GILEAD SCIENCES INC
Form 10-Q
October 31, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2008

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: 0-19731

GILEAD SCIENCES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**94-3047598**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
333 Lakeside Drive, Foster City, California	**94404**
(Address of principal executive offices)	**(Zip Code)**

650-574-3000

(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 x 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 x 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 x

Number of shares outstanding of the issuer s common stock, par value $0.001 per share, as of October 27, 2008: 910,509,730

Table of Contents

GILEAD SCIENCES, INC.

INDEX

We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: GILEAD SCIENCES®, TRUVADA®, VIREAD®, EMTRIVA®, HEPSERA®, AMBISOME®, VISTIDE®, LETAIRIS® and VOLIBRIS . ATRIPLA® is a registered trademark belonging to Bristol-Myers Squibb & Gilead Sciences, LLC. MACUGEN® is a registered trademark belonging to OSI Pharmaceuticals, Inc. SUSTIVA® is a registered trademark of Bristol-Myers Squibb Company. TAMIFLU® is a registered trademark belonging to F. Hoffmann-La Roche Ltd. FLOLAN® is a registered trademark of GlaxoSmithKline Inc. This report also includes other trademarks, service marks and trade names of other companies.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GILEAD SCIENCES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	September 30, 2008 (unaudited)	December 31, 2007 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,209,424	$ 968,086
Short-term marketable securities	709,870	203,892
Accounts receivable, net	1,047,205	795,127
Inventories	897,623	599,966
Deferred tax assets	100,772	152,533
Prepaid taxes	220,998	216,909
Other current assets	140,791	91,779
Total current assets	4,326,683	3,028,292
Property, plant and equipment, net	512,281	447,696
Noncurrent portion of prepaid royalties	267,994	290,742
Noncurrent deferred tax assets	315,065	297,359
Long-term marketable securities	1,336,968	1,550,444
Other noncurrent assets	215,137	220,183
Total assets	$ 6,974,128	$ 5,834,716
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 631,525	$ 290,333
Accrued government rebates	152,258	115,495
Accrued compensation and employee benefits	102,974	90,553
Income taxes payable	90,042	
Other accrued liabilities	236,075	208,861
Deferred revenues	40,205	30,747
Current portion of other long-term obligations	6,055	286
Total current liabilities	1,259,134	736,275
Long-term deferred revenues	56,153	61,316
Convertible senior notes	1,299,854	1,300,000
Long-term income taxes payable	44,074	125,232
Other long-term obligations	21,367	11,604
Minority interest	127,636	140,299
Commitments and contingencies (Note 5)		
Stockholders equity:		
Preferred stock, par value $0.001 per share; 5,000 shares authorized; none outstanding		
Common stock, par value $0.001 per share; 2,800,000 shares authorized; 920,744 and 932,484 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	921	932
Additional paid-in capital	3,616,798	3,214,341

Accumulated other comprehensive income (loss)	17,190	(4,363)
Retained earnings	531,001	249,080
Total stockholders equity	4,165,910	3,459,990
Total liabilities and stockholders equity	$ 6,974,128	$ 5,834,716

(1) The condensed consolidated balance sheet at December 31, 2007 has been derived from audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See accompanying notes.

Table of Contents

GILEAD SCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Product sales	$ 1,338,502	$ 961,931	$ 3,697,024	$ 2,707,214
Royalty revenues	25,161	91,003	185,221	407,212
Contract and other revenues	7,605	5,869	25,300	20,896
Total revenues	1,371,268	1,058,803	3,907,545	3,135,322
Costs and expenses:				
Cost of goods sold	300,183	198,460	805,715	553,229
Research and development	188,062	140,357	519,905	406,378
Selling, general and administrative	189,189	172,956	603,679	525,693
Purchased in-process research and development			10,851	
Total costs and expenses	677,434	511,773	1,940,150	1,485,300
Income from operations	693,834	547,030	1,967,395	1,650,022
Interest and other income, net	3,637	29,502	40,363	80,295
Interest expense	(2,951)	(2,989)	(9,230)	(10,243)
Minority interest	2,160	2,478	6,195	7,032
Income before provision for income taxes	696,680	576,021	2,004,723	1,727,106
Provision for income taxes	192,675	177,702	561,763	513,450
Net income	$ 504,005	$ 398,319	$ 1,442,960	$ 1,213,656
Net income per share basic	$ 0.55	$ 0.43	$ 1.56	$ 1.31
Shares used in per share calculation basic	920,807	926,963	923,894	928,519
Net income per share diluted	$ 0.52	$ 0.42	$ 1.50	$ 1.26
Shares used in per share calculation diluted	960,585	959,043	964,267	962,804

See accompanying notes.

Table of Contents

GILEAD SCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine Months Ended September 30,

ese, or approximately 69%, remained active, with duration of treatment ranging over three years. Also, as of this same date, 214 patients from MS-F204 had been enr ely 86%, remained active, with a duration of treatment ranging up to 17 months. The total exposure to Fampridine-SR in our MS studies to that date, including both d -years. By contrast, in our controlled trials we have collected safety data on placebo treatment that totals to approximately 54 patient-years.

vents most commonly experienced in the MS-F203 and MS-F 204 studies were urinary tract infection, falls, insomnia, dizziness, headache, nausea, asthenia (weaknes , balance disorder and fatigue. The majority of these events were mild to moderate in intensity. Among these types of event, only insomnia, dizziness, headache, naus han double the frequency in the Fampridine-SR-treated than the placebo-treated patients in our controlled trials.

been reported in a small number of subjects over the course of the development program and have also been reported in cases of overdose with fampridine outside the ntial for seizure as a side effect, including the possibility of interaction with other drugs that are known to lower the threshold for seizure in susceptible subjects. The ll, the incidence of seizures at the current dose of 10 mg twice a day has been within the rates reported for placebo-treated groups in long-term, controlled studies of i nged up to 2% of patients in a two year study, or 1 seizure per 100 patient years. Incidence of seizures has been reported to be higher in actively treated groups in stud ear study or 2.5 seizures per 100 patient years. The proportion of patients treated with beta interferons in our studies of Fampridine-SR has been in the range of 40-45

ded from our studies subjects known to be at risk for seizures because they have had seizures previously or because they have an abnormal electroencephalogram ind of interferon drugs. We have therefore also compared the incidence of seizure events in the open label extension studies with the expected incidence rates for a first s ical literature, and find these rates to be comparable for the 10 mg twice a day dose of Fampridine-SR. With our current knowledge, there are no means of determinin increased seizure risk when taking Fampridine-SR

dose, fampridine is known to block a wide range of potassium ion channels in cell membranes, which are potentially important not only in the nervous system but als nitiated in September 2007 and favorable results from that study were released in January 2008. This study evaluated the potential to cause an increase in the electroca

both therapeutic and supratherapeutic doses, was found to be no different than placebo. In addition we have completed studies to examine the specific effects of the dr
al interest from the point of view of cardiac safety, the human ether-a-go-go related gene or hERG channel. These are standardized tests of the potential for a drug to a
ongation of the QT interval is believed to be a risk factor for triggering potentially fatal cardiac arrhythmias. These laboratory studies showed that fampridine blocks t
n is approximately ten thousand times the average peak concentration expected in the blood of patients taking 10 mg doses of Fampridine-SR. Based on these observa
he hERG channel at clinically relevant concentrations. In another standard test, we have also performed studies on isolated dog cardiac Purkinje fibers. These showed
in the range of concentrations relevant to clinical experience, including concentrations 100 times higher than the

eak levels in the blood of patients. Additional studies of cardiac safety in dogs showed no notable changes in cardiac electrical behavior or function, up to maximum t

d Development Programs

ation Programs

tion programs include two distinct therapeutic approaches to stimulate repair of the damaged myelin sheath in MS, neuregulins/GGF2 and remyelinating antibodies. T
fferent and potentially complementary routes. Both programs require finalizing production of clinical-grade material and completion of preclinical toxicology tests be
elieve a therapy that could permanently repair myelin sheaths has the potential to restore substantial neurological function to those affected by demyelinating conditio

ins/GGF2

ns form a family of growth factors related to epidermal growth factor. These molecules bind to erbB receptors, which translate the growth factor signal to the cell and
and gene expression. Neuregulins have been shown in published studies to have a range of effects in protection and repair of cells both in the nervous system and in th
icals plc., or CeNeS, an exclusive worldwide license to its neuregulin patents and related technology, including GGF2, our lead molecule for the neuregulin family.

