ACORDA THERAPEUTICS INC

FORM 10-Q
(Quarterly Report)

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Address	420 SAW MILL RIVER ROAD ARDSLEY, NY 10502
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from to
Commission File Number 000-50513

ACORDA THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3831168**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
420 Saw Mill River Road, Ardsley, New York	**10502**
(Address of principal executive offices)	(Zip Code)

(914) 347-4300
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 ☒ No ☐

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 ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

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

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, 2014**
Common Stock, $0.001 par value per share	41,645,930 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 or our other products 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 Plumiaz (our trade name for Diazepam Nasal Spray) or any other acquired or in-licensed programs; we may not be able to complete development of, obtain regulatory approval for, or successfully market Plumiaz or other products under development; 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; f ailure to comply with regulatory requirements could result in adverse action by regulatory agencies; 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 statements, 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 in this report and in our Annual Report on Form 10-K for the year ended December 31, 2013, 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," "Zanaflex Capsules," and "Qutenza." 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 (e.g., "Plumiaz") 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, 2014	December 31, 2013
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 44,355	$ 48,037
Restricted cash	259	277
Short-term investments	226,065	225,891
Trade accounts receivable, net of allowances of $666 and $698, as of March 31, 2014 and December 31, 2013, respectively	29,265	30,784
Prepaid expenses	8,101	8,398
Finished goods inventory held by the Company	30,545	25,535
Finished goods inventory held by others	609	637
Deferred tax asset	16,493	19,314
Other current assets	7,727	8,460
Total current assets	363,419	367,333
Long-term investments	101,732	93,299
Property and equipment, net of accumulated depreciation	16,440	16,525
Deferred tax asset	107,985	107,985
Intangible assets, net of accumulated amortization	17,959	17,459
Non-current portion of deferred cost of license revenue	4,015	4,174
Other assets	337	352
Total assets	$ 611,887	$ 607,127
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 21,506	$ 15,922
Accrued expenses and other current liabilities	31,331	37,569
Deferred product revenue—Zanaflex	31,217	32,090
Current portion of deferred license revenue	9,057	9,057
Current portion of revenue interest liability	450	861
Current portion of convertible notes payable	1,144	1,144
Total current liabilities	94,705	96,643
Non-current portion of deferred license revenue	57,363	59,628
Put/call liability	167	147
Non-current portion of revenue interest liability	344	493
Non-current portion of convertible notes payable	2,111	3,228
Other non-current liabilities	6,677	6,635
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value. Authorized 80,000,000 shares at March 31, 2014 and December 31, 2013; issued and outstanding 41,040,508 and 40,896,355 shares, including those held in treasury, as of March 31, 2014 and December 31, 2013, respectively	41	41
Treasury stock at cost (12,420 shares at March 31, 2014 and December 31, 2013)	(329)	(329)
Additional paid-in capital	688,105	678,686
Accumulated deficit	(237,379)	(238,082)
Accumulated other comprehensive income	82	37
Total stockholders' equity	450,520	440,353
Total liabilities and stockholders' equity	$ 611,887	$ 607,127

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, 2014	Three-month period ended March 31, 2013
Revenues:		
Net product revenues	$ 74,463	$ 64,084
Royalty revenues	3,791	5,516
License revenue	2,264	2,265
Total net revenues	80,518	71,865
Costs and expenses:		
Cost of sales	15,529	13,484
Cost of license revenue	159	159
Research and development	14,522	12,520
Selling, general and administrative	46,892	48,198
Total operating expenses	77,102	74,361
Operating income (loss)	3,416	(2,496)
Other income (expense), net:		
Interest and amortization of debt discount expense	(92)	(591)
Interest income	172	173
Total other income (expense), net	80	(418)
Income (loss) before taxes	3,496	(2,914)
(Provision for) benefit from income taxes	(2,793)	1,775
Net income (loss)	$ 703	$ (1,139)
Net income (loss) per share—basic	$ 0.02	$ (0.03)
Net income (loss) per share—diluted	$ 0.02	$ (0.03)
Weighted average common shares outstanding used in computing net income (loss) per share—basic	40,934	39,832
Weighted average common shares outstanding used in computing net income (loss) per share—diluted	42,235	39,832

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, 2014	Three-month period ended March 31, 2013
Net income (loss)	$ 703	$ (1,139)
Other comprehensive income:		
Unrealized gains on available for sale securities, net of tax	45	21
Other comprehensive income, net of tax	45	21
Comprehensive income (loss)	$ 748	$ (1,118)

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, 2014	Three-month period ended March 31, 2013
Cash flows from operating activities:		
Net income (loss)	$ 703	$ (1,139)
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	5,757	4,933
Amortization of net premiums and discounts on investments	735	586
Amortization of revenue interest issuance cost	8	16
Depreciation and amortization expense	1,759	1,400
Loss (gain) on put/call liability	20	(82)
Deferred tax provision (benefit)	2,821	(1,772)
Changes in assets and liabilities:		
Decrease in accounts receivable	1,518	3,039
Decrease (increase) in prepaid expenses and other current assets	1,031	(2,183)
Increase in inventory held by the Company	(5,010)	(7,674)
Decrease in inventory held by others	28	45
Decrease in non-current portion of deferred cost of license revenue	159	159
Decrease in other assets	8	8
Decrease in accounts payable, accrued expenses, other current liabilities	(1,774)	(3,510)
(Decrease) increase in revenue interest liability interest payable	(348)	92
Decrease in non-current portion of deferred license revenue	(2,264)	(2,264)
Increase in other non-current liabilities	9	—
(Decrease) increase in deferred product revenue—Zanaflex	(873)	345
Decrease in restricted cash	18	346
Net cash provided by (used in) operating activities	4,305	(7,655)
Cash flows from investing activities:		
Purchases of property and equipment	(942)	(1,060)
Purchases of intangible assets	(1,198)	(641)
Purchases of investments	(93,797)	(27,471)
Proceeds from maturities of investments	84,500	28,000
Net cash used in investing activities	(11,437)	(1,172)
Cash flows from financing activities:		
Proceeds from issuance of common stock and option exercises	3,662	1,903
Repayments of revenue interest liability	(212)	(265)
Net cash provided by financing activities	3,450	1,638
Net increase (decrease) in cash and cash equivalents	(3,682)	(7,189)
Cash and cash equivalents at beginning of period	48,037	41,876
Cash and cash equivalents at end of period	$ 44,355	$ 34,687
Supplemental disclosure:		
Cash paid for interest	415	466
Cash paid for taxes	460	731

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 biopharmaceutical company dedicated to the identification, development and commercialization of novel therapies to improve the lives of people with multiple sclerosis (MS), spinal cord injury (SCI) and other neurological disorders.

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, 2013 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 the Company has the ability and intent to hold them and such holding period is longer than one year. The Company classifies its short-term and long-term 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.

Accumulated Other Comprehensive Income

The Company's accumulated other comprehensive income is comprised of gains and losses on available for sale securities and is recorded and presented net of income tax.

Revenue Recognition

Ampyra

Ampyra is available only through a network of specialty pharmacy providers that provide 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 distributes Ampyra to the U.S. Bureau of Prisons and 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 Permanente, and the specialty distributor to the VA. The specialty pharmacy providers, Kaiser Permanente, and the specialty distributor to the VA are contractually obligated to hold no more than an agreed number of days of inventory, ranging from 10 to 30 days.

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, are characterized as a reduction of revenue. At the time product is shipped to specialty pharmacies, Kaiser Permanente and the specialty distributor to the VA, an adjustment is recorded for estimated discounts, rebates, and chargebacks. 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 discounts, rebates, returns and chargebacks are established based on the contractual terms with customers, historical trends, 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. The Company does not accept returns of Ampyra with the exception of product damages that occur during shipping.

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 recordedfor 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.

Qutenza

Qutenza is distributed in the United States by Besse Medical, Inc., a specialty distributor that furnishes the medication to physician offices; and by ASD Specialty Healthcare, Inc., a specialty distributor that furnishes the medication to hospitals and clinics. 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, and the amount of returns can be reasonably estimated and collectability is reasonably assured. This means that, for Qutenza, the Company recognizes product sales following shipment of product to its specialty distributors.

The Company's net revenues represent total revenues less allowances for customer credits, including estimated rebates, chargebacks, 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, an adjustment is recorded for estimated rebates, chargebacks, 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, chargebacks, and returns are established based on the contractual terms with customers, historical trends, 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.

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 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.

In-Process Research and Development

The cost of in-process research and development (IPR&D) acquired directly in a transaction other than a business combination is capitalized if the projects will be further developed or have an alternative future use; otherwise they are expensed. The fair values of IPR&D projects acquired in business combinations are capitalized. Several methods may be used to determine the estimated fair value of the IPR&D acquired in a business combination. The Company utilizes the "income method," and uses estimated future net cash flows that are derived from projected sales revenues and estimated costs. These projections are based on factors such as relevant market size, patent protection, historical pricing and expected industry trends. The estimated future net cash flows are then discounted to the present value using an appropriate discount rate. These assets are treated as indefinite-lived intangible assets until completion or abandonment of the projects, at which time the assets are amortized over the remaining useful life or written off, as appropriate. IPR&D intangible assets which are determined to have had a drop in their fair value are adjusted downward and an expense recognized on the statement of

operations. These are tested at least annually or sooner when a triggering event occurs that could indicate a potential impairment.

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 Credit Risk

The Company's principal direct customers as of March 31, 2014 were a network of specialty pharmacies, Kaiser Permanente, and the specialty distributor to the VA for Ampyra, wholesale pharmaceutical distributors for Zanaflex Capsules and Zanaflex tablets, and two specialty distributors for Qutenza. The Company periodically assesses the financial strength of these customers and establishes allowances for anticipated losses, if necessary. Four customers individually accounted for more than 10% of the Company's product revenue in 2014 and 2013. Four and three customers individually accounted for more than 10% of the Company's accounts receivable as of March 31, 2014 and December 31, 2013, respectively. The Company's net product revenues are generated in the United States.

Segment and Geographic Information

The Company is managed and operated as one business which is focused on the identification, development and commercialization of novel therapies that improve neurological function in people with MS, SCI and other disorders of the central nervous system. 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 and the Company does not prepare discrete financial information with respect to separate products or product candidates or by location. Accordingly, the Company views its business as one reportable operating segment. Net product revenues reported to date are derived from the sales of Ampyra, Zanaflex and Qutenza in the United States.

Subsequent Events

Subsequent events are defined as those events or transactions that occur after the balance sheet date, but before the financial statements are filed with the Securities and Exchange Commission. The Company completed an evaluation of the impact of any subsequent events through the date these financial statements were issued, and determined there were no subsequent events requiring disclosure in or requiring adjustment to these financial statements.

Recent Accounting Pronouncements

In July 2013, the FASB issued Accounting Standards Update "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" (ASU 2013-11). ASU 2013-11 requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (NOL) carryforward, or similar tax loss or tax credit carryforward, rather than as a liability when (1) the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and (2) the entity intends to use the deferred tax asset for that purpose. ASU 2013-11 is effective prospectively for fiscal years and interim periods within those years, beginning after December 15, 2013 for public entities. The adoption of ASU 2013-11 did not have a significant impact on the Company's consolidated financial statements.

(3) Acquisition

The Company did not enter into any new acquisitions in the three-month periods ended March 31, 2014 and 2013. The Company finalized its accounting for the acquisition of NeurogesX, Inc, which occurred during the three-month period ended September 30, 2013 with no purchase price adjustments.

(4) Share-based Compensation

During the three-month periods ended March 31, 2014 and 2013, the Company recognized share-based compensation expense of $5.8 million and $4.9 million, respectively. Activity in options and restricted stock during the three-month period ended March 31, 2014 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, 2014 and 2013 were approximately $18.81 and $15.41, respectively.

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

	For the three-month period ended March 31,	
(In millions)	**2014**	**2013**
Research and development	$ 1.1	$ 1.2
Selling, general and administrative	4.7	3.7
Total	$ 5.8	$ 4.9

A summary of share-based compensation activity for the three-month period ended March 31, 2014 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, 2014	6,486	$ 25.61		
Granted	1,329	38.52		
Cancelled	(41)	31.28		
Exercised	(144)	25.40		
Balance at March 31, 2014	7,630	$ 27.83	7.2	$ 78,640
Vested and expected to vest at March 31, 2014	7,522	$ 27.73	7.1	$ 78,247
Vested and exercisable at March 31, 2014	4,081	$ 23.66	5.5	$ 58,164

Restricted Stock Activity

(In thousands) **Restricted Stock**	Number of Shares
Nonvested at January 1, 2014	421
Granted	212
Vested	—
Forfeited	(6)
Nonvested at March 31, 2014	627

Unrecognized compensation cost for unvested stock options and restricted stock awards as of March 31, 2014 totaled $75.9 million and is expected to be recognized over a weighted average period of approximately 2.9 years.

(5) 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, 2014 and 2013:

(In thousands, except per share data)	Three-month period ended March 31, 2014	Three-month period ended March 31, 2013
Basic and diluted		
Net income (loss)	$ 703	$ (1,139)
Weighted average common shares outstanding used in computing net income (loss) per share—basic	40,934	39,832
Plus: net effect of dilutive stock options and restricted common shares	1,301	—
Weighted average common shares outstanding used in computing net income (loss) per share—diluted	42,235	39,832
Net income (loss) per share—basic	$ 0.02	$ (0.03)
Net income (loss) per share—diluted	$ 0.02	$ (0.03)

The difference between basic and diluted shares is that diluted shares include the dilutive effect of the assumed exercise 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 March 31, 2014	Three-month period ended March 31, 2013
Denominator		
Stock options and restricted common shares	2,764	2,812
Convertible note	29	39

(6) Income Taxes

For the three-month periods ended March 31, 2014 and 2013, the Company recorded a $2.8 million provision for and $1.8 million benefit from income taxes, respectively, based upon its estimated tax liability for the year. The provision for/benefit from income taxes is based on federal, state and Puerto Rico income taxes. The effective income tax rates for the Company for the three-month periods ended March 31, 2014 and 2013 were 80% and (61)%, respectively. As a result of the Federal research and development tax credit not being extended during the first quarter of 2014, the Company was not able to receive a benefit in the effective tax rate for this in 2014.

The Company continues to evaluate the realizability of its deferred tax assets and liabilities on a periodic basis and will adjust such amounts in light of changing facts and circumstances including, but not limited to, future projections of taxable income, tax legislation, rulings by relevant tax authorities, the progress of ongoing tax audits and the regulatory approval of products currently under development. Any changes to the valuation allowance or deferred tax assets in the future would impact the Company's income taxes.

(7) 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, 2014 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 the Company's Level 2 assets consist of 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 and Level 2 assets are valued using quoted prices for similar assets and liabilities in active markets or other market observable inputs such as interest rates and yield curves. The Company's Level 3 liabilities represent our put/call liability related to the Paul Royalty Fund (PRF) transaction and contingent consideration related to the NeurogesX acquisition. No changes in valuation techniques or inputs occurred during the three months ended March 31, 2014.

(In thousands)	Level 1	Level 2	Level 3
March 31, 2014			
Assets Carried at Fair Value:			
Cash equivalents	$ 30,712	$ —	$ —
Short-term investments	—	226,065	—
Long-term investments	—	101,732	—
Liabilities Carried at Fair Value:			
Put/call liability	—	—	167
Contingent purchase price	—	—	245
December 31, 2013			
Assets Carried at Fair Value:			
Cash equivalents	$ 28,308	$ —	$ —
Short-term investments	—	225,891	—
Long-term investments	—	93,299	—
Liabilities Carried at Fair Value:			
Put/call liability	—	—	147
Contingent purchase price	—	—	236

The following tables present 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.

Put/call liability

(In thousands)	Three-month period ended March 31, 2014	Three-month period ended March 31, 2013
Put/call liability:		
Balance, beginning of period	$ 147	$ 329
Total realized and unrealized losses (gains) included in selling, general and administrative expenses:	20	(82)
Balance, end of period	$ 167	$ 247

The Company estimates the fair value of its 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 selling, general and administrative expenses.

The put/call liability has been classified as a Level 3 liability 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.

Contingent purchase price

(In thousands)	Three-month period ended March 31, 2014	Three-month period ended March 31, 2013
Contingent purchase price:		
Balance, beginning of period	$ 236	$ —
Total losses included in selling, general and administrative expenses:	9	—
Balance, end of period	$ 245	$ —

The Company measures the fair value of the contingent purchase price using a Monte Carlo simulation. Using this approach, the present value of each of the milestone payments is calculated using the probability of milestone achievement under various different scenarios. Some of the more significant assumptions used in the valuation include (i) the probability of FDA approval for NP-1998 and (ii) the variability in net sales for NP-1998 if FDA approval is achieved. The milestone achievement probabilities range from 0% to 10%, and the milestone payment outcomes range from $0 to $5.0 million. The valuation will be performed periodically when the significant assumptions change. Realized gains and losses are included in selling, general and administrative expenses. There is no assurance that any of the conditions for the milestone payments will be met.

The contingent purchase price has been classified as a Level 3 liability as its valuation requires substantial judgment and estimation of factors that are not currently observable in the market. If different assumptions were used for the various inputs to the valuation approach including, but not limited to, assumptions involving the probability of FDA approval for NP-1998 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.

(8) 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, 2014				
US Treasury bonds	$ 327,658	$ 141	$ (2)	$ 327,797
December 31, 2013				
US Treasury bonds	319,123	69	(2)	319,190

The contractual maturities of short-term available-for-sale debt securities at March 31, 2014 and December 31, 2013 are greater than 3 months but less than 1 year. The contractual and intended maturities of long-term available-for-sale debt securities at March 31, 2014 and December 31, 2013 are greater than 1 year and up to 16 months. The Company has determined that there were no other-than-temporary declines in the fair values of its investments as of March 31, 2014.

Short-term investments with maturity of three months or less from date of purchase have been classified as cash equivalents, and amounted to $30.7 million and $28.3 million as of March 31, 2014 and December 31, 2013, respectively.

The Company holds available-for-sale investment securities which are reported at fair value on the Company's balance sheet. Unrealized holding gains and losses are reported within accumulated other comprehensive income (AOCI) in the statements of comprehensive (loss) income. The changes in AOCI associated with the unrealized holding gain on available-for-sale investments during the three months ended March 31, 2014, were as follows (in thousands):

(In thousands)	Net Unrealized Gains on Marketable Securities
Balance at December 31, 2013	$ 37
Other comprehensive income before reclassifications:	45
Amounts reclassified from accumulated other comprehensive income	—
Net current period other comprehensive income	45
Balance at March 31, 2014	$ 82

(9) 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 $25.0 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 $10.0 million based on the successful achievement of future regulatory milestones and up to $365.0 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 know how 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, 2014 and 2013.

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 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 $25.0 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 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 Idec 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.

Actavis/Watson

The Company has an agreement with Watson Pharma, Inc., a subsidiary of Actavis, Inc. (formerly 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 periods ended March 31, 2014 and 2013, the Company recognized royalty revenue of $1.4 million and $2.6 million, respectively, related to the gross margin of the Zanaflex Capsule authorized generic. During the three-month periods ended March 31, 2014 and 2013, the Company also recognized revenue and a corresponding cost of sales of $830,000 and $493,000, 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 December 2012, the Company acquired Neuronex, Inc., a privately-held development stage pharmaceutical company (Neuronex) developing Plumiaz (our trade name for Diazepam Nasal Spray). Plumiaz is a proprietary nasal spray formulation of diazepam that we are developing under Section 505(b)(2) of the Food, Drug and Cosmetic Act as an acute treatment for selected, refractory patients with epilepsy, on stable regimens of antiepileptic drugs, or AEDs, who experience intermittent bouts of increased seizure activity also known as cluster seizures or acute repetitive seizures, or ARS.

Under the terms of the agreement, the Company made an upfront payment of $2.0 million in February 2012. The Company also paid $1.5 million during the twelve month period ended December 31, 2012 pursuant to a commitment under

the agreement to fund research to prepare for the Plumiaz pre-NDA meeting with the FDA. In December 2012, the Company completed the acquisition by paying $6.8 million to former Neuronex shareholders less a $300,000 holdback provision. After adjustment for Neuronex's working capital upon closing of the acquisition, approximately $120,000 of the holdback amount was remaining as of December 31, 2013. This balance was paid to the former equity holders of Neuronex pursuant to the merger agreement in February 2014.

The former equity holders of Neuronex are 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 Diazepam Nasal Spray products, and up to $105 million upon the achievement of specified sales milestones with respect to Diazepam Nasal Spray products. 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 Diazepam Nasal Spray 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.

The patent and other intellectual property and other rights relating to Diazepam Nasal Spray products are licensed from SK Biopharmaceuticals Co., Ltd. (SK). Pursuant to the SK license, which granted worldwide rights to Neuronex, except certain specified Asian countries, the Company's subsidiary Neuronex is obligated to pay SK up to $8 million upon the achievement of specified development milestones with respect to the Diazepam Nasal Spray product (including a $1 million payment that was triggered during the three-month period ending September 30, 2013 upon the FDA's acceptance for review of the first NDA for Plumiaz and paid during the three-month period ending December 31, 2013), and up to $3 million upon the achievement of specified sales milestones with respect to the Diazepam Nasal Spray product. Also, Neuronex is obligated to pay SK a tiered, mid-single digit royalty on net sales of Diazepam Nasal Spray products.

The Company evaluated the transaction based upon the guidance of ASC 805, Business Combinations, and concluded that it only acquired inputs and did not acquire any processes. The Company needed to develop its own processes in order to produce an output. Therefore the Company accounted for the transaction as an asset acquisition and accordingly the $2.0 million upfront payment, $1.5 million in research funding and $6.8 million of closing consideration net of tangible net assets acquired of $3.7 million which were primarily the taxable amount of net operating loss carryforwards, were expensed as research and development expense during the twelve-month period ended December 31, 2012.

(10) 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, 2013. The Company's long-term contractual obligations include commitments and estimated purchase obligations entered into in the normal course of business.

The Company accrues for amounts related to legal matters if it is probable that a liability has been incurred and the amount is reasonably estimable. While losses, if any, are possible, the Company is not able to estimate any ranges of losses as of March 31, 2014. Litigation expenses are expensed as incurred.

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 biopharmaceutical company dedicated to the identification, development and commercialization of novel therapies that improve the lives of people with multiple sclerosis, or MS, spinal cord injury, or SCI, and other neurological disorders. We market three FDA-approved therapies, including: Ampyra (dalfampridine) Extended Release Tablets, 10 mg, a treatment to improve walking in patients with MS; Zanaflex Capsules (tizanidine hydrochloride) and Zanaflex tablets, a short-acting drug for the management of spasticity; and Qutenza (capsaicin) 8% Patch, for the management of neuropathic pain associated with postherpetic neuralgia. We have one of the leading pipelines in the industry of novel neurological therapies. We are currently developing six clinical stage therapies and one preclinical stage therapy that address a range of disorders, including post-stroke deficits, epilepsy, stroke, peripheral nerve damage, spinal cord injury, neuropathic pain, and heart failure.

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 $72.5 million for the three months ended March 31, 2014 and $62.3 million for the three months ended March 31, 2013.

Since the March 2010 launch of Ampyra, more than 90,000 people with MS in the U.S. have tried Ampyra. As of December 2013, 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 have been dispensed at least six months of the medicine through refills, consistent with previously reported trends. These refill rates include patients who started Ampyra through our First Step program, which provides eligible patients with a free 60 day trial of Ampyra, but excludes the free prescriptions provided under that program.

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 Medical Science Liaisons, Regional Reimbursement Directors, Managed Markets Account Directors who provide information and assistance to payers and physicians on Ampyra, National Trade Account Managers who work with our limited network of specialty pharmacies, and Market Development Managers who work collaboratively with field teams and corporate personnel to assist in the execution of the Company's strategic initiatives.

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 distributes Ampyra to the U.S. Bureau of Prisons and the U.S. Department of Veterans Affairs, or VA. All of these customers are contractually obligated to hold no more than an agreed number of days of inventory, ranging between 10 to 30 days.

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 competitive reimbursement tier, which means that it is listed in either the lowest branded copay tier or the lowest

branded specialty tier (if more than one specialty tier exists) of their commercial preferred drug list or formulary. Approximately 75% of commercially insured individuals in the U.S. continue to have no or limited prior authorizations, or PA's, for Ampyra. We define limited PAs as those that require only an MS diagnosis, documentation of no contraindications, and/or simple documentation that the patient has a walking impairment; such documentation may include a Timed 25-Foot Walk (T25W) test. The access figure is calculated based on the number of pharmacy lives reported by commercial health plans.

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. Fampyra has been approved in a number of countries across Europe, Asia and the Americas. Biogen Idec anticipates making Fampyra commercially available in additional markets in 2014. Under our agreement with Biogen Idec, we are entitled to receive double-digit tiered royalties on sales of Fampyra and we are also entitled to receive additional payments based on achievement of certain regulatory and sales milestones. 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 Patent Update

We have five issued patents listed in the Orange Book for Ampyra, one of which issued in 2014, as follows:

- The first is U.S. Patent No. 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 final patent term adjustment calculation of the United States Patent and Trademark Office, or USPTO, this patent will extend into 2027.

- The second is U.S. Patent No. 5,540,938 ("the '938 patent"), the claims of which relate to methods for treating a neurological disease, such as MS, and cover the use of a sustained release dalfampridine formulation, such as AMPYRA (dalfampridine) Extended Release Tablets, 10 mg for improving walking in people with MS. In April 2013, the '938 patent received a five year patent term extension under the patent restoration provisions of the Hatch Waxman Act. With a five year patent term extension, the '938 patent will expire in 2018. We have an exclusive license to this patent from Alkermes (originally with Elan, but transferred to Alkermes as part of its acquisition of Elan's Drug Technologies business).

- The third is U.S. Patent No. 8,354,437, which includes claims relating to methods to improve walking, increase walking speed, and treat walking disability in patients with MS by administering 10 mg of sustained release 4-aminopyridine (dalfampridine) twice daily. This patent is set to expire in 2026.

- The fourth is U.S. Patent No. 8,440,703, which includes claims directed to methods of improving lower extremity function and walking and increasing walking speed in patients with MS by administering less than 15 mg of sustained release 4-aminopyridine (dalfampridine) twice daily. This patent is set to expire in 2025.

- The fifth, which issued in March of 2014, is U.S. Patent No. 8,663,685 with claims relating to methods to improve walking in patients with MS by administering 10 mg of sustained release 4-aminopyridine (dalfampridine) twice daily. Absent patent term adjustment, the patent is set to expire in 2024.

In 2011, the European Patent Office, or EPO, granted EP 1732548, the counterpart European patent to U.S. Patent No. 8,354,437 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 the EP 1732548 patent. We defended the patent, and in December 2013, we announced that the EPO Opposition Division upheld amended claims in this patent covering a sustained release formulation of dalfampridine for increasing walking in patients with MS through twice daily dosing at 10 mg. Both Synthon B.V. and neuraxpharm Arzneimittel GmBH have appealed the decision. In December 2013, Synthon B.V., neuraxpharm Arzneimittel GmBH and Actavis Group PTC ehf filed oppositions with the EPO challenging our EP 2377536 patent, which is a divisional of the EP 1732548 patent. Both European patents are set to expire in 2025, absent any additional exclusivity granted based on regulatory review timelines.

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 $0.9 million for the three months ended March 31, 2014 and $1.3 million for the three months ended March 31, 2013. In 2012, Apotex commercially launched a generic version of tizanidine hydrochloride capsules, and we also launched our own authorized generic version, which is being marketed by Watson Pharma (a subsidiary of Actavis). In March 2013, Mylan Pharmaceuticals commercially launched their own generic version of Zanaflex Capsules. The commercial launch of generic tizanidine hydrochloride capsules has caused a significant decline in net revenue from the sale of Zanaflex Capsules, and the launch of these generic versions and the potential launch of other generic versions is expected to cause the Company's net revenue from Zanaflex Capsules to decline further in 2014 and beyond.

Qutenza and NP-1998; NeurogesX Transaction

In July 2013, we acquired two neuropathic pain management assets from NeurogesX, Inc., including: Qutenza, which is approved by the FDA for the management of neuropathic pain associated with post-herpetic neuralgia, also known as post-shingles pain; and NP-1998, a Phase 3 ready, prescription strength capsaicin topical solution, being assessed for the treatment of neuropathic pain. NP-1998 was previously referred to as NGX-1998. We made a $7.5 million payment to acquire development and commercialization rights for Qutenza and NP-1998 in the United States, Canada, Latin America and certain other territories. We may also make up to $5.0 million in payments contingent upon the achievement of certain regulatory and sales milestones related to NP-1998.

Astellas Pharma Europe Ltd. has exclusive commercialization rights for Qutenza in the European Economic Area (EEA) including the 28 countries of the European Union, Iceland, Norway, and Liechtenstein as well as Switzerland, certain countries in Eastern Europe, the Middle East and Africa. Astellas also has an option to develop NP-1998 in those same territories.

