provided a full valuation allowance against its gross deferred tax assets and no tax benefit has been recognized relative to its pretax losses.

(6) Fair Value Measurements

The following table presents information about the Company’s assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability. The Company’s Level 1 assets consist of time deposits and investments in a Treasury money market fund and high-quality government bonds and are valued using market prices on the active markets. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. The Company’s Level 3 liability represents our put/call liability related to the Paul Royalty Fund (PRF) transaction. No changes in valuation techniques or inputs occurred during the three months ended March 31, 2012. No transfers of assets between Level 1 and Level 2 of the fair value measurement hierarchy occurred during the three-month period ended March 31, 2012.

(In thousands)	Level 1	Level 2	Level 3
Assets Carried at Fair Value:			
Cash equivalents	$42,287	$—	$—
Short-term investments	222,945	—	—
Long-term investments	17,046	—	—

Liabilities Carried at Fair Value:			
Put/call liability	—	—	495

The following table presents additional information about assets and/or liabilities measured at fair value on a recurring basis and for which the Company utilizes Level 3 inputs to determine fair value.

(In thousands)	Balance as of December 31, 2011	Realized (gains) losses included in net loss	Unrealized (gains) losses included in other comprehensive loss	Balance as of March 31, 2012
Liabilities Carried at Fair Value:				
Put/call liability	$1,030	$(535)	$—	$495

The Company currently estimates the fair value of our put/call liability using a discounted cash flow valuation technique. Using this approach, historical and expected future cash flows are calculated over the expected life of the PRF agreement, are discounted, and then exercise scenario probabilities are applied. Some of the more significant assumptions made in the valuation include (i) the estimated Zanaflex revenue forecast and (ii) the likelihood of put/call exercise trigger events such as bankruptcy and change of control. The valuation is performed periodically when the significant assumptions change. Realized gains and losses are included in sales, general and administrative expenses.

The put/call liability has been classified as a Level 3 asset as its valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the security. If different assumptions were used for the various inputs to the valuation approach including, but not limited to, assumptions involving the estimated Zanaflex revenue forecast and the likelihood of trigger events, the estimated fair value could be significantly higher or lower than the fair value we determined. The Company may be required to record losses in future periods, which may be significant.

(7) Investments

The Company has determined that all of its investments are classified as available-for-sale. Available-for-sale securities are carried at fair value with interest on these securities included in interest income and are recorded based primarily on quoted market prices. Available-for-sale securities consisted of the following:

(In thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
March 31, 2012				
US Treasury bonds	$240,027	$9	$(45)	$239,991
December 31, 2011				
US Treasury bonds	237,887	72	(6)	237,953

The contractual maturities of short-term available-for-sale debt securities at March 31, 2012 and December 31, 2011 are within one year. The contractual and intended maturities of long-term available-for-sale debt securities at March 31, 2012 and December 31, 2011 are greater than one year. The Company has determined that there were no other-than-temporary declines in the fair values of its investments as of March 31, 2012. Short-term investments with maturity of three months or less from date of purchase have been classified as cash equivalents, and amounted to $42.3 million and $38.3 million as of March 31, 2012 and December 31, 2011, respectively.

(8) Collaborations, Alliances, and Other Agreements

Biogen

On June 30, 2009, the Company entered into an exclusive collaboration and license agreement with Biogen Idec International GmbH (Biogen Idec) to develop and commercialize Ampyra (known as Fampyra outside the U.S.) in markets outside the United States (the “Collaboration Agreement”). Under the Collaboration Agreement, Biogen Idec was granted the exclusive right to commercialize Ampyra and other products containing aminopyridines developed under that agreement in all countries outside of the United States, which grant includes a sublicense of the Company’s rights under an existing license agreement between the Company and Alkermes plc (Alkermes), formerly Elan Corporation, plc (Elan). Biogen Idec has responsibility for regulatory activities and future clinical development of Fampyra in ex-U.S. markets worldwide. The

Company also entered into a related supply agreement with Biogen Idec (the "Supply Agreement"), pursuant to which the Company will supply Biogen Idec with its requirements for the licensed products through the Company's existing supply agreement with Alkermes.

Under the Collaboration Agreement, the Company was entitled to an upfront payment of $110.0 million as of June 30, 2009, which was received in July 2009, and a $25 million milestone payment upon approval of the product in the European Union, which was received in August 2011. The Company is also entitled to receive additional payments of up to $10 million based on the successful achievement of future regulatory milestones and up to $365 million based on the successful achievement of future sales milestones. Due to the uncertainty surrounding the achievement of the future regulatory and sales milestones, these payments will not be recognized as revenue unless and until they are earned. The Company is not able to reasonably predict if and when the milestones will be achieved. Under the Collaboration Agreement, Biogen Idec will be required to make double-digit tiered royalty payments to the Company on ex-U.S. sales. In addition, the consideration that Biogen Idec will pay for licensed products under the Supply Agreement will reflect the price owed to the Company's suppliers under its supply arrangements with Alkermes or other suppliers for ex-U.S. sales. The Company and Biogen Idec may also carry out future joint development activities regarding licensed product under a cost-sharing arrangement. Under the terms of the Collaboration Agreement, the Company, in part through its participation in joint committees with Biogen Idec, will participate in overseeing the development and commercialization of Ampyra and other licensed products in markets outside the United States pursuant to that agreement. Acorda will continue to develop and commercialize Ampyra independently in the United States.

As of June 30, 2009, the Company recorded a license receivable and deferred revenue of $110.0 million for the upfront payment due to the Company from Biogen Idec under the Collaboration Agreement. Also, as a result of such payment to Acorda, a payment of $7.7 million became payable by Acorda to Alkermes and was recorded as a cost of license payable and deferred expense. The payment of $110.0 million was received from Biogen Idec on July 1, 2009 and the payment of $7.7 million was made to Alkermes on July 7, 2009.

The Company considered the following deliverables with respect to the revenue recognition of the $110.0 million upfront payment: (1) the license to use the Company's technology, (2) the Collaboration Agreement to develop and commercialize licensed product in all countries outside the U.S., and (3) the Supply Agreement. Due to the inherent uncertainty in obtaining regulatory approval, the applicability of the Supply Agreement is outside the control of the Company and Biogen Idec. Accordingly, the Company has determined the Supply Agreement is a contingent deliverable at the onset of the agreement. As a result, the Company has determined the Supply Agreement does not meet the definition of a deliverable that needs to be accounted for at the inception of the arrangement. The Company has also determined that there is no significant and incremental discount related to the supply agreement since Biogen Idec will pay the same amount for inventory that the Company would pay and the Company effectively acts as a middle man in the arrangement for which it adds no significant value due to various factors such as the Company does not have any manufacturing capabilities or other knowhow with respect to the manufacturing process.

