ACORDA THERAPEUTICS INC

FORM 10-Q
(Quarterly Report)

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Telephone	914-347-4300
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Sector	Healthcare
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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 June 30, 2013

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 July 31, 2013**
Common Stock, $0.001 par value per share	40,693,518 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 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 Diazepam Nasal Spray 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 included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2012, particularly in the "Risk Factors" section (as updated by the disclosures in our subsequent quarterly reports, including in Part II, Item 1A of this report), that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make. Forward-looking statements in this report are made only as of the date hereof, and we do not assume any obligation to publicly update any forward-looking statements as a result of developments occurring after the date of this report.

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

PART I

Item 1. Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 42,702	$ 41,876
Restricted cash	41	380
Short-term investments	260,627	191,949
Trade accounts receivable, net of allowances of $642 and $555, as of June 30, 2013 and December 31, 2012, respectively	27,055	26,327
Prepaid expenses	7,096	6,936
Finished goods inventory held by the Company	30,996	20,176
Finished goods inventory held by others	694	781
Deferred tax asset	32,935	35,091
Other current assets	10,759	9,547
Total current assets	412,905	333,063
Long-term investments	29,050	99,363
Property and equipment, net of accumulated depreciation	17,740	16,706
Deferred tax asset	101,453	101,636
Intangible assets, net of accumulated amortization	9,875	9,319
Non-current portion of deferred cost of license revenue	4,491	4,808
Other assets	392	437
Total assets	$ 575,906	$ 565,332
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 21,189	$ 22,503
Accrued expenses and other current liabilities	34,211	35,758
Deferred product revenue—Zanaflex	30,085	29,275
Current portion of deferred license revenue	9,057	9,057
Current portion of revenue interest liability	1,174	1,134
Current portion of convertible notes payable	1,144	1,144
Total current liabilities	96,860	98,871
Non-current portion of deferred license revenue	64,156	68,685
Put/call liability	—	329
Non-current portion of revenue interest liability	753	1,111
Non-current portion of convertible notes payable	3,165	4,244
Other non-current liabilities	6,174	6,171
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value. Authorized 80,000,000 shares at June 30, 2013 and December 31, 2012; issued and outstanding 40,042,117 and 39,804,493 shares, including those held in treasury, as of June 30, 2013 and December 31, 2012, respectively	40	40
Treasury stock at cost (12,420 shares at June 30, 2013 and December 31, 2012)	(329)	(329)
Additional paid-in capital	656,784	640,671
Accumulated deficit	(251,751)	(254,523)
Accumulated other comprehensive income	54	62
Total stockholders' equity	404,798	385,921
Total liabilities and stockholders' equity	$ 575,906	$ 565,332

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 June 30, 2013	Three-month period ended June 30, 2012	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Revenues:				
Net product revenues	$ 80,125	$ 69,112	$ 144,209	$ 134,785
Royalty revenues	4,664	4,280	10,180	7,590
License revenue	2,264	2,264	4,529	4,529
Total net revenues	87,053	75,656	158,918	146,904
Costs and expenses:				
Cost of sales	16,935	13,576	30,418	26,040
Cost of license revenue	159	158	317	317
Research and development	13,216	12,634	25,736	23,659
Selling, general and administrative	48,003	44,230	96,202	82,975
Total operating expenses	78,313	70,598	152,673	132,991
Operating income	8,740	5,058	6,245	13,913
Other expense (net):				
Interest and amortization of debt discount expense	(749)	(356)	(1,340)	(1,122)
Interest income	166	123	339	252
Total other expense (net)	(583)	(233)	(1,001)	(870)
Income before taxes	8,157	4,825	5,244	13,043
Provision for income taxes	(4,247)	(280)	(2,472)	(652)
Net income	$ 3,910	$ 4,545	$ 2,772	$ 12,391
Net income per share—basic	$ 0.10	$ 0.12	$ 0.07	$ 0.31
Net income per share—diluted	$ 0.09	$ 0.11	$ 0.07	$ 0.31
Weighted average common shares outstanding used in computing net income per share—basic	39,960	39,433	39,896	39,387
Weighted average common shares outstanding used in computing net income per share—diluted	41,583	40,099	41,311	40,253

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(unaudited)

(In thousands)	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Net income	$ 3,910	$ 4,545	$ 2,772	$ 12,391
Other comprehensive income (loss):				
Unrealized losses on available for sale securities, net of tax	(29)	(5)	(8)	(105)
Other comprehensive income (loss), net of tax	(29)	(5)	(8)	(105)
Comprehensive income	$ 3,881	$ 4,540	$ 2,764	$ 12,286

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

(In thousands)	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Cash flows from operating activities:		
Net income	$ 2,772	$ 12,391
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	11,471	9,784
Amortization of net premiums and discounts on investments	1,169	2,736
Amortization of revenue interest issuance cost	28	45
Depreciation and amortization expense	2,912	1,952
Gain on put/call liability	(329)	(519)
Deferred tax provision	2,339	—
Changes in assets and liabilities:		
Increase in accounts receivable	(728)	(779)
Increase in prepaid expenses and other current assets	(1,371)	(4,543)
Increase in inventory held by the Company	(10,820)	(1,238)
Decrease in inventory held by others	87	207
Decrease in non-current portion of deferred cost of license revenue	317	317
Decrease (increase) in other assets	17	(96)
(Decrease) increase in accounts payable, accrued expenses, other current liabilities	(3,942)	1,331
Increase in revenue interest liability interest payable	216	428
Decrease in non-current portion of deferred license revenue	(4,528)	(4,528)
Decrease in other non-current liabilities	(107)	(517)
Decrease (increase) in deferred product revenue—Zanaflex	811	(1,608)
Decrease in restricted cash	339	—
Net cash provided by operating activities	653	15,363
Cash flows from investing activities:		
Purchases of property and equipment	(2,728)	(6,418)
Purchases of intangible assets	(1,664)	(938)
Purchases of investments	(59,541)	(137,889)
Proceeds from maturities of investments	60,000	134,750
Net cash used in investing activities	(3,933)	(10,495)
Cash flows from financing activities:		
Proceeds from issuance of common stock and option exercises	4,640	2,371
Repayments of revenue interest liability	(534)	(476)
Net cash provided by financing activities	4,106	1,895
Net increase in cash and cash equivalents	826	6,763
Cash and cash equivalents at beginning of period	41,876	57,954
Cash and cash equivalents at end of period	$ 42,702	$ 64,717
Supplemental disclosure:		
Cash paid for interest	1,059	614
Cash paid for taxes	1,337	793

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(unaudited)

(1) Organization and Business Activities

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

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

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the year ended December 31, 2012 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 is the exclusive specialty pharmacy distributor for 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, and 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 rebates, discounts and returns. These allowances are recorded for cash consideration given by a vendor to a customer that is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, are characterized as a reduction of revenue. At the time product is shipped to specialty pharmacies, Kaiser Permanente and the specialty distributor to the VA, an adjustment is recorded for estimated rebates, discounts and returns. These allowances are established by management as its best estimate based on available information and will be adjusted to reflect known changes in the factors that impact such allowances. Allowances for rebates, discounts and returns are established based on the contractual terms with customers, 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. Effective December 1, 2012, the Company no longer accepts 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 recorded for estimated chargebacks, rebates, and discounts. These allowances are established by management as its best estimate based

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

Milestones and royalties

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

Collaborations

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

Concentration of Credit Risk

The Company's principal direct customers as of June 30, 2013 were a network of specialty pharmacies, Kaiser Permanente, and the specialty distributor to the VA for Ampyra and wholesale pharmaceutical distributors for Zanaflex Capsules and Zanaflex tablets. 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 revenue in 2013 and 2012, and three customers in 2011. Four customers individually accounted for more than 10% of the Company's accounts receivable as of June 30, 2013 and December 31, 2012. 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 and Zanaflex 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

additional subsequent events requiring disclosure in or requiring adjustment to these financial statements other than that disclosed in Note 10 below.