Qutenza is a dermal patch containing 8% prescription strength capsaicin that can last up to three months and is approved for the management of neuropathic pain associated with post-herpetic neuralgia. The drug was approved by the FDA in 2010 and launched in April 2010 but NeurogesX discontinued active promotion of the product in March 2012. Net product revenue of Qutenza was $209,000 for the three months ended March 31, 2014. In January 2014, we re-launched Qutenza using our existing commercial organization, including our specialty neurology sales force.

NP-1998 is a topical solution containing 20% prescription strength capsaicin. We believe this liquid formulation of the capsaicin-based therapy has key advantages over the patch, and we are currently designing a plan to expedite development of this product as both a stand-alone therapy and as an adjunct to existing systemic therapies for neuropathic pain. NP-1998 has the potential to treat multiple neuropathies. We are planning to pursue HIV-related neuropathy as the first indication for NP-1998, and we are also exploring the potential for additional indications, including painful diabetic neuropathy. In 2014, we are expecting to receive data from a clinical trial being conducted by Astellas to assess the use of its capsaicin (8%) cutaneous patch QUTENZA™ in the treatment of pain associated with painful diabetic neuropathy, or PDN. While the patch and NP-1998 are different products, they contain the same active ingredient, capsaicin, so the results of this Astellas trial may help inform our evaluation of a potential development plan for NP-1998 to treat painful diabetic neuropathy. Also, in February 2014, Astellas presented data from its ELEVATE study at the 14 th Asian Australasian Congress of Anesthesiologists, which compared its capsaicin (8%) cutaneous patch QUTENZA™ to an oral therapy widely used to treat various neuropathic pain conditions. This open label study compared efficacy, tolerability, and safety, and the data may be useful in connection with our development plans for NP-1998.

Research & Development Programs

We are developing what we believe is one of the industry's leading pipelines of novel neurological therapies. We are developing Plumiaz (our trade name for Diazepam Nasal Spray), a proprietary nasal spray formulation of diazepam, for the treatment of people with epilepsy who experience cluster seizures, also known as acute repetitive seizures. We are also studying a once-daily formulation of dalfampridine extended release tablets to improve walking in people who suffer from post-stroke deficits. In addition, we have several research and development programs focused on distinct therapeutic approaches to restoring neurologic and/or cardiac function, as follows. We are developing the clinical stage compounds GGF2 for the treatment of heart failure, rHIgM22, a remyelinating monoclonal antibody, for the treatment of MS, and AC105

for acute treatment of SCI. GGF2 is also being investigated in preclinical studies as a treatment for neurological conditions such as stroke and peripheral nerve injury. Chondroitinase, an enzyme that encourages nerve plasticity in the damaged central nervous system, as in SCI, is in preclinical development. We believe these programs for restoring neurologic and/or cardiac function have the potential to be first-in-class therapies, and may be applicable across a number of CNS disorders, including stroke and traumatic brain injury, or TBI, because many of the mechanisms of tissue damage and repair are similar. Our research and development programs also include our recently acquired NP-1998 program, described above.

Plumiaz (diazepam) Nasal Spray

In December 2012, we completed the acquisition of Neuronex, Inc., a privately-held pharmaceutical company developing Plumiaz (our trade name for Diazepam Nasal Spray). Plumiaz is a proprietary nasal spray formulation of diazepam as an acute treatment for selected, refractory patients with epilepsy, on stable regimens of antiepileptic drugs, or AEDs, who experience intermittent bouts of increased seizure activity, also known as cluster seizures or acute repetitive seizures.

In November 2013, we announced that we submitted a New Drug Application, or NDA, filing for Plumiaz to the FDA. Plumiaz was filed under section 505(b)(2) of the Food Drug and Cosmetic Act, referencing data from a therapy previously approved by the FDA (DIASTAT® Rectal Gel) and providing pharmacokinetic data comparing the reference product to Plumiaz. The Company is seeking an indication for Plumiaz in people with epilepsy who experience cluster seizures. In May 2014, the FDA issued a Complete Response Letter, or CRL, for the Plumiaz NDA. We are evaluating the CRL, and expect to work closely with the FDA to address the items outlined in the letter, which will include additional clinical work, and refile the NDA. We are still planning on pursuing the 505(b)(2) pathway as described above. Once we have refiled the NDA, we expect that the FDA will respond to our submission within six months. Based on the requirements noted in the letter, we do not expect Plumiaz to receive FDA approval in 2014.

We have obtained orphan drug designation, which would confer seven years of market exclusivity from the date of approval for diazepam containing drug products for the same indication. We licensed two patent families relating to the clinical formulation for Plumiaz, including a granted U.S. patent that is set to expire in 2029. We anticipate that our current infrastructure can support sales and marketing of this product if it receives FDA approval. We believe this product has the potential to generate peak annual sales significantly higher than $100 million.

Ampyra/Dalfampridine Development Programs

We believe there may be potential for Ampyra to be applied to other indications within MS and also in other neurological conditions. For example, we have conducted a Phase 2 proof-of-concept trial of dalfampridine extended release tablets in post-stroke deficits. This study, which was initiated in 2012, explored the use of dalfampridine in patients who have experienced a stroke at least six (6) months prior to enrollment and who have stabilized with chronic neurologic deficits, which may include impaired walking, motor and sensory function and manual dexterity. Over the first six 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 targeted motor impairments that remain after such recovery. In the study, treatment with dalfampridine extended release was well-tolerated and improved walking, as measured by the Timed 25-Foot Walk test (T25FW). The safety findings in this study were consistent with previous clinical trials and post-marketing experience of dalfampridine-ER (extended release) in MS. Findings from the trial were presented at the American Neurological Association annual meeting in October 2013, and post-hoc analyses were included in a platform presentation in February 2014 at the 2014 International Stroke Conference.

We developed a once-daily, or QD, formulation of dalfampridine pursuant to a development agreement with an external partner. We are planning to move forward with a Phase 3 clinical trial that will assess the use of this QD formulation of dalfampridine as a treatment for post-stroke walking deficits. We met with the FDA in December 2013 and we are integrating FDA design recommendations into the study protocol. As part of the trial design, we are planning to conduct an interim analysis of the trial data, and depending on the outcome of that analysis we may initiate a second pivotal trial prior to the conclusion of the Phase 3 trial. We previously projected that we planned to begin the Phase 3 trial in the second quarter of 2014. However, in April 2014 we announced that initiation of the trial would begin in the second half of 2014 because the developer of the QD formulation informed us of an alcohol dose dumping finding *in vitro* and we will need to perform a short clinical study to determine whether this also exists *in vivo* . This clinical study will be conducted in healthy volunteers and is expected to be completed in the third quarter of 2014.

We also are continuing to evaluate possible grants for investigator-initiated studies looking for potential benefits, including in other neurological disorders.

Also, we previously conducted a proof-of-concept clinical study of dalfampridine in adults with cerebral palsy, or CP. The study included a single dose phase primarily intended to evaluate safety and tolerability, and a second multi-dose phase study to evaluate both safety and efficacy. In April 2013 we announced that efficacy from the second phase suggested potential treatment activity on measures of walking and hand strength, but that these data were still being analyzed to determine if they were sufficiently robust to warrant further clinical studies. After a thorough analysis of the study, we concluded that although, there were some signs of biological activity, the data were not strong enough to justify additional clinical development and we will not proceed with additional CP trials.

Glial Growth Factor 2

We have completed our GGF2 Phase 1 clinical trial in heart failure patients. This was a dose-escalating trial designed to test the maximum tolerated single dose, with follow-up assessments at one, three, and six months. In March 2013, we presented three-month data from this clinical trial in a platform presentation at the American College of Cardiology (ACC) annual meeting. These data showed a dose-related improvement in ejection fraction in addition to safety findings. Dose-limiting toxicities were also identified in the highest planned dose cohort including acute liver injury meeting Hy's Law for drug induced hepatotoxicity. In October 2013, we announced that the first patient was enrolled in the second clinical trial of GGF2. This Phase 1b single-infusion trial in people with heart failure will assess tolerability of three dose levels of GGF2, and also includes assessment of drug-drug interactions and several exploratory measures of efficacy. We voluntarily paused enrollment in this trial in December 2013 pending review of additional preclinical data with the FDA. In April 2014, we announced that we had completed this review and agreed with the FDA that the trial will resume recruitment. We expect to complete this trial in 2015. 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 have a remyelinating antibodies program that we acquired under license from the Foundation for Medical Education and Research, or Mayo Clinic. Studies have demonstrated the ability of this family of antibodies to stimulate repair of the myelin sheath in three different animal models of MS. Some antibodies within this portfolio also stimulate the growth of neurons and may have applications beyond demyelinating disorders. First identified in mice, similar remyelinating antibodies were subsequently identified in human blood samples by Mayo Clinic. rHIgM22 is our lead recombinant human remyelinating antibody. We believe a therapy that could repair myelin sheaths has the potential to restore substantial neurological function to those affected by demyelinating conditions.

In April 2013, we initiated a Phase 1 clinical trial of rHIgM22 to assess the safety and tolerability of rHIgM22 in patients with MS. The study also includes several exploratory efficacy measures. We expect to complete this trial in the first quarter of 2015. We have completed the dose escalation portion of this trial, with no serious or limiting adverse events reported. The second portion of this trial will explore safety, tolerability and efficacy endpoints for six months in additional patients at the two highest doses achieved in the dose escalation portion of the trial. Enrollment in the second portion of this trial is almost complete. We expect to complete our initial analysis of the trial data in early 2015.

AC105

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 are studying AC105 as an acute treatment for patients who have suffered SCI. In September 2013, we announced that the first patient was enrolled in a Phase 2 clinical trial evaluating the safety and tolerability of AC105 in people with traumatic SCI. The study also incorporates several exploratory efficacy measures. Recruitment in this trial has been challenging due to several factors, and we are working with the trial centers to address these.

Chondroitinase Program

We are continuing research 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.

Outlook for 2014

Financial Guidance for 2014

We are providing the following guidance with respect to our 2014 financial performance:

- We expect 2014 net revenue from the sale of Ampyra to range from $328 million to $335 million.

- We expect Zanaflex (tizanidine hydrochloride) and ex-U.S. Fampyra (prolonged-release fampridine tablets) 2014 revenue to be approximately $25 million, which includes net sales of branded Zanaflex products, royalties from ex-U.S. Fampyra and authorized generic tizanidine hydrochloride capsules sales, and $9.1 million in amortized licensing revenue from the $110 million payment we received from Biogen Idec in 2009 for Fampyra ex-U.S. development and commercialization rights.

- Research and development (R&D) expenses in 2014 are expected to range from $60 million to $70 million, excluding share-based compensation charges and expenditures related to the potential acquisition of new products or other business development activities. R&D expenses in 2014 related to dalfampridine include a Phase 3 study in post-stroke deficits and sponsorship of investigator-initiated studies. Additional expenses include continued development of Diazepam Nasal Spray and NP-1998, clinical trials for GGF2, rHIgM22 and AC105, as well ongoing preclinical studies.

- Selling, general and administrative expenses (SG&A) in 2014 are expected to range from $180 million to $190 million, excluding share-based compensation charges and expenditures related to the potential acquisition of new products or other business development activities. SG&A expense in 2014 includes commercialization expenses for Plumiaz.

We are evaluating the impact of recent events on both R&D and SG&A expenses for 2014, and will provide an update on our next earnings call if there are any changes to guidance.

The range of SG&A and R&D expenditures for 2014 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.

Development Pipeline Goals

Our planned goals and key initiatives with respect to our pipeline during and beyond 2014 are as follows:

- In November 2013, we announced that we submitted an NDA filing for Plumiaz to the FDA. In May 2014, the FDA issued a Complete Response Letter, or CRL, for the Plumiaz NDA. We are evaluating the CRL, and expect to work closely with the FDA to address the items outlined in the letter, which will include additional clinical work, and refile the NDA. Once we have refiled the NDA, we expect that the FDA will respond to our submission within six months. Based on the requirements noted in the letter, we do not expect Plumiaz to receive FDA approval in 2014.

- Continue planning for a Phase 3 clinical trial that will assess the use of a once-daily, or QD, formulation of dalfampridine as a treatment for post-stroke walking deficits. We met with the FDA in December 2013 and we are integrating FDA design recommendations into the study protocol. As part of the trial design, we are planning to conduct an interim analysis of the trial data, and depending on the outcome of that analysis we may initiate a second pivotal trial prior to the conclusion of the Phase 3 trial. We previously projected that we planned to begin the Phase 3 trial in the second quarter of 2014. However, in April 2014 we announced that initiation of the trial would begin in the second half of 2014 because the developer of the QD formulation informed us of an alcohol dose dumping

finding *in vitro* and we will need to perform a short clinical study to determine whether this also exists *in vivo* . This clinical study will be conducted in healthy volunteers and is expected to be completed in the third quarter of 2014.

- Continue to progress our Phase 1 clinical trial of rHIgM22, which we initiated in April 2013. We expect to complete this trial in the first quarter of 2015. We have completed the dose escalation portion of this trial, with no serious or limiting adverse events reported. The second portion of this trial will explore safety, tolerability and efficacy endpoints for six months in additional patients at the two highest doses achieved in the dose escalation portion of the trial. Enrollment in the second portion of this trial is almost complete. We expect to complete our initial analysis of the trial data in early 2015.

- Continue to progress our second clinical trial of GGF2, a Phase 1b single-infusion trial in people with heart failure that will assess tolerability of three dose levels of GGF2, and which also includes assessment of drug-drug interactions and several exploratory measures of efficacy. In October 2013, we announced that the first patient was enrolled in this clinical trial. We voluntarily paused enrollment in this trial in December 2013 pending review of additional preclinical data with the FDA. In April 2014, we announced that we had completed this review and agreed with the FDA that the trial will resume recruitment. We expect to complete this trial in 2015.

- Continue to progress our AC105 clinical trial, which is evaluating the safety and tolerability of AC105 in people with traumatic SCI, and also incorporates several exploratory efficacy measures. In September 2013, we announced that the first patient was enrolled in this clinical trial. Recruitment in this trial has been challenging due to several factors, and we are working with the trial centers to address these.

Results of Operations

Three-Month Period Ended March 31, 2014 Compared to March 31, 2013

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 $72.5 million as compared to $62.3 million for the three-month periods ended March 31, 2014 and 2013, respectively, an increase of $10.2 million, or 16.3%. The net revenue increase was comprised of price increases net of discount and allowance adjustments of $5.3 million and net volume increases of $4.9 million. Net revenue from sales of Ampyra increased for the three-month period ended March 31, 2014 compared to the same period of 2013 due to our price increase and greater demand we believe due to, in part, the success of certain marketing programs such as our First Step and Step Together programs. Effective January 2, 2014, we increased our sale price to our customers by 10.75%.

Discounts and allowances which are included as an offset in net revenue consist 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.

The net revenue for the three-month period ended March 31, 2014, decreased from net revenue of $84.6 million for the three-month period ended December 31, 2013. We believe that the decrease in net revenue between the fourth quarter of 2013 and the first quarter of 2014 reflects certain recurring seasonal factors relating to the commencement of a new calendar year. These factors include people switching insurance plans or pharmacy benefit providers at year-end. Consequently, many patients have to re-establish eligibility during the first few months of the calendar year. Also, when deductibles and the Medicare donut hole reset at the beginning of the calendar year, it can affect timely refills for consumers with financial constraints. In addition, as in previous years, there was some inventory build in the fourth quarter of 2013 that was destocked during the first quarter.

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. We recognized net revenue from the sale of Zanaflex Capsules and Zanaflex tablets of $900,000 for the three-month period ended March 31, 2014, as compared to $1.3 million for the three-month period ended March 31, 2013. Net product revenues also include $830,000 which represents the sale of our Zanaflex Capsules authorized generic product to Actavis for the three-month period ended March 31, 2014 as compared to $493,000 for the three-month period ended March 31, 2013. Generic competition has caused a significant decline in sales of Zanaflex Capsules and is expected to cause the Company's net revenue from Zanaflex Capsules to decline further in 2014 and beyond. The decrease in net revenues was also the result of a disproportionate increase in discounts and allowances due to the mix of customers continuing to purchase our product. These customers receive higher levels of rebates and allowances.

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.

Qutenza

We started selling Qutenza in July 2013 as a result of the NeurogesX transaction. We recognize product sales of Qutenza following shipment of product to our specialty distributors. We recognized net revenue from the sale of Qutenza to these customers of $209,000 for the three-month period ended March 31, 2014. For the foreseeable future we do not expect that sales of this product will materially contribute to our revenues.

License Revenue

We recognized $2.3 million in license revenue for the three-month periods ended March 31, 2014 and 2013, related 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 Revenue

We recognized $2.4 million and $2.9 million in royalty revenue for the three-month periods ended March 31, 2014 and 2013, respectively, related to ex-U.S. sales of Fampyra by Biogen Idec. 2013 included a favorable adjustment of $1.0 million from the establishment of pricing in Germany. In 2011, the German government implemented new legislation to manage pricing related to new drug products introduced within the German market through a review of each product's comparative efficacy. Biogen Idec launched Fampyra in Germany in August 2011. During the three-month period ended June 30, 2012, the government agency completed its comparative efficacy assessment of Fampyra indicating a range of pricing below Biogen Idec's initial launch price, which was unregulated for the first 12 months after launch consistent with German law. The Company recognized royalty revenue during a portion of 2012 based on the lowest point of the initially indicated German pricing authority range. The Company began recognizing royalty revenue at the negotiated fixed price effective upon the signing of Biogen Idec's pricing agreement in the first quarter of 2013.

We recognized $1.4 million and $2.6 million in royalty revenue for the three-month periods ended March 31, 2014 and 2013, respectively, related to the authorized generic sale of Zanaflex Capsules which started in February 2012.

Cost of Sales

We recorded cost of sales of $15.5 million for the three-month period ended March 31, 2014 as compared to $13.5 million for the three-month period ended March 31, 2013. Cost of sales for the three-month period ended March 31, 2014 consisted primarily of $12.7 million in inventory costs related to recognized revenues. Cost of sales for the three-month period ended March 31, 2014 also consisted of $1.7 million in royalty fees based on net product shipments, $179,000 in amortization of intangible assets, and $88,000 in period costs related to freight, stability testing, and packaging. Cost of sales also included $830,000, which represents the cost of Zanaflex Capsules authorized generic product sold for the three-month period ended March 31, 2014.

Cost of sales for the three-month period ended March 31, 2013 consisted primarily of $11.1 million in inventory costs related to recognized revenues. Cost of sales for the three-month period ended March 31, 2013 also consisted of $1.7

million in royalty fees based on net product shipments, $147,000 in amortization of intangible assets, and $63,000 in period costs related to freight, stability testing, and packaging. Cost of sales also included $493,000, which represents the cost of Zanaflex Capsules authorized generic product sold for the three-month period ended March 31, 2013.

Cost of License Revenue

We recorded cost of license revenue of $159,000 for the three-month periods ended March 31, 2014 and 2013, respectively. Cost of license revenue represents the recognition of a portion of the deferred $7.7 million paid to Alkermes 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, 2014 were $14.5 million as compared to $12.5 million for the three-month period ended March 31, 2013, an increase of approximately $2.0 million, or 16%. The increase was primarily due to an increase of $1.0 million for current year research and development expenses related to Plumiaz, an increase of $887,000 in expenses for the remyelinating antibodies program (rHIgM22), and an increase in overall research and development staff, compensation and related expenses of $540,000 to support the various research and development initiatives related to our product pipeline. The increases in research and development expenses for the three-month period ended March 31, 2014 were partially offset by a decrease of $709,000 related to our life cycle management program for Ampyra due to timing.

Selling, General and Administrative

Sales and marketing expenses for the three-month period ended March 31, 2014 were $26.6 million compared to $29.5 million for the three-month period ended March 31, 2013, a decrease of approximately $2.9 million, or 10%. The decrease was attributable to a decrease in overall marketing, selling, distribution, and market research expenses for Ampyra of $3.8 million. The decrease in sales and marketing expenses was partially offset by an increase of $1.0 million for pre-launch activities associated with the possible commercialization of Plumiaz.

General and administrative expenses for the three-month period ended March 31, 2014 were $20.3 million compared to $18.7 million for the three-month period ended March 31, 2013, an increase of approximately $1.6 million, or 9%. This increase was primarily the result of an increase of $1.8 million for staff and compensation expenses and other expenses related to supporting the growth of the organization and an increase of $1.0 million for work on FDA post-approval requirements for the Zanaflex franchise. The increases in general and administrative expenses for the three-month period ended March 31, 2014 were partially offset by a decrease of $980,000 in safety and surveillance expenses.

Other Income / Expense

Other income was $80,000 for the three-month period ended March 31, 2014 compared to other expense of $418,000 for the three-month period ended March 31, 2013, a decrease of approximately $498,000, or 119%. The decrease was due to a decrease in interest expense of $498,000 principally related to the PRF revenue interest agreement due to a decrease in Zanaflex sales.

Provision for Income Taxes

For the three-month periods ended March 31, 2014 and 2013, the Company recorded a $2.8 million provision for and $1.8 million benefit from income taxes, respectively, based upon its estimated tax liability for the year. The provision for/benefit from income taxes is based on federal, state and Puerto Rico income taxes. The effective income tax rates for the Company for the three-month periods ended March 31, 2014 and 2013 were 80% and (61)%, respectively. As a result of the Federal research and development tax credit not being extended during the first quarter of 2014, the Company was not able to receive a benefit in the effective tax rate for this in 2014.

We continue to evaluate the realizability of the Company’s deferred tax assets and liabilities on a periodic basis and will adjust such amounts in light of changing facts and circumstances including, but not limited to, future projections of taxable income, tax legislation, rulings by relevant tax authorities, the progress of ongoing tax audits and the regulatory approval of products currently under development. Any changes to the valuation allowance or deferred tax assets in the future would impact the Company's income taxes.

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 2013 and, at March 31, 2014, we had $372.2 million of cash, cash equivalents and short-term and long-term investments, compared to $367.2 million at December 31, 2013. Any investments classified as long-term had maturity dates of no later than July 31, 2015. 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 2014 business plan, including our currently anticipated development pipeline activities in 2014.

Our future capital requirements will depend on a number of factors, including the amount of revenue generated from sales of Ampyra, 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, 2014, $3.3 million of these promissory notes was outstanding, which amount includes accrued interest. The fourth of seven annual payments on this note was due and paid on the four year anniversary of Ampyra approval on January 22, 2014 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, 2014, referred to as the revenue interest liability, of approximately $0.8 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 5.7%. 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 $167,000 as of March 31, 2014 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.

On August 3, 2012, we received a letter from PRF alleging that we breached specified covenants and representations in the PRF agreement and purporting to exercise the put option. The letter also includes an allegation that PRF has suffered injuries beyond what is covered by their purported exercise of the put option, although it does not specify or quantify those injuries. We believe that the allegations are without merit and that the put option has not been validly exercised. Although the letter from PRF does not include a purported calculation of the put option price, if it were validly exercised, we estimate that the incremental cost to the Company in excess of amounts already accrued to PRF at March 31, 2014 would be no more than approximately $1.7 million.

Investment Activities

At March 31, 2014, cash, cash equivalents, short-term and long-term investments were approximately $372.2 million, as compared to $367.2 million at December 31, 2013. 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 US Treasury 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, 2014, our cash and cash equivalents were $44.4 million, as compared to $48.0 million as of December 31, 2013. 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 $226.1 million as of March 31, 2014, as compared to $225.9 million as of December 31, 2013. Our long-term investments consist of US Treasury bonds with original maturities greater than one year. The balance of these investments was $101.7 million as of March 31, 2014, as compared to $93.3 million as of December 31, 2013.

Net Cash Provided by / (Used in) Operations

Net cash provided by operations was $4.3 million for the three-month period ending March 31, 2014 while $7.7 million was used in the three-month period ended March 31, 2013. Cash provided by operations for the three-month period ended March 31, 2014 was primarily due to a non-cash share-based compensation expense of $5.8 million, a deferred tax provision of $2.8 million, depreciation and amortization of $1.8 million, and net income of $703,000 principally resulting from an increase in net product revenues. Cash provided by operations was partially offset by a net decrease in working

capital items of $5.4 million attributable to an increase in inventory held by the company and a decrease in accounts payable resulting from payment timing.

Cash used in operations for the three-month period ended March 31, 2013 was primarily due to a decrease in working capital items of $9.5 million attributable to an increase in inventory held by the company and payment of accrued and prepaid items partially offset by a decrease in accounts receivable. Cash used in operations was also attributable to a decrease in non-current portion of deferred license revenue of $2.3 million, a deferred tax benefit of $1.8 million, and a net loss of $1.1 million principally resulting from an overall increase in operating expenses. Cash used in operations was partially offset by a non-cash share-based compensation expense of $4.9 million, amortization of net premiums and discounts on investments of $590,000 and depreciation and amortization of $1.4 million.

Net Cash Used in Investing

Net cash used in investing activities for the three-month period ended March 31, 2014 was $11.4 million, primarily due to $93.8 million in purchases of investments, purchases of intangible assets of $1.2 million, and purchases of property and equipment of $942,000, partially offset by $84.5 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, 2014 was $3.5 million, primarily due to $3.7 million in net proceeds from the issuance of common stock and exercise of stock options partially offset by $212,000 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, 2013. 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, 2014, commitments related to the purchase of inventory increased as compared to December 31, 2013. As of March 31, 2014, we have inventory-related purchase commitments totaling approximately $27.7 million.

Under certain 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 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. As of March 31, 2014, we have committed to make potential future milestone payments to third parties of up to approximately $206 million as part of our various collaborations, including licensing and development programs. 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, 2014, 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 and commercial milestones. There is uncertainty regarding the various activities and outcomes needed to reach these milestones, and they may not be achieved.

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, 2013. As of March 31, 2014, our critical accounting policies have not changed materially from December 31, 2013.

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, 2014.

We have cash equivalents, short-term and long-term investments at March 31, 2014, 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 short-term and long-term investments approximate their fair value at March 31, 2014. Our investments designated as long-term as of March 31, 2014 had maturity dates no later than July 31, 2015. At March 31, 2014, we held $372.2 million in cash, cash equivalents, short-term and long-term investments which had an average interest rate of approximately 0.2%.

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 2014, 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, 2014, 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, 2014, 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 Abbreviated New Drug Application, or 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. In September 2011, the Court ruled against us and, following our appeal, in June 2012 the U.S. Court of Appeals for the Federal Circuit affirmed the decision. We did not seek any further appeal of 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 alleged, 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 made allegations similar to the original complaint. Requested judicial remedies include monetary damages, disgorgement of profits, recovery of litigation costs, and injunctive relief. Following our filing of a motion to dismiss the amended complaint, in 2013 the Court dismissed five of the six counts in the amended complaint, including all of the antitrust claims, leaving only a claim under the Lanham Act relating to alleged product promotional activities. The case is now proceeding, and the Company intends to defend itself 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, 2013, all of which could materially affect our business, financial condition or future results. These risks 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.

Item 6. Exhibits

Exhibit No .	Description
10.1*	License Agreement, dated November 12, 2002, by and between the Registrant and Paion AG (formerly CeNeS Pharmaceuticals, plc.)
10.2*	Asset Purchase Agreement, dated as of July 21, 2004, by and between the Registrant and Elan Pharmaceuticals, Inc.
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
(Principal Executive Officer)
Date: May 9, 2014

By: /s/ MICHAEL ROGERS
Michael Rogers
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: May 9, 2014

Exhibit Index

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** 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.”

EXHIBIT 10.1

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

LICENSE AGREEMENT

This License Agreement (the "AGREEMENT") is entered into this 12th day of November, 2002 (the "EFFECTIVE DATE"), by and between CeNes Pharmaceuticals, plc, a corporation organized and existing under the laws of the United Kingdom and having a principal place of business at Compass House, Vision Park, Chivers Way, Histon, Cambridge CB4 9ZR, England (hereinafter "CeNeS") and Acorda Therapeutics, Inc., a corporation organized and existing under the laws of the State of Delaware and having a principal place of business at 15 Skyline Drive, Hawthorne, NY 10532 (hereinafter "Acorda" or "LICENSEE").

WHEREAS, CeNeS, by its acquisition of Cambridge NeuroScience, Inc., has exclusive rights under that certain license agreement, as amended, (the "Harvard License") by and between Cambridge NeuroScience, Inc. and President and Fellows of Harvard College ("Harvard"), acting on its behalf and, pursuant to an inter-institutional agreement (the "Inter-Institutional Agreement"), acting on behalf of the Leland Stanford Junior College ("STANFORD") pursuant to which Harvard licensed certain rights to Cambridge NeuroScience, Inc.;

WHEREAS, CeNeS and Acorda are parties to that certain license option agreement, as amended, pursuant to which CeNeS granted an option to Acorda to, among other things, obtain a sublicense of the rights granted by Harvard to Cambridge NeuroScience, Inc. pursuant and subject to the Harvard License (the "LICENSE OPTION AGREEMENT")

WHEREAS, Acorda desires to exercise such option and to acquire a sublicense of such rights as set forth herein; and

WHEREAS, CeNeS desires to grant a sublicense of such rights as set forth herein.