overed in the portfolio from CeNeS have a number of potential applications. Neuregulins and their erbB receptors are essential for cardiac development and have been
that can lead to congestive heart failure, including myocardial infarction. Additionally, neuregulins have been shown to protect the heart and brain from the toxicity o
gents, such as anthracyclines. Studies in mouse, rat and dog models of congestive heart failure have shown that neuregulins significantly improve cardiac function an
remyelination in animal models of MS and to protect the brain in animal models of stroke. Therefore, the neuregulins offer us the potential for multiple CNS and card
ve heart failure as well as protection from chemotherapy-induced damage. In 2008, we began to work with a contract manufacturer to develop production and purifica
in preparation for a potential future IND application to support human clinical trials. We anticipate filing an IND in late 2009, subject to the results of ongoing toxico
s.

ating Antibodies Program

ting antibodies program is based on research performed at Mayo Foundation for Medical Education and Research, or Mayo Clinic. Under a license agreement entered
e have exclusive worldwide rights to patents and other intellectual property for these antibodies related to use and treatment of CNS disorders. Studies have demonstr
ate repair of the myelin sheath in three different animal models of MS. In particular, these antibodies were found to react with molecules on the surface of the cells th
number of ways, leading to increased remyelination activity. First identified in mice, similar antibodies were subsequently identified in human blood samples by the
combinant human antibody that may be suitable for clinical development.

supported preclinical studies at Mayo Clinic to learn more about the ways the antibodies act to stimulate the myelin sheath-forming cells. In 2004, Mayo Clinic receiv
nical-grade material and progress the program towards clinical development. In May 2006, Mayo Clinic and the FDA had a pre-IND meeting to discuss the details of
been working with a contract manufacturer to produce rHIgM22, one of these antibodies, under cGMP, and had previously anticipated filing an IND in late 2009, but
's filing for bankruptcy in 2008.

itinase Program

loped a program based on the concept of breaking down the matrix of scar tissue that develops as a result of an injury to the CNS. Published research has demonstrate
ting the regeneration of nerve fibers in the CNS. A similar matrix exists even in uninjured parts of the CNS tissue and restricts plasticity, the ability to modify or re-es
x may also inhibit repair of the myelin sheath by restricting the movements of the myelinating cells into the area of damage.

onent of these two forms of matrix are chondroitin sulfate proteoglycans, or CSPGs. Cell culture studies and a number of animal studies have shown that these CSPG
key factors in the failure of the spinal cord or brain to regenerate and repair. Studies also have shown that bacterial enzymes called chondroitinases break down the C
vity.

nt laboratories have published animal studies showing that application of chondroitinase results in recovery of function following injuries to various areas of the brain
ing, forelimb grasping, sensation, and visual and bladder function. We have successfully tested the ability of one of these molecules, Chondroitinase ABC-I, to impro
These studies were published in the Journal of Neurotrauma in February 2005. In these studies, rats that sustained a spinal cord injury were treated with either chondro
ed over 10 weeks of recovery. Animals treated with chondroitinase showed significant improvements both in motor function of the limbs and in bladder function, con
e have also produced and successfully tested in animal models a recombinant version of naturally-occurring Chondroitinase ABC-I.

cting a research program, which has been funded in part by federal and state grants, to develop second generation approaches to overcoming the proteoglycan matrix.
native approaches to blocking matrix formation. We are exploring the possibility of obtaining additional research grants from the NIH as well as potential partnership
preclinical program in chondroitinase. In 2003, we obtained an exclusive worldwide license to certain patents and technology from Cambridge University Technical S
ur chondroitinase program. We are also building our intellectual property position with respect to this technology with patent applications around uses of the known c

ng

lished two sales channels for marketing Zanaflex Capsules: an internal, field-based specialty sales force and an external telesales group.

Internal, Field-Based Specialty Sales Force. We employ a team of highly experienced sales professionals to call on neurologists and other prescribers who specializ

with conditions that involve spasticity. Our sales professionals have had an average of approximately 14 years of sales experience prior to joining us. Our specialty s calls on neurologists, other specialists, and primary care prescribers treating patients with conditions that involve spasticity, and who are high volume prescribers of t approximately double the size of our sales force in anticipation of the potential launch of Fampridine-SR, if approved.

Internal Managed Care Team. We employ an internal and field-based team responsible for payer strategy, as well as contracting and account management of manag benefit managers, specialty pharmacies, wholesale drug distribution customers, the Veterans Affairs institutions and the Department of Defense.

Contract Pharmaceutical Telesales Organization. We have retained TMS Professional Markets Group, LLC (which purchased various telesales assets from Access with whom we had previously contracted) to provide a small, dedicated sales force of pharmaceutical telesales professionals to contact primary care physicians and s their interest in receiving samples of Zanaflex Capsules or a visit from one of our sales representatives. TMS Professional Markets Group also contacts pharmacies to that Zanaflex Capsules are not interchangeable with Zanaflex or tizanidine tablets.

t, in general, people with MS and SCI are knowledgeable about their conditions, actively seek new treatments, and directly influence their prescriber's evaluation of t ps with the major advocacy groups that focus on MS and SCI. We provide regular scientific updates regarding our development programs and we sponsor or support s a comprehensive series of educational and promotional programs to support Zanaflex Capsules. These include educational materials, a peer-to-peer speakers' program ring services, as well as a patient assistance program. At the request of the FDA, we have also implemented an educational program to inform pharmacists, prescribers e tablets are not therapeutically equivalent to Zanaflex Capsules and that, as a result, a prescription for Zanaflex Capsules should not be substituted with any tablet for

r pharmaceutical companies, our principal customers are wholesale pharmaceutical distributors. We currently depend on three key customers. For the year ended Dec tion and AmerisourceBergen Corporation accounted for approximately 46.4%, 33.7% and 14.7% of our shipments, respectively.

t the expertise we are developing through commercializing Zanaflex Capsules will provide a strong foundation for our marketing of Fampridine-SR, if approved, as w conditions. As a result, we plan to promptly launch and market Fampridine-SR ourselves in the United States and possibly in Canada, if it is approved in both countrie programs to educate consumers, physicians, and other healthcare professionals about the challenges of walking disability in the MS population. For example, in 2008, le Sclerosis Society's Walk MS program. This sponsorship allowed us to engage thousands of people with MS, as well as their families, physicians and caregivers, in n their lives. We will be a national sponsor once again in 2009 and in 2010.

lical Network

tablished advisory team and network of well-recognized scientists, clinicians and opinion leaders in the fields of MS and SCI. Depending on their expertise, these adv
ical trials, keep us apprised of the latest scientific advances and help us identify and evaluate business development opportunities.

liances and License Agreements

lc

7, we licensed from Elan exclusive worldwide rights to Elan's sustained release formulation of fampridine, Fampridine-SR, for the treatment of SCI. In April 1998, w
oration, or MSRD, with Elan's subsidiary, Elan International Services, Ltd., or EIS, to develop Fampridine-SR for treatment of MS. At that time, MSRD licensed from
or the treatment of MS.

2003, we entered into a termination and assignment agreement with Elan, EIS and MSRD pursuant to which MSRD assigned to us its assets, including the license fro
proximately $11.5 million for all the assets and assumed liabilities of MSRD. MSRD distributed the purchase price to its shareholders according to their equity owner
oximately $9.5 million. We also purchased EIS's shares at par value, and own approximately 88% of MSRD, which now has no assets or liabilities and is inactive.