The Company has determined that the identified non-contingent deliverables (deliverables 1 and 2 immediately preceding) would have no value on a standalone basis if they were sold separately by a vendor and the customer could not resell the delivered items on a standalone basis, nor does the Company have objective and reliable evidence of fair value for the deliverables. Accordingly, the non-contingent deliverables are treated as one unit of accounting. As a result, the Company will recognize the non-refundable upfront payment from Biogen Idec as revenue and the associated payment to Alkermes as expense ratably over the estimated term of regulatory exclusivity for the licensed products under the Collaboration Agreement as the Company had determined this was the most probable expected benefit period. The Company recognized $2.3 million in license revenue, a portion of the $110.0 million received from Biogen Idec, and $159,000 in cost of license revenue, a portion of the $7.7 million paid to Alkermes, during the three-month periods ended March 31, 2012 and 2011, respectively.

On January 21, 2011 Biogen Idec announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) decided against approval of Fampyra to improve walking ability in adult patients with multiple sclerosis. Biogen Idec, working closely with the Company, filed a formal appeal of the decision. In May 2011, the CHMP recommended conditional marketing authorization, and in July 2011 Biogen Idec received conditional approval from the European Commission for, Fampyra (prolonged-release fampridine tablets) for the improvement of walking in adult patients with MS with walking disability (Expanded Disability Status Scale of 4-7). The Company changed the amortization period on a prospective basis during the three-month period ended March 31, 2011 by five months and currently estimates the recognition period to be approximately 12 years from the date of the Collaboration Agreement.

As part of its ex-U.S. license agreement, Biogen Idec owes Acorda royalties based on ex-U.S. net sales, and milestones based on ex-U.S. regulatory approval, new indications, and ex-U.S. net sales. These milestones included a $25 million payment for approval of the product in the European Union which was recorded and paid in the three month period ended September 30, 2011. Based on Acorda's worldwide license and supply agreement with Alkermes, Alkermes received 7% of this milestone payment from Acorda during the same period. For revenue recognition purposes, the Company has determined this milestone to be substantive in accordance with applicable accounting guidance related to milestone revenue. Substantive uncertainty existed at the inception of the arrangement as to whether the milestone would be achieved because of the numerous variables, such as the high rate of failure inherent in the research and development of new products and the uncertainty involved with obtaining regulatory approval. Biogen leveraged Acorda's U.S. Ampyra study results that contributed to the regulatory approval process. Therefore, the milestone was achieved based in part on Acorda's past performance. The milestone was also reasonable relative to all deliverable and payment terms of the collaboration arrangement. Therefore, the payment was recognized in its entirety as revenue and the cost of the milestone revenue was recognized in its entirety as an expense during the three-month period ended September 30, 2011.

Cost of license revenue includes $159,000 in cost of license revenue, which represents the amortized portion of the $7.7 million paid to Alkermes in 2009, for the three-month periods ended March 31, 2012 and 2011, respectively.

Watson

The Company has an agreement with Watson Pharma, Inc., a subsidiary of Watson Pharmaceuticals, Inc., to market tizanidine hydrochloride capsules, an authorized generic version of Zanaflex Capsules, which was launched in February 2012. In accordance with the Watson agreement, the Company receives a royalty based on Watson's gross margin, as defined by the agreement, of the authorized generic product. During the three-month period ended March 31, 2012, the Company recognized royalty revenue of $1.5 million related to the gross margin of the Zanaflex Capsule authorized generic. During the three-month period ended March 31, 2012, the Company also recognized revenue and a corresponding cost of sales of $1.1 million, respectively, related to the purchase and sale of the related Zanaflex Capsule authorized generic product to Watson, which is recorded in net product revenues and cost of sales.

Neuronex

In February 2012, the Company and its wholly-owned subsidiary ATI Development Corp. (ATI) entered into an agreement to acquire (the Agreement) Neuronex, Inc., a privately-held development stage pharmaceutical company (Neuronex). Neuronex is developing Diazepam nasal spray, or DZNS, under Section 505(b)(2) of the Food, Drug and Cosmetic Act as a rescue treatment for certain seizures.

Under the terms of the Agreement, upon closing of the acquisition, Acorda would pay $6.8 million in cash, subject to adjustment in accordance with the provisions of the Agreement. After closing, the former equity holders of Neuronex will be entitled to receive from Acorda up to an additional $18 million in contingent earnout payments upon the achievement of specified regulatory and manufacturing-related milestones with respect to the DZNS product, and up to $105 million upon the achievement of specified sales milestones with respect to the DZNS product. The former equity holders of Neuronex will also be entitled to receive tiered royalty-like earnout payments, ranging from the upper single digits to lower double digits, on worldwide net sales of DZNS products. These payments are payable on a country-by-country basis until the earlier to occur of ten years after the first commercial sale of a product in such country and the entry of generic competition in such country as defined in the Agreement.

Neuronex licenses the patent and other intellectual property and other rights relating to the DZNS product from SK Biopharmaceuticals Co., Ltd. (SK). Pursuant to the SK license, which grants worldwide rights to Neuronex, except certain specified Asian countries, Neuronex is obligated to pay SK up to $8 million upon the achievement of specified

development milestones with respect to the DZNS product and up to $3 million upon the achievement of specified sales milestones with respect to the DZNS product. Also, Neuronex is obligated to pay SK a tiered, mid-single digit royalty on net sales of DZNS products. Upon the potential closing of the acquisition, Acorda will be responsible for these milestone payments and royalties, in addition to the earnout payments described above.

Consummation of the acquisition is subject to certain conditions, including (i) Acorda's receipt of the official minutes (the "FDA Minutes") from a meeting contemplated by the Agreement to be held among Acorda, Neuronex, and the U.S. Food and Drug Administration with respect to the DZNS product and a contemplated filing of the New Drug Application for the product, (ii) consent of SK to the transactions contemplated by the Agreement, and (iii) other conditions customary for a transaction of this type.

Consummation of the acquisition is also subject to the parties not exercising their rights to terminate the Agreement. Under the Agreement, (i) Acorda has the right to terminate the Agreement at any time prior to closing, even if the closing conditions have been satisfied, and Neuronex can terminate the Agreement after a specified time period has elapsed after receipt of the FDA Minutes, and (ii) both Acorda and Neuronex have termination rights in the event of certain breaches of representations or covenants by the other party.

Under the terms of the Agreement, the Company made an upfront payment of $2.0 million and paid $500,000 during the three-month period ended March 31, 2012 of the up to $1.2 million in research funding to prepare for the diazepam nasal spray pre-NDA meeting with the FDA. Following the pre-NDA meeting, if the conditions described above have been met and termination rights are not exercised, the Company will complete the acquisition of Neuronex by paying the $6.8 million closing payment referred to above.

The Company evaluated the transaction based upon the guidance of ASC 805, Business Combinations, and concluded that it will only acquire inputs and will not acquire any processes. The Company will need to develop its own processes in order to produce an output. Therefore the Company expects to account for the transaction as an asset acquisition and accordingly the $2.0 million upfront payment and the $500,000 research funding were expensed as research and development expense during the three-month period ended March 31, 2012.

(9) Commitments and Contingencies

A summary of the Company’s commitments and contingencies was included in the Company’s Annual Report on Form 10-K for the twelve-month period ended December 31, 2011. The Company’s long-term contractual obligations include commitments and estimated purchase obligations entered into in the normal course of business.