NOW THEREFORE, in consideration of the foregoing premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

As used in this AGREEMENT, the terms below shall have the following meanings:

1.1 "AFFILIATE" means any corporation, company, partnership, joint venture and/or firm that controls, is controlled by, or is under common control with either party. As used in this Paragraph, the term "control" means (a) in the case of corporate entities, direct or indirect ownership of at least fifty percent (50%) of the stock or shares having the right to vote for the election of directors, and (b) in the case of non-corporate entities, direct or indirect ownership of at least fifty percent (50%)

of the equity interest with the power to direct the management policies of such non-corporate entities.

1.2 "BIOLOGICAL MATERIALS" means the materials identified in Appendix B, attached hereto, together with any progeny, mutants, or derivatives thereof which are either supplied by CeNeS or are created by LICENSEE and are covered by a VALID CLAIM.

1.3 "IND" means an Investigational New Drug application as defined in the US. Food, Drug and Cosmetics Act and the regulations promulgated thereunder.

1.4 "LICENSED KNOW-HOW" means all unpatented know-how, trade secrets, information, data, methods, materials, techniques, reagents, cell lines, protein sequences or segments, and monoclonal antibodies, including without limitation, materials as described generally in Appendix C hereto, owned or controlled by CeNeS at any time during the term of the AGREEMENT that is necessary or useful to practice the PATENT RIGHTS or to research, develop, make, use or sell LICENSED PRODUCTS.

1.5 "LICENSED PRODUCTS" means: (a) PROTEIN PRODUCTS and NON-PROTEIN PRODUCTS that are covered by one or more VALID CLAIM(S) under the PATENT RIGHTS and (b) PROTEIN PRODUCTS and NON-PROTEIN PRODUCTS that incorporate some portion of BIOLOGICAL MATERIALS.

1.6 "NDA" means a New Drug Application as defined in the U.S. Food, Drug and Cosmetics Act and the regulations promulgated thereunder.

1.7 "NET SALES" means the amount billed, invoiced, or received (whichever occurs first) for SALES, leases or other transfers of LICENSED PRODUCTS, less:

(a) customary trade, quantity and cash discounts or rebates and non-affiliated brokers' or agents' commissions actually allowed and taken;

(b) amounts repaid or credited by reason of rejection, recall or return;

(c) to the extent separately stated on purchase orders, invoices, or other documents of sale, tax levied on and/or other governmental charges made as to production, sale, transportation, delivery or use and paid by LICENSEE or a SUBLICENSEE; and

(d) reasonable charges for freight, packaging and insurance costs incurred in the delivery of transportation or LICENSED PRODUCTS provided by third parties, if separately stated.

NET SALES also includes the fair market value of any non-cash consideration received by LICENSEE or SUBLICENSEES for the SALE, lease, or transfer of LICENSED PRODUCTS.

1.8 "NON-COMMERCIAL RESEARCH PURPOSES" means the use of PATENT RIGHTS and/or BIOLOGICAL MATERIALS for academic research or other not-for-profit scholarly purposes which are undertaken at a non-profit or governmental institution that does not use the PATENT RIGHTS and/or BIOLOGICAL MATERIALS in the production of manufacture of products for sale or the performance of services for a fee. Such use shall not include (i) the right to use the subject matter of the PATENT RIGHTS in the production or manufacture of products for sale or for the performance of services for a fee, or (ii) the right to use the subject matter of the PATENT RIGHTS pursuant to a research funding or other agreement or collaboration with a third party entity as a consequence of which such third party entity is granted rights to commercialize products or services under the PATENT RIGHTS.

1.9 "NON-PROTEIN PRODUCTS" means products that are discovered, identified or developed through the use of material that is claimed or covered by a VALID CLAIM in the PATENT RIGHTS, as a target in a screening tool or otherwise, exclusive of PROTEIN PRODUCTS.

1.10 "PATENT RIGHTS" means the patents and patent applications listed on Appendix A attached hereto, including without limitation United States Serial No. 08/525,864, filed September 9, 1995, now United States Patent No. 5,912,326, along with the inventions described and/or claimed therein, and any divisionals, continuations, continuations-in-part (to the extent that a claim of such continuation-in-part is entitled to the priority date of at least one of the patents, applications, or disclosures identified in Appendix A), patents issuing thereon and reissues and reexaminations thereof, and any and all foreign patents and patent applications corresponding thereto, all to the extent that Harvard and/or STANFORD has an ownership or an interest in such PATENT RIGHTS.

1.11 "PROCEEDS" means the royalties actually received by Acorda from its SUBLICENSEES for NET SALES of LICENSED PRODUCTS that are NON-PROTEIN PRODUCTS.

1.12 "PROTEIN PRODUCT" means a product that is in whole or in part, composed of one or more proteins encoded by the growth factor gene *nrg* -2, or a fragment thereof, in whatever form including mutants, analogues, homologues or derivative forms thereof, that is covered by a VALID CLAIM in the PATENT RIGHTS.

1.13 "PUBLIC LAWS" means the US laws referred to as "Public Law 96-517" and "Public Law 98-620" and includes all amendments to such statutes.

1.14 "SOLD" and "SALE" means the sale, transfer, exchange or other commercial disposition of LICENSED PRODUCTS by LICENSEE, its AFFILIATES or SUBLICENSEES. In case of doubt, SALES of LICENSED PRODUCTS shall be deemed consummated no later than receipt of payment from a third party for the applicable transaction involving such LICENSED PRODUCT.

1.15 "SUBLICENSE" means a grant by LICENSEE, either directly or indirectly (i.e., through multiple tiers of sublicenses) to a third party of sublicense to practice any of the rights granted to LICENSEE hereunder in accordance with this AGREEMENT. Such third party shall be referred to as a "SUBLICENSEE" under this AGREEMENT.

1.16 "TERRITORY" means all countries and territories worldwide.

1.17 'VALID CLAIM" means (a) a pending claim of a patent application within the PATENT RIGHTS, which (i) has been pending under examination for less than seven (7) years, (ii) has been asserted in good faith, and (iii) has not been abandoned or finally rejected without the possibility of appeal or refiling; or (b) a claim of an issued or granted and unexpired patent within the PATENT RIGHTS, which has not been held unenforceable unpatentable or invalid by a decision of a court or governmental body of competent jurisdiction, which can no longer be appealed (i.e., within the time allowed or appeal), which has not been rendered, unenforceable through disclaimer or otherwise, which has not been abandoned, or which has not been lost through an interference proceeding. A VALID CLAIM shall be defined as of each calendar half year ending June 30 and December 31.

ARTICLE II
Grant of Rights

2.1 CeNeS hereby grants to LICENSEE and LICENSEE accepts, subject to the terms an conditions hereof, an exclusive sublicensee under the PATENT RIGHTS and LICENSED KNOW-HOW in the TERRITORY to make and have made, use and have used, sell, offer for sale, have sold and import LICENSED PRODUCTS for the life of the PATENT RIGHTS. Such sublicense shall include the right to grant further sublicenses through multiple tiers of sublicenses.

2.2 The granting and exercise of this license is subject to the following conditions:

(a) Harvard's "Statement of Policy in Regard to Inventions, Patents and Copyrights," dated August 10, 1998 the PUBLIC LAWS, the Harvard's obligations under the sponsored research agreement(s) referenced as Grant Nos. EY08397 and NS14506 from the National Institutes of Health. Any right granted in this AGREEMENT greater than that permitted under the PUBLIC LAWS shall be subject to modification as may be required to conform to the provisions of those statutes.

(b) Harvard's reservation of the right to make and use, and to grant to not-for-profit third parties, non-exclusive licenses to use the subject matter described and claimed in the PATENT RIGHTS solely where the rights conferred by such non-exclusive license are explicitly limited to use that is for NON-COMMERCIAL RESEARCH PURPOSES, *provided, that* , in all such non-exclusive licenses granted under this paragraph 2.2(b),

Harvard shall include such limitation of use as provided in subparagraphs 2.9(i) and 2.9(ii) of the Harvard License, as amended.

(c) LICENSEE shall use its best efforts to bring the subject matter of this AGREEMENT into commercial use as quickly as is reasonably possible. This AGREEMENT is subject and subordinate to the terms and conditions of the Harvard License.

(d) For as long as the sublicense rights granted in this AGREEMENT remain exclusive in the United States, LICENSEE shall cause any LICENSED PRODUCT produced for sale in the United States to be manufactured substantially in the United States.

2.3 All rights reserved to the United States Government and others under the Public Laws shall remain and shall in no way be affected by this AGREEMENT.

ARTICLE III
Diligence

3.1 LICENSEE shall, itself or through its AFFILIATES or SUBLICENSEES, use diligent efforts to effect introduction of LICENSED PRODUCTS into the commercial market as soon as practicable, consistent with sound and reasonable business practice and judgment; thereafter, until the expiration of this Agreement, LICENSEE shall endeavor to keep LICENSED PRODUCTS reasonably available to the public. LICENSEE, its AFFILIATES or SUBLICENSEES shall make such efforts in the form of the actions (a) - (d) of this Section 3.1 (hereinafter referred to as "Diligence Milestones").

(a) within twenty-four (24) months of the EFFECTIVE DATE, commence exploratory studies leading to the validation of a specific therapeutic area of use for the growth factor gene *nrg* -2, therapeutic study areas may include, but are not limited to, central nervous system indications, congestive heart failure and cardiotoxicity secondary to chemotherapy with tyrosine kinase anti-neoplastic agents, and submit to CeNeS a due diligence report describing the exploratory studies;

(b) within fifty-four (54) months of the EFFECTIVE DATE, file an IND for a LICENSED PRODUCT and shall provide written notice to CeNeS of such filing;

(c) within eighty-four (84) months of the EFFECTIVE DATE, initiate human clinical trials for a LICENSED PRODUCT and shall provide written notice to CeNeS of such initiation; and

(d) within one hundred twenty (120) months of the EFFECTIVE DATE, file a NDA for a LICENSED PRODUCT.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

3.2 In the event of a failure by LICENSEE, its AFFILIATES or SUBLICENSEES to meet a Diligence Milestone set forth above, and LICENSEE can demonstrate to CeNeS that it has made reasonable efforts to meet such milestone, CeNeS and LICENSEE shall negotiate in good faith and agree upon a reasonable extension for such milestone; provided that such extension shall be no less than twelve (12) months. Additional extensions to the same Diligence Milestone may be granted, if needed, based upon the progress that has been made by LICENSEE to meet the unmet Diligence Milestone.

ARTICLE IV
Royalties

4.1 LICENSEE shall pay to CeNes a non-refundable license royalty fee in the sum of [***] within ten (10) days after execution date of this AGREEMENT.

4.2 (a) LICENSEE shall pay to CeNeS during the term of this AGREEMENT a royalty of [***] of NET SALES of PROTEIN PRODUCTS by LICENSEE and its AFFILIATES and a royalty of [***] of the NET SALES of PROTEIN PRODUCTS by each SUBLICENSEE.

(b) LICENSEE shall pay to CeNeS during the term of this AGREEMENT a royalty of [***] of NET SALES of NON-PROTEIN PRODUCTS by LICENSEE or its AFFILIATES. In the case of SUBLICENSES, LICENSEE shall pay to CeNeS [***] of PROCEEDS received by LICENSEE from each such SUBLICENSEE in connection with NON-PROTEIN PRODUCTS.

(c) The obligation to pay royalties to CeNeS under this AGREEMENT shall be imposed only once with respect to the same unit of LICENSED PRODUCT regardless of the number of pending or issued claims of the PATENT RIGHTS covering the applicable LICENSED PRODUCT or the amount of subject matter of the PATENT RIGHTS used in the development, manufacture or use thereof.

(d) LICENSEE shall not be obligated to make any further royalty payments in a country for any LICENSED PRODUCT after the end of the period commencing on the date of the first commercial sale of the LICENSED PRODUCT in such country by LICENSEE, its AFFILIATEs or SUBLICENSEEs and ending on the date of expiration of the last VALID CLAIM of the PATENT RIGHTS covering the LICENSED PRODUCT actually used to make such LICENSED PRODUCT, in such country.

4.3 In the event a LICENSED PRODUCT is sold in the form of a combination product containing one or more active ingredients in addition to the LICENSED PRODUCT active ingredient (hereinafter “COMBINATION LICENSED PRODUCT”), then the applicable NET SALES for such COMBINATION

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

LICENSED PRODUCT, for purposes of calculating royalties due thereunder, will be adjusted by multiplying actual NET SALES of such COMBINATION LICENSED PRODUCT by the applicable fraction, determined as follows:

(a) Unless Section 4.3(b), 4.3(c) or 4.3(d) applies below, the fraction A/(A+B) where A is the invoice price of the LICENSED PRODUCT, if sold separately, and B is the sum of the invoice price(s) of any other active component or components in the combination, if sold separately.

(b) If, on a country-by-country basis, the other active component or components in the COMBINATION LICENSED PRODUCT are not sold separately in said country, the fraction shall be A/C where A is the invoice price of the LICENSED PRODUCTS if sold separately, and C is the invoice price of the COMBINATION LICENSED PRODUCT.

(c) If, on country-by-country basis, the LICENSED PRODUCT is not sold separately in said country, the fraction shall be [1-(B/C)] where B is the invoice price sum of any other active components or components in the combination, if sold separately and C is the invoice price of the COMBINATION LICENSED PRODUCT.

(d) If, on a country-by-country basis, neither the LICENSED PRODUCT nor the other active component or components of the COMBINATION LICENSED PRODUCT is sold separately in said country, the fraction shall be negotiated in good faith by the parties with the intention of agreeing upon a fair and equitable formula that reasonably reflects the relative value contributed by the LICENSED PRODUCT to the total value of the combination in the COMBINATION LICENSED PRODUCT, as compared to the other active ingredients therein.

4.4 For SALES between LICENSEE and its AFFILIATEs or SUBLICENSEEs for resale, the royalty shall be paid once on the NET SALEs of such resale to a third party by the AFFILIATE or SUBLICENSEE.

4.5 No later than January 1 of each calendar year after the EFFECTIVE DATE of this AGREEMENT, LICENSEE shall pay to CeNeS the following non-refundable license maintenance royalty and/or advance on royalties. Such payments may be credited against the royalties due for that calendar year and Royalty Reports (as defined in Section 5.3(a)) shall reflect such a credit. Such payments shall not be creditable against royalties due for any subsequent calendar year. The first three (3) of such payments shall not be creditable against milestone payments but subsequent payments thereafter may be creditable against milestone or royalty payments.

January 1, 2003	$	[***]
January 1, 2004	$	[***]
January 1, 2005	$	[***]
January 1 of each additional year prior to the first to occur of (i) the termination date of this AGREEMENT; or (ii) expiration of the PATENT RIGHTS	$	15,000

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

4.6 LICENSEE shall pay to CeNeS the following non-refundable milestone payments upon achievement by LICENSEE, an AFFILIATE or SUBLICENSEE of the milestone events indicate below:

(a) Upon the EFFECTIVE DATE: $4,500;

(b) Upon initiation of the first human clinical trial of a LICENSED PRODUCT that is a PROTEIN PRODUCT: $[***];

(c) Upon initiation of the first Phase III human clinical trial of a LICENSED PRODUCT that is a PROTEIN PRODUCT: $[***];

(d) Upon filing the first New Drug Application ("NDA") with the U.S. Food and Drug Administration for a LICENSED PRODUCT that is a PROTEIN PRODUCT: $[***];

(e) Upon being granted the first approval to market commercially a LICENSED PRODUCT that is a PROTEIN PRODUCT in the United States: $[***]; and

(f) Upon being granted the first approval to market commercially a LICENSED PRODUCT that is a PROTEIN PRODUCT in a country chosen from the group consisting of the United State, Canada, the United Kingdom, France, Germany, Italy, Spain, and Japan: $[***]. For avoidance of doubt, in the event the first approval to market commercially a LICENSED PRODUCT that is a PROTEIN PRODUCT occurs in the United States, then LICENSEE shall nevertheless be obligated to pay both milestones (e) and (f) for a total payment of $[***] in connection with such approval.

For clarity, should a PROTEIN PRODUCT be abandoned by LICENSEE, its AFFILIATE or SUBLICENSEE for any reason following completion of any of milestones (b) through (e) but prior to completion of milestone (f), and LICENSEE commences development of a subsequent PROTEIN PRODUCT, then LICENSEE shall resume the milestone payments for such subsequent PROTEIN PRODUCT starting at the event subsequent to the event for which a milestone payment had already been paid. Each milestone payment shall be paid only once by LICENSEE.

ARTICLE V
REPORTING

5.1 Diligence Milestones shall be reported according to the provisions of Section 3.1 of this AGREEMENT.

5.2 LICENSEE shall report to CeNeS the date of first Sale of each LICENSED PRODUCT in each country within thirty (30) days of occurrence.

5.3 (a) LICENSEE shall submit to CeNeS within sixty (60) days after each calendar half year ending June 30 and December 31, a royalty report ("Royalty Report") setting forth for such half year at least the following information:

(i) the number of LICENSED PRODUCTS sold by Licensee, its AFFILIATES And SUBLICENSEEs in each country;

(ii) total billings for such LICENSED PRODUCTS;

(iii) deduction applicable to determine the NET SALES thereof;

(iv) the amount of NET SALES by SUBLICENSEEs and PROCEEDS received by LICENSEE; and

(v) the amount of royalty due thereon, or, if no royalties are due to CeNeS for any reporting period, the statement that no royalties are due.

Each such Royalty Report shall be certified as correct by an officer of LICENSEE to the best of such officer's knowledge, and shall include a detailed listing of all deductions from royalties.

(b) LICENSEE shall pay to CeNeS with each such Royalty Report the amount of royalty due with respect to such half year. If multiple technologies are covered by the license granted thereunder, LICENSEE shall specify which PATENT RIGHTS are practiced for each LICENSED PRODUCT included in the Royalty Report.

(c) All payments due hereunder shall be deemed received when funds are credited to CeNeS's bank account and shall be payable by check or wire transfer in United States dollars. Conversion of foreign currency to U.S. dollars shall be made at the conversion rate existing in the United States (as reported the Wall Street Journal, Eastern Edition) on the last working day of each royalty period. No transfer, exchange, collection or other charges shall be deduced from such payments.

(d) All such reports shall be considered trade secrets of LICENSEE, and shall be maintained in confidence by CeNeS, except solely as required by law or by the terms of the Harvard License.

(e) Late payments shall be subject to a charge of one and one-half percent (1.5%) per month, or $250, whichever is greater.

ARTICLE VI
Record Keeping

6.1 LICENSEE shall keep, and shall require its AFFILIATEs and SUBLICENSEEs to keep, accurate records (together with supporting documentation) of LICENSED PRODUCTS made, used or sold under this AGREEMENT, appropriate to determine the amount of royalties due to CeNeS hereunder. Such records shall be retained for at least three (3) years following the end of the reporting period to which they relate. They shall be available upon at least fifteen (15) business days' prior written notice at any reasonable time during normal business hours not more often than once each calendar quarter for examination by an independent accountant selected by CeNeS, to whom Acorda or, if applicable, its AFFILIATEs or SUBLICENSEEs, have no reasonable objection, for the sole purpose of verifying reports and payments hereunder. In conducting examinations pursuant to this Section, CeNeS' independent accountant shall have access to all records that CeNeS reasonably believes to be relevant to the calculation of royalties under Article IV. Such independent accountant an CeNeS shall treat as confidential and shall not use or disclose to any third party (except Harvard and STANFORD) any information acquired during the course of such examination.

6.2 Such examination by CeNeS's independent accountant shall be at CeNeS' expense, except that if such an examination shows an underreporting or underpayment in excess of five percent (5%) for any twelve (12) month period, then LICENSEE shall pay the cost of such examination as well as any additional sum that would have been payable to CeNeS had the LICENSEE reported correctly, plus interest on said sum at the rate of one and one-half percent (1.5%) per month. If the independent account determines that there had been an overpayment by LICENSEE, LICENSEE shall be entitled to either a refund in the amount of such overpayment or a credit against any future payments to be made by LICENSEE under this AGREEMENT.

ARTICLE VII
DOMESTIC AND FOREIGN PATENT FILING AND MAINTENANCE

7.1 Upon execution of this AGREEMENT, LICENSEE shall be primarily responsible for the preparation, filing, prosecution and maintenance of any and all patent applications and patents included in PATENT RIGHTS, at its expense. Notwithstanding the previous sentence, LICENSEE shall promptly furnish to CeNeS copies of all material documents pertaining to such preparation, filing, prosecution or maintenance, and CeNeS shall be given and opportunity to consult with LICENSEE as to the preparation, filing, prosecution and maintenance.

7.2 Harvard and LICENSEE shall cooperate fully in the preparation, filing, prosecution and maintenance of PATENT RIGHTS and of all patents and patent

applications licensed to LICENSEE hereunder, executing all papers and instruments or requiring members of Harvard and/or STANFORD to execute such papers and instruments so as to enable LICENSEE to apply for, to prosecute and to maintain patent applications and patents in Harvard's and STANFORD's name in each country. Each party shall provide to the other prompt notice as to all matters which come to its attention and which may affect the preparation, filing, prosecution or maintenance of any such patent applications or patents.

7.3 LICENSEE may elect to surrender its rights under the PATENT RIGHTS on a patent-by-patent basis in any country upon sixty-(60) days written notice to CeNeS.

ARTICLE VIII
ENFORCEMENT AND DEFENSE OF THE PATENT RIGHTS

8.1 With respect to any PATENT RIGHTS that are exclusively licensed to LICENSEE pursuant to this AGREEMENT, LICENSEE shall have the right to prosecute and defend its own name and at its own expense any infringement of a patent within PATENT RIGHTS, or any other type of litigation involving the subject matter of the PATENT RIGHTS. CeNeS agrees to notify LICENSEE promptly of each infringement of such patents of which CeNeS is or becomes aware, and of each challenge to such patents of which CeNeS is or becomes aware.

8.2 (a) If LICENSEE commences an action In accordance with Section 8.1 above, Harvard may to the extent permitted by law, and shall to the extent required by law so as to enable LICENSEE to enforce the exclusive rights granted to it by this AGREEMENT, join as a part in that action. Regardless of whether Harvard joins as a party, both Harvard and CeNeS shall cooperate fully with LICENSEE in connection with any such action.

(b) If Harvard elects to join as a party pursuant to Section 8.2(a), Harvard shall jointly control the action with LICENSEE.

(c) LICENSEE shall reimburse Harvard for any costs Harvard incurs, including reasonable attorneys' fees, as part of an action brought by LICENSEE, whether or not Harvard becomes a party to such action.

8.3 If LICENSEE elects to commence an action as described above, LICENSEE may deduct from its royalty payments to CeNeS with respect to the patent(s) subject to suit an amount not exceeding fifty percent (50%) of LICENSEE's expenses and costs of such action, including reasonable attorney's fees and any reimbursements provided for under Section 8.2(c); provided, however, that such reduction shall not exceed fifty percent (50%) of the total royalty due to CeNeS with respect to the patent(s) subject to suit for each calendar year. If such fifty percent (50%) of LICENSEE's expenses and costs exceeds the amount of royalties deducted by LICENSEE for any calendar year, LICENSEE may to that extent reduce the

royalties due to CeNeS from LICENSEE in succeeding calendar years, but never by more than fifty percent (50%) of the total royalty due in any one year with respect to the patent subject to suit.

8.4 No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without the prior written consent of Harvard, and without the prior written consent of LICENSEE, which consent shall not be unreasonably withheld by either of them.

8.5 Recoveries or reimbursements, from actions commenced pursuant to this Article VIII shall be distributed as follows: (i) each party shall first be reimbursed for any expenses and litigation costs incurred in the action (including any reimbursement provided by LICENSEE to Harvard pursuant to Section 8.2(c) to the extent not deducted from royalties pursuant to Section 8.3) and then to reimburse CeNeS for royalties deducted by LICENSEE pursuant to in Section 8.3; (ii) as to any remaining ordinary damages, LICENSEE shall deem such remaining damages as NET SALES in the fiscal quarter receives by LICENSEE and royalties on such amount shall be payable by LICENSEE to CeNeS accordingly; and (iii) as to any remaining special or punitive damages, LICENSEE shall receive an amount equal to 50% of its external expenses incurred in the action and the remainder of such special or punitive award shall be shared equally between the parties.

8.6 If LICENSEE elects not to exercise its right to prosecute an infringement of the . PATENT RIGHTS pursuant to this Article VIII within one hundred twenty (120) days after notification by CeNeS pursuant to Section 8.1 of any such infringement, CeNeS may do so at its own expense, controlling such action and retaining all recoveries therefrom. Notwithstanding the foregoing, CeNeS shall first consult with LICENSEE and give due consideration to LICENSEE's reasons for not instituting actions to prosecute an infringement of the PATENT RIGHTS. If CeNeS decides to pursue such infringement, LICENSEE shall cooperate fully with CeNeS in connection with any such action.

8.7 If a declaratory judgment action is brought naming LICENSEE as a defendant and alleging invalidity of any of the PATENT RIGHTS, CeNeS may elect to join such action at its own expense; in all other respects such action shall be conducted as if it had been brought by LICENSEE pursuant to Sections 8.1, 8.2, 8.3 and 8.4 of this Article VIII.

ARTICLE IX
TERMINATION OF AGREEMENT

9.1 This AGREEMENT, unless earlier terminated as provided herein, shall remain in effect until the last patent, patent application, or claim included in PATENT RIGHTS has expired, been abandoned or been held finally rejected or invalid (the "TERM").

9.2 Except as provided in paragraphs 9.3(a) and 9.3(b) below, either party shall have the right to terminate this AGREEMENT if the other party defaults in the performance of a material obligation under this AGREEMENT and the default has not been remedied within ninety (90) days after the date of notice in writing of such default by the party specifying such breach and seeking termination.

9.3 CeNeS may terminate this AGREEMENT immediately under the following circumstances:

(a) If LICENSEE defaults in its obligations under Sections 11.6(a) and 11.6(b), provided, that CeNeS provides written notice to LICENSEE of the default and LICENSEE fails to cure such default within thirty (30), days; or

(b) if CeNeS determines that the AGREEMENT should be terminated due to the failure of LICENSEE to meet a Diligence Milestone by the expiration of an extension pursuant to Section 3.2, and if, in CeNeS' reasonable judgment, a further extension pursuant to Section 3.2 would be unlikely to result in LICENSEE being able to meet such Diligence Milestone.

9.4 If Harvard terminates the Harvard License because CeNeS becomes insolvent, makes an assignment for the benefit of creditors, or has a petition in bankruptcy filed for or against it, Harvard shall, upon LICENSEE's written request, enter into a direct license with LICENSEE for the PATENT RIGHTS under the same terms as those in this AGREEMENT.

9.5 This AGREEMENT shall, at LICENSEE's written request, be assigned to Harvard upon termination of the Harvard License. CeNeS shall provide prompt written notice to LICENSEE if Harvard gives notice that it intends to terminate the Harvard License for breach, and LICENSEE may engage in actions to cure such breach to avoid such termination or else may effect an assignment of this AGREEMENT to Harvard upon termination of the Harvard License.

9.6 LICENSEE shall have the right to terminate this AGREEMENT upon ninety (90) days advance written notice of termination to CeNeS, such termination to be effective on the last of such ninety (90) days (the "Termination Date"). LICENSEE shall submit a final Royalty Report to CeNeS, and pay any and all amounts due hereunder, including, without limitation, all royalty payments and unreimbursed patent expenses, within thirty (30) days following the Termination Date.

9.7 The license to LICENSEE set forth in Section 2.1 shall continue after any termination or expiration of this AGREEMENT as set forth in this Section 9.7. If this AGREEMENT expires pursuant to Section 9.1, then LICENSEE shall thereafter retain a nonexclusive, perpetual, royalty-free, worldwide license, with the full right to sublicense, under the PATENT RIGHTS and LICENSED KNOW-HOW to practice such technology and rights for all purposes. If this

AGREEMENT is terminated by LICENSEE pursuant to Section 9.2, then LICENSEE, in its sole discretion, may elect to retain the exclusive license granted in Section 2.1, subject to the payment of the royalties otherwise due under Section 4.2.

9.8 Articles I and X, and Sections 2.3, 5.3(e), 9.7, 9.8, 11.1, 11.2, 11.4, 11.5, 11.7 and 11.9 of this AGREEMENT shall survive termination.