2003, we entered into an amended and restated license with Elan, which replaced the two prior licenses for Fampridine-SR in oral sustained release dosage form. Und
e rights to Fampridine-SR for all indications, including SCI, MS and all other indications. We agreed to pay Elan milestone payments of up to $15.0 million and roya
d. We have not made any payments under this agreement through December 31, 2008.

pplying us with product for our clinical trials under this agreement.

inate our license in countries in which we have a license, including the United States, if we fail to file regulatory approvals within a commercially reasonable time aft
ll preclinical and clinical studies required for the related NDA or any NDA equivalent. We could also lose our rights under the license agreement if we fail to launch
r equivalent approval or if we fail to fulfill our payment obligations under the license agreement. If Elan terminates our license in any applicable country, Elan is enti
w relating to the product and to market the product in the applicable country, subject to royalty payments to us.

ght to terminate the Elan license at any time by written notice. In addition, the Elan license may be immediately terminated by either party following an incurable bre
n license may also be terminated by either party following notice and a cure period with respect to an uncured breach by either party.

early termination provisions, the Elan license terminates on a country by country basis on the last to occur of fifteen years from the date of the agreement, the expirati
competition in that country.

ve entered into an Asset Purchase Agreement with Elan pursuant to which we acquired all of Elan's research, development, distribution, sales and marketing rights to
d States. The assets acquired include the products' FDA registrations and FDA dossiers, proprietary product know-how, a patent and two related patent applications, c
books and records. Elan also granted us a license allowing us to use the Zanaflex trademarks in the United States, with the right to buy the Zanaflex trademark for a r
ty payments were made. Those payments have been made, and we purchased and now own the trademarks. Elan also granted us an exclusive, perpetual and royalty-f
technology contained in Zanaflex Capsules and Zanaflex tablets or used in the manufacture of Zanaflex Capsules, for use in connection with the sale and marketing o
d States. We also acquired the right to develop new indications, formulations, dosage forms, delivery systems and process improvements of Zanaflex. Under the agree
, distribute or sell any products containing tizanidine as an active pharmaceutical ingredient in the United States until the later of the end of our obligation to pay roya
ment with Elan. In addition, we agreed not to directly or indirectly market, distribute or sell any products containing tizanidine as its active pharmaceutical ingredient

with Elan obligated us to pay a combination of sales-based milestone payments of up to $19.5 million, all of which have been achieved and paid, and royalties on sa
e have no further Zanaflex milestone payment obligations with Elan. We also agreed to use commercially reasonable efforts to commercialize Zanaflex Capsules.

acquisition, we assumed certain of Elan's rights and obligations relating to Zanaflex under a license agreement with Novartis, to the extent that these rights and obliga
flex. Under this agreement we obtained certain rights to market and sell tizanidine products and rights to product improvements developed by Novartis.

ures Zanaflex Capsules for us and we are in contract negotiations with Patheon Inc. for the manufacture of Zanaflex tablets. See " Manufacturing."

005, we entered into a financing arrangement with Paul Royalty Fund, or PRF, pursuant to which we assigned PRF the right to receive a portion of our net revenues f
re Zanaflex products. This agreement was amended in November 2006 potentially to increase the total amount of royalty payments to which PRF is entitled and to pr
us to PRF and from PRF to us. The arrangement covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, unless
gement's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Arrangements."

St. Luke's Medical Center

licensed from Rush-Presbyterian St. Luke's Medical Center, or Rush, know-how relating to fampridine for the treatment of MS. We subsequently licensed this know-h
to an agreement with Rush and Elan terminating the Rush license to Elan and providing for mutual releases. We also entered into a license agreement with Rush in 20
e license to its know-how relating to

reatment of MS. Rush has also assigned to us its Orphan Drug Designation for fampridine for the relief of symptoms of MS.

ay Rush a license fee, milestone payments of up to $850,000 and royalties based on net sales of the product for neurological indications. We have made an aggregate ugh December 31, 2008. The Rush license may be terminated by either party following an uncured material breach by the other party and notice. The Rush license ma of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the o n relating to the allocation of payments between us and Elan of certain payments to Rush under the Rush license. Subject to the early termination provisions, the Rush yalty obligations, which expire fifteen years from the date of the agreement.

esearch Organization

3, we entered into an Amended and Restated License Agreement with the Canadian Spinal Research Organization (CSRO). Under this agreement we were granted an t assets and know-how of CSRO relating to the use of fampridine in the reduction of chronic pain and spasticity in a spinal cord injured subject.

d to pay to CSRO royalties based on a percentage of net sales of any product incorporating the licensed rights, including royalties on the sale of Fampridine-SR for a date.

ght to terminate the CSRO agreement at any time by written notice. In addition, the CSRO agreement may be terminated by either party following an uncured materi ay also be terminated by either party upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of as n provisions, the CSRO agreement will expire upon the termination of all royalty or other payment obligations on a country-by-country basis, which will be no longe licensed patent in such country or ten years from the date of the first commercial sale of the product in such country.

Foundation, Inc.

003, we entered into a license agreement with Cornell Research Foundation, Inc., or Cornell, pursuant to which we were granted an exclusive license under a patent fo r horn cell diseases. In consideration for the license, we paid Cornell an upfront license fee and are required to make payments of up to $150,000 to Cornell upon the essful reissuance or reexamination of the patents licensed to us and, the completion of a clinical trial testing the use of Fampridine-SR in amyotrophic lateral sclerosis ts under this agreement through December 31, 2008. We are also obligated to pay Cornell an annual royalty on net sales of Fampridine-SR in any and all indications, of $25,000.

nell agreement, Cornell is responsible for all patent prosecution and maintenance activities relating to the licensed patent, and we are responsible for paying all fees in the right under this agreement to enforce any patent rights within the licensed patents against infringement by third parties at our own expense.

ght to terminate the Cornell agreement at any time by written notice. In addition, the Cornell agreement may be terminated by either party following an uncured mate termination provisions, the term of the Cornell agreement will continue until the expiration of the last to expire valid claim under the licensed patent.

sity Technical Services Limited and King's College London

003, we entered into a license agreement with Cambridge University Technical Services Limited and King's College London, pursuant to which we were granted an o to sublicense, under a U.S. patent application and its foreign counterpart to develop and commercialize products related to enzymatic methods, including chondroitina non-exclusive worldwide license, including the right to sublicense, under the same U.S. and foreign patent applications to develop and commercialize products relate disorders.

on for these licenses, we paid an upfront license fee and are required to make payments of up to $2.15 million upon the achievement of certain milestones. We have m s agreement through December 31, 2008. We are also obligated to pay royalties on net sales and on any sublicense royalties that we receive.

llege license may be terminated by any party following an uncured material breach by any other party. The King's College license may also be terminated by any part ared by a court of competent jurisdiction to be bankrupt or upon the appointment of a liquidator of that party. Subject to the early termination provisions, the King's C xpiration of the last to expire valid claim under the licensed patent applications, at which time the licenses granted under the license agreement will automatically bec revocable.

for Medical Education and Research

2000, we entered into a license agreement with Mayo Foundation for Education and Research, or Mayo Clinic, pursuant to which we were granted an exclusive world operty on remyelinating antibodies. Under this agreement, we have the right to develop, make, use and sell the remyelinating antibody products for the prevention, m worked closely with one of Mayo Clinic's research groups on developing and patenting this emerging technology in connection with the therapeutic use of these antil n MS and SCI. Mayo Clinic has the right to continue researching the antibodies and, in the event it develops other applications related to the licensed patent, which ar are for the treatment of CNS disorders. Mayo Clinic is required to offer rights in these new applications to us before it offers such rights to a third party.

yo Clinic agreement, we are obligated to make milestone payments of up to $1.875 million. We also pay royalties based on net sales. We have not made any milestone December 31, 2008. The Mayo Clinic agreement may be terminated by either party following an uncured material breach by the other party. We may terminate the M to Mayo Clinic. In addition, either party also has the right to terminate upon the insolvency of the other party, the filing of bankruptcy by or against the other party, o by the other party. Unless otherwise terminated, this license agreement will terminate upon the expiration of the last licensed patent in any such licensed product.