Recent Accounting Pronouncements

In February 2013, the FASB amended its guidance to require an entity to present the effect of certain significant reclassifications out of accumulated other comprehensive income on the respective line items in net income. The new accounting guidance does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The guidance is effective prospectively for fiscal years beginning after December 15, 2012. The Company adopted these new provisions for the quarter beginning January 1, 2013. As the guidance requires additional presentation only, there was no impact to the Company's consolidated results of operations or financial position.

In July 2013, the FASB issued ASU 2013-11, *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), an amendment to ASC 740, *Income Taxes* . ASU 2013-11 clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax benefit is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be netted with the deferred tax asset. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company is currently evaluating the impact that adoption will have on the determination or reporting of its financial results.

(3) Share-based Compensation

During the three-month periods ended June 30, 2013 and 2012, the Company recognized share-based compensation expense of $6.5 million and $5.6 million, respectively. During the six-month periods ended June 30, 2013 and 2012, the Company recognized share-based compensation expense of $11.5 million and $9.8 million, respectively. Activity in options and restricted stock during the six-month period ended June 30, 2013 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 June 30, 2013 and 2012 were approximately $16.81 and $12.13, respectively. The weighted average fair value per share of options granted to employees for the six-month periods ended June 30, 2013 and 2012 were approximately $15.56 and $13.79, respectively.

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
(In millions)	**2013**	**2012**	**2013**	**2012**
Research and development	$ 1.5	$ 1.3	$ 2.7	$ 2.3
Selling, general and administrative	5.0	4.3	8.8	7.5
Total	$ 6.5	$ 5.6	$ 11.5	$ 9.8

A summary of share-based compensation activity for the six-month period ended June 30, 2013 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, 2013	5,667	$ 22.30		
Granted	1,466	30.64		
Cancelled	(109)	27.47		
Exercised	(215)	21.54		
Balance at June 30, 2013	6,809	$ 24.03	6.8	$ 61,803
Vested and expected to vest at June 30, 2013	6,730	$ 23.98	6.7	$ 61,468
Vested and exercisable at June 30, 2013	3,967	$ 21.14	5.2	$ 47,562

Restricted Stock Activity

(In thousands)

Restricted Stock	Number of Shares
Nonvested at January 1, 2013	458
Granted	209
Vested	(22)
Forfeited	(21)
Nonvested at June 30, 2013	624

Unrecognized compensation cost for unvested stock options and restricted stock awards as of June 30, 2013 totaled $51.3 million and is expected to be recognized over a weighted average period of approximately 2.7 years.

(4) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and six-month periods ended June 30, 2013 and 2012:

(In thousands, except per share data)	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Basic and diluted				
Net income	$ 3,910	$ 4,545	$ 2,772	$ 12,391
Weighted average common shares outstanding used in computing net income per share—basic	39,960	39,433	39,896	39,387
Plus: net effect of dilutive stock options and restricted common shares	1,623	666	1,415	866
Weighted average common shares outstanding used in computing net income per share—diluted	41,583	40,099	41,311	40,253
Net income per share—basic	$ 0.10	$ 0.12	$ 0.07	$ 0.31
Net income per share—diluted	$ 0.09	$ 0.11	$ 0.07	$ 0.31

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 June 30, 2013	Three-month period ended June 30, 2012	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Denominator				
Stock options and restricted common shares	1,762	4,269	3,139	3,759
Convertible note	39	48	39	48

(5) Income Taxes

For the three-month periods ended June 30, 2013 and 2012, the Company recorded a $4.2 million and $280,000 provision for income taxes, respectively, based upon its estimated tax liability for the year. The provision for 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 June 30, 2013 and 2012 were 52.1% and 5.8%, respectively. For the six-month periods ended June 30, 2013 and 2012, the Company recorded a $2.5 million and $651,000 provision for income taxes, respectively, based upon its estimated tax liability for the year. The provision for income taxes is based on federal, state and Puerto Rico income taxes. The effective income tax rates for the Company for the six-month periods ended June 30, 2013 and 2012 were 47.1% and 5.0%, respectively. As a result of the January 2013 extension of the Federal research and development tax credit retroactive to January 2012 the Company recorded a benefit of $1.2 million for the estimated 2012 credit. During the six-month period ended June 30, 2013 the Company also settled an IRS examination of their corporate income tax returns for years ending December 31, 2009 through December 31, 2011. The impact of the settlement partially offset the benefit recorded for the research and development tax credit.

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.

(6) Fair Value Measurements

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 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 liability represents our put/call liability related to the Paul Royalty Fund (PRF) transaction. No changes in valuation techniques or inputs occurred during the six months ended June 30, 2013.

(In thousands)	Level 1	Level 2	Level 3
June 30, 2013			
Assets Carried at Fair Value:			
Cash equivalents	$ 17,779	$ —	$ —
Short-term investments	—	260,627	—
Long-term investments	—	29,050	—
Liabilities Carried at Fair Value:			
Put/call liability	—	—	—

December 31, 2012			
Assets Carried at Fair Value:			
Cash equivalents	$ 27,932	$ —	$ —
Short-term investments	—	191,949	—
Long-term investments	—	99,363	—
Liabilities Carried at Fair Value:			
Put/call liability	—	—	329

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

(In thousands)	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Put/call liability:				
Balance, beginning of period	$ 247	$ 495	$ 329	$ 1,030
Total realized and unrealized gains included in selling, general and administrative expenses:	(247)	16	(329)	(519)
Balance, end of period	$ —	$ 511	$ —	$ 511

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.

(7) Investments

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

(In thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
June 30, 2013				
US Treasury bonds	$ 289,586	$ 103	$ (12)	$ 289,677
December 31, 2012				
US Treasury bonds	291,209	104	(1)	291,312

The contractual maturities of short-term available-for-sale debt securities at June 30, 2013 and December 31, 2012 are greater than 3 months but less than 1 year. The contractual and intended maturities of long-term available-for-sale debt securities at June 30, 2013 and December 31, 2012 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 June 30, 2013.

Short-term investments with maturity of three months or less from date of purchase have been classified as cash equivalents, and amounted to $17.8 million and $27.9 million as of June 30, 2013 and December 31, 2012, 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 six months ended June 30, 2013, were as follows (in thousands):

(In thousands)	Net Unrealized Gains (Losses) on Marketable Securities	Total
Balance at December 31, 2012	$ 62	$ 62
Other comprehensive income before reclassifications:	(8)	(8)
Amounts reclassified from accumulated other comprehensive income	—	—
Net current period other comprehensive income	(8)	(8)
Balance at June 30, 2013	$ 54	$ 54

(8) Collaborations, Alliances, and Other Agreements

Biogen

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

Under the Collaboration Agreement, the Company was entitled to an upfront payment of $110.0 million as of June 30, 2009, which was received in July 2009, and a $25.0 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 knowhow with respect to the manufacturing process.