ARTICLE X
CONFIDENTIALITY

10.1 Treatment of Confidential Information. Except as otherwise provided hereunder, during the term of this AGREEMENT and for a period of five (5) years thereafter:

(a) CeNeS, its AFFILIATES and SUBLICENSEES shall retain in confidence and use only for purposes of this AGREEMENT, any written information and data supplied by LICENSEE to CeNeS under this AGREEMENT and marked as proprietary or confidential; and

(b) LICENSEE shall retain in confidence and use only for purposes of this AGREEMENT, any written information and data supplied by CeNeS to LICENSEE under this AGREEMENT and marked as proprietary or confidential.

For purposes of this AGREEMENT, all such information and data which a party is obligated to retain in confidence shall be called **"Information."** Any written information, materials or data relating to NRG-2 disclosed by one party to the other party pursuant to the LICENSE OPTION AGREEMENT and the Confidentiality Agreement entered into as of July 23, 2001 shall be deemed Information under this AGREEMENT.

10.2 Permitted Disclosure. To the extent that it is reasonably necessary to fulfill its obligations or exercise its rights under this AGREEMENT, or any rights which survive termination or expiration hereof, each party may disclose Information to its AFFILIATES, SUBLICENSEES, consultants, outside contractors and clinical investigators on condition that such entities or persons agree:

(a) to keep the Information confidential for at least the same time periods and to the same extent as each party is required to keep the Information confidential and

(b) to use the Information only for such purposes as such parties are authorized to use the Information.

Each party, its AFFILIATES or SUBLICENSEES may disclose Information to regulatory authorities to the extent that such disclosure is necessary for the prosecution and enforcement of patents, authorizations to conduct clinical trials or commercialization of LICENSED PRODUCTS, provided that such party is

otherwise entitled to engage in such activities under this AGREEMENT. Each party, its AFFILIATES or SUBLICENSEES may disclose Information to the government or a court of competent jurisdiction, provided that such disclosing party (a) provides the other party with adequate notice of the required disclosure, (b) cooperates with the other party' s efforts to protect its Information with respect to such disclosure and (c) takes all reasonable measures requested by the other party to challenge or to modify the scope of such required disclosure. CeNeS may disclose Information to Harvard and Stanford to the extent such disclosure is required pursuant to CeNeS' s obligations under the Harvard License.

10.3 The obligation under Section 10.1 not to use or disclose Information shall not apply to any part of such Information that the recipient party can establish by competent written proof:

(a) is or becomes patented, published or otherwise part of the public domain, other than by unauthorized acts of the party obligated not to disclose such Information (for purposes of this Article 10 (the " **Receiving Party** "), its AFFILIATES or SUBLICENSEES in contravention of this AGREEMENT;

(b) is disclosed to the Receiving Party, its AFFILIATES or SUBLICENSEES by a third party provided that such Information was not obtained by such third party directly or indirectly from the other party under this AGREEMENT;

(c) prior to disclosure under this AGREEMENT, was already in the possession of the Receiving Party, its AFFILIATES or SUBLICENSEES, provided that such Information was not obtained directly or indirectly from the other party under this AGREEMENT;

(d) results from the research and development by the Receiving Party, its AFFILIATES or SUBLICENSEES, independent of disclosures from the other party of this AGREEMENT, provided that the persons developing such information have not had exposure to the Information received from the disclosing party; or

(e) CeNeS and LICENSEE agree in writing may be disclosed.

10.4 Confidential Nature of the Terms of Agreement. Except as expressly provided herein, CeNeS and LICENSEE each agrees not to disclose any terms of this AGREEMENT to any third party without the consent of the other party; provided, however, that disclosures may be made as required by securities or other applicable laws, or to actual or prospective investors, corporate partners or acquirers, or to a party's accountants, attorneys, and other professional advisors who agree to appropriate confidentiality provisions to protect such terms from disclosure or improper use.

ARTICLE XI
GENERAL

11.1 CeNeS Representations and Warranties. CeNeS represents and warrants that;

(a) (a) its obligations under this AGREEMENT are not in conflict with any prior commitments or obligations to any third party; that it has all requisite power and authority to enter into this AGREEMENT; and that all corporate action necessary to authorize its execution and delivery of this AGREEMENT has been duly taken;

(b) it has the right to grant the rights granted in this AGREEMENT and perform the obligations set forth herein;

(c) it and its Affiliates have not granted to any third party any license, option or other rights under the Patent Rights and to its knowledge, the Harvard License is in full force and effect;

(d) to its knowledge, there are no facts or circumstance which would render any, of the Patent Rights invalid or unenforceable; and

(e) to its knowledge, there is no interference action, opposition, reissue or reexamination proceeding, or any intellectual property litigation pending before any patent office or court concerning any of the Patent Rights.

11.2 CeNeS does not warrant the validity of the PATENT RIGHTS licensed hereunder and makes no representations whatsoever with regard to the scope of the licensed PATENT RIGHTS or that such PATENT RIGHTS may be exploited by LICENSEE, an AFFILIATE or SUBLICENSEE without infringing other patents.

11.3 Acorda Representations and Warranties. Acorda represents and warrants that its obligations under this AGREEMENT are not in conflict with any prior commitments or obligations to any third party; that it has all requisite power and authority to enter into this AGREEMENT; and that all corporate action necessary to authorize its execution and delivery of this AGREEMENT has been duly taken.

11.4 CeNeS EXPRESSLY DISCLAIMS ANY AND ALL IMPLIED OR EXPRESS WARRANTIES AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE PATENT RIGHTS, INFORMATION SUPPLIED BY CeNeS OR LICENSED PRODUCTS CONTEMPLATED BY THIS AGREEMENT.

11.5 Indemnification by LICENSEE.

(a) LICENSEE shall indemnify, defend and hold harmless CeNeS, Harvard and STANFORD and their current or former directors, governing board members, trustees, officers, faculty, medical and professional staff, employees, students, and agents and their respective successors, heirs and

assigns (collectively, the "CeNeS Indemnitees"), against any liability, damage, loss or expenses (including reasonable attorneys' fees and expenses of litigation) incurred by or imposed upon the CeNeS Indemnitees or any of them in connection with any third party claims, suits, actions, demands or judgments arising out of any theory of product liability (including, but not limited to, actions in the form of tort, warranty, or strict liability) concerning any product, process or service made, used or sold by LICENSEE, its AFFILIATES or SUBLICENSEES pursuant to any right or license granted under this AGREEMENT.

(b) CeNeS shall indemnify, defend and hold harmless LICENSEE, its AFFILIATES, directors, officers, agents, contractors, SUBLICENSEES and employees (collectively, the "LICENSEE Indemnitees"); against any -liability, damage, loss or expenses (including reasonable attorney's fees and expenses of litigation) incurred by or imposed upon the LICENSEE Indemnitees or any of them in connection with (1) any third party claims, suits, actions, demands or judgments arising out of any breach of Section 11.1 by CeNeS or (ii) LICENSEE'S actions pursuant to Section 9.5.

(c) LICENSEE shall, at its own expense, provide attorneys reasonably acceptable to CeNeS, Harvard and STANFORD to defend against any actions brought or filed against any Indemnitee hereunder with respect to the subject of indemnity contained herein, whether or not such actions are rightfully brought.

11.6 (a) Beginning at the time any such product, process or service is being commercially distributed or sold (other than for the purpose of obtaining regulatory approvals) by LICENSEE, its AFFILIATE, SUBLICENSEE or agent of LICENSEE, LICENSEE shall, at its sole cost and expense, procure and maintain commercial general liability insurance in amounts not less than $2,000,000 per incident and $2,000,000 annual aggregate and naming the CeNeS Indemnitees as additional insureds. During clinical trials of any such product, process or service, LICENSEE shall, at its sole cost and expense, procure and maintain commercial general liability insurance in such equal or lesser amount as CeNeS, Harvard or STANFORD shall require, naming the CeNeS Indemnitees as additional insureds. Such commercial general liability insurance shall provide: (i) product liability coverage; and (ii) broad form contractual liability coverage for LICENSEE's indemnification under this AGREEMENT. If LICENSEE elects to self-insure all or part of the limits described above (including deductibles or retentions which are in excess of $250,000 annual aggregate) such self-insurance program must be acceptable to CeNeS, Harvard and the Risk Management Foundation of the Harvard Medical Institutions, Inc. in their sole discretion. The minimum amounts of insurance coverage required shall not be construed to create a limit of LICENSEE's liability with respect to its indemnification under this AGREEMENT.

(b) LICENSEE shall provide CeNeS and Harvard with written evidence of such insurance upon request of CeNeS or Harvard. LICENSEE shall provide CeNeS with written notice at least fifteen (15) days prior to the cancellation, non-renewal or material change in such insurance; if LICENSEE does not obtain replacement insurance providing comparable coverage within such fifteen (15) day period, CeNeS and/or Harvard shall have the right to terminate this AGREEMENT on written notice.

(c) LICENSEE shall maintain such commercial general liability insurance beyond the expiration or termination of this AGREEMENT during: (i) the period that any product, process, or service, relating to, or developed pursuant to, this AGREEMENT is being commercially distributed or sold by LICENSEE, SUBLICENSEE, AFFILIATE or agent of LICENSEE; and (ii) a reasonable period after the period referred to in Subsection (c)(i) above which in no event shall be less than ten (10) years.

11.7 Use of Name. LICENSEE shall not use CeNeS's, Harvard's nor STANFORD's name or insignia, nor any adaptation thereof, nor the name of any of Harvard's or STANFORD's inventors, in any advertising, promotional or sales literature without the prior written approval of CeNeS, Harvard or STANFORD, respectively.

11.8 This AGREEMENT may not be transferred without the prior written consent of CeNeS and Harvard in each instance, which consent shall not be unreasonably withheld or delayed. The preceding sentence notwithstanding, Licensee shall have the right to transfer or assign this AGREEMENT and the rights granted hereunder in whole or in part to any person or corporation succeeding to its business as a result of sale, consolidation, reorganization, or otherwise, provided such assignee, person, or corporation shall, without delay, accept in writing the provisions of this AGREEMENT and agree to become in all material respects bound thereby in the place and stead of LICENSEE. This AGREEMENT shall be binding upon the respective successors, legal representatives and assignees of CeNeS, Harvard and of LICENSEE.

11.9 The interpretation and application of the provisions of this AGREEMENT shall be governed by the laws of the state of New York and the United-States of America.

11.10 LICENSEE shall comply with all applicable laws and regulations in connection with the exercise of its rights hereunder. In particular, it is understood and acknowledged that the transfer of certain commodities and technical data is, subject to United States laws and regulations controlling the export of such. commodities and technical data, including all Export Administration Regulations of the United States Department of Commerce. These laws and regulations among other things, prohibit or require a license for the export of certain types of technical data to certain specified countries. LICENSEE hereby agrees and gives written assurance that it will comply with all United States laws and regulations

controlling the export of commodities and technical data, that it will be solely responsible for any violation of such by LICENSEE or its AFFILIATES or sublicensees, and that it will defend and hold CeNeS, Harvard and STANFORD harmless in the event of any legal action of any nature occasioned by such violation.

11.11 LICENSEE agrees: (i) to use reasonable efforts to obtain all regulatory approvals required for the manufacture and sale of LICENSED PRODUCTS; and (ii) to utilize appropriate patent marking on such LICENSED PRODUCTS. LICENSEE also agrees to register or record this AGREEMENT as is required by law or regulation in any country where the license is in effect.

11.12 Any notices to be given here under shall be sufficient if signed by the party (or, party's attorney)giving same and either: (i) delivered in person; (ii) mailed certified mail, postage prepaid, return receipt requested; or (iii) faxed to other party if the sender has evidence of successful transmission and if the sender promptly sends the original by ordinary mail, in any event to the following addresses:

If to Acorda:

Acorda Therapeutics, Inc.
15 Skyline Drive
Hawthorne, NY 10532
Attn: President and Chief Executive Officer

with a copy to:

Acorda Therapeutics, Inc.
15 Skyline Drive
Hawthorne, NY 10532
Attn. Harold Safferstein, Vice President, Business Development

If to CeNeS:

CeNeS Pharmaceuticals plc
Compass House
Vision Park
Chivers Way
Histon, Cambridge CB4 9ZR
England
Attn: Neil Clark, Chief Operating Officer and Finance Director

By such notice either party may change their address for future notices. Notices delivered in person shall be deemed given on the date delivered. Notices sent by fax shall be deemed given on the date faxed. Notices mailed shall be deemed given on the date postmarked on the envelope.

11.13 Should a court of competent jurisdiction later hold any provision of this AGREEMENT to be invalid, illegal, or unenforceable, and such holding is not reversed on appeal, it shall be considered severed from this AGREEMENT. All other provisions, rights and obligations shall continue without regard to the severed provision, provided that the remaining provisions of this AGREEMENT are in accordance with the intention of the parties.

11.14 This AGREEMENT constitutes the entire understanding between the parties and supersedes all written and prior agreements or understandings with regards to the subject matter hereof except that any confidential information disclosed pursuant to the LICENSE OPTION AGREEMENT shall be deemed Information of this AGREEMENT. Neither party shall be obligated by any condition or representation other than those expressly stated herein or as may be subsequently agreed to by the parties hereto in writing.

11.15 LICENSEE'S relationship with CeNeS shall be that of a licensee only. Neither party shall, be considered to be an employee or agent of the other, nor shall this Agreement constitute, create or in any way be interpreted as a joint venture, partnership or formal business organization of any kind. In that respect, neither party shall have the authority to execute any agreement on behalf of the other party, nor shall, either party have any authority to negotiate any agreement, except as the other party may expressly direct in writing.

11.16 This AGREEMENT may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument:

IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be executed by their duly authorized representatives.

CeNeS Pharmaceuticals PLC	Acorda Therapeutics, Inc.
By: /s/ Neil Clark	By: /s/ Harold T. Safferstein
Print Name: Neil Clark	Print Name: Harold T. Safferstein
Title: Finance Director	Title: VP Business Development

APPENDIX A

LAHIVE AND, COCKFIELD CASES

- US Patent Application serial number 08/525,864 filed September 8,1995 entitled “Cerebellum-Derived Growth Factors and Uses Related Thereto”

- PCT Patent Application serial number PCT/US96/14484 filed September 9,1996 entitled “Cerebellum-Derived Growth Factors, and Uses Related Thereto,”. designating Australia, Canada, EPO, Japan and South Korea

- U.S. Patent Number 5,912,326
Cerebellum-Derived Growth Factors
Inventor: Han Chang
Filed September 8, 1995
Issued June 15, 1999

- European Patent Application Number 96 93 2981.2
Cerebellum-Derived Growth Factors. and Uses Related Thereto
Filed September 9,1996

- Canadian Patent Application Number 2,228,590
Cerebellum-Derived Growth Factors and Uses Related Thereto
Filed September 9,1996

- Australian Patent Application Number 71563/96
Cerebellum-Derived Growth Factors and Uses Related Thereto
Filed September 9, 1996

- Japanese Patent Application Serial Number 9-511448
Cerebellum-Derived Growth Factors and Uses Related Thereto
Filed September 9, 1996

- South Korean Patent Application Serial Number 701775/98
Cerebellum-Derived Growth Factors and Uses. Related Thereto
Filed September 9,1996

CLARK & ELBING CASES

- United States. Patent Application Serial Number 60/206,495
nrg-Z nucleic acid Molecules, polypeptides, and diagnostic and therapeutic methods
Filed 23-May-2000

- United States Patent Application Serial Number 09/864,675
nrg-2 nucleic acid molecules, polypeptides, and diagnostic and therapeutic methods
Filed May 23.2001.

- PCT Patent Application Serial Number US01/16896
nrg-2 nucleic add molecules, polypeptides, and diagnostic and therapeutic methods
Filed May 23 2001.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

APPENDIX B

The following. comprise BIOLOGICAL MATERIALS supplied by Stanford:

• **cerebellum-derived growth factor (CDGF) cDNA clones**
  - **rat DCDGP cDNA 2b, 2d, 3**
  - **human CDCF.cDNA clone h-nrg-2**

• **expression construct and cell lines:**
  - **pRc/CMV-2b; for, rat CDGF-beta**
  - **CHO cells stably transfected with pRc/CMV2-b**

EXHIBIT 10.2

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

ASSET PURCHASE AGREEMENT

by and between

ELAN PHARMACEUTICALS, INC.

and

ACORDA THERAPEUTICS, INC.

dated as of July 21, 2004

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this " *Agreement* ") is made and entered into as of July 21, 2004, by and between Acorda Therapeutics, Inc., a Delaware corporation (the " *Acquiror* "), and Elan Pharmaceuticals, Inc., a Delaware-corporation ("EPI").

RECITALS

This Agreement sets forth the terms and conditions upon which the Acquiror is agreeing to purchase the Purchased Assets (as defined below) and assume the Assumed Liabilities (as defined below) from EPI, and EPI is agreeing to sell the Purchased Assets and transfer the Assumed Liabilities to the Acquiror.

AGREEMENT

In consideration of the premises and the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Defined Terms . As used in this Agreement, the following defined terms shall have the meanings specified below:

" *Accountants* " means an accounting firm of national reputation (excluding each of the Acquiror's and EPI's respective regular outside accounting firms) as may be mutually acceptable to the Acquiror and EPI; *provided* , *however* , that in the event that the Acquiror and EPI are unable to agree on such an accounting firm within ten (10) days, then the accounting firm shall be selected by lot.

" *Accounts Receivable* " means all trade accounts and notes receivable and other miscellaneous receivables, including those that are not evidenced by instruments or invoices, existing as of the Closing Date.

" *Acquiror* " has the meaning set forth in the preamble hereto.

" *Acquiror 2004 Gross Sales* " has the meaning set forth in Section 4.03(a)(i).

" *Acquiror Adverse Effect* " means an effect or condition that individually or when taken together with all other effects or conditions has had or would reasonably be expected to have more than an immaterial adverse effect (i) on the business, assets, Liabilities, results of operations or financial condition of the Acquiror, taken as a whole, other than any effect or condition relating (x) to the economy in general, or (y) in general to the pharmaceutical industry in which the Acquiror operates and not specifically relating to the Acquiror; *provided* , that such event, circumstance, effect or condition does not have a materially disproportionate effect on the business, assets, Liabilities, results of operations or financial condition of Acquiror, taken as a

whole; or (ii) on the ability of the Acquiror to perform its obligations under this Agreement and the Related Agreements or on the ability of the Acquiror to consummate the transactions contemplated hereby and thereby; *provided , however* , that the entry into the marketplace of a generic equivalent to any of the Products shall not be an Acquiror Adverse Effect.

" *Acquiror Disclosure Schedule* " has the meaning set forth in the preamble to Article VII.

" *Acquiror Governmental Consents* " has the meaning set forth in Section 7.03(a).

" *Acquiror Indemnitees* " has the meaning set forth-in Section 11.02(a).

" *Acquiror Insurance Policies* " has the meaning set forth in Section 7.08.

" *Acquiror Third Party Consents* " has the meaning set forth in Section 7.03(b).

" *Action or Proceeding* " means any action, suit, proceeding, arbitration, Order, inquiry, hearing, assessment with respect to fines or penalties or litigation (whether civil, criminal, administrative or investigative) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental or Regulatory Authority.

" *Activity Date* " has the meaning set forth in Section 8.05(d).

" *Administrative Fee* " means any administrative service fee paid to managed care organizations, pharmacy benefit managers, health maintenance organizations or other customers (including for the avoidance of doubt governmental organizations).

" *Affliate* " means, with respect to any Person, any other Person which Controls, is Controlled by or is under common Control with such Person.

" *Agreement* " has the meaning set forth in the preamble hereto.

" *Assignment and Assumption Agreement* " shall mean the Assignment and Assumption Agreement by and among EPI, the Acquiror and Novartis Pharma AG, dated as of the Closing Date, in substantially the form attached hereto as Exhibit G .

" *Assumed Contracts* " has the meaning set forth in Section 2.01(a).

" *Assumed Liabilities* " has the meaning set forth in Section 3.01(a).

" *Audit Termination Date* " has the meaning set forth in Section 4.02(c).

" *Bill of Sale* " means the Bill of Sale and Assignment and Assumption Agreement to be dated the Closing Date conveying the Purchased Assets from EPI to the Acquiror and providing for the assignment to and assumption of the Assumed Liabilities by the Acquiror, substantially in the form attached hereto as Exhibit A .

" *Books and Records* " means all books, records, files and documents (including financial, sales, pricing, promotional, regulatory, pharmacovigilance, research and development

and expense records, customer lists, customer (including government) Product utilization and rebate or chargeback records (including invoices from customers), "best price" (as defined under the Social Security Act, 42 U.S.C. § 1396r-8(c)(1)(C)) and "average manufacturer price" (as defined under the Social Security Act, 42 U.S.C. § 1396r-8(k)(1)) data, credit and collection records and miscellaneous records with respect to customers and supply sources correspondence and, to the extent not originals, true and complete copies of all files relating to the filing, prosecution, issuance, maintenance, enforcement or defense of any Patents, Patent applications, Trademarks, Copyrights or other intellectual property rights, including written third party correspondence, records and documents related to research and pre-clinical and clinical testing and studies for the Product conducted by or on behalf of EPI or its Affiliates) in all forms, including electronic, in which they are stored or maintained, and all data and information included therein, in each case that are licensed, owned or controlled by or otherwise in the possession of EPI or any of its Affiliates.

" *Business* " means the research, development, exploitation, licensing, distribution, marketing, sale, promotion, importation and use of the Products in the Territory.

" *Business Day* " means a day other than Saturday, Sunday or any day on which commercial banks located in New York are authorized or obligated by Law to close.

" *Charter Documents* " means, with respect to a Person, the certificate of incorporation, bylaws or other similar governing instruments and organizational documents of such Person.

" *Closing* " has the meaning set forth in Section 5.01.

" *Closing Consideration* " has the meaning set forth in Section 4.01(a).

" *Closing Date* " has the meaning set forth in Section 5.01.

" *Closing Date Inventory Value* " means the value of all Inventory as of the Closing Date, such value determined pursuant to the methods described on Schedule 1.01(a) of the Elan Disclosure Schedule.

" *Closing Date Inventory Value Adjustment* " means the Closing Date Inventory Value *minus* the Estimated Closing Date Inventory Value.

" *Closing Date Inventory Value Statement* " has the meaning set forth in Section 4.08(a).

" *Code* " means the Internal Revenue Code of 1986, as amended.

" *Confidential Information* " has the meaning set forth in Section 8.04(b).

" *Confidentiality Agreement* " has the meaning set forth in Section 8.04(f).

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Contracts* " means any and all binding commitments, contracts, purchase orders, leases, licenses, easements, commitments, arrangements, undertakings or other agreements, whether written or oral.

" *Control* " means:

(a) ownership (directly or indirectly) of at least fifty percent (50%) of the shares of stock entitled to vote for the election of directors in the case of a company or corporation;

(b) the ability (directly or indirectly) otherwise to direct and control the actions of a Person.

" *Copyrights* " means (a) all copyrights in the Territory (including copyrights in any content, package inserts, marketing or promotional material, labeling information or other text provided to consumers), whether registered or unregistered; (b) any registrations, and applications therefor; (c) all rights and priorities to copyrights in the Territory afforded under any international treaty or convention; (d) all copyright extensions and renewals in the Territory; (e) any rights similar to the foregoing in the Territory, including moral rights; (f) all proceeds of the foregoing, including licenses, royalties, income and payments; and (g) the right to sue for past, present and future infringements of any of the foregoing and all proceeds of such suits, provided that any such proceeds of suit shall be proportionately divided among EPI and the Acquiror based on the duration of infringing activity prior to and following the Closing if EPI agrees prior to the commencement of such suit to bear its pro rata share of the costs of prosecuting the claim relating to such activity calculated on the same basis.

" *Corporate Names* " has the meaning set forth in Section 8.09(b).

" *Damages* " has the meaning set forth in Section 11.02(a).

" *Default* " means (a) a breach, default or violation, (b) the occurrence of an event that with or without the passage of time or the giving of notice, or both, would constitute a breach, default or violation or cause an Encumbrance to arise; or (c) with respect to any Contract, the occurrence of an event that with or without the passage of time or the giving of notice, or both, would give rise to a right of termination, renegotiation or acceleration or a right to receive Damages or a payment of penalties.

" *Domain Name Assignment Agreement* " means the Domain Name Assignment Agreement to be dated as of the Closing Date by and between the Acquiror and EPI, substantially in the form attached hereto as Exhibit B .

" *Domain Names* " means the domain names set forth on Schedule 1.01(b) of the Elan Disclosure Schedule, and all associated portals and websites solely associated with the Products.

" *Due Date* " has the meaning set forth in Section 4.02(b).

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Elan Companies Proceeding* " means any Action or Proceeding commenced by or against any of EPI or any of its Affiliates or officers or directors prior to the date of this Agreement.

" *Elan Disclosure Schedule* " has the meaning set forth in the preamble to Article VI.

" *Elan Governmental Consents* " has the meaning set forth in Section 6.03(a).

" *Elan Third Party Consents* " has the meaning set forth in Section 6.03(b).

" *Eligible Claim* " has the meaning set forth in Section 11.03(a).

" *Encumbrance* " means any mortgage, pledge, assessment, security interest, deed of trust, lease, lien, levy, license, restriction on transferability, defect in title, charge or other encumbrance of any kind, or any conditional sale or title retention agreement or other agreement to give any of the foregoing in the future.

" *EPI* " has the meaning set forth in the preamble.

" *EPI Contract* " means any Contract to which EPI or any of its Affiliates is a party or by which EPI or any of its Affiliates is bound or benefited, or under which EPI or any of its Affiliates has any rights.

" *EPI Indemnitees* " has the meaning set forth in Section 11.02(b).

" *EPI Royalty Term* " has the meaning set forth in Section 4.02(a)(i).

" *Estimated Closing Date Inventory Value* " means the value of all Inventory as of the Closing Date, valued in accordance with the definition of "Closing Date Inventory Value" in EPI's reasonable and good faith estimation.

" *Excluded Assets* " has the meaning set forth in Section 2.02.

" *Excluded Books and Records* " means all Books and Records related to (i) human resources and any other employee-related files and records, (ii) financial and accounting records, (iii) any items set forth on Schedule 1.01(c) of the Elan Disclosure Schedule, (iv) any tax files, documents, instruments, papers, books or records, and (v) the filing, prosecution, issuance, maintenance, enforcement or defense of any Patents, Patent applications, Trademarks, Copyrights or other intellectual property rights comprising Excluded intellectual Property.

" *Excluded Intellectual Property* " means any intellectual property rights, including any patent, copyright, trademark, trade secret or other proprietary rights, that are owned or controlled by EPI or any of its Affiliates, relating to technology that is (a) contained in the Products and other pharmaceutical products owned or controlled by EPI or any of its Affiliates, including "SODAS" technology used in Zanaflex Capsules, or (b) used in the manufacture of Zanaflex Capsules, but in no event shall the Excluded Intellectual Property include any of the Purchased Intellectual Property or Product Trademarks.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Excluded Liabilities* " has the meaning set forth in Section 3.01(b).

" *Expiration Date* " has the meaning set forth in Section 11.01(a).

" *Final Milestone Payment Date* " has the meaning set forth in Section 4.03(b).

" *FDA* " means the United States Food and Drug Administration or any successor thereto.

" *FDA Act* " means the U.S. Federal Food, Drug and Cosmetic Act of 1938, as it may be superseded or amended from time to time, and the related rules, regulations, guidelines, guidances and requirements of the FDA as may be in effect from time to time.

" *Final Milestone Payment Date* " has the meaning set forth in Section 4.03(b).

" *FSS* " has the meaning set forth in Section 8.05(d).

" *Governmental or Regulatory Authority* " means the United States, Canada, any Member State of the European Union, any other country, any supranational organization, any state, province, county, city or other political subdivision of any of the foregoing or any court, tribunal, arbitrator, authority, agency, commission, ministry, official or other instrumentality of any of the foregoing.

" *Governmental Permits* " means all permits, licenses, registrations, certificates of occupancy, approvals and other authorizations of any Governmental or Regulatory Authority, including INDs, NDAs and other approvals of or registrations with any Governmental or Regulatory Authority for the investigation, sale, distribution and/or marketing of products.

" *Gross Sales* " means the gross amount invoiced on sales by the Acquiror, its Affiliates and marketing, promotion and distribution partners to independent, third party customers in bona fide, arms-length transactions.

" *Improvement* " means any present and future invention, improvement, discovery, modification or other development relating to a Product, including any new uses or formulations for a Product, and all intellectual property rights in any of the foregoing, that are owned by EPI or any Affiliate at any time after the Closing; *provided* , that the parties acknowledge and agree that, subject to the obligations set forth in the Supply Agreement, neither EPI nor any of its Affiliates shall have any obligation after the Closing to conduct any research or development relating to the Products.