The Company may be, from time to time, a party to various disputes and claims arising from normal business activities. The Company accrues for loss contingencies when information available indicates that it is probable that a liability has been incurred and the amount of such loss can be reasonably estimated. The Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company’s financial condition or liquidity. However, adjustments, if any, to the Company’s estimates could be material to operating results for the periods in which adjustments to the liability are recorded. As of March 31, 2012, there have been no accruals for loss contingencies aside from payments related to litigation itself.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

Background

We are a commercial-stage biopharmaceutical company dedicated to the identification, development and commercialization of novel therapies that improve neurological function in people with multiple sclerosis, or MS, spinal cord injury, SCI, and other disorders of the nervous system.

Ampyra

General

Ampyra was approved by the FDA in January 2010 for the improvement of walking in people with MS. To our knowledge, Ampyra is the first and only product approved for this indication. Efficacy was shown in people with all four major types of MS (relapsing remitting, secondary progressive, progressive relapsing and primary progressive). Ampyra was made commercially available in the United States in March 2010. Net revenue for Ampyra was $57.4 million for the three-months ended March 31, 2012 and $46.8 million for the three-months ended March 31, 2011. As of February 2012, approximately 70% of all people with MS who were prescribed Ampyra received a first refill, and approximately 40% of all people with MS who were prescribed Ampyra received a sixth refill, consistent with previously reported trends.

Ampyra is marketed in the United States through our own specialty sales force and commercial infrastructure. We currently have approximately 90 sales representatives in the field calling on a priority target list of approximately 7,000 physicians. We also have established teams of Regional Scientific Managers, Regional Reimbursement Directors, and Managed Markets account managers who provide information and assistance to payers and physicians on Ampyra.

Pursuant to our REMS approved by the FDA, Ampyra is distributed in the United States exclusively through: a limited network of specialty pharmacy providers that deliver the medication to patients by mail; Kaiser Permanente, which distributes Ampyra to patients through a closed network of on-site pharmacies; and ASD Specialty Healthcare, Inc. (an AmerisourceBergen affiliate), which is the exclusive specialty pharmacy distributor for Ampyra to the U.S. Department of Veterans Affairs, or VA. All of these customers are contractually obligated to hold no more than 30 days of inventory.

We have contracted with a third party organization with extensive experience in coordinating patient benefits to run Ampyra Patient Support Services, or APSS, a dedicated resource that coordinates the prescription process among healthcare providers, people with MS, and insurance carriers. Processing of most incoming requests for prescriptions by APSS begins within 24 hours of receipt. Patients will experience a range of times to receive their first shipment based on the processing time for insurance requirements. As with any prescription product, patients who are members of benefit plans that have restrictive prior authorizations may experience delays in receiving their prescription.

Three of the largest national health plans in the U.S. – Aetna, United Healthcare and Cigna – have listed Ampyra in the lowest branded co-pay tier of their commercial preferred drug list or formulary.

License and Collaboration Agreement with Biogen Idec

Ampyra is marketed as Fampyra outside the U.S. by Biogen Idec International GmbH, or Biogen Idec, under a license and collaboration agreement that we entered into in June 2009. Biogen Idec has received conditional approval from the European Commission for Fampyra, and to date Biogen Idec has launched Fampyra in Germany, the United Kingdom, Denmark, Norway and Iceland. Launch in most of the remaining EU countries is expected by the end of 2012. Also, in May 2011, Fampyra was approved for use in Australia by the Australian Therapeutic Goods Administration, and has been launched there. In November 2011, Biogen received approval from the New Zealand Medicines and Medical Devices Safety Authority (MEDSAFE), and in February 2012 Biogen Idec received approval from Health Canada and has launched Fampyra in Canada. Biogen Idec plans to submit regulatory filings for Fampyra in more than 30 countries in 2012. We received a $25 million milestone payment from Biogen Idec in 2011, which was triggered by Biogen Idec's receipt of conditional approval from the European Commission for Fampyra. The next expected milestone payment would be $15 million, due when ex-U.S. net sales exceed $100 million over four consecutive quarters.

Ampyra Development Programs

We believe there is potential for Ampyra to be applied to other indications within MS and also in other neurological conditions. For example, in December 2011, we initiated a Phase 2 proof-of-concept clinical study of dalfampridine in adults with cerebral palsy, and we expect to announce initial study results by the end of 2012. Also, we plan to begin a Phase 2 proof-of-concept trial of dalfampridine in post-stroke deficits in the second quarter of 2012, earlier than previously expected. This study is expected to enroll patients who have experienced a stroke and who have stabilized with chronic neurologic deficits, which may include walking impairment and arm weakness. Over the first few months following a stroke, patients typically show some degree of spontaneous recovery of function, which may be enhanced by rehabilitation and physical therapy. This trial will target motor impairments that remain after such recovery. We also are providing grants for investigator-initiated studies looking for potential benefits on a range of functional deficits in MS and other neurological disorders.

Patent Update Related to Ampyra

On August 30, 2011, the United States Patent and Trademark Office, or USPTO, issued U.S. Patent No. US 8,007,826 with claims relating to methods to improve walking in patients with MS by administering 10 mg of sustained release 4-aminopyridine (dalfampridine) twice daily. Based on the USPTO's final patent term adjustment calculation this patent will extend into 2027. This patent is listed in the Orange Book.

On August 10, 2011, we announced that the USPTO had allowed U.S. Patent Application No. 11/102,559 with claims relating to methods to improve walking, walking speed, lower extremity muscle tone and lower extremity muscle strength in patients with MS by administering 10 mg of sustained release 4-aminopyridine (dalfampridine) twice daily. Also in 2011, the European Patent Office, or EPO, granted the counterpart European patent with claims relating to, among other things, use of a sustained release aminopyridine composition, such as dalfampridine, to increase walking speed. In March 2012, Synthon B.V. and neuraxpharm Arzneimittel GmbH filed oppositions with the EPO challenging this granted European patent. We intend to vigorously defend the European patent, although the outcome of opposition proceedings is unpredictable. In light of the European oppositions, in April 2012, the Company requested further review by the USPTO of the U.S. patent which was allowed but had not yet issued. The USPTO has conducted its further review and issued a new Notice of Allowance.

Zanaflex

Zanaflex Capsules and Zanaflex tablets are FDA-approved as short-acting drugs for the management of spasticity, a symptom of many central nervous system, or CNS, disorders, including MS and SCI. These products contain tizanidine hydrochloride, one of the two leading drugs used to treat spasticity. We launched Zanaflex Capsules in April 2005 as part of our strategy to build a commercial platform for the potential market launch of Ampyra. Combined net revenue of Zanaflex Capsules and Zanaflex tablets was $7.2 million for the three-months ended March 31, 2012 and $12.2 million for the three-months ended March 31, 2011. The commercial launch of generic tizanidine hydrochloride capsules in February 2012 by Apotex and potentially others, including our own authorized generic product being marketed by Watson Pharma, has caused a decline in sales of Zanaflex Capsules and is expected to cause the Company's net revenue from Zanaflex Capsules to decline significantly in 2012 and beyond.

Research & Development Programs

Our lead research and development programs include three distinct therapeutic approaches to restoring neurologic and cardiac function and a fourth program, initiated in 2011, to develop an acute treatment for neurological trauma. We believe that these programs have broad applicability and have the potential to be first-in-class therapies. While our existing programs have been focused on MS and SCI, we believe they may be applicable across a number of CNS disorders, including stroke and TBI, because many of the mechanisms of tissue damage and repair are similar. In addition, we believe that some of our research and development programs may have applicability beyond the nervous system, including in the field of cardiology.