The Company has determined that the identified non-contingent deliverables (deliverables 1 and 2 immediately preceding) would have no value on a standalone basis if they were sold separately by a vendor and the customer could not resell the delivered items on a standalone basis, nor does the Company have objective and reliable evidence of fair value for the deliverables. Accordingly, the non-contingent deliverables are treated as one unit of accounting. As a result, the Company will recognize the non-refundable upfront payment from Biogen Idec as revenue and the associated payment to Alkermes as expense ratably over the estimated term of regulatory exclusivity for the licensed products under the Collaboration Agreement as the Company had determined this was the most probable expected benefit period. The Company recognized $2.3 million and $4.5 million in license revenue, a portion of the $110.0 million received from Biogen Idec, and $159,000 and $317,000 in cost of license revenue, a portion of the $7.7 million paid to Alkermes, during the three and six-month periods ended June 30, 2013, respectively.

On January 21, 2011 Biogen Idec announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) decided against approval of Fampyra to improve walking ability in adult patients with multiple sclerosis. Biogen Idec, working closely with the Company, filed a formal appeal of the decision. In May 2011, the CHMP recommended conditional marketing authorization, and in July 2011 Biogen Idec received conditional approval from the European Commission for, Fampyra (prolonged-release fampridine tablets) for the improvement of walking in adult patients with MS with walking disability (Expanded Disability Status Scale of 4-7). The Company 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 June 30, 2013 and 2012, the Company recognized royalty revenue of $2.5 million and $1.8 million, respectively, related to the gross margin of the Zanaflex Capsule authorized generic. During the three-month periods ended June 30, 2013 and 2012, the Company also recognized revenue and a corresponding cost of sales of $1.1 million and $288,000, 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.

During the six-month periods ended June 30, 2013 and 2012, the Company recognized royalty revenue of $5.1 million and $3.3 million, respectively, related to the gross margin of the Zanaflex Capsule authorized generic. During the six-month periods ended June 30, 2013 and 2012, the Company also recognized revenue and a corresponding cost of sales of $1.6 and $1.4 million, respectively, related to the purchase and sale of the related Zanaflex Capsule authorized generic product to Watson, which is recorded in net product revenues and cost of sales.

Neuronex

In December 2012, the Company acquired Neuronex, Inc., a privately-held development stage pharmaceutical company (Neuronex). Neuronex is developing Diazepam Nasal Spray 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 require intermittent use of diazepam to control bouts of increased seizure activity also known as cluster 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 Diazepam Nasal Spray pre-NDA meeting with the Food and Drug Administration (FDA). In December 2012, the Company completed the acquisition by paying $6.8 million to former Neuronex shareholders less a $300,000 holdback provision to be settled in December 2013.

The former equity holders of Neuronex are entitled to receive from Acorda up to an additional $18.0 million in contingent earnout payments upon the achievement of specified regulatory and manufacturing-related milestones with respect to the Diazepam Nasal Spray product, and up to $105.0 million upon the achievement of specified sales milestones with respect to the Diazepam Nasal Spray product. The former equity holders of Neuronex will also be entitled to receive tiered royalty-like earnout payments, ranging from the upper single digits to lower double digits, on worldwide net sales of 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 the Diazepam Nasal Spray product 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 $8.0 million upon the achievement of specified development milestones with respect to the Diazepam Nasal Spray product and up to $3.0 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 will need 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.

(9) Commitments and Contingencies

A summary of the Company's commitments and contingencies was included in the Company's Annual Report on Form 10-K for the twelve-month period ended December 31, 2012. 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 June 30, 2013. Litigation expenses are expensed as incurred.

(10) Subsequent Event

On July 8, 2013, Acorda acquired two neuropathic pain management assets from NeurogesX, Inc.. Qutenza is approved by the FDA for the management of neuropathic pain associated with postherpetic neuralgia. The Company also acquired 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.

Acorda made an approximately $8 million payment to acquire development and commercialization rights for Qutenza and NP-1998 in the United States, Canada, Latin America and certain other territories. The Company will also make up to $5 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 27 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 is applied once every three months for the management of neuropathic pain associated with postherpetic neuralgia, also known as post-shingles nerve pain. The drug was approved by the U.S. Food and Drug Administration in 2010, launched in April 2010 and had net sales of $2.6 million in 2011. NeurogesX discontinued active promotion of the product in March 2012; net sales were approximately $2.4 million through the end of the third quarter of 2012. Acorda plans to support Qutenza in the United States using the Company's existing commercial organization, including its specialty neurology sales force of approximately 100 sales professionals, as well as its medical and safety reporting infrastructure.

NP-1998 is a topical solution containing 20% prescription strength capsaicin under clinical development as a treatment for pain associated with neuropathic pain conditions such as painful diabetic neuropathy (PDN).

Astellas is currently conducting clinical trials of Qutenza including a Phase 3 trial to assess its use in the treatment of pain associated with PDN. Under the terms of the agreement, Acorda will have rights to review data from that trial, and the companies may also collaborate and/or share costs of future clinical trials.

The Company will account for the transaction as a business combination using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, since the Company will obtain control of the inputs, outputs and processes for Qutenza and NP-1998. Due to the limited time since the date of the acquisition, the initial disclosure for this business combination is incomplete as of the date of this filing. As such, it is impracticable for the Company to make certain business combination disclosures at this time. The Company is unable to present the acquisition date fair value of and information related to assets acquired and liabilities assumed. The Company will provide this information in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2013. There are $988,000 in acquisition-related costs included in selling, general and administrative expenses for the six-month period ending June 30, 2013.

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

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

Background

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

Ampyra

General

Ampyra was approved by the FDA in January 2010 for the improvement of walking in people with MS. To our knowledge, Ampyra is the first and only product approved for this indication. Efficacy was shown in people with all four major types of MS (relapsing remitting, secondary progressive, progressive relapsing and primary progressive). Ampyra was made commercially available in the United States in March 2010. Net revenue for Ampyra was $77.8 million for the three-months ended June 30, 2013 and $66.3 million for the three-months ended June 30, 2012.

More than 80,000 patients have tried Ampyra therapy since the 2010 launch. As of June 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.

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 Liasons, Regional Reimbursement Directors, and Managed Markets Account Directors who provide information and assistance to payers and physicians on Ampyra, 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 is the exclusive specialty pharmacy distributor for 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 from 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 tier, which means that it is listed in either the lowest branded co-pay 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 authorization requirements, 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.

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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 is commercially available in a number of European Union countries and in Canada, Australia, New Zealand and Israel, and Biogen Idec anticipates making Fampyra commercially available in additional markets in 2013, and anticipates regulatory approval in other countries. We received a $25.0 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 $15.0 million, due when ex-U.S. net sales exceed $100.0 million over four consecutive quarters.