" *IND* " means (a) an Investigational New Drug Application, as defined in the FDA Act, as amended, and the regulations promulgated thereunder (C.F.R. Parts 312-312.38), which is required to be filed (except under circumstances as described in such regulations promulgated thereunder) with the FDA before beginning clinical testing of a product in human subjects, or any successor application or procedure, and (b) all supplements and amendments that may be filed with respect to he foregoing.

" *Indemnification Claim Notice* " has the meaning set forth in Section 11.02(c).

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Indemnified Party* " has the meaning set forth in Section 11.02(c).

" *Indemnitees* " has the meaning set forth in Section 11.02(c).

" *Interim Services Agreement* " shall mean the Interim Services Agreement by and between EPI and the Acquiror, dated as of the Closing Date, in substantially the form attached hereto as Exhibit C .

" *Inventory* " means all inventory of finished Products (including samples) having a shelf life of greater than 12 months from the Closing Date, together with the inventory of finished Products having a shelf life of less than 12 months from the Closing Date described on Schedule 1.01(a) of the Elan Disclosure Schedule.

" *Know-How* " means any proprietary or nonproprietary information directly related to the manufacture, preparation, development (including research, both pre-clinical and clinical), promotion, exploitation, marketing, use, sale or other commercialization of a product, including related to regulatory matters.

" *Knowledge* " of a particular fact or other matter means: (i) with respect to any individual: (A) the actual knowledge of such individual concerning such fact or other matter; and (B) the knowledge that a prudent individual would be expected to discover or otherwise become aware of in the course of conducting a reasonable investigation concerning the existence of such fact or other matter, and (ii) with respect to EPI or the Acquiror, the Knowledge concerning such fact or other matter of (1) the officers of such Person, (2) the directors of such Person, and (3) the senior managers of such Person with responsibility for, or supervision of, the relevant matters; *provided* that under no circumstances shall Knowledge of EPI include any knowledge not actually known to such persons but imputed to such persons or EPI due to its relationship with Novartis or its representatives; and provided, further, that none of such persons shall have any obligation as a result of entering into (or any provision of) this Agreement, the Supply Agreement or any Related Agreement to make any inquiries of Novartis or its representatives regarding any matter.

" *Labeling* " has the meaning set forth in Section 201(m) of the FDA Act, 21 U.S.C. § 321(m) and any related rule, regulation, guideline or guidance of the FDA, and shall include the applicable Products' label, packaging and package inserts accompanying such Products, and any other written, printed, or graphic materials accompanying such Products, including patient instructions or patient indication guides and the NDC numbers relating to the Products.

" *Law* " means any federal, state, local or foreign law, statute or ordinance, or any rule, regulation or regulatory requirement promulgated by any Governmental or Regulatory Authority.

" *Liability* " means any direct or indirect liability, obligation, claim, guarantee or commitment of any kind or nature (whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated or due or to become due), including any liability for Taxes.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Material Adverse Effect* " means an event, circumstance, effect or condition that individually of when taken together with all other events, circumstances, effects or conditions has bad or would reasonably be expected to have more than an immaterial adverse effect (i) on the business, assets, Liabilities, results of operations or financial condition of the Business, other than any event, circumstance, effect or condition relating primarily (x) to the economy in general, *provided* , that such event, circumstance, effect or condition does not have a materially disproportionate effect on the business, assets, Liabilities, results of operations or financial condition of the Business, or (y) in general to the pharmaceutical industry in which the Business operates and not specifically relating to the Products or the Business, provided, that such event, circumstance, effect or condition does not have a materially disproportionate effect on the business, assets, Liabilities, results of operations or financial condition of the Business; (ii) on any of the Products or the Purchased Assets; or (iii) on the ability of EPI to perform its obligations under this Agreement, the Supply Agreement or any Related Agreement or on the ability of EPI to consummate the transactions contemplated hereby and thereby; *provided* , *however* , that the entry into the marketplace of a generic equivalent to any of the Products shall not be a Material Adverse Effect.

" *Milestone Audit Termination Date* " has the meaning set forth in Section 4.03(b).

" *Milestone Payments* " has the meaning set forth in Section 4.03(a)(v).

" *Multi-Product Contract* " has the meaning set forth in Section 8.06.

" *NDA* " means a New Drug Application for any product, as appropriate, requesting permission to place a drug on the market in accordance with 21 U.S.C. § 355 and 21 C.F.R. Part 314, and all supplements or amendments filed pursuant to the requirements of the FDA, including all documents, data and other information concerning a product which are reasonably necessary for FDA approval to market a product in the United States, and all correspondence with the FDA relating to the foregoing.

" *Net Sales* " shall mean Gross Sales less customs duties or other taxes (excluding income or corporation tax), returns (including returns in connection with rejections and recalls), Administrative Fees, rebates, chargebacks, allowances for bad debt and discounts, in each case related to such sales.

" *Non-Assignable Contract* " has the meaning set forth in Section 2.04(a).

" *Notice* " means any notice given in accordance with the terms of Section 13.01 of this Agreement.

" *Notice of Objection* " has the meaning set forth in Section 4.08(b).

" *Novartis License Agreement* " means that certain license agreement dated as of April 17th, 1991, as amended, by and between Novartis Pharma AG (together with its Affiliates, "Novartis"), as successor to Sandoz Pharma Ltd., and EPI, as successor to Athena Neurosciences, Inc.

" *Novartis Royalty Term* " has the meaning set forth in Section 4.02(a)(i).

" *Order* " means any writ, judgment, decree, injunction or similar order, including consent orders, of any Governmental or Regulatory Authority (in each such case whether temporary, preliminary or final).

" *Ordinary Course of Business* " means an action that is in compliance with applicable Laws and is consistent in nature, scope and magnitude with the past practices of EPI and its Affiliates with respect to the Business as conducted by EPI including any action necessary or desirable for EPI or its Affiliates to enforce its rights and perform its obligations under the Novartis License Agreement.

" *Patent Assignment Agreement* " means the Patent Assignment Agreement to be dated as of the Closing Date by and between the Acquiror and EPI, substantially in the form attached hereto as Exhibit D .

" *Patent Rights* " means solely in the Territory and relating to any Product, the rights conferred or represented by a Patent.

" *Patents* " means: (a) all patents and patent applications, including provisional patent applications; (b) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from either of these, including divisionals, continuations, continuations-in-part, substitutions, provisionals, converted provisionals, and continued prosecution applications; (c) any and all patents that have issued or in the future issue from the foregoing patent applications described in clauses (a) and (b), including utility models, petty patents and design Patents and certificates of invention; (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidation, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications described in clauses (a), (b) and (c); (e) all proceeds of the foregoing, including licenses, royalties, income and payments; and (f) the right to sue for past, present and future infringements of any of the foregoing and all proceeds of such suits, provided that any such proceeds of suit shall be proportionately divided among EPI and the Acquiror based on the duration of infringing activity prior to and following the Closing if EPI agrees prior to the commencement of such suit to bear its pro rata share of the costs of prosecuting the claim relating to such activity calculated on the same basis.

" *Permitted Encumbrance* " means, collectively, (a) liens for Taxes or assessments that are not delinquent and that do not individually or in the aggregate materially detract from the value or impair the use or operation of the property or asset affected thereby as currently used or operated, (b) mechanics', carriers', workmen's, landlord's or other like statutory liens arising or incurred in the ordinary course of business which are not yet delinquent and that do not individually or in the aggregate materially detract from the value or impair the use or operation of the property or asset affected thereby as currently used or operated, and (c) restrictions under zoning, building, fire, health, environmental and pollution control Laws that do not individually or in the aggregate materially detract from the value or impair the use or operation of the property or asset affected thereby as currently used or operated.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Person* " means any natural person, corporation, general partnership, limited partnership, limited liability company, proprietorship, joint venture, other business organization, trust, entity, union, association or Governmental or Regulatory Authority.

" *Pre-Closing Tax Period* " means all taxable periods ending on or before the Closing Date and the portion ending on the Closing Date of any taxable period that includes (but does not end on) the Closing Date.

" *Product Books and Records* " shall mean all of the Books and Records relating exclusively to the Products or that are necessary for the conduct of the Business in the Territory, Including the Product Marketing Materials but excluding the Excluded Books and Records.

" *Product Copyrights* " means all Copyrights, set forth on Schedule 1.01(d) of the Elan Disclosure Schedule.

" *Product Know-How* " means all Know-How set forth on Schedule 1.01(e) of the Elan Disclosure Schedule, but in no event shall this definition of "Product Know How" include any Excluded Intellectual Property or any information properly in the public domain as of the Closing Date.

" *Product Marketing Materials* " means all of the advertising, promotional and training materials solely relating to the Products in the possession of EPI or its Affiliates as of the Closing Date.

" *Product Patent Rights* " means the Patents in the Territory set forth on Schedule 1.01(f) of the Elan Disclosure Schedule, and all Patent Rights associated with such Patents. Notwithstanding the foregoing, "Product Patient Rights" shall not include any inchoate inventions not yet reduced to practice, all of which, subject to the license granted pursuant to Section 2.02, shall remain the exclusive property of EPI.

" *Product Registrations* " means (i) the approvals or registrations which have been received by EPI before the Closing Date, for the investigation, sale, distribution and/or marketing of the Products in the Territory (including any NDAs or INDs), and (ii) all dossiers, reports, data and other written materials filed as part of such approvals or registrations, or maintained by EPI and relating to such approvals or registrations.

" *Products* " means Zanaflex Tablets and Zanaflex Capsules, along with any other pharmaceutical products containing the compound tizanidine as their active pharmaceutical ingredients to which EPI has ownership rights.

" *Product Trademark* " means the Trademarks in the Territory set forth on Schedule 1.01(g) of the Elan Disclosure Schedule.

" *Purchased Assets* " has the meaning set forth in Section 2.01.

" *Purchased Governmental Permits* " means all Governmental Permits necessary for the operation of the Business by EPI that are held in the name of EPI or any of its Affiliates.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Purchased Intellectual Properly* " means the Product Copyrights, the Product Patent Rights, the Product Know-How and the Domain Names; provided that, notwithstanding anything to the contrary contained herein, in no event shall Purchased Intellectual Property include any Excluded Intellectual Property.

" *Rebates and Chargebacks Termination Date* " means the date that is ninety (90) days after the Closing Date.

" *Related Agreements* " means the Bill of Sale, the Assignment and Assumption Agreement, the Interim Services Agreement, the Patent Assignment Agreement, the Trademark License Agreement and the Domain Name Assignment Agreement.

" *Returns Termination Date* " means the date that is one hundred and eighty (180) days after the Closing Date.

" *Royalty Payments* " has the meaning set forth in Section 4.02(a).

" *Royalty Term* " has the meaning set forth in Section 4.02(a).

" *Subsidiary* " of a Person means any entity Controlled by that Person.

" *Supply Agreement* " means the Supply Agreement to be dated as of the Closing Date by and between the Acquiror and EPI or one or more of its Affiliates, substantially in the form at attached hereto as Exhibit E .

" *Taxes* " means all of the following in connection with the operation of the Business or the transactions contemplated hereby: (i) any net income, withholding, deduction, alternative or add-on minimum tax, gross income, gross receipts, sales, use, value added ad valorem, transfer, franchise, profits, license, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, capital tax, customs duty or other tax, governmental fee or other like assessment, together with any interest, penalty or additional amount due, imposed by any governmental, regulatory or administrative entity or agency responsible for the imposition of any such tax (domestic or foreign); (ii) any Liability for the payment of any amounts of the type described in (i) as a result of being a member of any affiliated, consolidated, combined, unitary or other group for any taxable period; and (iii) any Liability for the payment of any amounts of the type described in (i)or (ii) as a result of any express or implied obligation to indemnify any other Person.

" *Termination Date* " has the meaning set forth in Section 12.01(b).

" *Territory* " means the United States of America, its territories and possessions and the Commonwealth of Puerto Rico.

" *Third Party Intellectual Property* " means any intellectual property rights, including any patent, copyright, trademark, trade secret or other proprietary rights, that are owned or controlled by any Person other than a party to this Agreement.

" *Third Party Claim* " has the meaning set forth in Section 11.02(d).

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

" *Trademark License Agreement* " means the Trademark License Agreement to be dated as of the Closing Date by and between the Acquiror and EPI, substantially in the form attached hereto as Exhibit F .

" *Trademarks* " means: (a) all trademarks, trade names, trade dress, service marks, logos and designs, whether registered or unregistered; (b) all registrations and applications for any of the foregoing; (c) all extensions or renewals of any of the foregoing; (d) all of the goodwill connected with the use of and symbolized by the foregoing; (e) all proceeds of the foregoing, including licenses, royalties, income and payments; and (f) the right to sue for past, present and future infringements of any of the foregoing and all proceeds of such suits, provided that any such proceeds of suit shall be proportionately divided among EPI and the Acquiror based on the duration of infringing activity prior to and following the Closing if EPI agrees, prior to the commencement of such suit to bear its pro rata share of the costs of prosecuting the claim relating to such activity calculated on the same basis.

" *Trademark Purchase* " has the meaning set forth in Section 4.04.

" *Transfer Taxes* " has the meaning set forth in Section 4.06.

" *Zanaflex Capsules* " means pharmaceutical products containing tizanidine as their active pharmaceutical ingredients currently approved by the FDA pursuant to NDA No. 21-447 to be marketed in the Territory under the trademark Zanaflex.

" *Zanaflex Tablets* " means pharmaceutical products containing tizanidine as their active pharmaceutical ingredients currently approved by the FDA pursuant to NDA No. 20-397 and marketed in the Territory under the trademark Zanaflex.

Section 1.02. Construction of Certain Terms and Phrases . Unless the context of Agreement otherwise requires: (a) words of any gender 'include each-other gender; (b) words using the singular or plural number also include the plural or singular number, respectively; (c) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement; (d) the terms "Article" or "Section" refer to the specified Article or Section of this Agreement; (e) the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or"; (f) "$" means United States dollars; and (g) the term "including" means "including without limitation." Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified.

ARTICLE II

PURCHASE AND SALE OF ASSETS

Section 2.01. Purchase and Sale of Assets at the Closing . Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, EPI shall sell, convey, assign, transfer and deliver to the Acquiror, and the Acquiror shall purchase and acquire from EPI, all of EPI's right, title and interest in and to the following assets, free and clear of all Encumbrances, other than Permitted Encumbrances (collectively, the " *Purchased Assets* "):

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

(a) the rights of EPI and its Affiliates under each of the Contracts set forth on Schedule 2.01(a) of the Elan Disclosure Schedule (the " *Assumed Contracts* "), subject to the terms and conditions set forth in the Assignment and Assumption Agreement;

(b) all Product Books and Records;

(c) all Inventory;

(d) all Purchased Intellectual Property;

(e) all Product Registrations;

(f) all Purchased Governmental Permits, to the extent legally transferable; and

(g) any other assets set forth on Schedule 2.01(8) of the Elan Disclosure Schedule;

provided , *however* , that notwithstanding anything to the contrary contained herein, EPI shall not be required to transfer physical possession of any Purchased Assets to the Acquiror to the extent any of such Purchased Assets are necessary for EPI to perform its obligations under the Interim Services Agreement (it being understood that (i) EPI will transfer physical possession of such Purchased Assets to the Acquiror as soon as is practicable after such obligations aim fully performed, and (ii) as long as EPI retains physical possession of any Purchased Assets, EPI shall, upon request of the Acquiror, provide the Acquiror with immediate access to and copies of such Purchased Assets (at Acquiror's expense and provided that such access does not unreasonably interfere with the business or operations of EPI or its Affiliates).

Section 2.02. Excluded Assets; License to Excluded Intellectual Property . Notwithstanding anything to the contrary contained in this Agreement, from and after the Closing, EPI shall retain all of its right, title and interest in and to all of its assets; other than the Purchased Assets (the " *Excluded Assets* "), including:

(a) all cash and cash Equivalents of EPI or any of its Affiliates;

(b) all Accounts Receivable of EPI or any of its Affiliates;

(c) the Corporate Names;

(d) the Product Trademarks;

(e) all Excluded Intellectual Property;

(f) any refund or credit of Taxes attributable to any Pre-Closing Tax Period;

(g) all Books and Records other than the Product Books and Records; and

(h) all tangible personal property owned by EPI and used outside of, or not exclusively in connection with, the Business as of the Closing Date.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

EPI hereby grants to the Acquiror an exclusive, perpetual, royalty-free license, with the right to sublicense, to use (i) the Excluded Intellectual Property (including any inchoate inventions not yet reduced to practice), (ii) any other intellectual property owned by EPI or any of its Affiliates that is necessary to conduct the Business, and (iii) any Improvements to the intellectual property described in clauses, "(i)" and "(ii)" of this sentence solely for the purposes of importing Products into the Territory and using, modifying, exploiting, researching, distributing, developing, marketing, selling, offering for sale and otherwise commercializing Products in the Territory. In addition, at the Closing, EPI and the Acquiror will enter into the Trademark License Agreement.

Section 2.03. Retention of Copies of Certain Assets . Notwithstanding anything to the contrary contained in this Agreement, EPI may retain, at its expense, archival copies of all Assumed Contracts, Product Books and Records and other documents or materials conveyed hereunder; *provided , however ,* that EPI shall maintain such items in accordance with the provisions of Section 8.04.

ARTICLE III

ASSUMPTION OF LIABILITIES

Section 3.01. Assumption of Liabilities . (a) Upon the terms and subject to the conditions set forth in this Agreement, the Interim Services Agreement and the Bill of Sale, subject to Section 3.01(b), Section 8.05 and the terms and conditions set forth in the Supply Agreement, and excluding any Liabilities represented, warranted or disclosed by EPI under Article VI (other than with respect to obligations under the Assumed Contracts), as of the Closing, the Acquiror agrees to assume, satisfy, perform, pay and discharge each of the following Liabilities (the " *Assumed Liabilities* "):

(i) all Liabilities of EPI or any of its Affiliates solely arising out of any product liability, patent infringement, breach of warranty or similar claim for injury to person or property which resulted from the use or misuse of Products sold directly by the Acquiror (or its Affiliates, sublicensees and marketing, promotion or distribution partners) at any time after the Closing (including all Actions or Proceedings relating to any such Liabilities);

(ii) all Liabilities of EPI or any of its Affiliates under the Assumed Contracts, subject to the terms and conditions set forth in the Assignment and Assumption Agreement, but only to the extent that such Liabilities arise from any event, circumstance or condition occurring after the Closing;

(iii) all Liabilities of EPI or any of its Affiliates solely arising out of government seizures, field corrections, withdrawals or recalls of Products to the extent that such Products were sold directly by the Acquiror (or its Affiliates, sublicensees and marketing, promotion or distribution partners) at any time after the Closing;

(iv) subject to clause ”(i)” above, all liabilities of EPI or any of its Affiliates with respect to any litigation or other claims solely arising out of or relating to the conduct of the Business by the Acquiror or its Affiliates after the Closing;

(v) all Liabilities of EPI or any member of any affiliated group of which EPI is a member for Taxes solely arising out of or relating to the Purchased Assets (including the Products) (to the extent arising out of any event, circumstance or condition occurring after the Closing), the ownership, research, development, sale or lease of any of the Purchased Assets by the Acquiror or its Affiliates after the Closing or the operation of the Business by the Acquiror or its Affiliates after the Closing;

(vi) all Liabilities of EPI or any of its Affiliates solely arising out of user or other similar fees payable to the FDA or any other Governmental or Regulatory Authority to the extent that such fees are due and payable on account of the operation of the Business by the Acquiror or its Affiliates after the Closing (and to the extent that EPI or any of its Affiliates has paid any such fee prior to the Closing, the Acquiror shall promptly reimburse EPI or such Affiliate for such payment or prorated portion thereof); and

(vii) all other Liabilities of EPI or any of its Affiliates solely arising out of or relating to the Purchased Assets (including the Products)(to the extent arising out of any event, circumstance or condition occurring after the Closing), the ownership, research, development, sale or lease of any of the Purchased Assets by the Acquiror or its Affiliates after the Closing or the operation of the Business by the Acquiror or its Affiliates after the Closing to the extent arising out of any event, circumstance or condition occurring after the Closing.

For greater clarity, the parties acknowledge and agree that, notwithstanding anything to the contrary contained in this Section 3.01(a), if any Liabilities that arise from any event, circumstance or condition occurring after the Closing relate to or in any way involve any Products that have been sold, the Acquiror shall only assume those Liabilities arising from those Products sold directly at any time after the Closing by the Acquiror (or its Affiliates, sublicensees and marketing, promotion or distribution partners), and EPI shall retain all Liabilities arising from those Products sold directly at any time prior to he Closing by EPI (or its Affiliates, sublicensees and marketing, promotion or distribution partners).

(b) Notwithstanding anything contained in this Agreement to the contrary including Section 3.01(a)) and subject to the terms and conditions of Section 8.05, the Supply Agreement and the Interim Services Agreement, EPI shall retain an of the following Liabilities (“ *Excluded Liabilities* ”):

(i) all accounts payable of EPI and its Affiliates;

(ii) all Liabilities of EPI and its Affiliates with respect to the manufacture, processing, packaging, testing, sale or holding of any inventory or of the Products prior to the Closing;

(iii) all Liabilities under the Assumed Contracts, but only to the extent such Liabilities arise from any event, circumstance or condition occurring prior to the Closing;

(iv) (A) all Liabilities for Taxes payable with respect to any business, assets, property or operation of EPI or any member of any affiliated group of which EPI is or has been a member, and (B) all Liabilities for Taxes relating to or arising out of the Purchased Assets (including the Products), the ownership, research, development, sale or lease of any of the Purchased Assets by EPI or the operation of the Business by EPI attributable to any Pre-Closing Tax Period, other than any Transfer Tax for which the Acquiror is responsible pursuant to Section 4.04;

(v) all Liabilities of EPI or any of its Affiliates arising out of any product liability, patent infringement, breach of warranty or similar claim for injury to person or property which resulted from the use or misuse of Products sold directly by EPI (or its Affiliates, sublicensees and marketing, promotion or distribution partners) at any time prior to the Closing (including all Actions or Proceedings relating to any such Liabilities);

(vi) all Liabilities of EPI or any of its Affiliates arising out of government seizures, field corrections, withdrawals or recalls of Products that are sold directly by EPI (or its Affiliates, sublicensees and marketing, promotion or distribution partners) at any time prior to the Closing;

(vii) subject to clause "(v)" above, all Liabilities of EPI or any of its Affiliates with respect to any litigation or other claims arising out of or relating to the conduct of the Business by EPI or its Affiliates prior to the Closing,

(viii) all Liabilities of EPI or any of its Affiliates arising out of user or other similar fees payable to the FDA or other Governmental or Regulatory Authority to the extent that such fees are due and payable on account of the operation of the Business prior to the Closing (and to the extent the Acquiror or any of its Affiliates has paid any such fee after the Closing, EPI shall promptly reimburse the Acquirer or such Affiliate for such payment or prorated portion thereof); and

(ix) any other Liability of EPI or any of its Affiliates that is not listed as an Assumed Liability under Section 3.01(a).

ARTICLE IV

CONSIDERATION AND PAYMENT

Section 4.01. Closing Consideration . As consideration for the Purchased Assets, at the Closing, the Acquirer shall:

(a) deliver or cause to be delivered to EPI the sum of $2,000,000 *plus* the Estimated Closing Date Inventory Value set forth in the statement referred to in Section 4.08(a) (together, the " *Closing Consideration* ") by electronic funds transfer of immediately available funds to the account specified by EPI; and

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

(b) assume the Assumed Liabilities.

The Closing Consideration shall be exclusive of any value added tax which, if urged, shall be payable by Acquirer.

Section 4.02. Royalty for Products . (a) The Acquiror shall pay to EPI royalties (the royalty payments referred-to in this Section 4.02(a) being referred to as the " *Royalty Payments* ") of:

(i) [***] of the Net Sales of Zanaflex Capsules in the Territory during the period beginning on the Closing Date and ending on the date of termination of all obligations to pay royalties under the Novartis License Agreement with respect to sales of Zanaflex Capsules (the " *Novartis Royalty Term* ");

(ii) [***] of the Net Sales of Zanaflex Tablets in the Territory during the period beginning on the Closing Date and ending on the later of (A) the tenth (10th) anniversary of the Closing Date or (B) the date of expiration of the last Patent to expire included within the Product Patent Rights (the " *EPI Royalty Term* "); *provided , however ,* that notwithstanding the foregoing, no royalty shall be due and payable under this Section 4.02(a)(ii) with respect to Net Sales of Zanaflex Tablets arising from Acquiror 2004 Gross Sales that exceed [***]; and

(iii) [***] of the Net Sales of Zanaflex Capsules in the Territory during the period beginning on the termination of the Novartis Royalty Term and ending on the termination of the EPI Royalty Term.

(b) Royalty Payments shall be made on a quarterly basis by the Acquiror in United States dollars on or prior to the date that is forty-five (45) days after the end of each calendar quarter (each such date, a " *Due Date* ") included within the EPI Royalty Term. Payment shall be by means of wire transfer to an account designated in writing by EPI from time to time.

(c) By each Due Date, the Acquiror shall provide to EPI a true and accurate report of Net Sales of the applicable Products in the Territory for the previous calendar quarter and the calculation of royalties due thereon. Until the date that is two (2) years after the expiration of the EPI Royalty Term (the " *Audit Termination Date* "), the Acquirer shall keep accurate books and records in sufficient detail to enable the royalties payable hereunder to be determined. EPI may demand, no more than once during any calendar year and until the Audit Termination Date, an audit of the relevant books and records of the Acquiror in order to verify the royalties payable hereunder during the previous three (3) year period. Upon no less than fifteen (15) days' prior written notice to the Acquiror, the Acquiror shall grant reasonable access during normal business hours to members of an internationally recognized independent public accounting firm selected by EPI to such relevant books and records of the Acquiror in order to conduct a review or audit thereof. The accounting firm shall report its conclusions and calculations to EPI and the Acquiror; provided, that in no event shall the accounting firm disclose to EPI any information of the Acquiror except to the extent necessary to verify Net Sales and the royalties payable hereunder and, at the request of the Acquiror, such accounting firm will execute appropriate non-disclosure agreements. Unless the results of an such audit indicate that

the Acquiror underpaid royalties due hereunder for any period by greater than [***]. EPI shall bear the full cost of the performance of such audit. If the results of any such audit indicate that the Acquiror underpaid royalties due hereunder for any period by greater than [***], (i) the Acquiror shall bear the full cost of the performance of such audit and (ii) the Acquiror shall pay to EPI the mount by which the Acquiror underpaid such royalties.

(d) The Acquiror shall pay interest to EPI on Royalty Payments not made to EPI by the applicable Due Date over the period from such Due Date until the date of actual payment (both before and after judgment) at the prime rate publicly announced by Morgan Guaranty Trust Company of New York at its principal office from time to time plus 2% (or, if less, the maximum rate allowed to be charged under applicable laws), such interest to be payable on demand and compounded monthly.

Section 4.03. Milestone Payments : (a) The Acquiror shall make the following payments by means of wire transfer to an account designated in writing by EPI from time to time:

(i) if (and only if) the cumulative Gross Sales from and after the Closing during calendar year 2004 in the Territory of Zanaflex Tablets and Zanaflex Capsules (" *Acquiror 2004 Gross Sales* ") are equal to or greater than [***] then the Acquiror shall pay to EPI an amount equal to one-half of such Acquiror 2004 Gross Sales, subject to a maximum amount to be paid to EPI under this Section 4.03(a)(i) of $1,500,000 according to the following schedule: (A) one-half of such amount to be paid to EPI shall be paid on March 31, 2005, and (B) the remainder shall be paid on March 31,2006;

(ii) if (and only if) the cumulative Gross Sales from and after the Closing in the Territory of Zanaflex Tablets and Zanaflex Capsules are equal to or greater than [***] then the Acquiror shall pay $3,000,000 to EPI upon the later of (A) the date that is 45 days following the end of the calendar quarter in which such target is met and (B) March 31, 2006;

(iii) if (and only if) the cumulative Gross Sales from and after the Closing in the Territory of Zanaflex Table and Zanaflex Capsules are equal to or greater than [***] then the Acquiror shall pay $5,000,000 to EPI within 45 days following the end of the calendar quarter in which such target is met;

(iv) if (and only if) the cumulative Gross Sales from and after the Closing in the Territory of Zanaflex Tablets and Zanaflex Capsules are equal to or greater than [***], then the Acquiror shall pay [***] to EPI within 45 days following the end of the calendar quarter in which such target is met; and

(v) if (and only if) the cumulative Gross Sales from and after the Closing in the territory of Zanaflex Tablets and Zanaflex Capsules are equal to or greater than [***] then the Acquiror shall pay [***] to EPI within 45 days following the end of the calendar quarter in which such target is met (the payments referred to in clauses "(i)," "(ii)," "(iii)," "(iv)" and "(v)" being referred to as the " *Milestone Payments* ").