supported preclinical studies at Mayo Clinic to learn more about the ways the antibodies act to stimulate the myelin sheath-forming cells. In 2004, Mayo Clinic receiv
inical-grade material and progress the program towards clinical development. A subsequent letter agreement between Mayo Clinic and us acknowledges that the work
o and pursuant to the Mayo Clinic agreement.

ticals plc

2002, we entered into two license agreements with CeNeS Pharmaceuticals plc, or CeNeS. The first agreement relates to an exclusive worldwide sublicense under cer
nake, have made, use, import, offer for sale and sell protein products composed of GGF2 and non-protein products developed through the use of material covered by a
ents and the right to sub-license these patents were granted to CeNeS by the Ludwig Institute for Cancer Research.

obligations to CeNeS include payment of an upfront license fee, royalties based on annual net sales of the product, if any, as well as payments of up to $8.5 million up
development, testing and regulatory approval of any protein products. We have not made any payments under this agreement through December 31, 2008. We are ob
ing on the third calendar year following the first commercial sale of any licensed product. If we fail to pay any minimum royalty, CeNeS will have the option to conv
ense. This agreement with CeNeS is effective until the later of November 12, 2017 or the expiration of the last-to-expire valid claim in the licensed patents. We may te
notice to CeNeS. In addition, this first agreement may be terminated by either party following an uncured material breach by the other party and if this agreement is te
usive worldwide sublicense granted to us under this agreement, provided that we continue to pay royalties.

reement relates to an exclusive worldwide sublicense to us under certain patents, patent applications and know-how to make and have made, use and have used, sell,
mposed of one or more proteins encoded by the growth factor gene nrg-2 and non-protein products developed through the use of material covered by a valid claim of
to sub-license this patent was granted to CeNeS by the President and Fellows of Harvard College.

d to a timeline to achieve certain milestones relating to the research and development and the clinical testing and filing of regulatory approvals for the products. We a
5.93 million. If we are unable to meet a milestone, CeNeS has agreed to negotiate in good faith with us to agree for a reasonable extension of the time to achieve the
NeS a license fee and royalties based on a percentage of net sales of protein products and non-protein products covered under the agreement. We have made payment
ugh December 31, 2008.

greement may be terminated by either party following an unremedied default of a material obligation by the other party. CeNeS may terminate this agreement upon ou
to maintenance of insurance liability or our failure to meet certain milestones. Harvard may terminate the underlying Harvard license if CeNeS becomes insolvent, m
ors, or has a petition bankruptcy filed for or against it. In that case, Harvard is required, upon our written request, to enter into a direct license with us under the same
e the right

reement upon written notice to CeNeS. The license granted to us pursuant to this agreement continues after the expiration of this agreement and may continue after th
circumstances under which this agreement is terminated.

y termination provisions, this agreement remains effective until the last patent, patent application or claim included in the licensed patents has expired, been abandone

2003, we entered into an agreement with Elan for the supply of Fampridine-SR. Under that agreement, we are required to purchase at least 75% of our annual requirer
e or unwilling to meet our requirements. In addition, the agreement also obligates us to make compensatory payments if we do not purchase 100% of our requiremen

y our agreement with Elan, we have designated Patheon, Inc. (Patheon) as a qualified second manufacturing source of Fampridine-SR. In connection with that design
cturing technology to Patheon. We and Elan have agreed that we may purchase up to 25% of our annual requirements from Patheon if we make compensatory payme
Fampridine-SR if Elan is unable or unwilling to meet our requirements.

ely on Elan to supply us with Zanaflex Capsules. Zanaflex Capsules are manufactured using Elan's proprietary SODAS (spheroidal oral drug absorption system) mult
vide Elan with monthly written 18-month forecasts, and with annual written two-year forecasts, of our supply requirements for Zanaflex Capsules. In each of the five
recast, we are obligated to purchase the quantity specified in the forecast, even if our actual requirements are greater or less. Elan is not obligated to supply products i
ill use commercially reasonable efforts to fulfill any such orders. The initial term of the agreement expires in 2009, with two automatic two-year renewal terms. Eithe
ing the other party at least 12 months prior to the expiration of the initial term or any renewal term. In addition, either party may terminate the agreement if the other
d. If a failure to supply occurs under the agreement, other than a force majeure event, or if we terminate the supply agreement for cause, Elan must use commercially
ion of Zanaflex Capsules to us or a third-party manufacturer, provided that such third party is not a technological competitor of Elan. If we need to transfer productio
aid-up license of its manufacturing know-how and other information and rights related to the production of Zanaflex Capsules, including a license to use its SODAS
o sublicense this know-how to a third party manufacturer, provided that this third party is not a technological competitor of Elan. In the event of termination of the su
continues for more than three months, Elan has agreed to enter into negotiations with us to preserve the continuity of supply of products, including the possibility of t
to us or a third party manufacturer.

2007, we relied on a single manufacturer, Novartis, for the manufacture of Zanaflex tablets and for the supply of tizanidine, the active pharmaceutical ingredient (AP

and Zanaflex tablets. Novartis has discontinued production of tizanidine and will no longer supply tizanidine to Elan for the production of Zanaflex Capsules or to us
cently received FDA approval to use the tizanidine manufactured by a new supplier, Farmak, as the active ingredient in the production of Zanaflex Capsules. Howeve
new supplier of the tizanidine needed for the production of Zanaflex tablets. Elan has agreed to supply us with Novartis-manufactured tizanidine for the manufacture
s through the first quarter of 2010. If we fail to gain FDA approval of a new tizanidine supplier for Zanaflex tablets prior to February 2010, we may experience an int

tly in contract negotiations with Patheon regarding the manufacture of Zanaflex tablets, and Patheon has agreed to manufacture Zanaflex tablets prior to the contract b
s any disruption in their operations, a delay or interruption in the supply of our Zanaflex products could result until the affected supplier cures the problem or we loca
e to enter into alternative supply arrangements on terms that are commercially favorable, if at all. Any new supplier would also be required to qualify under applicable
bstantial delays before we are able to qualify any new supplier and transfer the required manufacturing technology to that supplier.

cipate an interruption in Zanaflex Capsule or Zanaflex tablet API supply given the current Zanaflex sales forecast, the quantity of Elan tizanidine inventory and tizan

ts

lished the internal capability to manufacture research quantities of antibody and protein product candidates and have contracted for testing and manufacturing develop
tside contractor. In March 2008, we signed a Master Services Agreement with CMC ICOS Biologics to develop methods to produce GGF2 under cGMPs.

rty

y 13, 2009, our intellectual property portfolio included intellectual property rights to over 35 U.S. patents, over 110 foreign patents and over 100 pending patent applic
ubject matter in our patent portfolio: Fampridine-SR, Zanaflex, neuregulins, remyelinating antibodies, and chondroitinase. Our intellectual property also includes conf
as a portfolio of trademarks.

ent portfolio with multifaceted coverage on fampridine-related subject matter. Overall, our fampridine intellectual property estate includes approximately 18 fampridi
A total of 54 fampridine-related patents are issued and are being maintained world-wide (six in the U.S., 38 in the European Union, and ten in other jurisdictions).

clusive, worldwide license from Elan to three U.S. patents, with over 20 corresponding foreign patents and pending applications in a number of foreign countries. Th
rmulations of a family of aminopyridine compounds, including fampridine, and methods of treatment directed to classes of relevant neurological conditions. One of t
two U.S. patents expire in 2013.

hose Elan patents, we have two pending U.S. patent applications and corresponding applications in a number of foreign countries covering methods of using aminopy sulting from any of these applications would be expected to expire in 2025.

clusive license from Cornell University for an issued U.S. patent that relates to the use of aminopyridine compositions, including fampridine, for the treatment of dise hic lateral sclerosis, which is also known as Lou Gehrig's disease. This patent expires in 2016.

clusive, worldwide license from the Canadian Spinal Research Association (CSRO) for one U.S. patent and over 20 foreign counterpart patents covering the use of fa ic pain in patients with SCI. The U.S. patent expires in 2013.