Ampyra Patent Update

We have four issued patents listed in the Orange Book for Ampyra, as follows:

- The first is U.S. Patent No. US 8,007,826 with claims relating to methods to improve walking in patients with MS by administering 10 mg of sustained release 4-aminopyridine (dalfampridine) twice daily. Based on the 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 would 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, which issued in January 2013, 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.

- The fourth, which issued in May 2013, 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.

In 2011, the European Patent Office, or EPO, granted 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 this granted European patent. We intend to vigorously defend the European patent, although the outcome of opposition proceedings is unpredictable.

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 $2.5 million for the three-months ended June 30, 2013 and $2.6 million for the three-months ended June 30, 2012. In 2012, Apotex Inc. 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 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 2013 and beyond.

NeurogesX Transaction

In July 2013, we completed the acquisition of two neuropathic pain management assets from NeurogesX, Inc., including: Qutenza®, which is approved by the FDA for the management of neuropathic pain associated with postherpetic 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 an approximately $8.0 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 will 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 27 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 is applied once every three months for the management of neuropathic pain associated with postherpetic 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. We plan to support Qutenza in the United States using our existing commercial organization, including our specialty neurology sales force of approximately 100 sales professionals, as well as our medical and safety reporting infrastructure.

NP-1998 is a topical solution containing 20% prescription strength capsaicin under clinical development as a treatment for pain associated with neuropathic pain conditions such as painful diabetic neuropathy (PDN). Astellas is currently conducting clinical trials of Qutenza including a Phase 3 trial to assess its use in the treatment of pain associated with PDN. This trial is expected to finish in early 2014. While Qutenza and NP-1998 are different products, they contain the same active ingredient, capsaicin, so the results of the Astellas Qutenza trial will help inform our next steps in developing NP-1998. Under the terms of the agreement, Acorda will have rights to review data from that trial, and the companies may also collaborate and/or share costs of future clinical trials.

Research & Development Programs

We are developing what we believe is one of the industry's leading pipelines of novel neurological therapies. We are developing Diazepam Nasal Spray, which we acquired in December 2012, for the treatment of certain epileptic seizures. We are also studying dalfampridine extended release tablets to improve a range of functional impairments, in addition to walking disability, caused by MS, as well as its potential use in other neurological conditions, including cerebral palsy and post-stroke deficits. In addition, we have several research and development programs focused on distinct therapeutic approaches to restoring neurologic and/or cardiac function. We are developing the clinical stage compounds AC105 for acute treatment of SCI, GGF2 for the treatment of heart failure, and rHIgM22, a remyelenating monoclonal antibody, for the treatment of MS. 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 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.

Diazepam Nasal Spray

In February 2012, we signed an agreement to acquire Neuronex, Inc., a privately-held pharmaceutical company developing 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 require intermittent use of diazepam to control bouts of increased seizure activity, also known as cluster or acute repetitive seizures, or ARS. We completed the acquisition of Neuronex in December 2012. Subject to obtaining FDA approval, there is potential for a commercial launch in 2014. We have obtained orphan drug designation, which would confer seven years of market exclusivity from the date of approval. We anticipate that our current infrastructure can support sales and marketing of this product, if it receives FDA approval, and market planning is underway. In June 2013 at the biennial International Congress of the International League Against Epilepsy and International Bureau for Epilepsy, we announced results of the first clinical study to assess pharmacokinetics, safety, and tolerability of Diazepam Nasal Spray in people with epilepsy. The study results showed that the Diazepam Nasal Spray pharmacokinetics are comparable whether it is administered during or immediately following a seizure.

Ampyra 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 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 April 2013, we announced that data from the proof-of-concept trial showed improved walking in people with post-stroke deficits. We plan to proceed with a clinical development program for this indication. Also, in December 2011, we initiated a Phase 2 proof-of-concept clinical study of dalfampridine in adults with cerebral palsy, or CP. The first phase of this proof-of-concept study was a single-dose phase primarily to evaluate safety and tolerability prior to proceeding to a multi-dose cohort. This 10-person, single dose phase of the study detected no safety signals that would prevent additional study of the drug in the treatment of CP. After completing this first phase, we initiated the second phase a multi-dose study including 24 adults with CP, to evaluate both safety and efficacy. In April 2013, we announced that efficacy from this study suggested potential treatment activity on measures of walking and hand strength, but that these data are still being analyzed to determine if they are sufficiently robust to warrant further clinical studies. We are continuing to evaluate these data and assess other pertinent factors. We plan to present data from both the post-stroke deficits and CP trials in appropriate medical forums following additional analysis of the data. We also are providing grants for investigator-initiated studies looking for potential benefits on a range of functional deficits in MS and other neurological disorders.

We have been working with external partners on a once-daily formulation of dalfampridine . We are planning to move forward with a Phase 2b/3 study that will use a once-daily formulation of dalfampridine as a treatment for post-stroke deficits, primarily focusing on walking improvement. We have developed a formulation, and completed a single-dose pharmacokinetic study which showed the desired pharmacokinetic profile. We intend to run a steady-state pharmacokinetic study this year to finalize the validation of this formulation. We plan to discuss the study design and development plan with the FDA, and are aiming to have that meeting before the end of the year. We anticipate initiating the Phase 2b/3 study in the second quarter of 2014, subject to the caveat that we will need to assess results from the pharmacokinetic study and have FDA feedback on the trial design. We anticipate both safety and efficacy measures to be included in an adequate, well-controlled trial, which will also include measures to assess clinical meaningfulness. The primary outcome will be a walking measure, but not necessarily the Timed 25-Foot Walk, and will be subject to the results of our discussion with the FDA. We expect the size of the trial to be roughly comparable in magnitude to our larger MS studies, although this will be contingent upon the FDA's feedback. As with any chronic therapy, FDA typically requires at least three months on-drug during the trial.

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 plan to study AC105 as an acute treatment for patients who have suffered neurological trauma, such as SCI and TBI. We submitted a Phase 2 clinical trial protocol for AC105 for acute treatment of SCI to the FDA for review. The protocol has been reviewed by the FDA, and we are preparing to initiate the trial in the second half of 2013. Several study sites are now online and ready to begin enrolling patients..

Glial Growth Factor 2

We have completed a 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. We have discussed the data with the FDA and have reached agreement on the outline of the next clinical study of GGF2 in heart failure, which we plan to initiate by the end of 2013. This study will primarily investigate further the safety profile of GGF2 across a range of doses, and will continue to explore efficacy outcomes. 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. We are

close to completing the study protocol for this next clinical study, and expect to begin enrolling participants later this year.

Remyelinating Antibodies

We have an open IND application for one of the remyelinating antibodies, rHIgM22, for the treatment of MS. 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.

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 2013

Financial Guidance for 2013

We are providing the following guidance with respect to our 2013 financial performance:

- We expect 2013 net revenue from the sale of Ampyra to range from $285 million to $315 million.

- We expect Zanaflex (tizanidine hydrochloride) and ex-U.S. Fampyra 2013 revenue to be $25 million, which includes 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 expenses in 2013 are expected to range from $60 million to $70 million, excluding share-based compensation charges. Research and development expenses in 2013 related to Ampyra include proof-of-concept studies in CP and post-stroke deficits, and sponsorship of investigator-initiated studies. Additional expenses include clinical trials for AC105 and rHIgM22, continued development of Diazepam Nasal Spray and GGF2, as well as ongoing preclinical studies. A substantial portion of the increase in research and development in 2013 over 2012 is related to Diazepam Nasal Spray expenses. This guidance is not affected by the acquisition of assets from NeurogesX, Inc., but excludes costs associated with expenditures related to the potential acquisition of new products or other business development activities.