Glial Growth Factor 2

We are conducting a Phase 1 clinical trial of GGF2 in heart failure patients and expect to announce preliminary trial results in the second half of 2012. If we are able to establish a proof of concept for treatment of heart failure through human

clinical studies, we may decide to develop the product independently or to enter into a partnership, most likely with a cardiovascular-focused company.

Remyelinating Antibodies

We previously announced that we expected to file an IND for one of the remyelinating antibodies, rHIgM22, for the treatment of MS in the first half of 2012 and that we expected to begin a Phase 1 clinical trial by the end of 2012. However, we have delayed the IND filing pending resolution of issues with a bioactivity assay, and the timing of a Phase 1 clinical trial is now uncertain. In preparation for the IND filing, we worked with a contract manufacturer to complete the scale-up manufacturing and purification processes and completed formal preclinical safety and toxicity studies. The manufacturing data, clinical plans and preclinical safety profile will be subject to FDA review as part of our IND filing, if and when we successfully complete the bioactivity release assay.

Chondroitinase Program

We are continuing research, which has been funded in part by federal and state grants, on the potential use of chondroitinases for the treatment of injuries to the brain and spinal cord, as well as other neurotraumatic indications. The chondroitinase program is in the research and translational development phase and has not yet entered formal preclinical development. We are exploring the possibility of obtaining additional research grants from the National Institutes of Health, or NIH, as well as potential partnerships with other companies to support our efforts.

AC 105

In June 2011, we entered into a License Agreement with Medtronic, Inc. and one of its affiliates, pursuant to which we acquired worldwide development and commercialization rights to certain formulations of magnesium with a polymer such as polyethylene glycol (which we refer to as AC105). Pursuant to the License Agreement, we paid Medtronic an upfront fee of $3 million and are obligated to pay up to an additional $32 million upon the achievement of specified regulatory and development milestones. If we commercialize AC105, we will also be obligated to pay a single-digit royalty on sales. We plan to study AC105 as an acute treatment for patients who have suffered neurological trauma, such as SCI and TBI. We expect to begin enrollment in a Phase 2 clinical trial in patients with acute SCI in the second half of 2012.

Ardsley Lease

In June 2011, we entered into a 15 year lease for an aggregate of approximately 138,000 square feet of office and laboratory space in Ardsley, New York. Base rent will initially be $3.4 million per year, subject to a 2.5% annual increase. We have options to extend the lease term for three additional five-year periods, and may terminate the lease after 10 years, subject to payment of an early termination fee. We also have the right to lease up to approximately 120,000 additional square feet of space in additional buildings at the same location. We anticipate taking possession of the new space in June 2012, subject to completion of certain improvements that must be finished prior to our occupancy.

Outlook for 2012

Financial Guidance for 2012

We are providing the following guidance with respect to our 2012 financial performance. The following does not reflect any potential expenditures related to the Neuronex transaction described below.

- We expect 2012 net revenue from the sale of Ampyra to range from $255 million to $275 million.
- We expect combined net revenues from sales of Zanaflex Capsules (including from sales of authorized generic tizanidine hydrochloride under our agreement with Watson Pharma) and Zanaflex tablets, and royalty revenue from sales by Biogen Idec of Fampyra outside the U.S., of at least $25 million.
- Research and development expenses are expected to range from $50 million to $60 million, excluding share-based compensation charges. These expenses will include post-marketing studies for Ampyra, Phase 2 proof-of-concept studies in cerebral palsy and post-stroke deficits, and sponsorship of investigator-initiated studies of Ampyra.

- Selling, general and administrative expenses are expected to range from $145 million to $160 million, excluding share-based compensation charges. The principal factors affecting SG&A will be commercial and administrative costs related to Ampyra.

- We expect to be cash flow positive in 2012.

The range of SG&A and R&D expenditures for 2012 are non-GAAP financial measures because they exclude share-based compensation charges. Non-GAAP financial measures are not an alternative for financial measures prepared in accordance with GAAP. However, we believe the presentation of these non-GAAP financial measures, when viewed in conjunction with actual GAAP results, provides investors with a more meaningful understanding of our projected operating performance because they exclude non-cash charges that are substantially dependent on changes in the market price of our common stock. We believe that non-GAAP financial measures that exclude share-based compensation charges help indicate underlying trends in our business, and are important in comparing current results with prior period results and understanding expected operating performance. Also, our management uses non-GAAP financial measures that exclude share-based compensation charges to establish budgets and operational goals, and to manage our business and to evaluate its performance.

Key 2012 Initiatives and Expected Developments

Our key initiatives and expected developments during 2012 are as follows:

Targeted Development Milestones

Our goals with respect to our development pipeline in 2012 are as follows:

- Our Phase 2 proof-of-concept clinical trial of dalfampridine in adults with cerebral palsy, which was commenced in December 2011, is ongoing. We expect to announce initial study results by the end of 2012.

- A Phase 2 proof-of-concept clinical trial of dalfampridine in post stroke deficits is expected to begin in the second quarter of 2012, earlier than previously expected.

- Initial study results from our ongoing GGF2 Phase 1 clinical trial are expected to be announced in the second half of 2012.

- A Phase 2 clinical trial of AC105 in patients with acute SCI is expected to begin in the second half of 2012.

- We previously announced that we planned to submit an IND for rHIgM22 with the FDA in the first half of 2012, and that we planned to begin a Phase 1 clinical trial by the end of 2012. However, we have delayed the IND filing pending resolution of issues with a bioactivity assay, and the timing of a Phase 1 clinical trial is now uncertain.

- Funding of investigator-initiated studies of Ampyra in MS, focused on a range of neurological functions and other neurological disorders, will be ongoing in 2012.

Neuronex Acquisition Agreement and Development of DZNS

On February 15, 2012, we entered into an agreement with Neuronex, Inc., which is preparing a 505(b)(2) type NDA for a proprietary nasal spray formulation of Diazepam, or DZNS, as a rescue treatment for certain epilepsy patients. We made an upfront payment of $2 million upon signing the agreement and will fund up to $1.2 million (of which we paid $500,000 during the three-month period ended March 31, 2012) in research and development costs prior to closing.

The closing is subject to a number of conditions including our satisfaction with the results of a meeting to be held with the FDA regarding Neuronex's expected NDA filing. Following the pre-NDA meeting, we can, at our option, complete the acquisition by paying an additional $6.8 million in consideration. If we do not complete the transaction, other than as a result of a breach by Neuronex, Neuronex is entitled to retain all amounts previously paid by us as a break-up fee and we have no further obligations to Neuronex.

If we consummate the acquisition and the Neuronex product is approved by the FDA, additional potential payments would include up to $18 million to the former Neuronex equity holders in earnout payments upon the achievement of

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specified regulatory and manufacturing-related milestones and up to $105 million upon the achievement of specified sales milestones. The former Neuronex equity holders would also be entitled to receive milestone and royalty-like earnout payments from us based on worldwide net sales, ranging from the upper single digits to lower double digits.