08, we acquired certain assets of Neurorecovery, Inc. (NRI). This acquisition enabled us to broaden our intellectual property portfolio on fampridine, and explore add well as provide access to pre-clinical compounds that may have utility in nervous system disorders. Under the terms of the purchase agreement, we were assigned two to the use of aminopyridines in peripheral neuropathies and to two early stage development candidates. We also acquired NRI's pre-clinical and clinical data, regulat rights, trademarks and domain names relating to the three products. Two Phase 2 studies of the aminopyridine compound Ampydin® (IR) for the treatment of chronic om Guillain-Barre Syndrome (GBS) have been completed. During the past year, we evaluated the technologies acquired from NRI. Based on this evaluation, we ident evices that were not sufficiently relevant to our goals or business interests, and have begun the requisite process for returning the intellectual property relating to those rsity of Alabama. We will continue to retain intellectual property that includes an issued U.S. patent and corresponding foreign patents covering the use of mono-amin

purchase from Elan of the Zanaflex assets, we acquired one issued U.S. patent and two pending U.S. patent applications. Our issued patent is generally directed to cer ducing peak plasma concentrations in patients receiving tizanidine therapy. This issued patent expires in 2021. Our two pending U.S. patent applications are directed t in other methods of using tizanidine.

e entered into a Supply Agreement with Elan as part of the acquisition, whereby Zanaflex Capsules are manufactured for us by Elan using Elan's proprietary SODAS roprietary technology is owned by Elan and, in the event Elan ceases to manufacture Zanaflex Capsules, Elan has agreed to grant us a royalty-free, fully paid-up licen on and rights related to the production of Zanaflex Capsules, including a license to use its SODAS technology for specified purposes. We have the right to sublicense ng as this third party is not a technological competitor of Elan.

ased the Zanaflex trademarks in the United States from Elan.

7, we received a Paragraph IV Certification Notice from Apotex Inc. advising that it had submitted an Abbreviated New Drug Application (ANDA) to the FDA seeki x Capsules. In October 2007, we filed a lawsuit against Apotex Corp. and Apotex Inc. (collectively, Apotex) for patent infringement in relation to the filing of

ex. The defendants have answered our complaint, asserting patent invalidity and non-infringement and counterclaiming, seeking a declaratory judgment of patent inv
ounterclaims. In March 2008, Apotex filed a motion, which we opposed, for partial judgment on the pleadings dismissing the Company's request for relief on the gro
1(e)(4) or 285. The court ruled in our favor and denied Apotex' motion in December 2008. We and Apotex are currently proceeding with discovery in the case. If the
l in challenging the validity of the patent, Apotex could be permitted to sell a generic tizanidine hydrochloride capsule in competition with Zanaflex Capsules and Za

n patent portfolio contains over 20 pending applications, and over 80 Neuregulin-related issued patents.

clusive licensee under a license agreement with CeNeS Pharmaceuticals, plc, of a worldwide portfolio of patents, patent applications and IP rights related to products
, these patents claim the use of particular neuregulins to treat various pathophysiological conditions, particularly uses to stimulate myelinating cells in order to treat c
system that involve demyelination. These patents also claim a number of additional potential uses of neuregulins, including stimulation of growth in cardiac and mam
ure, ischemic brain events, peripheral neuropathy and nerve injury.

we obtained an issued patent which covers methods for eliciting muscle cell survival, cell division or development by use of neuregulins. In January 2009, we receive
to neuregulin subject matter, which we expect will issue in 2009. This allowed case covers using specified neuregulin sequences to treat a central or peripheral nervo

ibodies

oximately ten remyelinating antibody-related patent applications, along with 13 corresponding issued patents (two in the U.S. and 11 foreign). We are the exclusive li
related to a series of remyelinating antibodies discovered in the laboratory of Dr. Moses Rodriguez at the Mayo Clinic for the treatment of CNS disorders. We have tw
009 and is directed to antibody compositions than can induce remyelination, as well as several issued related foreign counterparts.

erous pending U.S. and foreign pending applications in our portfolio. Work actively continues on this subject matter and the remyelinating antibodies patent portfolio
filings expected throughout 2009.

hondroitinase-related U.S. patents, obtained in 2008, an issued Australian patent, and over 50 pending chondroitinase patent applications.

nse to a U.S. application and its foreign counterpart from King's College and University of Cambridge directed to treatment of CNS damage. We have filed a number
rparts directed to chondroitinase enzymes and methods of use and preparation. In particular, we have filed U.S. applications and foreign equivalents relating to chond
hondroitinase, chimeric proteins including

etion mutants and certain methods relating to chondroitinase. One of the issued U.S. patents covers chondroitinase ABCI mutant enzymes and related methods of use, positions.

patents, our intellectual property portfolio includes trademarks. The marks "Acorda Therapeutics," and our stylized Acorda Therapeutics logo are registered trademark "Zanaflex" and "Zanaflex Capsules" in the U.S. Our trademark portfolio also includes several pending trademark applications for potential product names and for dise

r developing and marketing pharmaceutical products is highly competitive. We are aware of many biotechnology and pharmaceutical companies that are engaged in d road range of CNS conditions. Many of our competitors have substantially greater financial, research and development, human and other resources than we do. Furthe more experience than we do in preclinical testing, human clinical trials, regulatory approval procedures and sales and marketing.

e management approaches to MS are classified either as relapse management or disease course management approaches. For relapse management, the majority of neu -day course of intravenous high-dose corticosteroids. Many of these corticosteroids are available generically. For disease course management, there are a number of I mmune system. These treatments attempt to reduce the frequency and severity of exacerbations or slow the accumulation of physical disability for people with certai on are not known. These products include Avonex from Biogen-IDEC, Betaseron from Schering AG, Copaxone from Teva Pharmaceutical Industries, Ltd., Rebif fro Elan.

nnology and pharmaceutical companies, as well as academic laboratories, are involved in research and/or product development for various neurological diseases, incl is developing a sodium/potassium channel blocker, HP 184, with a potential indication in SCI, MS and other conditions. We believe that HP 184 is in clinical trials f s, any resulting product might compete with Fampridine-SR. We also believe that EUSA Pharma is developing a 3,4-diaminopyridine compound that is in clinical de this product were sucessfully developed and approved, physicians might prescribe it instead of Fampridine-SR even if it were not approved for MS. In certain circun mulating certain drug compounds to fill prescriptions on an individual patient basis. We are aware that at present compounded fampridine is used by some people wit substantially if Fampridine-SR is approved, it is possible that some people will continue to use compounded fampridine. Several companies are engaged in developi proaches and cell transplant approaches to remyelination for the treatment of people with MS. These programs are in early stages of development and may compete w es in the future.

uct candidate, Fampridine-SR, is the first product to our knowledge that acts to improve the function of nerve fibers in subjects with MS. We are not aware of other co pecifically address improvement of walking ability in subjects with MS. As a result of its focus on improving function, we believe that Fampridine-SR may be compl sease course management therapies that are commercially available. Nonetheless, Fampridine-SR may compete for market acceptance with these current treatments b ribed to people with MS by physicians.

e active pharmaceutical ingredient in Zanaflex Capsules, Zanaflex tablets and generic tizanidine tablets, is one of the two leading FDA-approved treatments for spasti s. Zanaflex tablets were approved by the FDA in 1996 and lost compound patent protection in 2002. Twelve generic manufacturers of tizanidine are distributing their y is in litigation with Apotex with regard to its filing of an ANDA for the approval of a purported generic version of Zanaflex Capsules and certification against the C have reported that they are working on potential new delivery formulations of tizanidine. Baclofen, which is also available generically, is the other leading drug for th n and associated effects of baclofen are different from those of tizanidine. Due to the different pharmacokinetic profile of Zanaflex Capsules, Zanaflex tablets and ge aflex Capsules.

lation

ad Product Approval

comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the preclinical testing, clinical developm aceutical products. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control , record keeping, approval, advertising, sale, promotion, import and export of our products and product candidates.