- Selling, general and administrative expenses in 2013 are expected to range from $170 million to $180 million, excluding share-based compensation charges. SG&A expenses will be primarily driven by commercial and administrative costs related to Ampyra. The majority of the increase in SG&A in 2013 over 2012 is related to Diazepam Nasal Spray expenses. This guidance is not affected by the acquisition of assets from NeurogesX, Inc., but excludes costs associated with expenditures related to the potential acquisition of new products or other business development activities.

- We expect to be cash flow positive in 2013. This guidance is not affected by the acquisition of assets from NeurogesX, Inc., but excludes costs associated with expenditures related to the potential acquisition of new products or other business development activities.

The range of SG&A and R&D expenditures for 2013 are non-GAAP financial measures because they exclude share-based compensation charges and costs associated with the acquisition of NeurogesX, Inc. assets. 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 and expenses that do not arise from the ordinary course of our business. We believe these non-GAAP financial measures 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 these non-GAAP financial measures 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 development pipeline in 2013 are as follows:

- Continue with activities to prepare for a potential commercial launch of Diazepam Nasal Spray in 2014, subject to receiving FDA approval, including conducting market research, holding advisory boards, and completing managed market assessments, .

- Plan for a Phase 2b/3 study that will use a once-daily formulation of dalfampridine as a treatment for post-stroke deficits, primarily focusing on walking improvement. We have developed a formulation, and completed a single-dose pharmacokinetic study which showed the desired pharmacokinetic profile. We intend to run a steady-state pharmacokinetic study this year to finalize the validation of this formulation. We plan to discuss the study design and development plan with the FDA, and are aiming to have that meeting before the end of the year. We anticipate initiating the Phase 2b/3 study in the second quarter of 2014, subject to the caveat that we will need to assess results from the pharmacokinetic study and have FDA feedback on the trial design.

- Continue to assess data from our Phase 2 proof-of-concept trial in adults with CP to determine if the data are sufficiently robust to warrant further clinical studies.

- Continue to progress our Phase 1 clinical trial of rHIgM22, which we initiated in April 2013.

- Initiate our next clinical study of GGF2 in heart failure, which will primarily investigate further the safety profile of GGF2 across a range of doses, and will continue to explore efficacy outcomes. We are close to completing the study protocol for this next clinical study of GGF2, and expect to begin enrolling participants later this year.

- Initiate a Phase 2 clinical trial of AC105 for acute treatment of SCI in the second half of 2013. Several study sites are now online and ready to begin enrolling patients.

- Continue funding of investigator-initiated studies of Ampyra in MS, focused on a range of functional deficits in MS and other neurological disorders.

Results of Operations

Three-Month Period Ended June 30, 2013 Compared to June 30, 2012

Net Product Revenues

Ampyra

We recognize product sales of Ampyra following shipment of product to our network of specialty pharmacy providers, Kaiser Permanente and the specialty distributor to the VA. We recognized net revenue from the sale of Ampyra to these customers of $77.8 million as compared to $66.3 million for the three-month periods ended June 30, 2013 and 2012, respectively, an increase of $11.5 million, or 17%. The net revenue increase comprised net volume increases of $4.8 million and price increases net of discount and allowance adjustments of $6.8 million. Net revenue from sales of Ampyra increased for the three-month period ended June 30, 2013 compared to the same period of 2012 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, 2013, 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 Permanente 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 or amend specialty pharmacy contracts in the future.

The net revenue of $77.8 million for the three-month period ended June 30, 2013, increased from net revenue of

$62.3 million for the three-month period ended March 31, 2013. As we have previously reported, we believe that net revenue in the first quarter of 2013 reflected 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 2012 that was destocked during the first quarter. As expected, net revenues recovered in the second quarter of 2013, based on underlying product demand and a return to normal inventory levels by the end of the quarter. Quarterly sales patterns are uneven, and we do not expect to see the same rate of quarter-over-quarter growth for the rest of the year.

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 during the three-month period ended June 30, 2013. We recognized net revenue from the sale of Zanaflex Capsules and Zanaflex tablets of $1.2 million for the three-month period ended June 30, 2013, as compared to $2.6 million for the three-month period ended June 30, 2012. The decrease was due to the commercial launch of generic versions of tizanidine hydrochloride capsules. Net product revenues also include $1.1 million, which represents the sale of Zanaflex Capsules authorized generic product to Actavis for the three-month period ended June 30, 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 2013 and beyond. In March 2013, Mylan Pharmaceuticals commercially launched their own generic version of Zanaflex Capsules. The decrease in net revenues was also the result of a disproportionate decrease 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.

License Revenue

We recognized $2.3 million in license revenue for the three-month periods ended June 30, 2013 and 2012, 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 Revenues

We recognized $2.2 million and $2.5 million in royalty revenue for the three-month periods ended June 30, 2013 and 2012, respectively, related to ex-U.S. sales of Fampyra by Biogen Idec.

We also recognized $2.5 million and $1.8 million in royalty revenue for the three-month periods ended June 30, 2013 and 2012, respectively, related to the authorized generic sale of Zanaflex Capsules.

Cost of Sales

Ampyra

We recorded cost of sales of $15.5 million for the three-month period ended June 30, 2013 as compared to $12.9 million for the three-month period ended June 30, 2012. Cost of sales for the three-month period ended June 30, 2013 consisted primarily of $13.5 million in inventory costs related to recognized revenues. The cost of Ampyra inventory is based on a percentage of net product sales of the product in the quarter shipped to Acorda by Alkermes or our alternative manufacturer. Cost of sales for the three-month period ended June 30, 2013 also consisted of $1.8 million in royalty fees based on net sales, $147,000 in amortization of intangible assets, and $28,000 in period costs related to freight and stability testing.

Cost of sales for the three-month period ended June 30, 2012 consisted primarily of $10.8 million in inventory costs related to recognized revenues. Cost of sales for the three-month period ended June 30, 2012 also consisted of $1.9 million

in royalty fees based on net sales, $147,000 in amortization of intangible assets, and $29,000 in period costs related to freight and stability testing.

Zanaflex

We recorded cost of sales of $324,000 for the three-month period ended June 30, 2013 as compared to $359,000 for the three-month period ended June 30, 2012. Cost of sales for the three-month period ended June 30, 2013 consisted of $183,000 in inventory costs primarily related to recognized revenues, $96,000 in royalty fees based on net product shipments, and $45,000 in period costs related to packaging, freight and stability testing. Cost of sales also includes $1.1 million of costs for Zanaflex Capsules authorized generic product sold for the three-month period ended June 30, 2013.

Cost of sales for the three-month period ended June 30, 2012 included $270,000 in inventory costs related to recognized revenues, $66,000 in royalty fees based on net product shipments, and $22,000 in period costs related to packaging, freight, and stability testing. Payments to and interest expense related to the PRF transaction discussed below in the section titled "Liquidity and Capital Resources" do not impact the Company's cost of sales.