In addition to the potential payments to former Neuronex equity holders, if we consummate the acquisition, we would be obligated to pay certain amounts to SK Biopharmaceuticals Co., Ltd. ("SK"), the licensor of the patent and other intellectual property and other rights relating to the DZNS product, under its license agreement with Neuronex. Pursuant to this license, Neuronex is obligated to pay SK up to $8 million upon the achievement of specified development milestones with respect to the DZNS product (including $1 million upon the FDA's acceptance of the NDA for the DZNS product), and up to $3 million upon the achievement of specified sales milestones with respect to the DZNS product. Also, Neuronex is obligated to pay SK a tiered, mid-single digit royalty on net sales of DZNS products.

If the acquisition is completed, we will assume oversight and financial responsibility for Neuronex's development and regulatory programs for diazepam nasal spray. We expect that these expenses would not exceed $8 million in 2012.

Ardsley Lease

We expect to move into our new facility in Ardsley, New York in June 2012, subject to completion of certain improvements, which are being funded in part by us and in part by the owner of the facility.

Results of Operations

Three-Month Period Ended March 31, 2012 Compared to March 31, 2011

Net Product Revenues

Ampyra

We recognize product sales of Ampyra following shipment of product to our network of specialty pharmacy providers, Kaiser and the specialty distributor to the VA. We recognized net revenue from the sale of Ampyra to these customers of $57.4million and $46.8 million for the three-month periods ended March 31, 2012 and 2011, respectively. This net revenue of Ampyra reflected a 7.5% increase in our sale price effective March 4, 2011 and a 15% increase in our sale price effective January 3, 2012.

Discounts and allowances which are included as an offset in net revenue consists of allowances for customer credits, including estimated chargebacks, rebates, discounts and returns. Discounts and allowances are recorded following shipment of Ampyra tablets to our network of specialty pharmacy providers, Kaiser and the specialty distributor to the VA. Adjustments are recorded for estimated chargebacks, rebates, and discounts. Discounts and allowances also consist of discounts provided to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the "donut hole"). Payment of coverage gap discounts is required under the Affordable Care Act, the health care reform legislation enacted in 2010. Discounts and allowances may increase as a percentage of sales as we enter into managed care contracts in the future.

Zanaflex

We recognize product sales of Zanaflex Capsules and Zanaflex tablets using a deferred revenue recognition model where shipments to wholesalers are recorded as deferred revenue and only recognized as revenue when end-user prescriptions of the product are reported. We also recognize product sales on the transfer price of product sold for an authorized generic of Zanaflex Capsules launched during the three-month period ended March 31, 2012. We recognized net revenue from the sale of Zanaflex Capsules and Zanaflex tablets and the product sales of the authorized generic version of Zanaflex Capsules of $7.2 million for the three-month period ended March 31, 2012, as compared to $12.2 million for the three-month period ended March 31, 2011. The decrease was due to the commercial launch of generic versions of tizanidine hydrochloride capsules in February 2012. Net product revenues also include $1.1 million, which represents the sale of Zanaflex Capsules authorized generic product to Watson for the three-month period ended March 31, 2012. Generic competition has caused a decline in sales of Zanaflex Capsules and is expected to cause the Company's net revenue from Zanaflex Capsules to decline significantly in 2012 and beyond.

Discounts and allowances, which are included as an offset in net revenue, consist of allowances for customer credits, including estimated chargebacks, rebates, and discounts. Adjustments are recorded for estimated chargebacks, rebates, and

discounts.

License Revenue

The Company recognized $2.3 million in license revenue for the three-month periods ended March 31, 2012 and 2011related to the $110.0 million received from Biogen Idec in 2009 as part of our collaboration agreement. We currently estimate the recognition period to be approximately 12 years from the date of the Collaboration Agreement.

Royalty Revenues

The Company recognized $1.8 million and $96,000 in royalty revenue for the three-month period ended March 31, 2012 and 2011, respectively related to ex-U.S. sales of Fampyra by Biogen Idec.

The Company recognized $1.5 million in royalty revenue for the three-month period ended March 31, 2012 related to the authorized generic sale of Zanaflex Capsules which started in February 2012.

Cost of Sales

Ampyra

We recorded cost of sales of $10.3 million for the three-month period ended March 31, 2012 as compared to $9.7 million for the three-month period ended March 31, 2011. Cost of sales for the three-month period ended March 31, 2012 consisted primarily of $8.8 million in inventory costs related to recognized revenues. The cost of Ampyra inventory is based on a percentage of net product sales of the product in the quarter shipped to Acorda by Alkermes or our alternative manufacturer. In a quarter when there is a price increase, such as the three-month period ended March 31, 2012, inventory costs as a percentage of net product revenue will be slightly lower for a period of time until all of our inventory on hand before the price increase is sold. Due to this, we expect our inventory costs to increase slightly later in 2012. Cost of sales for the three-month period ended March 31, 2012 also consisted of $1.2 million in royalty fees based on net sales, $147,000 in amortization of intangible assets, and $56,000 in period costs related to freight and stability testing.

Cost of sales for the three-month period ended March 31, 2011 consisted primarily of $8.5 million in inventory costs related to recognized revenues. Cost of sales for the three-month period ended March 31, 2011 also consisted of $970,000 in royalty fees based on net sales, $225,000 in amortization of intangible assets, and $32,000 in period costs related to freight and stability testing.

Zanaflex

We recorded cost of sales of $1.1 million for the three-month period ended March 31, 2012 as compared to $2.3 million for the three-month period ended March 31, 2011. Cost of sales for the three-month period ended March 31, 2012 consisted of $628,000 in inventory costs primarily related to recognized revenues, $449,000 in royalty fees based on net product shipments, and $12,000 in period costs related to packaging, freight and stability testing. Cost of sales also includes $1.1 million, which represents the cost of Zanaflex Capsules authorized generic product sold for the three-month period ended March 31, 2012.

Cost of sales for the three-month period ended March 31, 2011 consisted of $1.1 million in inventory costs primarily related to recognized revenues, $800,000 in royalty fees based on net product shipments, $321,000 in amortization of intangible assets, which is unrelated to either the volume of shipments or the amount of revenue recognized, and $67,000 in period costs related to freight and stability testing. Payments to and interest expense related to the PRF transaction discussed below in the section titled “Liquidity and Capital Resources” do not impact the Company’s cost of sales.

Cost of License Revenue

We recorded cost of license revenue of $159,000 for the three-month periods ended March 31, 2012 and 2011, respectively. Cost of license revenue represents the recognition of a portion of the deferred $7.7 million paid to Elan in 2009 in connection with the $110.0 million received from Biogen Idec as a result of our collaboration agreement.

Research and Development

Research and development expenses for the three-month period ended March 31, 2012 were $11.0 million as compared to $10.7 million for the three-month period ended March 31, 2011, an increase of approximately $300,000, or 3%. The increase was attributable to an increase in overall research and development staff and compensation of $662,000 to support the various research and development initiatives. The increase was also attributable to a $2.5 million charge for Neuronex expenses representing a $2.0 million upfront payment plus a payment of $500,000 for research funding per the terms of the agreement we entered into with Neuronex during the first quarter of 2012. These were offset by a decrease in our external clinical trial costs for Ampyra studies of $1.9 million and a decrease of $976,000 primarily resulting from a decrease in preclinical expenses for the remyelinating antibodies, rHIgM22, program.