States, Zanaflex tablets, Zanaflex Capsules, and some of our product candidates, including Fampridine-SR, are regulated by the FDA as drugs. Other of our product ca s biological products. Drugs are subject to the Federal Food, Drug, and Cosmetic Act, as amended, and the regulations of the FDA, as well as to other federal, state, a ated under both the Federal Food, Drug, and Cosmetic Act, as amended, and the Public Health Service Act, as amended. Violations of regulatory requirements at any uding the FDA's and other health authorities' delay in approving or refusal to approve a product. Violations of regulatory requirements also may result in enforcement estrictions, seizure of products, fines, injunctions and/or civil or criminal penalties. Similar civil or criminal penalties could be imposed by other government agencies our products are manufactured, sold or distributed.

quired by the FDA under these laws before our product candidates may be marketed in the United States generally involves the following:

preclinical laboratory and animal tests;

submission to the FDA of an IND, an application which must become effective before clinical trials may begin;

completion of two adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed pharmaceutical in our intended use(s);

FDA review of whether the facility in which the product is manufactured, processed, packed or held meets standards designed to assure the product's continued quali

submission to the FDA of an NDA in the case of a drug, or a Biologics License Application, or BLA, in the case of a biologic, that must be approved containing prec
labeling and information to demonstrate that the product will be manufactured to appropriate standards.

development and approval process requires substantial time, effort, and financial resources and we cannot be certain that any approval will be granted on a timely or c

dies include laboratory evaluation of the product candidate, its chemistry, formulation and stability, as well as animal studies to assess its safety and potential efficacy
together with manufacturing information, analytical data and any available clinical data or literature to the FDA as part of an IND application, which must become ef
s. The IND becomes effective 30 days after the FDA filing, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the clini
A must resolve any outstanding concerns before the clinical trial can begin. Further, an independent Institutional Review Board charged with protecting the welfare o
dical center proposing to conduct the clinical trials must review and approve any clinical trial before it commences at that center. Study subjects must provide inform
research study.

l trials are typically conducted in three sequential phases, which may overlap:

Phase 1. The drug is initially administered into healthy human subjects or subjects with the target condition and tested for safety, dosage tolerance, absorption, meta

Phase 2. The drug is administered to a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the product for spe
determine dosage tolerance and optimal dosage.

Phase 3. When Phase 2 evaluations demonstrate that a dosage range of the drug is effective and has an acceptable safety profile, Phase 3 clinical trials are undertake
from Phase 2 and to further test for safety in an expanded population at geographically dispersed clinical trial sites.

product candidates for severe or life-threatening diseases such as MS, the initial human testing is often conducted in affected patients rather than in healthy volunteers
, these clinical trials may provide initial evidence of efficacy traditionally obtained in Phase 2 clinical trials and thus these clinical trials are frequently referred to as P

ding with a study, sponsors may seek a written agreement from the FDA regarding the design, size, and conduct of a clinical trial. This is known as an SPA. Three typ
studies, (2) final product stability studies and (3) clinical studies for pivotal Phase 3 studies whose data will form the primary basis to establish a

Where the FDA agrees to an SPA, the agreement may not be changed by either the sponsor or the FDA except if the sponsor and the FDA agree to a change, or an app
ubstantial scientific issue essential to determining the safety or effectiveness of the product was identified after the testing began. SPAs thus help establish up front agr
ign of a clinical trial to support a regulatory approval, but the agreement is not binding if new circumstances arise. In addition, even if an SPA remains in place and th
ce, the FDA could determine that the overall balance of risks and benefits for the product candidate is not adequate to support approval, or only justifies approval for
cted distribution or other burdensome post-approval requirements or limitations. There is thus no guarantee that a study will ultimately be adequate to support an appr

te law requires the submission of registry and results information for most clinical trials. These requirements do not apply to Phase 1 clinical trials. Many of the feder
ts information have not yet been implemented and will be phased-in over time. Once fully implemented, the federal requirements will preempt similar requirements a

res that studies conducted to support approval for product marketing be "adequate and well controlled." In general, this means that either a placebo or a product alread
tion under study must be used as a reference control. Studies must also be conducted in compliance with good clinical practice, or GCP, requirements.

certain that we will successfully complete Phase 1, Phase 2 or Phase 3 testing of our product candidates within any specific time period, if at all. Furthermore, the FD
or may prevent clinical trials from beginning or may place clinical trials on hold or terminate them at any point in this process if, among other reasons, they conclude
unacceptable health risk.

e results of product development, preclinical studies and clinical trials must be submitted to the FDA for review and approval prior to marketing and commercial shipm
te is regulated as a drug, an NDA must be submitted and approved before commercial marketing may begin. If the product candidate, such as an antibody, is regulate
oved before commercial marketing may begin. The NDA or BLA must include a substantial amount of data and other information concerning the safety and effective
of the compound from laboratory, animal and clinical testing, as well as data and information on manufacturing, product stability, and proposed product labeling.

and foreign manufacturing establishment, including any contract manufacturers we may decide to use, must be listed in the NDA or BLA and must be registered with
proved until the FDA conducts a manufacturing inspection, approves the applicable manufacturing process for the drug or biological product, and determines that the
s. If the manufacturing facilities and processes fail to pass the FDA inspection, we will not receive approval to market these products. The FDA may also inspect clini
he clinical studies have been conducted in compliance with GCP.

scription Drug User Fee Act, as amended, the FDA receives fees for reviewing a BLA or NDA and supplements thereto, as well as annual fees for commercial manufa
These fees can be significant. For the FDA's fiscal year

BLA review fee alone is $1,247,200, although certain limited deferrals, waivers and reductions may be available.

ble laws and FDA regulations, each NDA or BLA submitted for FDA approval is usually reviewed for administrative completeness and reviewability within 45 to 60 med complete, the FDA will "file" the NDA or BLA, thereby triggering substantive review of the application. The FDA can refuse to file any NDA or BLA that it deer DA refuses to file an application, the FDA will retain 25% of the user fee as a penalty. The FDA has established performance goals for the review of NDAs and BLA months for regular applications. However, the FDA is not legally required to complete its review within these periods and these performance goals may change over generally favorable, typically is not an actual approval but an "action letter" that describes additional work that must be done before the application can be approved. olve review and recommendations by an independent FDA advisory committee.

deny an NDA or BLA if the applicable regulatory criteria are not satisfied or may require additional clinical data. Even if such data is submitted, the FDA may ultim criteria for approval. If the FDA approves a product, it may limit the approved therapeutic uses for the product as described in the product labeling, require that contr uded in the product labeling, require that additional studies or clinical trials be conducted following approval as a condition of the approval, impose restrictions and co ensing in the form of a risk management plan or risk evaluation and mitigation strategy (REMS), or otherwise limit the scope of any approval or post-approval, or limi ignificant restrictions on distribution and use of a marketed product, may require the distribution of medication guides, patient labeling and/or communication plans, a sments of the effectiveness of a REMS. Once issued, the FDA may withdraw product approval if compliance with regulatory standards is not maintained or if proble A may also impose a REMS post-approval if it becomes aware of new safety information that it believes necessitates a REMS. In addition, the FDA may require testi f approved products which have been commercialized, and the agency has the power to prevent or limit further marketing of a product based on the results of these p

the above FDA requirements or similar requirements of state, local and foreign regulatory agencies typically takes several years or more and the actual time required plexity and novelty of the pharmaceutical product candidate. Government regulation may delay or prevent marketing of potential products for a considerable period o pon our activities. We cannot be certain that the FDA or any other regulatory agency will grant approval for any of our product candidates on a timely basis, or on a c al or early stage clinical trials does not assure success in later stage clinical trials. Data obtained from preclinical and clinical activities is not always conclusive or ap ng interpretations which could delay, limit or prevent regulatory approval. Even if a product candidate receives regulatory approval, the approval may be significantly regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal , or failures to obtain regulatory approvals would have a material adverse effect on our business. Marketing our product candidates abroad will require similar regulat

predict what adverse governmental regulations may arise from future U.S. or foreign governmental action.