Cost of License Revenue

We recorded cost of license revenue of $159,000 for the three-month periods ended June 30, 2013 and 2012, respectively. Cost of license revenue represents the recognition of a portion of the deferred $7.7 million paid to Alkermes plc (Alkermes), formerly Elan Corporation, plc (Elan) in 2009 in connection with the $110.0 million received from Biogen Idec as a result of our collaboration agreement.

Research and Development

Research and development expenses for the three-month period ended June 30, 2013 were $13.2 million as compared to $12.6 million for the three-month period ended June 30, 2012, an increase of approximately $600,000, or 5%. The increase was primarily due to an increase in overall research and development staff, compensation and related expenses of $2.2 million to support the various research and development initiatives. The increase was also due to an increase of $642,000 for current year research and development expenses related to Diazepam Nasal Spray, an increase of $400,000 in preclinical expenses for the remyelinating antibodies program (rHIgM22), and an increase of $231,000 for technical operations and regulatory costs associated with our various pipeline initiatives (exclusive of Diazepam Nasal Spray expenses). The increases in research and development expenses for the three-month period ended June 30, 2013 were partially offset by a decrease of $2.4 million related to our life cycle management program for Ampyra due to timing and a decrease of $535,000 in Phase 1 GGF2 preclinical and trial expenses.

Selling, General and Administrative

Sales and marketing expenses for the three-month period ended June 30, 2013 were $29.5 million compared to $27.6 million for the three-month period ended June 30, 2012, an increase of approximately $1.9 million, or 7%. The increase was attributable to an increase of $778,000 for pre-launch activities associated with the possible commercialization of Diazepam Nasal Spray, if approved, and an increase in overall compensation, benefits, and other selling expenses of $634,000. The increase was also related to an increase in overall marketing, selling, distribution, and market research expenses for Ampyra of $425,000.

General and administrative expenses for the three-month period ended June 30, 2013 were $18.5 million compared to $16.6 million for the three-month period ended June 30, 2012, an increase of approximately $1.9 million, or 11%. This increase was the result of an increase of $2.3 million for staff and compensation expenses and other expenses related to supporting the growth of the organization, an increase of $400,000 in safety and surveillance expenses, an increase in business development expenses of $373,000 and an increase of $348,000 for an FDA post approval commitment study on Zanaflex Capsules. The increases in general and administrative expenses for the three-month period ended June 30, 2013 were partially offset by a decrease in medical affairs expenses including educational programs of $1.4 million.

Other Expense

Other expense was $583,000 for the three-month period ended June 30, 2013 compared to $233,000 for the three-month period ended June 30, 2012, an increase of approximately $350,000, or 150%. The increase was due to an increase in interest expense of $394,000 principally related to the PRF revenue interest agreement due to a decrease in Zanaflex sales partially offset by an increase in interest income of $43,000.

Provision for Income Taxes

For the three-month periods ended June 30, 2013 and 2012, we recorded a provision for income taxes of $4.2 million and a $280,000, respectively, based upon our estimated tax liability for the year. The provision for income taxes is based on federal, state and Puerto Rico income taxes. The effective income tax rates for the three-month periods ended June 30, 2013 and 2012 were 52.1% and 5.8%, respectively.

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.

Six-Month Period Ended June 30, 2013 Compared to June 30, 2012

Net Product Revenues

Ampyra

We recognize product sales of Ampyra following shipment of product to our network of specialty pharmacy providers, Kaiser Permanente and the specialty distributor to the VA. We recognized net revenue from the sale of Ampyra to these customers of $140.2 million as compared to $123.6 million for the six-month periods ended June 30, 2013 and 2012, respectively, an increase of $16.6 million, or 13%. The net revenue increase comprised net volume increases of $4.6 million and price increases net of discount and allowance adjustments of $11.9 million. Net revenue from sales of Ampyra increased for the six-month period ended June 30, 2013 compared to the same period of 2012 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, 2013, 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 Permanente 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 or amend specialty pharmacy contracts in the future.

Zanaflex

We recognize product sales of Zanaflex Capsules and Zanaflex tablets using a deferred revenue recognition model where shipments to wholesalers are recorded as deferred revenue and only recognized as revenue when end-user prescriptions of the product are reported. We also recognize product sales on the transfer price of product sold for an authorized generic of Zanaflex Capsules during the six-month period ended June 30, 2013. We recognized net revenue from the sale of Zanaflex Capsules and Zanaflex tablets of $2.5 million for the six-month period ended June 30, 2013, as compared to $9.8 million for the six-month period ended June 30, 2012. The decrease was due to the commercial launch of generic versions of tizanidine hydrochloride capsules in February 2012. Net product revenues also include $1.6 million, which represents the sale of Zanaflex Capsules authorized generic product to Actavis for the six-month period ended June 30, 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 2013 and beyond. In March 2013, Mylan Pharmaceuticals commercially launched their own generic version of Zanaflex Capsules. The decrease in net revenues was also the result of a disproportionate decrease 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.

License Revenue

We recognized $4.5 million in license revenue for the six-month periods ended June 30, 2013 and 2012, 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 Revenues

We recognized $5.1 million and $4.3 million in royalty revenue for the six-month periods ended June 30, 2013 and 2012, respectively related to ex-U.S. sales of Fampyra by Biogen Idec. 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 six-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. Biogen Idec signed the pricing agreement during the three-month period ended March 31, 2013 and the Company recognized additional royalty revenue related to 2012, contributing to the increase in royalty revenue as compared to the six-month period ended June 30, 2013.

We also recognized $5.1million and $3.3 million in royalty revenue for the six-month periods ended June 30, 2013 and 2012, respectively, related to the authorized generic sale of Zanaflex Capsules.

Cost of Sales

Ampyra

We recorded cost of sales of $28.1 million for the six-month period ended June 30, 2013 as compared to $23.2 million for the six-month period ended June 30, 2012. Cost of sales for the six-month period ended June 30, 2013 consisted primarily of $24.4 million in inventory costs related to recognized revenues. The cost of Ampyra inventory is based on a percentage of net product sales of the product in the quarter shipped to Acorda by Alkermes or our alternative manufacturer. Cost of sales for the six-month period ended June 30, 2013 also consisted of $3.4 million in royalty fees based on net sales, $294,000 in amortization of intangible assets, and $50,000 in period costs related to freight and stability testing.

Cost of sales for the six-month period ended June 30, 2012 consisted primarily of $19.7 million in inventory costs related to recognized revenues. Cost of sales for the six-month period ended June 30, 2012 also consisted of $3.1 million in royalty fees based on net sales, $294,000 in amortization of intangible assets, and $85,000 in period costs related to freight and stability testing.

Zanaflex

We recorded cost of sales of $656,000 for the six-month period ended June 30, 2013 as compared to $1.4 million for the six-month period ended June 30, 2012. Cost of sales for the six-month period ended June 30, 2013 consisted of $376,000 in inventory costs primarily related to recognized revenues, $194,000 in royalty fees based on net product shipments, and $86,000 in period costs related to packaging, freight and stability testing. Cost of sales also includes $1.6 million of costs for Zanaflex Capsules authorized generic product sold for the six-month period ended June 30, 2013.