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

(b) By the date that is 45 days after the end of each calendar quarter until the quarter in which the last to be paid of the Milestone Payments is made (the " *Final Milestone Payment Date* "), the Acquiror shall provide to EPI a true and accurate report of Gross Sales of the applicable Products in the Territory for the previous calendar quarter. Until the date that is six (6) months after the Final Milestone Payment Date (the " *Milestone Audit Termination Date* "), the Acquiror shall keep accurate books and records in sufficient detail to enable the Milestone Payments to be determined. EPI may demand, no more than once during any calendar year and until the Milestone Audit Termination Date, an audit of the relevant books and records of the Acquiror in order to verify the Milestone Payments payable hereunder. Upon no less than fifteen (15) days' prior written notice to the Acquiror, the Acquiror shall grant reasonable access during normal business hours to members of an internationally recognized independent public accounting firm selected by EPI to such relevant books and records of the Acquiror in order to conduct a review or audit thereof. The accounting firm shall report its conclusions and calculations to EPI and the Acquiror; provided, that in no event shall the accounting firm disclose to EPI any information of the Acquiror except to the extent necessary to verify Gross Sales and the Milestone Payments payable hereunder and, at the request of the Acquiror, such accounting firm will execute appropriate non-disclosure agreements. Unless the results of any such audit indicate that the Acquiror failed to pay any Milestone Payment within three (3) months following the date that such Milestone Payment was due, EPI shall bear the full cost of the performance of such audit. If the results of any such audit indicate that the Acquiror has not paid any Milestone Payment, (i) the Acquiror shall bear the full cost of the performance of such audit and (ii) the Acquiror shall make the appropriate Milestone Payment to EPI (to the extent not already paid).

(c) The Acquiror shall pay interest to EPI on Milestone Payments not made to EPI by the applicable due date thereof over the period from such due date until the date of actual payment (both before and after judgment) at the prime rate publicly announced by Morgan Guaranty Trust Company of New York at its principal office from time to time plus 2% (or, if less, the maximum rate allowed to be charged under applicable laws), such interest to be payable on demand and compounded monthly.

Section 4.04. Trademark Purchase . At any time on or after the date upon which the Acquiror shall have paid to EPI an aggregate of [***] (pursuant to the provisions of Sections 4.01 through 4.03; the Acquiror may elect, in its sole discretion by written notice to EPI, to purchase the Product Trademarks for the purchase price of [***] (the " *Trademark Purchase* "). At such time, the, parties will cooperate in good faith to execute and deliver such documents, including any trademark assignment agreement required under applicable law, as are necessary or desirable to vest in the Acquiror good and marketable title to the Product Trademarks.

Section 4.05. Allocation of Purchase Price . The Closing Consideration shall be allocated among the Purchased Assets in the manner mutually agreed to by EPI and the Acquiror within thirty (30) days after the Closing Date. Any subsequent adjustments to the consideration paid by the Acquiror for the Purchased Assets (including the Closing Date Inventory Value Adjustment, the Milestone Payments and the Royalty Payments) shall be reflected in such allocation as revised hereunder in manner consistent with Section 1060 of the Code. The Acquiror and EPI agree (a) to report the sale and purchase of the Purchased Assets for Tax

purposes in accordance with such allocation and (b) not to take any position inconsistent with such allocation on any of their respective Tax returns. If within a (10) days after the thirty (30)-day period set forth above the parties have not reached agreement, the Accountants shall be engaged to determine the final allocation in dispute. EPI and the Acquiror shall share equally the fees of such Accountants.

Section 4.06. Sales, Use and Other Taxes . All transfer, documentary, sales, use, gross receipts, stamp, duty, registration or other similar transfer taxes (collectively, " *Transfer Taxes* ") incurred in connection with the transfer and sale of the Purchased Assets as contemplated by the terms of this Agreement and the Related Agreements, including all recording or filing fees, notarial fees and other similar costs of Closing that may be imposed, payable, collectible or incurred shall be borne equally by EPI, on the one hand, and by the Acquiror, on the other hand.

Section 4.07. No Tax Withholding . All payments under or contemplated by this Agreement or the Related Agreements will be made without any deduction or withholding for or on account of any taxes.

Section 4.08. Closing Date Inventory Value Adjustments . (a) EPI will deliver to the Acquiror a written statement of the Estimated Closing Date Inventory Value at least two (2) Business Days prior to the Closing Date. As promptly as practicable, but in any event not later than thirty (30) days after the Closing Date, EPI shall prepare and deliver to the Acquiror a statement calculating the Closing Date Inventory Value and the amount of any Closing Date Inventory Value Adjustment (the " *Closing Date Inventory Value Statement* ").

(b) During the sixty (60) day period immediately following the Acquiror's receipt of the Closing Date Inventory Value Statement, the Acquiror shall be permitted to review EPI's books and records to the extent reasonably necessary for the Acquiror to evaluate the Closing Date Inventory Value Statement. The Closing Date Inventory Value Statement shall become final and binding upon the Acquiror and EPI at the end of such sixty (60) day period, unless the Acquiror objects to the Closing Date Inventory Value Statement, in which case it shall send written Notice (the " *Notice of Objection* ") to EPI within such period, setting forth in specific detail the basis for its objection and its proposal for any adjustments to the Closing Date Inventory Value Statement. If a timely Notice of Objection is received by EPI, then the Closing Date Inventory Value Statement shall become final and binding on EPI and the Acquiror on the first to occur of (x) the date EPI and the Acquirer resolve in writing any differences they have with respect to the matters specified in the Notice of Objection and (y) the date all matters in dispute are finally resolved in writing by the Accountants, in each case as provided below. EPI and the Acquiror shall seek in good faith to reach agreement as to any such proposed adjustment or that no such adjustment is necessary within thirty (30) days following receipt of the Notice of Objection. If agreement is reached in writing within such thirty (30) day period as to all proposed adjustments, or that no adjustments are necessary, EPI and the Acquiror shall revise the Closing Date Inventory Value Statement accordingly. If EPI and the Acquiror are unable to reach agreement within such thirty (30) day period, then the Accountants shall be engaged at that time to review the Closing Date Inventory Value Statement, and shall make a determination as to the resolution of any adjustments. The determination of the Accountants shall be delivered as soon as practicable following engagement of the Accountants, but in no event more than thirty (30)

days thereafter, and shall be final, conclusive and binding upon EPI and the Acquiror, and the parties shall revise the Closing Date Inventory Value Statement accordingly. EPI, on the one hand, and the Acquiror, on the other hand, shall each pay one-half of the cost of the Accountants. Within ten (10) days after the date on which the Closing Date Inventory Value Statement becomes final and binding on EPI and the Acquiror, the Acquiror shall pay the Closing Date Inventory Value Adjustment to EPI, if positive, or EPI shall pay the Closing Date Inventory Value Adjustment to the Acquiror, if negative.

ARTICLE V

CLOSING

Section 5.01. Time and Place . The closing of the transactions contemplated by this Agreement, including the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities (the " *Closing* "), shall take place simultaneously with the signing of this Agreement, at the offices of EPI, 7475 Lusk Boulevard, San Diego, CA 92121, unless another place shall be agreed to by the parties. The date on which the Closing actually takes place is referred to as the " *Closing Date* ".

Section 5.02. Deliveries at Closing .

(a) Closing Deliveries by EPI . At the Closing, EPI shall deliver or cause to be delivered to the Acquirer:

(i) each of the Related Agreements and the Supply Agreement, duly executed and delivered by EPI, and copies of an documents required to be delivered by EPI pursuant to this Agreement, the Related Agreements and the Supply Agreement;

(ii) a copy of the Assignment and Assumption Agreement, duly executed by Novartis;

(iii) a copy, of each of the Assumed Contracts; and

(iv) copies of all Elan Governmental Consents and Elan Third Party Consents.

(b) Closing Deliveries by the Acquiror . At the Closing, the Acquiror will deliver or cause to be delivered to EPI:

(i) the Closing Consideration in immediately available funds by wire transfer to an account that shall have been designated by EPI not less than two Business Days prior to the Closing Date;

(ii) each of the Related Agreements to be executed by the Acquirer and the Supply Agreement, duly executed and delivered by the Acquirer, and copies of all documents required to be delivered by the Acquirer pursuant to this Agreement, the Related Agreements and the Supply Agreement;

(iii) evidence of the insurance coverage described in Section 7.07; and

(iv) such instruments of assumption and other instruments or documents, in form and substance reasonably acceptable to EPI and the Acquiror, as may be necessary to effect the Acquirer's assumption of the Assumed Liabilities.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF EPI

EPI represents and warrants to the Acquiror that each statement set forth in each of the sections and subsections of this Article VI (each such statement being a "representation and warranty" of the Company) is accurate and complete as of the date hereof (except as to certain representations and warranties which expressly speak as of a different date certain, which shall be accurate and complete as of such date), except as set forth in any disclosure schedule delivered to the Acquiror by EPI on the date of this Agreement corresponding to the particular section of subsection of this Article VI in which such representation and warranty appears (it being understood, however, that a disclosure in a particular disclosure schedule will also be deemed to qualify a representation and warranty that does not appear in the corresponding section or subsection of this, Article VI if such disclosure reasonably relates to such representation and warranty) (All disclosure schedules delivered to the Acquiror by EPI on the date of this Agreement being collectively referred to as the " *Elan Disclosure Schedule* ").

Section 6.01. Organization, Etc . EPI is duly organized, validly existing and in good standing under the laws of Delaware and has all requisite power and authority to own its assets and carry on its business as currently conducted by it. EPI is duly authorized to conduct its business and is in good standing in each jurisdiction where such qualification is required, except for any jurisdiction where failure to so qualify would not have a Material Adverse Effect.

Section 6.02. Authority of EPI . EPI (and/or any of its Affiliates, as applicable with respect to Related Agreements and the Supply Agreement) has all necessary corporate power and authority and has taken all actions necessary to enter into, deliver and perform its obligations under this Agreement, the Supply Agreement and the Related Agreements and carry out the transactions contemplated hereby and thereby. The board of directors and stockholders of EPI (and/or any of its Affiliates, as applicable with respect to Related Agreements and the Supply Agreement) have taken all action required by Law and its Charter Documents and otherwise to be taken by it to authorize (a) the execution and delivery of, and performance by it of its obligations under, this Agreement, the Supply Agreement and the Related Agreements and (b) the consummation of the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by EPI and, when executed and delivered by the Acquiror, will constitute a legal, valid and binding obligation of EPI, enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the enforcement of creditors' rights and (ii) the availability of equitable remedies (whether in a proceeding in equity or at law). When executed and delivered by EPI and each other party thereto, the Supply Agreement and each Related Agreement will constitute a legal, valid and binding obligation of EPI (and/or any of its Affiliates, as applicable), enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the

enforcement of creditors' rights and (ii) the availability of equitable remedies (whether in a proceeding in equity or at law).

Section 6.03. Consents and Approvals . (a) Schedule 6.03(a) of the Elan Disclosure Schedule sets forth a complete and accurate list (the " *Elan Governmental Consents* ") of all consents, waivers, approvals, Orders, permits or authorizations of, or registrations, declarations, payments or filings with, any Governmental or Regulatory Authority that are required by of with respect to EPI or my of its Affiliates in connection with the execution and delivery of this Agreement, the Supply Agreement and the Related Agreements by EPI, the consummation of the transactions contemplated hereby and thereby or the performance of its obligations hereunder and thereunder, except for those consents, waivers, approvals, Orders, permits, authorizations, registrations, declarations, payments or filings which a failure to obtain or make would not have a Material Adverse Effect.

(b) Schedule 6.03(b) of the Elan Disclosure Schedule sets forth a complete and accurate list (the " *Elan Third Party Consents* ") of all consents, waivers, approvals, or authorizations of, or notices to, any Person (other than a Governmental or Regulatory Authority) that are required by or with respect to EPI or any of its Affiliates in connection with the execution and delivery of this Agreement, the Supply Agreement and the Related Agreements by EPI, the consummation of the transactions contemplated hereby and thereby or the performance of its obligations hereunder and thereunder, except for those consents, waivers, approvals, authorizations or notices which a failure to obtain or make would not have a Material Adverse Effect.

Section 6.04. Non-Contravention . The execution and delivery by EPI of this Agreement, the Supply Agreement and the Related Agreements, does not, and the performance by it of is obligations under this Agreement, the Supply Agreement and the Related Agreements and the consummation of the transactions contemplated hereby and thereby will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Charter Documents of EPI;

(b) assuming the receipt of the Elan Governmental Consents, conflict with or result in a violation or breach of any term or provision of any Law or Order applicable to EPI, the Business as conducted by EPI or the Purchased Assets or any Governmental Permit;

(c) give any Governmental or Regulatory Authority the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Permit relating to the Products, except as would not have a Material Adverse Effect; or

(d) conflict with or result in a Default under any Assumed Contract, assuming receipt of the Elan Third Party Consents applicable to the Assumed Contracts, except as would not have a Material Adverse Effect.

Section 6.05. Contracts . Schedule 6.05 of the Elan Disclosure Schedule sets forth a complete and correct list of: (a) each EPI Contract that relates to the research, development, exploitation, licensing, use, importation, promotion, marketing, sale or distribution of the Products and provides for aggregate annual payments, or has a value in excess, of $25,000;

and (b) each other EPI Contract that, if such Contract were to be terminated or otherwise no longer in full force and effect, would have or would reasonably be expected to have a Material Adverse Effect. EPI has delivered to the Acquiror complete and correct copies of all such EPI Contracts and all Assumed Contracts; including all amendments, exhibits, appendices and annexes thereto. Except as would not have a Material Adverse Effect, (a) each of the Assumed Contracts is in full force and effect and constitutes a legal, valid and binding agreement of EPI or its Affiliate, as applicable, and is enforceable in accordance with its terms by EPI or its Affiliate, as applicable, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the enforcement of creditors' rights and (ii) the availability of equitable remedies (whether in a proceeding in equity or at law), and (b) EPI-and its Affiliates have performed all of their obligations under each Assumed Contract, and neither EPI nor any of its Affiliates, nor, to the Knowledge of EPI, any third party to any Assumed Contract, has violated or breached, or declared or committed any Default under, any Assumed Contract. Neither EPI nor any of its Affiliates have received any written notice or, to the Knowledge of EPI, any other communication regarding any actual, alleged, possible or potential violation or breach of, or default under, any Assumed Contract. EPI has delivered to the Acquiror complete and correct copies of all Multi-Product Contracts, including all amendments, exhibits, appendices and annexes thereto; provided, that such copies may have been redacted to prevent disclosure of information not related to any of the Products.

Section 6.06. Title to Purchased Assets . EPI has good and valid title to all of the Purchased Assets and the Product Trademarks and owns all of the Purchased Assets and the Product Trademarks free and clear of any Encumbrances (other than Permitted Encumbrances). At the Closing EPI will convey to the Acquiror good and valid title to all of the Purchased Assets free and clear of any Encumbrances (other than Permitted Encumbrances).

Section 6.07. Intellectual Property Rights .

(a) EPI has not entered into any Contract (i) granting any Person the right to bring infringement actions with respect to, or otherwise to enforce rights with respect to, any of the Purchased Intellectual Property or the Product Trademarks in the Territory, (ii) expressly agreeing to indemnify any Person against any charge of infringement of any of the Purchased Intellectual Property or the Product Trademarks in the Territory, (iii) granting any Person any license rights or other rights to use or practice any Purchased Intellectual Property or the Product Trademarks in the Territory, or (iv) binding EPI or any of its Affiliates under any covenant not to sue any Person for use, practice or infringement of any Purchased Intellectual Property or the Product Trademarks in the Territory.

(b) EPI has not entered into any Contract granting any Person the right to control the prosecution of any of the Product Patent Rights in the Territory.

(c) To the Knowledge of EPI, the conduct of the Business in the Territory, as it has been and is now being conducted, does not presently and will not infringe or misappropriate or otherwise violate, as applicable, any Patent, Know-How, Trademark or other intellectual property or proprietary rights in the Territory of any Person. Neither EPI nor any of its Affiliates has received any written notice from any Person, or has Knowledge of, any claim, allegation or assertion that the conduct of the Business in the Territory infringes or

misappropriates or otherwise violates, as applicable, the Patent, Know-How, Trademark or other intellectual property or proprietary rights in the Territory of any Person. To the Knowledge of EPI, the conduct of research, development, exploitation, licensing, distribution, marketing, sale, promotion, importation and use of the Zanaflex Capsules in the Territory by the Acquiror, in each case as such activities are conducted by EPI as of the Closing, will not infringe or misappropriate or otherwise violate, as applicable, any Patent, Know-How, Trademark or other intellectual property or proprietary rights in the Territory of any Person.

(d) Any registration, maintenance and renewal fees due in connection with the Purchased Intellectual Property and the Product Trademarks have been paid in a timely manner and all documents, certificates and other material in connection with the Purchased Intellectual Property and the Product Trademarks have, for the purposes of maintaining such Purchased Intellectual Property or the Product Trademarks, as applicable, been filed in a timely manner with the relevant Governmental or Regulatory Authorities. EPI has filed, prosecuted and maintained the Product Trademarks in the Territory and has filed and maintained all Purchased Intellectual Property, as applicable, in the Territory.

(e) EPI has the unrestricted right to assign, transfer and grant to the Acquiror all rights in and to the Purchased Intellectual Property as provided herein, and in and to the Product trademarks as provided in the Trademark License Agreement, in each case free of any rights or claims of any Person, or any other Encumbrances (other than Permitted Encumbrances), and without payment by any Party of any royalties, license fees or other amounts to any third party.

(f) To the Knowledge of EPI, all of the Product Patents are valid and are subsisting and enforceable. None of the Product Patents has been or is currently involved in any interference, reissue, re-examination or opposition proceeding, and, to the Knowledge of EPI, there is no potentially interfering Patent in the Territory.

(g) To the Knowledge of EPI, (i) there is no unauthorized use, infringement, misappropriation or violation of any of the Purchased Intellectual Property or the Product Trademarks in the Territory by any Person, including any current or former employee or consultant of EPI or its Affiliates, and (ii) there is no material breach of any license, sublicense or other Contract authorizing any Person to use such Purchased Intellectual Property, the Product Trademarks or any goodwill associated therewith.

(h) There are no Actions or Proceedings (including any inventorship challenges) ending with respect to any of the Purchased Intellectual Property or the Product Trademarks, nor aye any such Actions or Proceedings been brought in the past Schedule 6.07(h) sets forth any and all settlements or agreements reached with respect to any such Actions or Proceedings with respect to Purchased Intellectual Property and the Product Trademarks. None of the Product Trademarks in the Territory is or has been the subject of any invalidation, opposition, cancellation, abandonment or similar proceeding, and neither EPI nor any of its Affiliates has received any written notice from any Person, or has Knowledge, of any actual or threatened claim or basis for such a proceeding.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Section 6.08. Litigation . Except as would not have a Material Adverse Effect, there are no Orders, Actions or Proceedings pending or, to the Knowledge of EPI, threatened, against, in connection with or relating to (i) the Purchased Assets or the Business as conducted by EPI, (ii) this Agreement, the Supply Agreement or any Related Agreement or (iii) the transactions contemplated by his Agreement, the Supply Agreement or any Related Agreement. To the Knowledge of EPI; no event has occurred, and no claim, dispute or other condition or circumstance exists that could reasonably be expected to directly or indirectly give rise to or serve as a basis for the commencement of any such Order, Action or Proceeding. EPI has delivered to the Acquiror accurate and complete copies of all pleadings, non-privileged correspondence and other non-privileged written materials that relate to any Orders, Actions or Proceedings identified in Schedule 6.08 of the Man Disclosure Schedule.

Section 6.09. Compliance with Law . (a) Except as would not have a Material Adverse Effect, the Business as conducted by EPI is and has been since December 31, 2002 in compliance with all applicable Laws.

(b) Except as would not have a Material Adverse Effect, since December 31, 2002, no Governmental or Regulatory Authority or any other Person has notified EPI or any of its Affiliates that the conduct of the Business by EPI or the ownership or use of the Purchased Assets were or are in violation of any Law or Order or the subject of any investigation.

Section 6.10. Inventory . All of the Inventory (a) is good, issuable and merchantable in the Ordinary Course of Business of EPI, and is free of any material defect or deficiency, (b) fully conforms to the specifications for the Products as set forth in the Product Registrations, (c) was manufactured, packaged, labelled, held, tested and shipped in accordance with the specifications for the Products as set forth in the Product Registrations, cGMPs, all other applicable Laws and requirements of all applicable Governmental or Regulatory Authorities, (d) is not adulterated or misbranded and is of suitable quality, and (e) may be introduced into interstate commerce in the United States pursuant to the Federal Food, Drug, and Cosmetic Act, as amended.

Section 6.11. Customers and Suppliers . Schedule 6.11 of the Elan Disclosure Schedule specifies for the fiscal year ended December 31, 2003 the names of the customers that were, in the aggregate, the ten (10) largest wholesale customers in terms of dollar value of the Products sold by the Business as conducted by EPI. None of such customers has given EPI notice terminating, canceling or threatening to terminate or cancel any Contract or relationship with EPI relating to the Business as conducted by EPI. Schedule 6.11 of the Elan Disclosure Schedule also specifies for the fiscal year ended December 31, 2003 the names of the suppliers of the active pharmaceutical ingredients in the Products. None of such suppliers has given EPI notice terminating, canceling or threatening to terminate or cancel any Contract or relationship with EPI relating to the Business as conducted by EPI. EPI has disclosed and provided to Acquiror EPI's current returns policy for Products in the Territory.

Section 6.12. Governmental Permits . Schedule 6.12 of the Elan Disclosure Schedule identifies each Governmental Permit that is held by EPI or its Affiliates that relates directly to the Business, the ownership or use of any of the Purchased Assets or EPI's performance of any of the Assumed Contracts, other than Governmental Permits which a failure

to hold would not have a Material Adverse Effect. EPI has delivered to the Acquiror accurate and complete copies of all of the Governmental Permits identified on Schedule 6.12 of the Elan Disclosure Schedule, including all renewals thereof and all amendments thereto. To the Knowledge of the EPI, each Governmental Permit identified or required to be identified on Schedule 6.12 of the Elan Disclosure Schedule is valid and in full force and effect. Except as would not have a Material Adverse Effect, EPI and each of its Affiliates is and has at all times since December 31, 2002 been in compliance with all of the terms and requirements of each Governmental Permit identified or required to be identified on Schedule 6.12 of the Elan Disclosure Schedule. Neither EPI nor any of its Affiliates has since December 3l, 2002 received any written notice or, to the Knowledge of EPI, any other communication from any Governmental or Regulatory Authority or any other Person regarding (a) any actual, alleged possible or potential violation of or failure to comply with any term or requirement of any material Governmental Permit identified or required to be identified on Schedule 6.12 of the Elan Disclosure Schedule, or (b) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination or modification of any Governmental Permit identified or required to be identified on Schedule 6.12 of the Elan Disclosure Schedule, in each case other than any violation, failure to comply, revocation, withdrawal, suspension, cancellation, termination or modification, as applicable, that would not have a Material Adverse Effect. Except as would not have a Material Adverse Effect, all applications required to have been filed for the renewal of the material Governmental Permits required to be identified on Schedule 6.12 of the Elan Disclosure Schedule have been duly filed on a timely basis with the appropriate Governmental or Regulatory Authority, and each other notice or filing required to have been given or made with respect to such Governmental Permits has been duly given or made on a timely basis with the appropriate Governmental or Regulatory Authority.

Section 6.13. Financial Statements . EPI has made available to Acquiror the financial statements attached to the Elan Disclosure Schedule as Exhibit 6.13 thereto, which financial statements have not been audited. Each line item in such financial statements above and including the line item called “Gross Margin” is correct and complete in all material respects for the periods referred in such financial statements, subject to normal audit adjustments, and is in accordance with genetically accepted accounting principles. Each line item in such financial statements below the line item called “Gross Margin” is correct and complete in all material respects for the periods referred to in such financial statements, subject to normal audit adjustments. Acquiror acknowledges and agrees at all financial information contained in such financial statements and relating to the second calendar quarter of 2004 constitutes Confidential Information of EPI.

Section 6.14. No Other Warranties . EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT (INCLUDING THE ELAN DISCLOSURE SCHEDULE), EPI DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, WITH REGARD TO THE PURCHASED ASSETS AND THE BUSINESS, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF THE ACQUIROR

The Acquiror represents and warrants to EPI as of the date hereof (except as to certain presentations and warranties which expressly speak as of a different date certain, which shall be accurate and complete as of such date), subject to such exceptions as are disclosed in the disclosure schedule supplied by the Acquiror to EPI and dated as of the date hereof (the " *Acquiror Disclosure Schedule* "), as follows:

Section 7.01. Corporate Organization . The Acquiror is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all requisite power and authority to own its assets and carry on its business as currently conducted. The Acquiror is duly authorized to conduct its business and is in good standing in each jurisdiction where such qualification is required, except for any jurisdiction where failure to so qualify would not have an Acquiror Adverse Effect.

Section 7.02. Authority of the Acquiror . The Acquiror has all necessary power and authority and has taken all actions necessary to enter into, deliver and perform its obligations under is Agreement, the Supply Agreement and the Related Agreements and carry out the transactions contemplated hereby and thereby. The board of directors and stockholders of the Acquiror have taken all action required by Law and its Charter Documents and otherwise to be taken by it to authorize (a) the execution and delivery of, and performance by it of its obligations under, this Agreement, the Supply Agreement and the Related Agreements and (b) the consummation of the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by the Acquiror and, when executed and delivered by EPI, will constitute a legal, valid end binding obligation of the Acquiror, enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the enforcement of creditors' rights and (ii) the availability of equitable remedies (whether in a proceeding in equity or at law). When executed and delivered by the Acquiror and by EPI, the Supply Agreement and each Related Agreement to which the Acquirer is a party will constitute a legal, valid and binding obligation of the Acquiror, enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the enforcement of creditors' rights and (ii) the availability of equitable remedies (whether in a proceeding in equity or at law).

Section 7.03. Consents and Approvals . (a) Schedule 7.03(a) of the Acquiror Disclosure Schedule sets forth a complete and accurate list (the " *Acquiror Governmental Consents* ") of all consents, waivers, approvals, Orders, permits or authorizations of, or registrations, declarations, payments or filings with, any Governmental or Regulatory Authority that are required by or with respect the Acquiror in connection with the execution and delivery of this Agreement, the Supply Agreement and the Related Agreements to which it is a party by the Acquiror, the transactions contemplated hereby and thereby or the performance of its obligations hereunder and thereunder, except for those consents, waivers, approvals, Orders, permits,

authorizations, registrations, declarations, payments or filings which a failure to obtain or make would not have an Acquiror Adverse Effect.

(b) Schedule 7.03(b) of the Acquiror Disclosure Schedule sets forth a complete and accurate list (the " *Acquiror Third Party Consents* ") of all consents, waivers, approvals, or authorizations of, or notices to, any Person (other than a Governmental or Regulatory Authority) that are required by or with respect to the Acquiror in connection with the execution and delivery of this Agreement, the Supply Agreement and the Related Agreements by the Acquirer, the consummation of the transactions contemplated hereby and thereby or the performance of its obligations hereunder and thereunder, except for those consents, waivers, approvals, authorizations or notices which a failure to obtain or make would not have an Acquiror Adverse Effect.

Section 7.04. Non-Contravention . The execution and delivery by the Acquiror of This Agreement, the Supply Agreement and the Related Agreements to which it is a party, does not, and the performance by it of its obligations under this Agreement, the Supply Agreement and such related Agreements and the consummation of the transactions contemplated hereby and thereby will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Charter Documents of the Acquirer;

(b) assuming the receipt of all Acquiror Governmental Consents, conflict with or result in a violation or breach of any term or provision of any Law applicable to the Acquiror; or

(c) conflict with or result in a Default under any Contract to which the Acquiror is a party or by which the Acquirer or any of its assets are bound, except as would not have an Acquiror Adverse Effect.

Section 7.05. Litigation . There are no Orders, Actions or Proceedings pending, or the Knowledge of the Acquiror, threatened, against the Acquiror in connection with or relating to (i) this Agreement, the Supply Agreement or any Related Agreement, or (ii) the transactions contemplated by this Agreement, the Supply Agreement or any Related Agreement.

Section 7.06. Financial Capability . As of the date of this Agreement, the Acquiror and its Subsidiaries have at least $15 million of cash, cash equivalents and marketable securities with maturity of less than one year. Prior to the Closing, the Acquiror shall not permit such assets to fall below $15 million unless otherwise agreed to in writing by EPI.