manufactured or distributed by us pursuant to FDA clearances or approvals are subject to pervasive and continuing regulation by the FDA, including record-keeping r
e drug, other reporting, advertising and promotion restrictions. The FDA's rules for advertising and promotion require, among other things, that we not promote our p
be fairly balanced and adequately substantiated by clinical studies. We must also submit appropriate new and supplemental applications and obtain FDA approval for
beling or manufacturing process. On its own initiative, FDA may require safety labeling changes to the labeling of an approved drug if it becomes aware of new safety
ncluded in the approved drug's labeling. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agen
ctions by the FDA and certain state agencies for compliance with cGMP, which impose certain procedural and documentation requirements upon us and our third-par
ur present or future suppliers will be able to comply with the cGMP and other FDA regulatory requirements. The FDA also enforces the requirements of the Prescript
ong other things, imposes various requirements in connection with the distribution of product samples to physicians. Similar provisions exist at the state level.

nspections related to manufacturing, we are subject to periodic unannounced inspections by the FDA and other regulatory bodies related to the other regulatory requi
l or distributed by us. The FDA also may conduct periodic inspections regarding our review and reporting of adverse events, or related to compliance with the require
g samples. When the FDA conducts an inspection, the inspectors will identify any deficiencies they believe exist in the form of a notice of inspectional observations,
e more or less significant. If we receive a notice of inspectional observations, we likely will be required to respond in writing, and may be required to undertake corre
FDA's concerns. For example, the FDA conducted an inspection in February 2009. This was the first FDA inspection we have had since a previous inspection the FD
FDA 483 regarding our reporting of adverse events for marketed products. Although the 2009 inspection showed that we had resolved issues from the previous inspec
inspectional observations. The observations cited the failure to submit NDA field alert reports for Zanaflex Capsules in a timely manner, the failure to review adequa
the late submission of NDA annual reports, and inadequate written procedures for our quality control unit, NDA field alert reporting, and the training of our personn
entive actions in order to address the FDA's concerns cited in the Form FDA 483. However, we cannot assure you that the FDA will find our remedial actions to be ac
additional deficiencies in subsequent inspections.

oduct candidates are also subject to a variety of state laws and regulations in those states or localities where they are or will be marketed. Any applicable state or local
ct candidates in those states or localities.

icies may change and additional government regulations may be enacted which could prevent or delay regulatory approval of our product candidates. Moreover, incre
in the United States and in foreign markets could result in new government regulations which could have a material adverse effect on our business. We

kelihood, nature or extent of adverse governmental regulation which might arise from future legislative or administrative action, either in the United States or abroad

han Drug Act, special incentives exist for sponsors to develop products for rare diseases or conditions, which are defined to include those diseases or conditions that a or orphan drug designation must be submitted before the submission of an NDA or BLA. We have received orphan drug designation for Fampridine-SR for the treatm

nated as orphan drugs are eligible for special grant funding for research and development, FDA assistance with the review of clinical trial protocols, potential tax cred applications. If a product that has an orphan drug designation is the first such product to receive FDA approval for the disease for which it has such designation, the pr eans that, subsequent to approval, the FDA may not approve any other applications to market the same drug for the same disease, except in limited circumstances, for ion from another person if FDA determines that the application is for a different drug or different use, or if FDA determines that the subsequent product is clinically s approval cannot assure the availability of sufficient quantities of the drug to meet the public's need. If the FDA approves someone else's application for the same drug he competing drug could be prescribed by physicians outside its FDA approval for the orphan use, notwithstanding the existence of orphan exclusivity. A grant of an oduct will be approved. If a sponsor receives orphan drug exclusivity upon approval, there can be no assurance that the exclusivity will prevent another person from re same or other uses.

Ratings and Pharmacy Substitution

are approved through an abbreviated process, which differs in important ways from the process followed for innovative products. Generally an abbreviated new drug ANDA must seek approval of a product candidate that has the same active ingredient(s), dosage form, strength, route of administration, and conditions of use (labelin der an NDA with full supporting data to establish safety and effectiveness. Only limited exceptions exist to this ANDA sameness requirement, including certain limite itability petition process. The ANDA also generally contains clinical data to demonstrate that the product covered by the ANDA is absorbed in the body at the same r g. This is known as bioequivalence. In addition, the ANDA must contain information regarding the manufacturing processes and facilities that will be used to ensure ents listed with the FDA for the reference listed drug.

quire or permit pharmacists to substitute generic equivalents for brand-name prescriptions unless the physician has prohibited substitution. Managed care organizatio n generic equivalents, and to authorize substitution, as a means of controlling costs of prescriptions. They also may require lower copayments as an incentive to patie

stion of substitutability is one of state law, most states look to the FDA to determine whether a generic is substitutable. FDA lists therapeutic equivalence ratings in a neral, a generic drug that is listed in the

rapeutically equivalent to the branded product will be substitutable under state law and, conversely, a generic drug that is not so listed will not be substitutable. To be
c drug must first be a pharmaceutical equivalent of the branded drug. This means that the generic has the same active ingredient, dosage form, strength or concentrati
g. Tablets and capsules are presently considered different dosage forms that are pharmaceutical alternatives and not substitutable pharmaceutical equivalents.

being pharmaceutical equivalents, therapeutic equivalents must be bioequivalent to their branded counterparts. Bioequivalence for this purpose is defined in the same
s a showing of comparable rate and extent of absorption in a small human study.

ge form drug products generally are rated "AB" in the Orange Book if they are considered therapeutic equivalents. If bioequivalence has been adequately demonstrat

n and Product Approval

nited States, our ability to market a product candidate is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. The requiren
eting authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, a
registration procedures are available to companies wishing to market a product in the entire European Economic Area (EEA) or in more than one individual EC mem
volves all of the risks associated with FDA approval discussed above.

e research, manufacturing, distribution, sale, and promotion of drug and biological products are potentially subject to regulation by various federal, state and local auth
rs for Medicare and Medicaid Services (formerly the Health Care Financing Administration), other divisions of the U.S. Department of Health and Human Services (
Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments. For example, sales, marketing and scien
he anti-kickback and fraud and abuse provisions of the Social Security Act, as amended, the False Claims Act, also as amended, the privacy provisions of the Health I
or HIPAA, and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 19
1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and req
otentially subject to federal and state consumer protection and unfair competition laws.

bject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard con
us substances. We may incur significant costs to comply with such laws and regulations now or in the future.

d Pricing Controls

markets where we or our collaborative partners would commercialize a product following regulatory approval, the prices of pharmaceutical products are subject to d
t programs with varying price control mechanisms.

States, there has been an increased focus on drug pricing in recent years. Although there are currently no direct government price controls over private sector purchase
pharmaceutical manufacturers to pay prescribed rebates on certain drugs to enable them to be eligible for reimbursement under certain public health care programs su
r mechanisms under Medicaid and otherwise that seek to control drug prices, including by disfavoring certain higher priced drugs and by seeking supplemental rebat
e a potent force in the market place that increases downward pressure on the prices of pharmaceutical products. Federal legislation, enacted in December 2003, has a
ered drugs covered by Medicare. Under the new reimbursement methodology, physicians are reimbursed based on a product's "average sales price," or ASP. This new
er reimbursement levels. The new federal legislation also added an outpatient prescription drug benefit to Medicare, effective January 2006. This benefit is provided
gotiate price concessions from pharmaceutical manufacturers.

vate health care payers control costs and influence drug pricing through a variety of mechanisms, including through negotiating discounts with the manufacturers and
er mechanisms that provide preferential access to certain drugs over others within a therapeutic class. Payors also set other criteria to govern the uses of a drug that w
refore reimbursed or otherwise covered. In particular, many public and private health care payers limit reimbursement and coverage to the uses of a drug that are eithe
zed drug compendium. Drug compendia are publications that summarize the available medical evidence for particular drug products and identify which uses of a drug
ce, whether or not such uses have been approved by the FDA. For example, in the case of Medicare coverage for physician-administered oncology drugs, the Omnib
, with certain exceptions, provides for Medicare coverage of unapproved uses of an FDA-approved drug if the unapproved use is reasonable and necessary and is sup
ital Formulary Service Drug Information, the national Comprehensive Cancer Network Drugs and Biologics Compendium, Thompson Micromedix, DrugDex, or Cli
mpendium, for example under Medicaid, is the DrugDex Information System.

ng and reimbursement schemes exist in other countries. For example, in the European Union, governments influence the price of pharmaceutical products through the
nal health care systems that fund a large part of the cost of such products to consumers. The approach taken varies from member state to member state. Some jurisdic
s under which products may only be marketed once a reimbursement price has been agreed. Other member states allow companies to fix their own prices for medicin
d may limit or restrict reimbursement. The downward pressure on health care costs in general, particularly prescription drugs, has become very intense. As a result, in
of new products, as exemplified by the National Institute for Clinical Excellence in the UK which evaluates the data supporting new medicines and passes reimburse
ition, in some countries cross-border imports from low-priced markets (parallel imports) exert a commercial pressure on pricing within a country.

y 13, 2009, we had 174 employees. Of the 174 employees, 42 perform research and development activities, including preclinical programs, clinical trials, regulatory a edical affairs, business development, manufacturing and communications, and 34 perform general and administrative tasks.