Selling, General and Administrative

Sales and marketing expenses for the three-month period ended March 31, 2012 were $25.1 million compared to $22.4 million for the three-month period ended March 31, 2011, an increase of approximately $2.7 million, or 12%. The increase was attributable to an increase in overall marketing, selling, distribution, and market research expenses for Ampyra of $1.9 million. The increase was also related to an increase in overall compensation, benefits, and other selling expenses attributable to Ampyra of $940,000. These increases were partially offset by a decrease in selling, marketing, and distribution expenses for Zanaflex Capsules of $153,000 due to the introduction of generic competition in the marketplace.

General and administrative expenses for the three-month period ended March 31, 2012 were $13.7 million compared to $15.5 million for the three-month period ended March 31, 2011, a decrease of approximately $1.8 million, or 12%. This decrease was primarily related to a decrease in expenses related to the Zanaflex Capsule patent infringement litigation of $1.6 million, a decrease in medical affairs educational programs of $713,000, a gain on our put/call liability related to the PRF revenue interest agreement of $535,000 and a decrease in depreciation and amortization of $300,000. The overall decrease in general and administrative expenses was partially offset by an increase in staff and compensation expenses to support the overall growth of the organization of $1.2 million and an increase in safety and regulatory expenses related to Ampyra of $473,000.

Other Expense

Other expense was $637,000 for the three-month period ended March 31, 2012 compared to $996,000 for the three-month period ended March 31, 2011, a decrease of approximately $359,000, or 36%. The decrease was primarily due to a decrease in interest expense of $370,000 principally related to the PRF revenue interest agreement.

Provision for Income Taxes

We recorded a provision for income taxes of $372,000 and $117,000 for the three-month periods ended March 31, 2012 and 2011, respectively which represents Federal AMT and gross receipts taxes for certain states.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through private placements and public offerings of our common stock and preferred stock, payments received under our collaboration and licensing agreements, sales of Ampyra and Zanaflex Capsules, and, to a lesser extent, from loans, government grants and our financing arrangement with PRF.

We were cash flow positive in 2011 and, at March 31, 2012, we had $295.3 million of cash, cash equivalents and short-term and long-term investments, compared to $295.9 million at December 31, 2011. We expect to be cash flow positive in 2012. We believe that we have sufficient cash, cash equivalents, short-term and long-term investments on hand, in addition to cash expected to be generated from operations, to fund our business plan for the next twelve months, including

our currently anticipated development pipeline activities in for the next twelve months and our anticipated payment commitments to Neuronex.

Our future capital requirements will depend on a number of factors, including the amount of revenue generated from sales of Ampyra and Zanaflex Capsules, the continued progress of our research and development activities, the amount and timing of milestone or other payments payable under collaboration, license and acquisition agreements, the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights, and the extent to which we acquire or in-license new products and compounds including the development costs relating to those products or compounds. To the extent our capital resources are insufficient to meet future operating requirements we will need to raise additional capital, reduce planned expenditures, or incur indebtedness to fund our operations. If we require additional financing in the future, we cannot assure you that it will be available to us on favorable terms, or at all.

Financing Arrangements

In January 1997, Elan International Services, Ltd. (EIS) loaned us an aggregate of $7.5 million pursuant to two convertible promissory notes to partly fund our research and development activities. On December 23, 2005, Elan transferred these promissory notes to funds affiliated with Saints Capital. As of March 31, 2012, $5.3 million of these promissory notes was outstanding, which amount includes accrued interest. The second of seven annual payments on this note was due and paid on the two year anniversary of Ampyra approval on January 22, 2012 and will continue to be paid annually until paid in full.

On December 23, 2005, we entered into a revenue interest assignment agreement with PRF, a dedicated healthcare investment fund, pursuant to which we assigned to PRF the right to a portion of our net revenues (as defined in the agreement) from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products including the authorized generic version of Zanaflex Capsules being sold by Watson effective in February 2012. To secure our obligations to PRF, we also granted PRF a security interest in substantially all of our assets related to Zanaflex. Our agreement with PRF covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, including the authorized generic version of Zanaflex Capsules revenue, unless the agreement terminates earlier. In November 2006, we entered into an amendment to the revenue interest assignment agreement with PRF. Under the terms of the amendment, PRF paid us $5.0 million in November 2006. An additional $5.0 million was due to us if net revenues during the fiscal year 2006 equaled or exceeded $25.0 million. This milestone was met and the receivable was reflected in our December 31, 2006 financial statements. Under the terms of the amendment, we repaid PRF $5.0 million on December 1, 2009 and an additional $5.0 million on December 1, 2010 since the net revenues milestone was met.

Under the agreement and the amendment, PRF is entitled to the following portion of Zanaflex net revenues:

- with respect to Zanaflex net revenues up to and including $30.0 million for each fiscal year during the term of the agreement, 15% of such net revenues;
- with respect to Zanaflex net revenues in excess of $30.0 million but less than and including $60.0 million for each fiscal year during the term of the agreement, 6% of such net revenues; and
- with respect to Zanaflex net revenues in excess of $60.0 million for each fiscal year during the term of the agreement, 1% of such net revenues.

Notwithstanding the foregoing, once PRF has received and retained payments under the agreement that are at least 2.1 times the aggregate amount PRF has paid us under the agreement, PRF will only be entitled to 1% of Zanaflex net revenues. In connection with the transaction, we recorded a liability as of March 31, 2012, referred to as the revenue interest liability, of approximately $3.1 million. We impute interest expense associated with this liability using the effective interest rate method and record a corresponding accrued interest liability. The effective interest rate is calculated based on the rate that would enable the debt to be repaid in full over the life of the arrangement. The interest rate on this liability may vary during the term of the agreement depending on a number of factors, including the level of Zanaflex sales. We currently estimate that the imputed interest rate associated with this liability will be approximately 5.6%. Payments made to PRF as a result of Zanaflex sales levels will reduce the accrued interest liability and the principal amount of the revenue interest liability.

Upon the occurrence of certain events, including if we experience a change of control, undergo certain bankruptcy events, transfer any of our interests in Zanaflex (other than pursuant to a license agreement, development, commercialization,

co-promotion, collaboration, partnering or similar agreement), transfer all or substantially all of our assets, or breach certain of the covenants, representations or warranties we make under the agreement, PRF may (i) require us to repurchase the rights we sold them at the "put/call price" in effect on the date such right is exercised or (ii) foreclose on the Zanaflex assets that secure our obligations to PRF. Except in the case of certain bankruptcy events, if PRF exercises its right, which we refer to as PRF's put option, to cause us to repurchase the rights we assigned to it, PRF may not foreclose unless we fail to pay the put/call price as required. If we experience a change of control we have the right, which we refer to as our call option, to repurchase the rights we sold to PRF at the "put/call price" in effect on the date such right is exercised. The put/call price on a given date is the greater of (i) all payments made by PRF to us as of such date, less all payments received by PRF from us as of such date, and (ii) an amount that would generate an internal rate of return to PRF of 25% on all payments made by PRF to us as of such date, taking into account the amount and timing of all payments received by PRF from us as of such date. We have determined that PRF's put option and our call option meet the criteria to be considered an embedded derivative and should be accounted for as such. Therefore, we recorded a net liability of $495,000 as of March 31, 2012 related to the put/call option to reflect its current estimated fair value. This liability is revalued on an as needed basis to reflect any changes in the fair value and any gain or loss resulting from the revaluation is recorded in earnings.