Cost of sales for the six-month period ended June 30, 2012 included $898,000 in inventory costs related to recognized revenues, $515,000 in royalty fees based on net product shipments, and $34,000 in period costs related to packaging, freight, and stability testing. Payments to and interest expense related to the PRF transaction discussed below in the section titled "Liquidity and Capital Resources" do not impact the Company's cost of sales.

Cost of License Revenue

We recorded cost of license revenue of $317,000 for the six-month periods ended June 30, 2013 and 2012, respectively. Cost of license revenue represents the recognition of a portion of the deferred $7.7 million paid to Alkermes plc (Alkermes), formerly Elan Corporation, plc (Elan) in 2009 in connection with the $110.0 million received from Biogen Idec as a result of our collaboration agreement.

Research and Development

Research and development expenses for the six-month period ended June 30, 2013 were $25.7 million as compared to $23.7 million for the six-month period ended June 30, 2012, an increase of approximately $2.0 million, or 8%. The increase was primarily due to an increase in overall research and development staff, compensation and related expenses of $4.2 million to support the various research and development initiatives. The increase was also due to an increase of $645,000 in preclinical expenses for the remyelinating antibodies program (rHIgM22) and an increase of $615,000 for technical operations and regulatory costs associated with our various pipeline initiatives (exclusive of Diazepam Nasal Spray expenses). The increases in research and development expenses for the six-month period ended June 30, 2013 were partially offset by a decrease of $2.6 million related to our life cycle management program for Ampyra due to timing and a decrease of $707,000 related to the agreement we entered into with Neuronex during the first quarter of 2012 and our development of Diazepam Nasal Spray. Prior year expenses represented a $3.2 million charge for Neuronex expenses consisting of a $2.0 million upfront payment plus a payment of $1.2 million for research funding per the terms of the agreement whereas current year expenses represent our research and development expenses for Diazepam Nasal Spray following our acquisition of Neuronex in December 2012. The increases in research and development expenses for the six-month period ended June 30, 2013 were further offset by a decrease of $260,000 related to AC105.

Selling, General and Administrative

Sales and marketing expenses for the six-month period ended June 30, 2013 were $58.9 million compared to $52.7 million for the six-month period ended June 30, 2012, an increase of approximately $6.2 million, or 12%. The increase was attributable to an increase in overall compensation, benefits, and other selling expenses of $2.9 million. The increase was also related to an increase in overall marketing, selling, distribution, and market research expenses for Ampyra of $1.8 million as well as an increase of $1.6 million for pre-launch activities associated with the possible commercialization of Diazepam Nasal Spray, if approved.

General and administrative expenses for the six-month period ended June 30, 2013 were $37.2 million compared to $30.3 million for the six-month period ended June 30, 2012, an increase of approximately $6.9 million, or 23%. This increase was the result of an increase of $5.2 million for staff and compensation expenses and other expenses related to supporting the growth of the organization, an increase in business development expenses of $966,000, an increase of $904,000 in safety and surveillance expenses, and an increase of $358,000 for an FDA post approval commitment study on Zanaflex Capsules. It also included a gain on our put/call liability related to the PRF revenue interest agreement due to the introduction of generic competition in the marketplace for Zanaflex Capsules of $190,000. The increases in general and administrative expenses for the six-month period ended June 30, 2013 were partially offset by a decrease in medical affairs expenses including educational programs of $781,000.

Other Expense

Other expense was $1.0 million for the six-month period ended June 30, 2013 compared to $870,000 for the six-month period ended June 30, 2012, an increase of approximately $130,000, or 15%. The increase was due to an increase in interest expense of $218,000 principally related to the PRF revenue interest agreement due to a decrease in Zanaflex sales offset by a slight increase in interest income of $81,000.

Provision for Income Taxes

For the six-month periods ended June 30, 2013 and 2012, we recorded a provision for income taxes of $2.5 million and a $651,000, respectively, based upon our estimated tax liability for the year. The provision for income taxes is based on federal, state and Puerto Rico income taxes. The effective income tax rates for the six-month periods ended June 30, 2013 and 2012 were 47.1% and 5.0%, respectively. As a result of the January 2013 extension of the Federal research and development tax credit retroactive to January 2012 we recorded a benefit of $1.2 million for the estimated 2012 credit. During the six-month period ended June 30, 2013 the Company also settled an IRS examination of their corporate income

tax returns for years ending December 31, 2009 through December 31, 2011. The impact of the settlement partially offset the benefit recorded for the research and development tax credit.

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 2012 and, at June 30, 2013, we had $332.4 million of cash, cash equivalents and short-term and long-term investments, compared to $333.2 million at December 31, 2012. We expect to be cash flow positive in 2013. Any investments classified as long-term had maturity dates of no later than October 15, 2014. 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 2013 business plan, including our currently anticipated development pipeline activities in 2013.

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

Financing Arrangements

In January 1997, Elan International Services, Ltd. (EIS) loaned us an aggregate of $7.5 million pursuant to two convertible promissory notes to partly fund our research and development activities. On December 23, 2005, Elan transferred these promissory notes to funds affiliated with Saints Capital. As of June 30, 2013, $4.3 million of these promissory notes was outstanding, which amount includes accrued interest. The third of seven annual payments on this note was due and paid on the three year anniversary of Ampyra approval on January 22, 2013 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 June 30, 2013, referred to as the revenue interest liability, of approximately $1.9 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 5.8%. 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. As of June 30, 2013, the Company has no liability recorded related to the put/call option to reflect its current estimated fair value due to the timing and amount of current projections. 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 June 30, 2013 would be no more than approximately $2.2 million.

Investment Activities

At June 30, 2013, cash, cash equivalents, short-term and long-term investments were approximately $332.4 million, as compared to $333.2 million at December 31, 2012. 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 June 30, 2013, our cash and cash equivalents were $42.7 million, as compared to $41.9 million as of December 31, 2012. 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 $260.6 million as of June 30, 2013, as compared to $191.9 million as of December 31, 2012. Our long-term investments consist of US Treasury bonds with original maturities greater than one year. The balance of these investments was $29.0 million as of June 30, 2013, as compared to $99.4 million as of December 31, 2012.

Net Cash Provided by Operations

Net cash provided by operations was $653,000 for the six-month period ending June 30, 2013 while $15.4 million was provided for the six-month period ended June 30, 2012. Cash provided by operations for the six-month period ended June 30, 2013 was primarily due to a decrease in working capital items of $15.4 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 provided by operations was also attributable to a decrease in non-current portion of deferred license revenue of $4.5 million and a gain due to the reduction of our put/call liability related to the PRF revenue interest agreement $329,000. Cash provided by operations was partially offset by non-cash share-based compensation expense of $11.5 million, depreciation and amortization of $2.9 million, net income of $2.8 million, a deferred tax provision of $2.3 million, and amortization of net premiums and discounts on investments of $1.2 million.

Cash provided by operations for the six-month period ended June 30, 2012 was primarily attributable to net income of $12.4 million principally resulting from license and royalty revenues, a non-cash share-based compensation expense of $9.8 million, amortization of net premiums and discounts on investments of $2.7 million and depreciation and amortization of $2.0 million. Cash provided by operations was partially offset by a net decrease of $4.7 million due to changes in working capital items primarily due to the payment of prepaid items during the six-month period ended June 30, 2012 and a decrease in deferred product revenue of $1.6 million. These working capital decreases were partially offset by an increase in accounts payable and accrued expenses of $1.3 million. The offset to cash provided by operations was also attributable to a decrease in non-current portion of deferred license revenue of $4.5 million due to the amortization of the upfront collaboration payment received during the six-month period ended September 30, 2009, a decrease in the loss on our put/call liability of $519,000, and an increase in inventory held by the Company of $1.2 million.