Section 7.07. Insurance . The Acquiror and each of its Affiliates that will be involved in the conduct of the Business maintain insurance policies covering their respective assets, business, equipment, properties, operations, employees, officers and directors, including product liability insurance (collectively, the " *Acquiror Insurance Policies* "), which are of the type and amounts customarily carried by Persons conducting businesses similar to those of the Acquiror and its, Affiliates, and each of the Acquiror and its Affiliates, as the case may be, will maintain such Acquiror Insurance Policies for at least three (3) years following the Closing. As

of the date of this Agreement, the Acquirer does not know of any threatened termination of, or material premium increase with respect to, any Acquiror Insurance Policies.

Section 7.08. No Other Warranties . EXCEPT FOR THE WARRANTIES EXPRESSLY SET FORTH THIS AGREEMENT (INCLUDING THE ACQUIROR DISCLOSURE SCHEDULE), THE ACQUIROR DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, WITH REGARD TO THE SUBJECT MATTER OF THIS AGREEMENT.

ARTICLE VIII
COVENANTS OF THE PARTIES

Section 8.01. [SECTION INTENTIONALLY LEFT BLANK]

Section 8.02. Commercially Reasonable Efforts . Following the date hereof, each of the parties hereto shall use its commercially reasonable efforts to take, or cause to be taken, all action, or to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate and make effective the transactions contemplated by this Agreement, the Supply Agreement td the Related Agreements and to cause the conditions to the obligations of the other party hereto to consummate the transactions contemplated hereby and thereby to be satisfied at the Closing, including obtaining all Elan Third Party Consents, Elan Governmental Consents, Acquirer Governmental Consents and Acquiror Third Party Consents and removing any injunctions or other Encumbrances, other than Permitted Encumbrances, on the Purchased Assets and any impairments or delays the obtaining removal of which are necessary, proper or advisable to the consummation of the transactions contemplated by this Agreement, the Supply Agreement and the Related Agreements.

Section 8.03. Access . (a) In order to facilitate the resolution of any claims made by against or incurred by EPI or any of its Affiliates or any of their respective officers or directors in any Elan Companies Proceeding, upon reasonable notice, the Acquiror shall: (i) afford the officers, employees and authorized agents and representatives of EPI or any of its Affiliates reasonable access (including the right to make copies at their own expense), during normal business hours, to the Product Books and Records; (ii) furnish to the officers, employees and authorized agents and representatives of EPI or any of its Affiliates such additional financial and other information regarding the Business as conducted by EPI relating to the period prior to the Closing as EPI or any of its Affiliates may from time to time reasonably request; (iii) make available to the officers, employees and authorized agents and representatives of EPI or any of its Affiliates the employees of the Acquirer whose assistance, testimony or presence is necessary to assist EPI or any of its Affiliates in evaluating any such claims and/or in prosecuting or defending against such claims, including the presence of such persons as witnesses in hearings or trials for such purposes; and (iv) to the extent that EPI or any of its Affiliates or and of their respective officers of directors is legally required to produce original documents included among the Purchased Assets for inspection in any legal Action or Proceeding, cooperate with EPI or any of its Affiliates or any of their respective officers or directors in making such original documents available for inspection by parties to such Action or Proceeding; *provided, however* , that the foregoing shall not unreasonably interfere with the business or operations of the Acquiror or any

of its Affiliates and that all Books and Records to which EPI and its representatives are given such access shall be deemed to be Confidential Information of the Acquiror.

(b) In order to facilitate the resolution of any claims made by or against or incurred by Acquiror or any of its Affiliates or any of their respective officers or directors in any future Action or Proceeding, or the resolution of any written demands relating to alleged Liabilities of Acquiror, EPI shall ensure that EPI, its Affiliates and their respective representatives provide the Acquiror and its representatives with reasonable access during normal business hours to the representatives of EPI and its Affiliates, personnel and assets and to all Books and Records relating to the Business and the Purchased Assets (including the Excluded Books and Records) as the Acquiror may reasonably request; provided that the personnel and operations of EPI, its Affiliates and their respective representatives shall not be unreasonably disrupted by the Acquiror or its Representatives and that all books and Records to which the Acquiror and its representatives are given such access shall be deemed to be Confidential Information of EPI.

(c) Each party agrees to make its respective personnel and those of its Affiliates reasonably available to the other party or its respective representatives to the extent such access is reasonably related to any Excluded Assets, in the case of EPI, or Purchased Assets, in the case of the Acquiror, or is otherwise reasonably necessary to comply with the terms of this Agreement or to comply with any applicable Law, it being understood that the party requesting access shall reimburse the other party promptly for their reasonable and necessary out-of-pocket expenses incurred in complying with my such request.

(d) The Acquiror agrees to maintain all of the Product Books and Records, and EPI agrees to maintain the Excluded Books and Records, for a period of three (3) years after the Closing Date. After such three (3) year period, before either party shall dispose of any such Books and Records, it shall provide to the other party at least ninety (90) calendar days' prior written notice to such effect, and such party shall be given an opportunity, at its sole cost and expense, to remove and retain all or any part of such Product Books and Records (other than the Excluded Books and Records).

Section 8.04. Public Announcements: Confidentiality . (a) [SECTION INTENTIONALLY LEFT BLANK]

(b) Each party shall not, and shall require that its Affiliates and its and their advisors and distributors do not, use or reveal or disclose to third parties any Confidential Information of the other party after the Closing without first obtaining the written consent of the other party, except as lay be reasonably necessary in performing such party's obligations or exercising such party's rights under this Agreement (it being understood that any Confidential Information included in the Purchased Assets shall become Confidential Information of the Acquiror following the Closing). Not withstanding the foregoing, each party may disclose any Confidential Information of the other party to its Affiliates and its and their advisors, accountants, attorneys, consultants and agents on a need-to-know basis only, and such party shall be responsible for such Persons' compliance with the provisions of this paragraph with respect thereto. Each party shall take, and shall require its Affiliates and its and their advisors, accountants, attorneys, consultants and agents to take, reasonable steps to prevent any

unauthorized use or disclosure of any Confidential Information of the other party. The foregoing obligations in this Section 8.04(b) shall not apply to. information which (i) is or becomes a matter of public knowledge through no fault of the receiving party or any Person to whom the receiving party provided such information, (ii) the receiving party can demonstrate to have had lawfully in its possession without any obligation of confidentiality prior to disclosure of such information by or on behalf of the disclosing party, (iii) is independently developed by the receiving party without the use of any Confidential Information of the disclosing party as evidenced by written documentation, (iv) is reasonably required to be disclosed in connection with obtaining or maintaining Product Patent Rights or regulatory approvals for the Products, or (v) is required by Law or any Governmental or Regulatory Authority to be disclosed, *provided* that for disclosures under subclauses "(iv)" and "(v)" the disclosing party uses reasonable efforts to give the other party advance written Notice of such required disclosure in sufficient time to enable the other party to seek confidential treatment for such information; and *provided , further ,* that such disclosing party limits the disclosure to that information which is required to be disclosed. As used herein, " *Confidential Information* " means all Product Know-How and any proprietary or trade secret information or data relating to the Products or such other information that either party identifies to the other in writing as confidential or the nature of which or the circumstances of the disclosure of which would reasonably indicate that such information is confidential.

(c) The Acquiror acknowledges that it has been informed that information regarding EPI has been requested by the Securities and Exchange Commission and by private litigants in connection with the Elan Companies Proceedings, and waives notice and the opportunity to seek a protective order with respect to the information that has been requested in connection with such Elan Companies Proceedings.

(d) Notwithstanding the confidentiality covenants contained herein, the disclosure of any information governed by the confidentiality covenants contained in this Section 8.04 may be made by EPI or any of its Affiliates without liability hereunder to any of their Affiliates and to any employee, agent, attorney, accountant, consultant or representative who is assisting EPI in prosecuting or defending against any Elan Companies Proceeding.

(e) Notwithstanding the confidentiality covenants contained herein, EPI and any of its Affiliates shall be permitted to use any Confidential Information that EPI or any of its Affiliates in good faith believes to be necessary for purposes of prosecuting or defending an Elan Companies Proceeding, *provided*, *however* , that EPI or any of its Affiliates will use its best efforts to obtain an order protecting the confidentiality of such information.

(f) Following the Closing, the confidentiality agreement dated as of April 14, 2004 between EPI and the Acquiror (the " *Confidentiality Agreement"*) will terminate in its entirety with no further obligation on the part of any party thereto, except for paragraphs 1.2, 1.4, 4, 7, 8, 9 and 12 thereof. In addition, the transactions contemplated by this Agreement, the Supply Agreement and the Related Agreements shall not constitute a breach or violation of the terms of the Confidentiality Agreement.

Section 8.05. Returns, Rebates and Chargebacks . (a) (i) Prior to the Returns Termination Date, EPI will, at its sole cost and expense, process and issue credits (or render

payment in such other form as EPI may determine) for all returned Products. EPI will not bill the Acquiror for the processing of claims for returned Products. Such handling of returned Products by EPI, and the issuance of any credits or other form of reimbursement in connection therewith, shall be in accordance with EPI's current returned goods policy. Subject to Section 8.05(iii), as of the Returns Termination Date, the Acquiror will, at its sole cost and expense, process and issue credits (or render payment in such other form as the Acquiror may determine) for all returned Products. The Acquiror will not bill EPI for the processing of claims for returned Products. Such handling of returned Products by the Acquiror, and the issuance of any credits of other form of reimbursement in connection therewith, shall be in accordance with the Acquiror's current returned goods policy.

(ii) EPI and the Acquirer will use reasonable efforts in requesting that customers direct an Product returns prior to the Returns Termination Date to EPI, and after the Returns Termination Date to the Acquiror. All returned Products received by the Acquiror or EPI after the Closing Date will be destroyed by such party at its respective returns handling facility. After such destruction, each party will forward to the other party any necessary accompanying documentation to determine he appropriate credit. If the Acquiror or EPI destroys Products for which the other was financially responsible as set forth in Section 8.05(a)(iii) and (iv), that party shall bill the other party for the cost of the destruction. Each such invoice shall set forth the number of units processed, together with such other information as shall be necessary to support the invoice. Each party shall, within thirty (30) days of its receipt of invoice, pay the other party for the full invoiced amount.

(iii) The parties hereto agree and acknowledge that EPI shall be financially responsible only for returned Products bearing NDC numbers of EPI or any of its Affiliates, evidenced is being sold by EPI (or its Affiliates, sublicensees and marketing, promotion or distribution partners) prior to the Closing and evidenced as being received at either party's returns handling facility on or before the Returns Termination Date. For purposes of this Section 8.05(a)(iii), the dollar value of returned Products paid or credited for by EPI shall be determined in accordance EPI's then current returned goods policy.

(iv) The parties hereto agree and acknowledge that the Acquiror shall be financially responsible for returned Product bearing the Acquiror's NDC number, evidenced as being sold after the Closing or evidenced as being received at either party's returns handling facility after the Returns Termination Date. For purposes of this Section 8.05(a)(iv), the dollar value of returned Products raid or credited for by the Acquiror shall be determined in accordance with the Acquiror's then current returned goods policy.

(b) (i) EPI shall be financially responsible for all rebates pursuant to any government rebate programs with respect to government claims far the Products indicating NDC numbers EPI or any of its Affiliates and dispensed prior to the Rebates and Chargebacks Termination Date. Any such rebates for Products dispensed subsequent to the Rebates and Chargebacks Termination Date will be the liability of the Acquiror. The Acquiror shall reimburse EPI for all rebates that EPI is obligated to pay with respect to government claims for the Products dispensed after such date (it being understood and agreed that the dispense date contained in any report from a state rebate program shall be used for purposes of determining such date). All payments due EPI under this Section 8.05(b) shall be made within thirty (30) days

of submission to the Acquiror of invoices that describe the requested payments in reasonable detail.

(ii) The Acquiror acknowledges that EPI will require certain information from the Acquiror in order to calculate the Medicaid rebate for Products bearing NDC numbers of EPI or any of its Affiliates. Accordingly, the Acquiror agrees that, from and after the Closing Date until the date which is one year after the expiration date of the last lot of Products produced with any NDC number of EPI or any of its Affiliates, the Acquiror will provide to EPI, within five (5) days following the delivery of related information to the Centers for Medicare and Medicaid Services (or any successor agency), the following information: (a) the "best price" (as defined under the Social Security Act, 42 U.S.C. § 1396r-8(c)(1)(C)) for each Product identified by NDC number, (b) the "average manufacturer price" (as defined under the Social Security Act, 42 U.S.C. § 1396r-8(k)(1)) for each Product identified by the NDC number, and (c) any additional data or other information related to such Medicaid issues reasonably requested by EPI. EPI will provide the same information to Acquiror on the same basis with respect to Products sold by EPI prior to the Closing to the extent that such information is not included in the Product Books and Records.

(c) EPI shall be responsible for all commercial rebates with respect to the Products dispensed prior to the Rebates and Chargebacks Termination Date. Notwithstanding the foregoing, the Acquiror and EPI agree that (a) EPI's financial liability for the commercial rebates prior to such date shall be limited to those commercial customers with which EPI has a rebate obligation as of the Closing and (b) any such payments by EPI shall be made on the terms and conditions comparable to EPI's rebate obligations as of the Closing with respect to each such commercial customer and shall be based on the terms of EPI's agreement with such customer as of the Closing. Any rebates for Products dispensed subsequent to the Rebates and Chargebacks Termination Date will be the liability of the Acquiror. To the extent that EPI processes such claims, the Acquiror shall reimburse EPI within thirty (30) days of receipt of (i) invoices that describe the requested payments in reasonable detail together with copies of the original underlying invoices submitted to EPI

(d) EPI shall be financially responsible for all chargeback claims and related Administrative Fees for the Products with a chargeback invoice dated (*i.e.* , the date of sale from the wholesaler to the wholesaler customer, subsequently referred to as the *"Activity Date"*) prior to the Chargebacks Termination Date. The Acquiror shall process and be financially liable for all chargeback claims and related Administrative Fees with an Activity Date subsequent to such date. Notwithstanding the foregoing, the parties acknowledge that the VA National Acquisition Center must approve the removal of the Products from EPFs Federal Supply Schedule *("FSS")* before the responsibility of processing such chargebacks is transferred from EPI to the Acquirer. Accordingly, in the event such approval is not obtained prior to the Closing Date, EPI shall continue to be responsible for processing the FSS chargebacks and related Administrative Fees on the Acquirer's behalf, and the Acquiror shall reimburse EPI for same within thirty (30) days of receipt of invoices that describe the requested payments in reasonable detail together with copies of the original underlying invoices submitted to EPI. The Acquiror and EPI agree that (a) EPI's financial liability for such transition chargebacks and related Administrative Fees shall be limited to those commercial customers with which EPI has chargeback obligations as of the Closing, and (b) any such chargebacks and related Administrative Fees issued by EPI shall be

made on the terms and conditions comparable to EPI's chargeback obligations as of the Closing with respect to each such commercial customer and shall be based on the terms of EPI's agreement with such customer as of the Closing.

(e) Notwithstanding the requirements of Section 8.05(b), the Acquiror and EPI agree that EPI's financial liability for governmental rebates shall terminate on the date that is one hundred eighty (180) days after the Closing Date, except with respect to governmental rebates relating to utilization data submitted to EPI prior to the Rebates add Chargebacks Termination Date (for which EPI's responsibility and financial liability shall not terminate). Notwithstanding the requirements of Section 8.05(c) or (d), the Acquiror and EPI agree that EPI's financial liability for commercial rebates and chargeback claims and related Administrative Fees shall terminate on the date that is one hundred twenty (120) days after the Closing Date.

(f) The Acquiror agrees that it shall not increase the wholesale acquisition cost of the Products prior to the date that is one hundred eighty (180) days after the Closing Date.

(g) EPI shall promptly provide the Acquiror with all information required to permit the Acquiror to comply with its obligations to sell-the Products under the Public Health Services Act after the Closing (*i.e.*, the AMP and Rebates Per Unit (" *RPU* ") for the Products for the two full calendar quarters, and any partial calendar quarter, immediately preceding the Closing Date). The parties promptly after Closing shall make all filings with Health Resources Services Administration and the Veteran's Administration necessary to transfer the obligation to sell Products under the Public Health Services Act after the Closing from EPI to the Acquiror.

Section 8.06. Multi-Product Contracts . Schedule 8.06 of the Elan Disclosure Schedule sets forth a complete and correct list of each Contract to which EPI is a party and pursuant to which EPI sells any of the Products, together with other pharmaceutical products of EPI or its Affiliates, to a third party (the *"Multi Product Contracts"*). Except as specified in Schedule 8.06 of the Elan Disclosure Schedule, within ten (10) Business Days following the Closing, EPI shall (a) take all actions necessary to terminate such Multi-Product Contracts to the extent that they pertain to the Products in the shortest period of time permitted thereunder, and (b) inform the other parties to such Multi-Product Contracts of the acquisition of the Purchased Assets by the Acquiror and notify them that they must submit all utilization within the timeframe required by such Contract in order to be paid thereunder. From and after the sixth day following the Closing, the Acquiror may contact any Person who is a party to a Multi-Product Contract for the purposes of (i) negotiating an agreement relating to the Products with such Person, and (ii) informing such Person of the acquisition of the Purchased Assets by the Acquiror and notifying them that any utilization must be submitted within the timeframe required by the relevant Multi-Product Contract.

Section 8.07. Bulk Transfer Laws . The Acquiror and EPI hereby waive compliance with the provisions of any so-called "bulk transfer law" of any jurisdiction in connection with the sale of the Purchased Assets to the Acquiror.

Section 8.08. Further Assurances . (a) On and after the Closing Date, EPI shall, from time to time, at the request of the Acquiror, execute and deliver, or cause to be executed

and delivered, such other instruments of conveyance and transfer and take such other actions as the Acquiror may reasonably request, in order to (i) more effectively consummate the transactions contemplated hereby, in the Supply Agreement and in the Related Agreements and to vest in the Acquirer good and marketable title to the Purchased Assets (including assistance in the collection or reduction to possession of any of the Purchased Assets), and (ii) transfer to the Acquiror those assets that are necessary for the conduct of the Business that were not included in the Purchased Assets.

(b) On and after the Closing Date, the Acquiror shall, from time to time, at the request of EPI, take such actions as EPI may reasonably request, in order to more effectively consummate the transactions contemplated hereby, in the Supply Agreement and in the Related Agreements, including the Acquiror's assumption of the Assumed Liabilities.

Section 8.09 Corporate Names . (a) The Acquirer shall be entitled to continue to use the Corporate Names and the NDC number of EPI or its Affiliates for the Products on the existing Labeling and-packaging for the Products until such time as the Acquiror has prepared and filed with the appropriate Governmental or Regulatory Authorities, and such authorities approve, if required, new Labeling that does not contain references to the Corporate Names or such NDC numbers; *provided however* , that, if the Acquiror does not prepare within ninety (90) days of the Closing Date final specifications for such revised Labeling and packaging of the Products, including new NDC numbers for the Products and all necessary photo-ready art (or its substantial equivalent) reflecting such modifications, the right of the Acquiror described in this sentence shall terminate ninety (90) days after the Closing Date. Notwithstanding the foregoing, the Acquiror shall be entitled to continue to use the Corporate Names that consist of trademarks of EPI or its Affiliates debossed or otherwise included on Zanaflex Tablets as of the Closing on Zanaflex Tablets until the date that is one hundred eighty (180) days after the Closing Date. Subject to the terms and conditions herein, EPI hereby grants a non-exclusive, non-transferable license to the Acquiror and its Subsidiaries to use the Corporate Names on the Labeling and packaging of the Products and on Zanaflex Tablets themselves, in each case to the extent specified herein.

(b) " *Corporate Names* " means the trademark and service mark "ELAN", the Corporate logos and trade names of EPI and its Affiliates, including the word "ELAN" together with any variations and derivatives thereof and any other logos, symbols or trademarks, trade names or service marks of EPI and its Affiliates (including for the avoidance of doubt any trademarks of EPI or is Affiliates debossed or otherwise included on Zanaflex Tablets themselves), but excluding the Product Trademarks.

(e) EPI and/or its Affiliates, as applicable, retain and shall retain all right, title and interest in and to the Corporate Names. The Acquiror expressly acknowledges that EPI and/or its Affiliates own the Corporate Names, and agrees that it will not attack, dispute or contest the validity of or ownership of the Corporate Names, or any registrations issued or issuing with respect thereto. The Acquirer further agrees that all use of the Corporate Names by the Acquiror or its Affiliates shall be for the benefit of EPI and/or its Affiliates and the goodwill accrued in connection with its use of the Corporate Names shall accrue to EPI and/or its Affiliates. In the event the Acquirer acquires any rights relating to the Corporate Names for any reason, the Acquiror agrees to assign, at no cost, all such rights, together with any related

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goodwill, to EPI. The Acquiror shall use best efforts not to do any act which endangers, destroys or similarly affects the value of the goodwill pertaining to the Corporate Names and further agrees that it will ensure that all Products comply with the quality standards and specifications of Elan in existence as of the Closing Date and at all times with at least the same standards as Elan employs for its other products taking into account the nature of the Products and the quality of their manufacture and distribution, including but not limited to the applicable laws, rules or regulations of any Governmental or Regulatory Authority having jurisdiction over the manufacture and distribution of the Products. Except as provided in this Section 8.09, the Acquiror farther agrees that it will not alter, change, deface or obliterate the Corporate Names on Labeling for the Product. The Acquirer will at anytime execute any documents reasonably required by EPI to confirm all ownership interests of EPI and/or its Affiliates in the Corporate Names. The Acquirer shall not use in connection with the Product, or allow any of its Affiliates to use in connection with the Product, any other trademark or trade name which is similar to or substantially similar, to or so nearly resembles the Corporate Names as to be likely to cause deception or confusion.

Section 8.10. Protective Covenant . (a) During the period beginning at the Closing and ending on the third (3 rd) anniversary of the Closing Date, the Acquiror shall not, directly or indirectly, market, distribute or sell in the United Kingdom or Ireland any pharmaceutical product containing tizanidine or any chiral isomer of tizanidine as its active pharmaceutical ingredient.

(b) During the period beginning at the Closing and ending on the later of (i) the date that the Supply Agreement (or any superceding agreement between the parties with respect to the supply of Zanaflex Capsules by EPI to the Acquiror) is validly terminated, or (ii) the date the EPI Royalty Term ends, EPI shall not, directly or indirectly, market, distribute or sell in the Territory any pharmaceutical product containing tizanidine or any chiral isomer of tizanidine as its active pharmaceutical ingredient.

Section 8.11. Commercialization of Zanaflex Capsules . Subject to EPI's and its Affiliate's continuing performance of their obligations under this Agreement, the Supply Agreement and the Related Agreements, the Acquiror hereby covenants and agrees that it will use commercially reasonable efforts after the Closing Date to commercialize Zanaflex Capsules.

Section 8.12. Zanaflex Tablet Business . From and after the Closing during calendar year 2004, the Acquirer will conduct the Business relating to Zanaflex Tablets using the same commercially reasonable efforts that would be used by a pharmaceutical company similarly situated, including but not limited to filling orders as they are received for Zanaflex Tablets.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

ARTICLE IX
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ARTICLE X
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ARTICLE XI
INDEMNIFICATION

Section 11.01. Survival of Representations, Warranties, Covenants, Etc. (a) The representations and warranties and covenants and agreements to be performed at the Closing of EPI or the Acquiror contained in this Agreement shall survive the Closing and terminate 12 months following the Closing Date (the " *Expiration Date* "). Notwithstanding the preceding sentence, so long as an Indemnified Party gives an Indemnification Claim Notice for any claim for indemnification on or before the Expiration Date, such Indemnified Party shall be entitled to pursue its rights to indemnification for such claim.

(b) The representations, Warranties, covenants and agreements of EPI and the Acquiror, and the rights and remedies that may be exercised by the Acquiror Indemnitees and the EPI indemnitees, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or any knowledge of, any of the Acquiror Indemnitees or EPI Indemnitees or m y of their respective Representatives.

(c) For purposes of this Agreement, each statement or other item of information set forth in the Elan Disclosure Schedule shall be deemed to be a representation and warranty made by EPI in this Agreement; and each statement or other item of information set forth in the Acquiror Disclosure Schedule shall be deemed to be a representation and warranty made by the Acquiror in this agreement.

(d) Nothing contained in this Section 11.01 or elsewhere in this Agreement shall limit any rights or remedy of any indemnified party for claims based on fraudulent or intentional misrepresentation.

Section 11.02. Indemnification .

(a) By EPI. Subject to Sections 11.01 and 11.03, from and after the Closing, EPI shall indemnify, reimburse, compensate, defend and hold harmless the Acquiror, its Affiliates and their respective officers, directors, employees, agents, successors and assigns (the " *Acquiror Indemnitees* ") from and against any and all costs, losses, damages, including natural resource damages, fines, penalties, judgments, lawsuits, deficiencies, claims and expenses (including reasonable fees and disbursements of attorneys and other professionals, including third-party consultants and, to the extent allowable at Law, medical monitoring costs and expenses) of every kind and nature (collectively, " *Damages* ") incurred in connection. with, arising out of, resulting from or incident to (regardless of whether or not such Damages relate to any third-party claim): (i) any inaccuracy in or breach of a representation or warranty of EPI made in this Agreement or any Related Agreement, (ii) any inaccuracy in or breach of a representation or warranty of EPI made in this Agreement or any Related Agreement as of the Closing Date as if made on the Closing Date (or, in the case of each representation and warranty

which expressly speaks as of an earlier date, as of the earlier date as of which such representation and warranty speaks), (iii) any breach of any covenant or agreement of EPI in this Agreement or any Related Agreement, (iv) any Excluded Liabilities and (v) any Action or Proceeding relating directly or indirectly to any inaccuracy, breach, alleged inaccuracy or breach, Liability or matter of the type referred to in clauses "(i)," "(ii)," "(iii)," or "(iv)" above (including any Action or Proceeding commenced by any Acquiror Indemnitee for the purpose of enforcing any of its rights under this Article XI).

(b) By the Acquiror . Subject to Sections 11.01 and 11.03, from and after the Closing, the Acquiror shall indemnify, reimburse, compensate, defend and hold harmless EPI, its Affiliates and their respective officers, directors, employees, agents, successors and assigns (the *" EPI Indemnitees "*) from and against any and all Damages incurred in connection with, arising out of, resulting from or incident to (regardless of whether or not such Damages relate to any third-party claim): (i) any inaccuracy in or breach of a representation or warranty of the Acquiror made in this Agreement or any Related Agreement, (ii) any inaccuracy in or breach of a representation or warranty of the Acquiror made in this Agreement or any Related Agreement as of the Closing Date as if made on the Closing Date (or, in the case of each representation and warranty which expressly speaks as of an earlier date, as of the earlier date as of which such representation and warranty speaks), (iii) any breach of any covenant or agreement of the Acquiror in this Agreement or any Related Agreement, (iv) any Assured Liabilities and (v) any Action or Proceeding relating directly or indirectly to any inaccuracy, breach, alleged inaccuracy or breach, liability or matter of the type referred to in clauses "(i)," "(ii)," "(iii)," or "(iv)" above (including any Action or Proceeding commenced by any EPI Indemnitee for the purpose of enforcing any of its rights under this Article XI).

(c) Procedure for Claims . If any indemnified party has or claims to have incurred or suffered Damages for which it is or may be entitled to indemnification, compensation or reimbursement under this Article XI, and the indemnified party wishes to make a claim for the recovery of such Damages from an indemnifying party, such indemnified party shall deliver a Notice (an *"Indemnification Claim Notice"*) to the indemnifying party. Each Indemnification Claim Notice shall (i) state that such indemnified party believes that that there is or has been a breach of a representation, warranty or covenant contained in the Agreement or that such indemnified party is otherwise entitled to indemnification, compensation or reimbursement under this Article XI, (ii) contain a brief description of the circumstances supporting such indemnified, party's belief that there is or has been such a possible breach or that such indemnified party is so entitled to indemnification, compensation or reimbursement, and (iii) if practicable contain a good faith, non-binding, preliminary estimate of the aggregate dollar amount of actual and potential damages that have, arisen and may arise as a result of such breach or other matter as set forth in such Indemnification Claim Notice. For the avoidance of doubt, the parties agree that if an indemnified party is entitled to make an indemnification claim under more than one clause of either Section 11.02(a) or 11.02(b), as applicable, the indemnified party may make such claim under any or all of the applicable provisions.