During any period during which PRF has the right to receive 15% of Zanaflex net revenues (as defined in the agreement), then 8% of the first $30.0 million in payments from Zanaflex sales we receive from wholesalers will be distributed to PRF on a daily basis. Following the end of each fiscal quarter, if the aggregate amount actually received by PRF during such quarter exceeds the amount of net revenues PRF was entitled to receive, PRF will remit such excess to us. If the amount of net revenues PRF was entitled to receive during such quarter exceeds the aggregate amount actually received by PRF during such quarter, we will remit such excess to PRF.

Investment Activities

At March 31, 2012, cash, cash equivalents, short-term and long-term investments were approximately $295.3 million, as compared to $295.9 million at December 31, 2011. Our cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at date of purchase and consist of time deposits and investments in a Treasury money market fund and high-quality government bonds. Also, we maintain cash balances with financial institutions in excess of insured limits. We do not anticipate any losses with respect to such cash balances. As of March 31, 2012, our cash and cash equivalents were $55.3 million, as compared to $58.0 million as of December 31, 2011. Our short-term investments consist of US Treasury bonds with original maturities greater than three months and less than one year. The balance of these investments was $223.0 million as of March 31, 2012, as compared to $238.0 million as of December 31, 2011. Our long-term investments consist of US Treasury bonds with original maturities greater than one year. The balance of these investments was $17.0 million as of March 31, 2012, as compared to zero as of December 31, 2011.

Net Cash Provided by/(Used in) Operations

Net cash provided by (used in) operations was $3.0 million and $(12.1) million for the three-month periods ended March 31, 2012 and 2011, respectively. Cash provided by operations for the three-month period ended March 31, 2012 was primarily attributable to net income of $7.8 million principally resulting from license and royalty revenues, a non-cash share-based compensation expense of $4.2 million, amortization of net premiums and discounts on investments of $1.5 million, a decrease in accounts receivable of $1.3 million, and depreciation and amortization of $912,000. Cash provided by operations was partially offset by a net decrease of $9.7 million due to changes in working capital items primarily due to the payment of 2011 accrued expenses and prepaid items during the three-month period ended March 31, 2012 and a decrease in deferred product revenue of $444,000. These working capital decreases were partially offset by an increase in other current liabilities of $1.8 million related to the build out of our future corporate headquarters in Ardsley, New York, plus an increase in our revenue interest liability related to PRF of $421,000. The offset to cash provided by operations was also attributable to a decrease in non-current portion of deferred license revenue of $2.3 million due to the amortization of the upfront collaboration payment received during the three-month period ended September 30, 2009, a decrease in the loss on our put/call liability of $535,000, and an increase in inventory held by the Company

Cash used in operations for the three-month period ended March 31, 2011 was primarily attributable to a net decrease of $8.2 million due to changes in working capital items. It was also attributable to an increase in inventory held by the Company of $6.4 million, an increase in accounts receivable of $1.5 million resulting from an increase in Ampyra and Zanaflex gross sales, a decrease in the non-current portion of deferred license revenue of $1.9 million due to the amortization of the upfront collaboration payment received during the three-month period ended September 30, 2009, a net loss of $672,000, and a decrease in the current portion of this deferred license revenue of $371,000. Cash used in operations for the three-month period ended March 31, 2011 was partially offset by a non-cash share-based compensation expense of $3.8

million, amortization of net premiums and discounts on short-term investments of $1.9 million, and depreciation and amortization of $1.1 million.

Net Cash Used in Investing

Net cash used in investing activities for the three-month period ended March 31, 2012 was $7.4 million, primarily due to $65.4 million in purchases of investments, purchases of intangible assets of $656,000 and purchases of property and equipment of $3.1 million, partially offset by $61.8 million in proceeds from maturities and sales of investments.

Net Cash Provided by Financing

Net cash provided by financing activities for the three-month period ended March 31, 2012 was $1.7 million, primarily due to $1.9 million in net proceeds from the issuance of common stock and exercise of stock options partially offset by $209,000 in repayments to PRF.

Contractual Obligations and Commitments

A summary of our minimum contractual obligations related to our major outstanding contractual commitments is included in our Annual Report on Form 10-K for the year ended December 31, 2011. Our long-term contractual obligations include commitments and estimated purchase obligations entered into in the normal course of business. Under certain supply agreements and other agreements with manufacturers and suppliers, we are required to make payments for the manufacture and supply of our clinical and approved products. During the three-month period ended March 31, 2012, commitments related to the purchase of inventory consistent with our normal course of business increased as compared to December 31, 2011. As of March 31, 2012, we have inventory-related purchase commitments totaling approximately $16.0 million.

Under certain license agreements, we are required to pay royalties for the use of technologies and products in our R&D activities and in the commercialization of products. The amount and timing of any of the foregoing payments are not known due to the uncertainty surrounding the successful research, development and commercialization of the products.

Under certain license agreements, we are also required to pay license fees and milestones for the use of technologies and products in our R&D activities and in the commercialization of products. We have committed to make potential future milestone payments to third parties of up to approximately $64 million as part of our various collaborations, including licensing and development programs as well as potentially an additional $700,000 in research and development funding payments to Neuronex. Payments under these agreements generally become due and payable only upon achievement of certain developmental, regulatory or commercial milestones. Because the achievement of these milestones had not occurred as of March 31, 2012, such contingencies have not been recorded in our financial statements. Amounts related to contingent milestone payments are not considered contractual obligations as they are contingent on the successful achievement of certain development, regulatory approval and commercial milestones. There is uncertainty regarding the various activities and outcomes needed to reach these milestones, and they may not be achieved. This also excludes any potential payments as part of the Neuronex transaction as these are not yet commitments to us until the transaction is consummated.

Critical Accounting Policies and Estimates

Our critical accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 31, 2011. As of March 31, 2012, our critical accounting policies have not changed materially from December 31, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our financial instruments consist of cash equivalents, short-term and long-term investments, grants receivable, convertible notes payable, accounts payable, and put/call liability. The estimated fair values of all of our financial instruments approximate their carrying amounts at March 31, 2012.

We have cash equivalents, short-term and long-term investments at March 31, 2012, which are exposed to the impact of interest rate changes and our interest income fluctuates as our interest rates change. Due to the nature of our investments in money market funds and US Treasury bonds, the carrying value of our cash equivalents and investments approximate their fair value at March 31, 2012. At March 31, 2012, we held $295.3 million in cash, cash equivalents, short-term and long-term investments which had an average interest rate of approximately 0.03%.