Net Cash Used in Investing

Net cash used in investing activities for the six-month period ended June 30, 2013 was $3.9 million, primarily due to $59.5 million in purchases of investments, purchases of property and equipment of $2.7 million, and purchases of intangible assets of $1.7 million , partially offset by $60.0 million in proceeds from maturities and sales of investments.

Net Cash Provided by Financing

Net cash provided by financing activities for the six-month period ended June 30, 2013 was $4.1 million, primarily due to $4.6 million in net proceeds from the issuance of common stock and exercise of stock options partially offset by $534,000 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, 2012. 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 six-month period ended June 30, 2013, commitments related to the purchase of inventory consistent with our normal course of business decreased as compared to December 31, 2012. As of June 30, 2013, we have inventory-related purchase commitments totaling approximately $13.9 million.

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

Under certain license agreements, we are also required to pay license fees and milestones for the use of technologies and products in our R&D activities and in the commercialization of products. As of June 30, 2013, we have committed to make potential future milestone payments to third parties of up to approximately $202 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 June 30, 2013, such contingencies have not been recorded in our financial statements. Amounts related to contingent milestone payments are not considered contractual obligations as they are contingent on the successful achievement of certain development, regulatory approval and commercial milestones. There is uncertainty regarding the various activities and outcomes needed to reach these milestones, and they may not be achieved.

In addition, as a result of the NeurogesX transaction on July 8, 2013, the Company committed to a total of $413,000 in assumed open purchase orders for inventory commitments for which it will receive product and $5 million in contingent milestone payments.

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, 2012. As of June 30, 2013, our critical accounting policies have not changed materially from December 31, 2012.

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 June 30, 2013.

We have cash equivalents, short-term and long-term investments at June 30, 2013, 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 June 30, 2013. Our investments designated as long-term as of June 30, 2013 had maturity dates no later than October 15, 2014. At June 30, 2013, we held $332.4 million in cash, cash equivalents, short-term and long-term investments which had an average interest rate of approximately 0.07%.

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 second quarter of 2013, 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 June 30, 2013, 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 June 30, 2013, 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 1 of Part II of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013 includes prior updates to the litigation described above **.**

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, 2012, as updated by this Item 1A, 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. Following is the restated text of individual risk factors with changes that have occurred since our publication of risk factors in our 2012 Annual Report on Form 10-K.

The FDA-approved product labeling for Ampyra limits promotional opportunities for Ampyra, which may harm market acceptance of Ampyra.

Ampyra was approved with an indicated use limited to improving walking in patients with MS and specifies that this was demonstrated by an increase in walking speed. The approved labeling also contains other limitations on use and warnings and contraindications for risks. If potential purchasers or those influencing purchasing decisions, such as physicians and pharmacists or third party payers, react negatively to Ampyra because of their perception of the limitations or safety risks in the approved product labeling, it may result in lower product acceptance and lower product revenues.

In addition, our promotion of Ampyra must reflect only the specific approved indication as well as other limitations on use, and disclose the safety risks associated with the use of Ampyra as set out in the approved product labeling. We must submit all promotional materials to the FDA at the time of their first use. If the FDA raises concerns regarding our promotional materials or messages, we may be required to modify or discontinue using them and provide corrective information to healthcare practitioners, and we may face other adverse enforcement action. For example, in June 2012 we received an untitled letter from the FDA stating that one of our Ampyra promotional videos did not comply with applicable law and was misleading because it overstated the efficacy of and minimized important safety information associated with Ampyra. In compliance with the untitled FDA letter , we discontinued use of the video, and in light of the FDA letter we also evaluated and discontinued the use of some other promotional materials. Based on a September 2012 letter from the FDA, we believe that we have resolved the specific issues identified by the FDA in the June untitled letter but we have a continuing obligation to ensure that our promotional materials are compliant. In July 2013, we received a Warning Letter from the FDA stating that one of our consumer print advertisements for a local speaker program to educate consumers about Ampyra was false or misleading because it omitted risk information associated with the use of Ampyra. The warning letter cites the prior

June 2012 untitled letter and states that this is a serious and repeated violation. The FDA instructed us to immediately discontinue using the print advertisement and submit a written response to their letter, including a plan of action to disseminate corrective messages. The print advertisement was no longer in use, and in compliance with the FDA request, we timely submitted a written response to the Warning Letter committing to take appropriate corrective action. However, we do not know for certain whether the FDA will view this as sufficient or will decide to take other enforcement action.

We may incur significant liability if it is determined that we are promoting the "off-label" use of Ampyra or any other marketed drug.

Physicians may prescribe drug products for uses that are not described in the product's labeling and that differ from those approved by the FDA or, outside the U.S., other applicable regulatory agencies. Off-label uses are common across medical specialties. Although the FDA and other regulatory agencies do not regulate a physician's choice of treatments, the FDA and other regulatory agencies do restrict promotion of a drug other than in accordance with labeling approved by the FDA or other applicable regulatory agency. Companies may not promote drugs for off-label uses. Accordingly, we may not promote Ampyra in the U.S. for any indications other than improving walking ability in people with MS. The FDA and other regulatory and enforcement authorities actively enforce laws and regulations prohibiting promotion of off-label uses and the promotion of products for which marketing approval has not been obtained. A company that is found to have engaged in off-label promotion may be subject to significant liability, including civil and administrative remedies as well as criminal sanctions.

Notwithstanding the regulatory restrictions on off-label promotion, the FDA and other applicable regulatory authorities allow companies to engage in truthful, non-misleading, and non-promotional scientific exchange concerning their products. We engage in medical education activities and communicate with investigators and potential investigators regarding our clinical trials. Although we believe that all of our communications regarding our marketed products are in compliance with off-label promotion restrictions, the FDA or another regulatory or enforcement authority may disagree. A company that is found to have improperly promoted off-label uses may be subject to significant liability, including civil and administrative remedies as well as criminal sanctions. In June 2012 we received an untitled letter from the FDA stating that one of our Ampyra promotional videos did not comply with applicable law and was misleading because it overstated the efficacy of Ampyra and minimized important risk information. In July 2013, we received a Warning Letter from the FDA stating that one of our print ads did not comply with applicable law and is false or misleading because it omitted risk information associated with the use of Ampyra. These FDA letters are discussed in further detail above in these risk factors.

Item 6. Exhibits

Exhibit No .	Description
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

* 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: August 8, 2013

By: /s/ DAVID LAWRENCE

David Lawrence, M.B.A.
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 8, 2013

Exhibit Index

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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: August 8, 2013

/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, David Lawrence, 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: August 8, 2013

/s/ DAVID LAWRENCE

David Lawrence
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 June 30, 2013, 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)
August 8, 2013

[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 June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Lawrence, 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/ DAVID LAWRENCE
DAVID LAWRENCE
Chief Financial Officer
(Principal Financial Officer)
August 8, 2013

[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.]