(d) Third Party Claims . The obligations of an indemnifying party under this Section 11.02 with respect to Damages arising from claims or legal proceedings of any third party that are subject to indemnification as provided for in Section 11.02(a) or Section 11.02(b)

(a *"Third Party Claim"*) shall be governed by and be contingent upon the following additional terms and conditions:

(i) If (A) the indemnified party receives written notice of the commencement of any Third Party Claim against any indemnified party, and (B) a claim for indemnification is to be made against the indemnifying party under this Agreement with respect to such Third Party Claim, then the indemnified party shall promptly notify the indemnifying party of the commencement of such Third Party Claim; *provided, however* , that any failure to notify the indemnifying party of the commencement of such Third Party Claim shall not limit or otherwise affect any rights of the indemnified party or any liability that the indemnifying party may have to any indemnified party (except to the-extent that the defense of such Third Party Claim has been materially prejudiced by the indemnified party's failure to notify the indemnifying party of the commencement of such Third Party Claim). If, within thirty (30) days after receiving notification of the commencement of any Third Party Claim, the indemnifying party delivers to the indemnified party a written notice setting forth the election of the indemnifying party to assume the defense of such Third Party Claim, then, subject to subsections "(ii)" and "(iii)" below:

(A) the indemnifying party shall be entitled to assume the defense of such Third Party Claim, at the sole expense of the indemnifying party, with counsel reasonably satisfactory to the indemnified party; and

(B) as long as the indemnifying party conducts such defense, the indemnifying party shall not be required to reimburse the indemnified party for any fees paid to any other counsel representing such indemnified party in such Third Party Claim for legal services rendered while the indemnifying party is conducting such defense (it being understood that the indemnifying party shall be required to reimburse the indemnified party for any fees paid to counsel representing the indemnified party in such Third Party Claim for legal services rendered prior to the time the indemnified party receives notice of the election of the indemnifying party to assume such defense).

(ii) If the indemnifying party assumes the defense of a Third Party Claim in accordance with subsection "(i)" above, then:

(A) it will be deemed conclusively established for purposes of this Agreement that such Third Party Claim is within the scope of and are subject to the indemnification provisions set forth in Section 11.02, and the indemnifying party shall not be permitted to contest the applicability of Section 11.02 to such Third Party Claim or to contest the indemnifying party's obligation to provide indemnification to the indemnified party with respect thereto;

(B) the indemnified party shall promptly deliver to the indemnifying party all original notices and documents (including court papers) received by any indemnified party in connection with the Third Party Claim.

(C) the indemnifying party shall keep the indemnified party informed of all material developments relating to such Third Party Claim;

(D) the indemnified party shall be entitled to participate (at its own expense) in the defense of such Third Party Claim; and

(E) the indemnifying party shall not be permitted to effect any settlement, adjustment or compromise of such Third Party Claim or any of the claims made in connection therewith without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld or delayed) unless (I) such settlement, adjustment or compromise involves no finding or admission of any breach by any indemnified party of any obligation to any other Person or any violation by any indemnified party of any Law, (II) such settlement, adjustment or compromise has no effect on any other claim that may be made against any indemnified party, (III) the sole relief provided in connection with such settlement, adjustment or compromise is monetary damages that are paid in full by the indemnifying party, and (IV) the indemnified party receives a full release with respect to such claim.

If the indemnifying party does not elect (within the 30-day lime period specified in subsection ”(i)” above) to assume the defense of a Third Party Claim in accordance with subsection ”(i)” above, then (I) the indemnified party shall have the exclusive right, at its election, to control the defense of such Third Party Claim with counsel selected by the indemnified party and reasonably satisfactory to the indemnifying party, (II) provided that the indemnifying party is adjudged to be obligated to indemnify he indemnified party hereunder, the indemnifying party shall not be entitled to challenge the manner in which the Third Party Claim was litigated by the indemnified party and its counsel or the judgment or other outcome of the Third Party Claim, and (iii) the indemnifying party will not be bound by any settlement, adjustment or compromise effected by the indemnified party with respect to such Third Party Claim or of any of the claims made in connection therewith that is of effected without the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld or delayed).

(iii) Notwithstanding anything to the contrary contained in this Section 11.02(d), and notwithstanding any election made by the indemnifying party to assume the defense of any Third Party Claim in accordance with subsection ”(i)” above, if any indemnifying party or any affiliate of any indemnifying party is also a party to such Third Party Claim, and counsel to the indemnified party determines in good faith that joint representation would give rise to a conflict of interest in such Third Party Claim, then the indemnified party may retain its own legal counsel at the expense of the indemnifying party, and the indemnifying party and its counsel shall cooperate with the Indemnified Party and its counsel as may be reasonably requested.

(iv) Regardless of whether the indemnifying party or the indemnified party defends or prosecutes any Third Party Claim, each non-defending party shall, and shall cause each Affiliate of any such non-defending party to, cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and

attend such conferences, discovery proceedings, hearings, trials and appeals as maybe reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the defending party to, and reasonable retention by each non-defending party of, records and information that are reasonably relevant to such Third Party Claim, and making each non-defending party and other employees and agents thereof available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the indemnifying party shall reimburse each such Person for all its reasonable out-of-pocket expenses in connection therewith.

Section 11.03. Limitations .

(a) With the exception of claims based upon fraudulent misrepresentation, in no event shall an indemnifying party be liable for any Damages pursuant to a claim based upon a representation, warranty or covenant pursuant to (i) Sections 11.02(a)(i),11.02(a)(ii) or 11.02(a)(iii) (other than claims for breach of the covenant set forth in Section 8.10(b)) or (ii) Sections 11.02(b)(i),11.02(b)(ii) or 11.02(b)(iii) (other than claims for breach of the covenant set forth in Section 8.10(a)), as applicable (each of the claims set forth in clauses "(i)" and "(ii)" above is referred to as an " *Eligible Claim* "), unless and until the aggregate amount of all such Damages for all Eligible Claims payable by such indemnifying party exceeds [***] in which case the indemnifying party shall be liable for all such Damages, and not only those Damages in excess of such amount. With the exception of claims based upon fraudulent misrepresentation or claims for breach of the covenants set forth in Sections 8.10(a) or 8.10(b), the maximum aggregate amount payable by an indemnifying party pursuant to all Eligible Claims payable by such indemnifying party shall in no event exceed [***]. Further, with the exception of claims based upon fraudulent misrepresentation, each party hereto agrees that the indemnification rights provided by Section 11.02 are the sole and exclusive remedy for monetary damages for claims by such party or any Acquiror Indemnitee or EPI Indemnitee for breach by the other party of any representation, warranty or covenant contained in this Agreement.

(c) Any indemnifying party shall also be liable to the indemnified party for interest on the amount of any Damages that such indemnified party is entitled to recover from the indemnifying party (for the period commencing as of the date on which the indemnified party delivered the applicable Notice of Indemnification Claim to the indemnifying party and ending on the date on which the liability of such indemnifying party to such indemnified party is fully satisfied by such indemnifying party) at a floating rate equal to the prime rate publicly announced by Morgan Guaranty Trust Company of New York at its principal office from time to time plus 2% (or, if less, the maximum rate allowed to be charged under applicable laws), such interest to be compounded monthly.

(d) In the event of a dispute regarding the amount of Damages recoverable in connection with an indemnification claim, the indemnifying party and the indemnified party may bring evidence regarding the quantification of such Damages, including evidence relating to insurance proceeds recovered by the indemnified party in connection with the events underlying such indemnification claim and any related increases in insurance premiums payable by the indemnified party, and the amount of any tax benefit gained or any tax increase or disadvantage suffered in connection with such indemnification claim.

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(e) THE INDEMNIFICATION OBLIGATIONS OF THE PARTIES HERETO SHALL NOT EXTEND TO SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING BUSINESS INTERRUPTION OR LOST PROFITS, OR PUNITIVE DAMAGES, UNLESS SUCH DAMAGES ARE AWARDED IN CONNECTION WITH, OR INCLUDED IN A SETTLEMENT, ADJUSTMENT OR COMPROMISE OF, A THIRD PARTY CLAIM.

ARTICLE XII
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ARTICLE XIII
MISCELLANEOUS

Section 13.01. Notices . All Notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given (a) if delivered personally, upon receipt, (b) if delivered by facsimile transmission, upon receipt by the sender of the answer back confirmation, (c) if mailed, postage prepaid by certified or registered mail, return receipt requested, upon receipt, or (d) if delivered by nationally recognized overnight courier that maintains records of delivery, upon receipt (in each case regardless of whether such Notice, request or other communication is received by any other Person to whom a copy of such Notice, request or other communication is to be delivered pursuant to this Section 13.01), in each case to the patties at the following addresses or facsimile numbers:

If to the Acquiror to:

Acorda Therapeutics
15 Skyline Drive
Hawthorne, NY 10532
Facsimile: (914) 347-4560
Attention: General Counsel

If to EPI to:

Elan Pharmaceuticals, Inc.
800 Gateway Boulevard
South San Francisco, CA 94080
Facsimile: (650) 553-7165
Attention: Vice President, Legal Affairs.

Either party from time to time may change its address, facsimile number or other information for the purpose of Notices to that party by giving Notice specifying such change to the other party hereto in accordance with the terms of this Section 13.01.

Section 13.02. Entire Agreement . This Agreement (and all Exhibits and Schedules attached hereto and all other documents delivered in connection herewith) supersedes all prior discussions and agreements among the parties with respect to the subject matter hereof

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

and contains the sole and entire agreement among the parties hereto with respect to the subject matter hereof (except as otherwise set forth in Section 8.04(f)).

Section 13.03. Waiver . Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party hereto of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not in the alternative.

Section 13.04. Amendment . This Agreement may be amended, supplemented or codified only by a written instrument duly executed by each party hereto.

Section 13.05. Third Party Beneficiaries . The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns and it is not the intention of the parties to confer third party beneficiary rights upon any other Person, except as achieved through the indemnification clause set forth in Section 11.02.

Section 13.06 Assignment: Binding Effect . Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto without the prior written consent of the other party hereto and any attempt to do so will be void, except that an Indemnified Party under article XI may assign any of its rights, benefits or obligations hereunder, by operation of law or otherwise, (a) to any of its Affiliates, *provided* such Indemnified Party continues to be responsible for all of its obligations hereunder, (b) to a Person that (i) purchases all or substantially all of the assets being conveyed hereunder or (ii), merges with the Acquiror or the Indemnified Party or (c) to the lenders of the Acquiror and its successors or assigns; *provided, however* , such assignment does not create adverse consequences for the indemnifying party. This Agreement is binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and permitted assigns.

Section 13.07. Headings . The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

Section 13.08. Elan Patenting . Subject to Section 2.02, nothing in this Agreement shall be deemed to prevent or prohibit EPI or its Affiliates from filing, maintaining, licensing, prosecuting or enforcing any rights arising out of intellectual property purchased or licensed after the Closing or relating to inventions reduced to practice after the Closing.

Section 13.09. Severability . If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be

affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and unenforceable provision as similar to the terms of such illegal, invalid or unenforceable provision as may be possible and reasonably acceptable to the parties herein.

Section 13.10. Governing Law: Jurisdiction . THIS AGREEMENT AND THE RELATED AGREEMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PRINCIPLES. EACH PARTY HERETO HEREBY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE CITY OF NEW YORK IN CONNECTION WITH ANY DISPUTE RELATED TO THIS AGREEMENT OR ANY RELATED AGREEMENT OR ANY MATTERS CONTEMPLATED HEREBY OR THEREBY. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO ANY PARTY HERETO AT THE ADDRESS SET FORTH FOR SUCH PARTY HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PARTY FOR ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. A FINAL JUDGMENT IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT MAY BE ENFORCED IN ANY OTHER COURTS TO WHOSE JURISDICTION SUCH PARTY IS OR MAY BE SUBJECT, BY SUIT UPON JUDGMENT

Section 13.11 Expenses . Except as otherwise provided in this Agreement, the Supply Agreement or the Related Agreements, each party hereto shall pay its own expenses and costs incidental to the preparation of this Agreement, the Supply Agreement and the Related Agreements and to the consummation of the transactions contemplated hereby and thereby.

Section 13.12 Counterparts . This Agreement may be executed in any number of counterparts and by facsimile, each of which will be deemed an original, but all of which together will constitute one and the same instrument. A facsimile copy shall be a sufficient proof of signature, without it being necessary to produce the original copy.

[SIGNATURES ON FOLLOWING PAGE]

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto all as of the date first above written.

ELAN PHARMACEUTICALS, INC.

By: /s/ Jack Laflin
Name: Jack Laflin
Title: Executive Vice President, Global Core Services

ACORDA THERAPEUTICS, INC.

By: _____
Name:
Title:

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto all as of the date first above written.

ELAN PHARMACEUTICALS, INC.

By: _____
Name:
Title:

ACORDA THERAPEUTICS, INC.

By: /s/ Ron Cohen
Name: Ron Cohen
Title: President and CEO

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

ELAN DISCLOSURE SCHEDULE

The following matters are disclosures made in connection with the representations and warranties of Elan Pharmaceuticals, Inc., a Delaware corporation ("EPI"), set forth in the Asset Purchase Agreement (the "Agreement") by and between EPI and Acorda Therapeutics, Inc., a Delaware corporation ("Acquiror") and delivered in connection with the execution and delivery of the Agreement by EPI. Section numbers used herein correspond to the section numbers in the Agreement; provided, however, that any information disclosed herein under a particular section number shall be deemed to be disclosed and incorporated into another section number contained herein if such information reasonably relates to the representation and warranty m the Agreement that corresponds to such other section number. Except as otherwise stated or the where the context indicates-otherwise, all capitalized terms used herein shall have the meanings given them in the Agreement.

Nothing herein constitutes an admission against EPI's interests. The inclusion of any item herein should not be interpreted as. indicating that EPI has determined that such item or other matter is necessarily material to Acquiror. Acquiror acknowledges that certain information contained in this Elan Disclosure Schedule may constitute confidential information relating to EPI and/or its Affiliates, and therefore may be subject to the confidentiality provisions contained in the Agreement. Where the terms of disclosure items may have been summarized, disclosed or otherwise described in this Elan Disclosure Schedule, such summary, disclosure or description does not purport to be a complete statement of the material terms of such item. For the avoidance of doubt, and notwithstanding anything in the Agreement or herein to the contrary, the contents of each document made available to Acquiror in the dataroom by EPI for due diligence purposes shall be deemed to be disclosed and incorporated into each section number contained herein if such contents reasonably relate to the representation and warranty in the Agreement that corresponds to such section number.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Schedule 1.01 (a) - Closing Date Inventory Value -valuation methodology

Lot Number	Strength	Units per lot	Unit price
37584	4 mg	[***]	[***]
37583	4 mg	[***]	[***]
23934(a)	4 mg	[***]	N/A(b)
23934(a)	4 mg	[***]	N/A(b)
33535(a)	2 mg	[***]	N/A(b)
37329(a)	2 mg	[***]	N/A(b)
37329(a)	2 mg	[***]	N/A(b)

[Missing Graphic Reference]

(a) Denotes Inventory having a shelf life of less than 12 months from the Closing Date.

(b) Each such batch will be included for an aggregate purchase price (for all such batches) of [***].

Schedule 1.01(b) – Domain Names

ZANAFLEX.BIZ
ZANAFLEX.COM
ZANAFLEX.INFO
ZANAFLEX.NET
ZANAFLEX.ORG
ZANAFLEX.US

Schedule 1.01(c) – Excluded Books and Records

1. All information provided to EPI or its Affiliates by or pursuant to contracts with IMS Health, Verispan, L.L.C. (formerly, Scott Levin) and NDC Health Information Services.

2. EPI shall not be providing to Acquiror any Books and Records or Know-How embodying any calculation methods or policies, processes or procedures relating to government or commercial rebates and chargeback claims.

Schedule 1.01(d) – Product Copyrights

1. No Copyrights have been registered with the U.S. Copyright Office.

2. All Copyrights in the Product Books and Records (including for the avoidance of doubt the Product Marketing Materials) and the Labeling.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Schedule 1.01(e) – Product Know-How

All Know-How contained in, and in the data underlying, the following clinical study reports:

Protocol Number	Title
AN021-301	A Placebo-Controlled, Double-blind, Randomized, parallel Groups, Single Dose Study to Assess Efficacy and Safety of Tizanidine Hydrochloride – Modified Release in Patients with Spasticity due to Multiple Sclerosis or Spinal Cord Impairment Treated with 24 or 48 mg
AN021-302	A Placebo-Controlled, Double-Blind, Randomized, parallel Groups Study to Assess Efficacy and Safety of Tizanidine Hydrochloride – Modified Release at Stable Dose in Patients with Spasticity due to Multiple Sclerosis or Spinal Cord Impairment
AN021-351	Open-Label Study of Tizanidine Hydrochloride – Modified Release in Patients with Spasticity Due to Multiple Sclerosis of Spinal Cord Impairment
AN021-002	A Multicenter, Open-Label, Long Term Study to Evaluate the Safety of Tizanidine Tablets in Patients Suffering from Spasticity due to Multiple Sclerosis
AN021-004	A Multicenter, Open-Label, Long-Term Study to Evaluate the Safety of Tizanidine Tablets in Patients Suffering from Spasticity Resulting from Spinal Cord Injury
AN021-103	A Pharmacokinetic Study to Evalute the Bioequivalence of Zanaflex (Tizanidine Hydrochloride) 2 x 2 mg Tablets, with Varying Storage Times, Administered to Healthy subjects
AN021-401	An Open-Label Study to Assess the Long-Term Safety of Zanaflex (tizanidine HCI) in Patients Treated with 28 to 36 mg/day.
AN021-456	Open Label Dose Titration Study of the Safety and Efficacy of Zanaflex (tizanidine HCI) in Chronic Daily Headache Prophylaxis.

Notwithstanding the foregoing or anything in the Agreement or herein to the contrary, neither EPI nor any of its Affiliates makes any representations or warranties of any nature regarding such study reports or the underlying data.

Schedule 1.01(f) – Product Patent Rights

1. U.S. Patent No. 6,455,557 dated September 24, 2002.

2. U.S. Patent Application No. 10/645,840, filed August 22, 2003.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Schedule 1.01(g) – Product Trademarks

1. The Trademark "Zanaflex" is used in the United States (registration number 1906277).

2. The Trademark "Zana *flex* " is used in the United States (registration number 2383531).

Schedule 2.01 (a) – Assumed Contracts

The Novartis License Agreement (including the amendment to such agreement dated May 3, 1991 and the Addendum to such agreement dated February 24, 1995, which documents constitute all of the amendments to the Novartis License Agreement).

Schedule 2.01(g) – Other Purchased Assets

None.

Schedule 6.03(a) – Elan Governmental Consents

1. EPI will be required to notify the FDA in writing of the transfer of the Product Registrations to Acquiror. EPI will so notify the FDA within five (5) Business Days after the date hereof.

2. In order for EPI's Affiliate Elan Pharma International Limited to perform its obligations under the Supply Agreement, each of IND 63-884 and NDA 21-447 will have to be in effect and are now and will be immediately after the Closing in full force and effect.

Schedule 6.03(b) – Elan Third Party Consents

The Novartis License Agreement requires Novartis' consent to assignment.

Schedule 6.05 – Material Contracts

1. The Novartis License Agreement.

2. Rebate Agreement by and between Argus Health Systems, Inc. and EPI dated as of January 2, 2002 (the "Argus Agreement").

3. Rebate Agreement by and between Coventry Health Care, Inc. and EPI dated as of January 1, 2001, as amended (the "Coventry Agreement").

4. Rebate Agreement by and between Horizon Healthcare of New Jersey, Inc. and EPI dated as of January 1, 2001, as amended (the "Horizon Agreement").

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

5. Rebate Agreement by and between Intermountain Health Care Health Plans, Inc. and EPI dated as of January 1, 2001, as amended (the "Intermountain Agreement").

6. Agreement by and between Merck-Medco Managed Care, L.L.C. (as successor-in-interest to Merck-Medco Managed Care, Inc. and Managed Care LLC) and EPI (as successor-in-interest to Athena Neurosciences, Inc.) dated as of July 1, 1996, as amended (the "Merck-Medco Agreement").

7. Rebate Agreement by and between Medimpact Healthcare Systems, Inc. and EPI dated as of April 1, 2002 (the "Medimpact Agreement").

8. Rebate Agreement by and between Pharmacare Management Services, Inc. and EPI dated as of July 1, 2000 (the "Pharmacare Agreement").

9. Rebate Agreement by and between Security Health Plan ("Security Health") and EPI dated as of January 1, 2002 (the "Security Health Agreement").

10. Safety Data Exchange Agreement between EPI and Novartis Pharma AG dated as of February 13, 2002.

11. Safety Data Exchange Agreement between EPI and Medeus Pharma Limited dated as of March 16, 2004.

12. Agreement by and among Glaxo Group Limited ("Glaxo") and EPI's Affiliates Elan Corporation, plc ("Elan") and Athena Neurosciences, Inc. ("Athena") dated as of August 6, 1997 (the "Glaxo Agreement").

13. Agreement between Pharmacia & Upjohn Company ("Pharmacia") and Athena dated as of October 30, 1998 (the "Pharmacia Agreement").

Schedule 6.07(a)(i) and (ii) – Certain Contracts Relating to – Product Intellectual Property

1. The Novartis License Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property. In addition, such agreements contain indemnification obligations of Novartis that include claims relating to Purchased Intellectual Property and that provide that Novartis shall have certain rights to control the defense of such claims.

2. The Argus Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property.

3. The Coventry Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property.

4. The Horizon Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property.

5. The Intermountain Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property.

6. The Medimpact Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property.

7. The Pharmacare Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property.

8. The Security Health Agreement contains indemnification obligations of EPI that include claims relating to infringement of Purchased Intellectual Property.

Schedule 6A7(a)(iv) – Covenant Not to Sue Relating to Purchased Intellectual Property

In the Glaxo Agreement, Elan and Athena agreed not to object to Glaxo's use or registration of the mark "ZANTAC" in certain circumstances.

Schedule 6.07(h) – Certain Proceedings Relating to Product Intellectual Property

1. Petition for Cancellation of Registration No. 1,906,277 filed by Glaxo Group Limited, which was settled pursuant to the Glaxo Agreement.

2. Petition for Cancellation of Registration No. 1,906,277 and Notice of Opposition No. 108,684, each filed by Pharmacia and settled pursuant to the Pharmacia Agreement.

Schedule 6.08 – Litigation

The events described in the MedWatch reports submitted to Acquiror in the dataroom for due diligence present bases for Actions or Proceedings relating to the Purchased Assets or the Business.

Schedule 6.09 – Compliance with Law

1. Neither EPI nor any of its Affiliates makes any representations or warranties of any nature relating to promotional, marketing or training materials relating to the Products.

2. On February 23, 2004, EPI was notified by Novartis that Novartis failed to provide EPI adverse event reports from the period from July 1, 1999 through March 9, 2004. On April 7, 2004, EPI submitted to the FDA 139

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

MedWatch reports as prepared by Novartis, together with EPI's adjudication of each adverse event. These materials were submitted within the statutorily-required time period, but were not prepared by EPI. EPI did not submit, and has not been requested by the FDA to submit, a corrective action plan relating to these adverse events.

3. The annual report for NDA 20-397 was due on January 26, 2004 and has not yet been submitted.

4. As a result of the following article: Granfors MT. Backman JT. Neuvonen M. Ahonen J. Neuvonen PJ. Fluvoxamine drastically increases concentrations and effects of tizanidine: a potentially hazardous interaction. [Clinical Trial. Clinical Trial, Phase II. Journal Article. Randomized Controlled Trial] *Clinical Pharmacology & Therapeutics. 75(4):331-41, 2004 Apr.* (the "Clinical Article"), EPI has undertaken to amend EPI's Labeling for Zanaflex Tablets to include an additional precaution. EPI has also undertaken to update such Labeling to include certain information that was included in the combined Labeling that was approved for Zanaflex Tablets and Zanaflex Capsules. EPI shall not be obligated to continue such undertakings after the Closing, but the foregoing shall not reduce or otherwise affect EPI's retention of Excluded Liabilities or other covenants in the Agreement.

Schedule 6.11 – Customers and Suppliers

Top 10 wholesale customers for the fiscal year ended December 31, 2003 for Zanaflex Tablets 2mg:

[***]

Top 10 wholesale customers for the fiscal year ended December 31, 2003 for Zanaflex Tablets 4mg:

[***]

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Supplier of active pharmaceutical ingredient:

Novartis

Schedule 6.12 – Certain Governmental Permits

1. EPI is required to have wholesaler/distribution licenses in each state where the Products are sold. Such licenses have not been delivered to Acquiror.

2. NDA 20-397.

3. NDA 21-447.

4 IND 37-891.

5. IND 63-884.

6. IND 59-464.

7. On February 23, 2004, EPI was notified by Novartis that Novartis failed to provide EPI adverse event reports from the period from July 1, 1999 through March 9, 2004. On April 7, 2004, EPI submitted to the FDA 139 MedWatch reports as prepared by Novartis, together with EPI's ajudication of each adverse event. These materials were submitted within the statutorily-required time period, but were not prepared by EPI. EPI did not submit, and has not been requested by the FDA to submit, a corrective action plan relating to these adverse events.

8. The annual report for NDA 20-397 was due on January 26, 2004 and has not yet been submitted.

9. As a result of the Clinical Article, EPI has undertaken to amend EPI's Labeling for Zanaflex Tablets to include an additional precaution. EPI has also undertaken to update such Labeling to include certain information that was included in the combined Labeling that was approved for Zanaflex Tablets and Zanaflex Capsules. EPI shall not be obligated to continue such undertakings after the Closing, but the foregoing shall not reduce or otherwise affect EPI's retention of Excluded Liabilities or other covenants in the Agreement.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Schedule 8.06 – Multi-Product Contracts

1. The Argus Agreement.

2. The Coventry Agreement.

3. The Horizon Agreement.

4. The Intermountain Agreement.

5. The Merck-Medco Agreement.

6. The Medimpact Agreement.

7. The Pharmacare Agreement.

8. The Security Health Agreement.

9. EPI's contract with the Veteran's Administration is also a Multi-Product Contract, but notwithstanding anything to the contrary contained in the Agreement or herein, such contract will not be terminated.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Exhibit 6.13

[***]

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

ACQUIROR DISCLOSURE SCHEDULE

The following matters are disclosures made in connection with the representations and warranties of Acorda Therapeutics, Inc., a Delaware corporation (Acquiror"), set forth in the Asset Purchase Agreement (the "Agreement") by and between Elan Pharmaceuticals, Inc. ("EPI") and Acquiror and delivered in connection with the execution and delivery of the Agreement by Acquiror. Section numbers used herein correspond to the section numbers in the Agreement; provided, however, that any information disclosed herein under a particular section number shall be deemed to be disclosed and incorporated into another section number contained herein if such information reasonably relates to the representation and warranty in the Agreement that corresponds to such other section number. Except as otherwise stated or the where the context indicates otherwise, all capitalized terms used herein shall have the meanings given them in the Agreement.

Nothing herein constitutes an admission against Acquiror's interests. The inclusion of any item herein should not be interpreted as indicating that Acquiror has determined that such item or other matter is necessarily material to EPI. EPI acknowledges that certain information contained in this Acquiror Disclosure Schedule may constitute confidential information relating to Acquiror and/or its Affiliates, and therefore may be subject to the confidentiality provisions contained in the Agreement. Where the terms of disclosure items may have been summarized, disclosed or otherwise described in this Acquiror Disclosure Schedule, such summary, disclosure or description does not purport to be a complete statement of the material terms of such item.

Certain portions of this Exhibit have been omitted pursuant to a request for confidentiality. Such omitted portions, which are marked with brackets [ ] and an asterisk*, have been separately filed with the Commission.

Schedule 7.03(a) – Acquiror Governmental Consents

The following may or will be required by or with respect to the Acquiror in connection with the performance of its obligations under the Agreement, the Supply Agreement and the Related Agreements to which it is a party. Acquiror has begun evaluating and/or applying for the items listed below and will obtain each as necessary to perform its obligations under the Agreement, the Supply Agreement and the Related Agreements to which it is a party.

1. Licenses to do business in each of New York, Tennessee, California, Florida, and Louisiana.

2. Licenses to distribute prescription medication in the states where required.

3. License(s) to import pharmaceutical product from Canada (for Zanaflex tablets) and from Ireland (for Zanaflex capsules).

4. National Drug Code from the U.S. Food and Drug Administration.

5. NDA for Zanaflex tablets and capsules, to be transferred by EPI.

Schedule 7.03(b) – Acquiror Third Party Consents

None.

EXHIBIT 31.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Ron Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acorda Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2014

/s/ RON COHEN
Ron Cohen
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Michael Rogers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acorda Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2014

/s/ MICHAEL ROGERS
Michael Rogers
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Acorda Therapeutics, Inc. (the "Company") for the fiscal quarter ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ron Cohen, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RON COHEN
RON COHEN
Chief Executive Officer
(Principal Executive Officer)
May 9, 2014

[A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Acorda Therapeutics, Inc. and will be retained by Acorda Therapeutics, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Acorda Therapeutics, Inc. (the "Company") for the fiscal quarter ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Rogers, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL ROGERS
MICHAEL ROGERS
Chief Financial Officer
(Principal Financial Officer)
May 9, 2014

[A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Acorda Therapeutics, Inc. and will be retained by Acorda Therapeutics, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]