We maintain an investment portfolio in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity and to meet operating needs. Although our investments are subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. Our investments are also subject to interest rate risk and will decrease in value if market interest rates increase. However, due to the conservative nature of our investments and relatively short duration, interest rate risk is mitigated. We do not own derivative financial instruments. Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act") we carried out an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the first quarter of 2012, the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer. Based on that evaluation, these officers have concluded that, as of March 31, 2012, our disclosure controls and procedures were effective to achieve their stated purpose.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations, and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding disclosure.

Change in internal control over financial reporting

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our chief executive officer and chief financial officer, concluded that there were no changes in our internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the effectiveness of controls

Our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In August 2007, we received a Paragraph IV Certification Notice from Apotex Inc., advising that it had submitted an ANDA to the FDA seeking marketing approval for generic versions of Zanaflex Capsules. In response to the filing of the ANDA, in October 2007, we filed a lawsuit against Apotex in the U.S. District Court for the District of New Jersey asserting infringement of our U.S. Patent No. 6,455,557 relating to multiparticulate tizanidine compositions, including those sold by us as Zanaflex Capsules. The patent expires in 2021.

In November 2007, Apotex answered our complaint, asserting patent invalidity and non-infringement. Apotex also counterclaimed, seeking a declaratory judgment of patent invalidity and non-infringement. We denied those counterclaims. A bench trial was held in May 2011. On September 7, 2011, we announced that the Court had ruled against us in the litigation. The Court held that the claims of U.S. Patent No. 6,455,557 covering use of multiparticulate tizanidine compositions are invalid as not enabled and not infringed by Apotex. We are appealing the decision.

On September 6, 2011, we filed a citizen petition with the FDA requesting that the FDA not approve Apotex's ANDA because of public-safety concerns about Apotex's proposed drug. On December 2, 2011, Apotex filed suit against us in the U.S. District Court for the Southern District of New York. In that suit, Apotex alleges, among other claims, that we engaged in anticompetitive behavior and false advertising in connection with the development and marketing of Zanaflex Capsules, including that the citizen petition we filed with the FDA delayed FDA approval of Apotex's generic tizanidine capsules. On January 26, 2012, we moved to dismiss or stay Apotex's suit. On February 3, 2012, the FDA denied the citizen petition that we filed and approved Apotex's ANDA for a generic version of Zanaflex Capsules. On February 21, 2012, Apotex filed an amended complaint that incorporated the FDA action, but otherwise makes allegations similar to the original complaint. Requested judicial remedies include monetary damages, disgorgement of profits, recovery of litigation costs, and injunctive relief. We intend to defend ourselves vigorously in the litigation.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011, all of which could materially affect our business, financial condition or future results. The risks described or referred to herein are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. Following is the restated text of individual risk factors with changes that have occurred since our publication of risk factors in our 2011 Annual Report.

Our products and product candidates may not gain market acceptance among physicians, patients and the medical community, thereby limiting our potential to generate revenue.

Market acceptance of our products and product candidates depends on the benefits of our products in terms of safety, efficacy, convenience, ease of administration and cost effectiveness and our ability to demonstrate these benefits to physicians and patients. We believe market acceptance also depends on the pricing of our products and the reimbursement policies of government and third-party payers, as well as on the effectiveness of our sales and marketing activities. Physicians may not prescribe our products, and patients may determine, for any reason, that our products are not useful to them. For example, physicians may not believe that the benefits of Zanaflex Capsules outweigh their higher cost in relation to Zanaflex tablets or generic tizanidine hydrochloride tablets, or that the benefits of Ampyra are meaningful for patients. As described above in these risk factors, FDA-approved product labeling for Ampyra is limited and may harm its market acceptance. Also, if Ampyra is not listed on the preferred drug lists of third-party payers, or Ampyra is on the preferred drug list but subject to unfavorable limitations or preconditions or in disadvantageous positions on tiered formularies, our sales may suffer.

In the U.S., the federal government has provided significantly increased funding for comparative effectiveness research, which may compare our products with other treatments and may result in published findings that would, in turn, discourage use of our products by physicians and payments for our products by payers. Similar research is funded in other countries, including in Europe. The failure of any of our products or product candidates, once approved, to achieve market

acceptance would limit our ability to generate revenue and would harm our results of operations.

If our products are approved in the EU, their success there will also depend largely on obtaining and maintaining government reimbursement because, in many European countries, patients will not use prescription drugs that are not reimbursed by their governments. In addition, negotiating prices with governmental authorities can delay commercialization by one year or more. Even if reimbursement is available, reimbursement policies may harm sales of our products and therefore our ability or that of our partners, such as Biogen Idec, to sell our products on a profitable basis. For example, in response to the recent downturn in global economic conditions, governments in a number of international markets have announced or implemented austerity measures aimed at reducing healthcare costs to constrain the overall level of government expenditures. This includes Germany and other countries in the EU, where Biogen Idec has obtained approval for Fampyra. The measures vary by country and include, among other things, mandatory rebates and discounts, price reductions and suspensions on pricing increases on pharmaceuticals. These measures may harm net revenue from Biogen Idec sales of Fampyra and therefore the amount of the royalty we receive from Biogen Idec.

Several additional factors may limit the market acceptance of products, including:

- rate of adoption by healthcare practitioners;
- rate of a product's acceptance by the target population,
- timing of market entry relative to competitive products,
- availability of alternative therapies,
- perceived advantages of alternative therapies,
- price of product relative to alternative therapies,
- extent of marketing efforts,
- unavailability of adequate reimbursement by third parties, and
- side effects or unfavorable publicity concerning the products or similar products.

If market acceptance of our products in the U.S., EU, or other countries does not meet expectations, our revenues or royalties from product sales would suffer and this could cause our stock price to decline.

Item 6. Exhibits

Exhibit No.	Description
10.1*	Agreement and Plan of Merger, dated as of February 15, 2012, among the Registrant, ATI Development Corp., Neuronex, Inc., and Moise A. Khayrallah, Ph.D., solely as the Stockholders' Representative as set forth therein.
10.2*	Amendment #1 to the License Agreement, dated March 15, 2012, by and between the Registrant and Paion Holdings UK Ltd (formerly CeNeS Pharmaceuticals, plc).
31.1	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Portions of this exhibit were redacted pursuant to a confidential treatment request filed with the Secretary of the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

SIGNATURES

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

Acorda Therapeutics, Inc.

By: /s/ Ron Cohen
Ron Cohen, M.D.
President, Chief Executive Officer and Director
Date: May 9, 2012 (Principal Executive Officer)

By: /s/ David Lawrence
David Lawrence, M.B.A.
Chief Financial Officer
Date: May 9, 2012 (Principal Financial and Accounting Officer)

Exhibit Index

Exhibit No.	Description
10.1*	Agreement and Plan of Merger, dated as of February 15, 2012, among the Registrant, ATI Development Corp., Neuronex, Inc., and Moise A. Khayrallah, Ph.D., solely as the Stockholders' Representative as set forth therein.
10.2*	Amendment #1 to the License Agreement, dated March 15, 2012, by and between the Registrant and Paion Holdings UK Ltd (formerly CeNeS Pharmaceuticals, plc).
31.1	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Portions of this exhibit were redacted pursuant to a confidential treatment request filed with the Secretary of the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."