FORMATION

rporated in 1995 as a Delaware corporation. Our principal executive offices are located at 15 Skyline Drive, Hawthorne, New York 10532. Our telephone number is (9

FORMATION AND WHERE TO FIND IT

eport on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or ilable on our website (*http://www.acorda.com* under the "SEC Filings" caption) as soon as reasonably practicable after we electronically file such material with, or fu sion (SEC).

Factors.

in our common stock involves a high degree of risk. You should consider carefully the following risk factors and the other information contained in this prospectus a fore you decide to purchase our common stock. Additional risks that are not currently known or foreseeable to us may materialize at a future date. Our business and n a material way if any of these risks or uncertainties occur and you might lose all or part of your investment.

r business

of operating losses and we expect to continue to incur losses and may never be profitable.

er 31, 2008, we had an accumulated deficit of approximately $344.4 million. We had net losses of $74.3 million, $38.0 million, and $60.0 million for the years ended We have had operating losses since inception as a result of our significant clinical development, research and development, general and administrative, sales and mar ct to incur losses for at least the next several years as we expand our sales and marketing capabilities, prepare for the potential launch of Fampridine-SR, and continue ctivities.

for achieving profitability will depend primarily on how successful we are in executing our business plan to:

- obtain FDA approval for and commercialize Fampridine-SR;
- increase sales of Zanaflex Capsules;
- continue to develop our preclinical product candidates and advance them into clinical trials; and
- evaluate and act on appropriate opportunities for increasing shareholder value.

uccessful in executing our business plan, we may never achieve or may not sustain profitability.

obtain regulatory approval for Fampridine-SR in the U.S., the European Union, or other markets, or any approval is unduly limited in scope or delayed, our bus

an NDA for approval of Fampridine-SR for the improvement of walking in patients with MS, based on positive results from two Phase 3 clinical trials conducted pur
at our NDA is incomplete or otherwise not adequate to support review, it will refuse to accept the NDA for filing and will not proceed to further review. If the FDA a
re is a new substantial scientific issue regarding walking in the MS population or Fampridine-SR, the FDA may alter its opinion expressed in the prior SPAs regarding
e FDA or the regulatory authorities in the European Union or other markets where we may apply for approval may also determine that the risks and benefits shown by
oval, or support only a limited approval, or an approval conditioned on burdensome post-approval commitments.

identify a need for further studies in order to confirm efficacy or to examine safety or other properties or characteristics of Fampridine-SR. For example, in October 2
ed preclinical studies proposed for the NDA for Fampridine-SR and the FDA asked us to complete a series of bridging studies to bring our older preclinical toxicolog
uded a requirement to complete new studies to fully characterize the toxicokinetics of fampridine in the blood of experimental animals given doses that were used in
al toxicology studies, so the FDA can evaluate the suitability of those doses and routes of administration of drug in its evaluation of safety. These additional studies w
NDA in January 2009. The FDA also required us to execute a Thorough QT study of cardiac safety which was completed in January 2008. Although our QT consultan
gnal for a risk of cardiac QT prolongation with Fampridine-SR at a therapeutic or supra-therapeutic dose, the FDA will make its own evaluation of the data as part of
e results may differ.

determine, on our own, to conduct additional studies from time to time to support our filing of an NDA or regulatory filings in other markets or to otherwise provide a
ridine-SR. If the studies that we are required to conduct, or any studies that we determine, on our own, to conduct, cause us to incur unanticipated expenses or delays
ulatory approval of Fampridine-SR could be seriously delayed or impaired, in which case our business prospects will be materially adversely affected.

we submitted a request to the FDA for Fast Track designation for Fampridine-SR. The FDA did not grant our request, stating that we had not at that time demonstrate
l under the criteria for Fast Track designation. We presented additional information on the ways in which Fampridine-SR improves walking ability in patients with M
es as part of our request for reconsideration of that decision, but the FDA did not change its decision. We did not apply for Priority Review, and our NDA is therefore
me under the Prescription Drug User Fee Act, rather than an expedited review time of six months.

ng the results of our clinical trials and pre-clinical studies, the FDA could determine that the overall balance of risks and benefits for Fampridine-SR is not adequate to
w set of uses or approval with restricted distribution or other burdensome post-approval requirements and limitations. Subjects taking Fampridine-SR have experienc
on, insomnia,

headache, fatigue, nausea and balance disorder. A small number of subjects have also experienced seizures while taking Fampridine-SR, and there is a possibility tha
f the drug. If the FDA denies approval of Fampridine-SR in MS, if FDA approval is substantially delayed, if approval is granted on a narrow basis or with restricted c
rements, or if the Fampridine-SR program is terminated, our business prospects will be materially adversely affected.

, we completed two Phase 3 clinical trials of Fampridine-SR in SCI in which our results failed to reach their primary endpoints. We may resume development of Fam
evelopment of the drug for MS. However, we cannot predict whether future clinical trials of Fampridine-SR in SCI will achieve their primary endpoints, how long th
.

ially dependent on sales of one product, Zanaflex Capsules, to generate revenue for the foreseeable future.

derive substantially all of our revenue from the sale of Zanaflex Capsules and Zanaflex tablets, which are our only FDA-approved products. Although we currently dis
e focused on Zanaflex Capsules and we do not, and do not intend to, actively promote Zanaflex tablets. As a result, prescriptions for Zanaflex tablets have declined a
Our goal is to convert sales of Zanaflex tablets and generic tizanidine tablets to sales of Zanaflex Capsules. We believe that sales of Zanaflex Capsules will constitute
gin to generate sales of Fampridine-SR if approved. If we are unable to convert tablet sales to capsule sales or are otherwise unable to increase our revenue from the s
and results of operations could be materially adversely affected.

***er increase our sales force in anticipation of the possible launch of Fampridine-SR and sales of Zanaflex Capsules may not grow sufficiently, or Fampridine-SR l
ociated with this expansion.***

ales force has increased to 61 people as part of our strategy to increase sales of Zanaflex Capsules, which increased our fixed expenses significantly. We expect to furt
oling it, in anticipation of the possible launch of Fampridine-SR, if approved. If we expand our sales force and an NDA is not approved by the FDA, or, if approved, w
ales of Zanaflex Capsules and Fampridine-SR, our cash flow and our prospects for achieving profitability will be adversely affected. In addition, we may not be able t
onnel, in a timely manner or at all, or integrate and manage our larger sales and marketing organization.

ently 12 companies with generic versions of tizanidine tablets on the market and they are significantly cheaper than either Zanaflex Capsules or Zanaflex tablets. As o
tizanidine tablets constituted approximately 93% of tizanidine sales in the United States. Although Zanaflex Capsules have a different pharmacokinetic profile when
n Zanaflex tablets and their generic equivalents, we may be unsuccessful in convincing prescribers, patients and third-party payers, such as government health admini
care, private health insurers and other such organizations that these differences justify the higher price of Zanaflex Capsules. Despite our increased investment in sale
t additional number of current users of Zanaflex tablets or generic tizanidine tablets to Zanaflex Capsules. If that is the case, our ability to continue to generate meani
fected.

ain regulatory approval in foreign jurisdictions where we seek to market our products.

rket our products in the European Union and many other foreign jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying r
ong countries and can involve additional clinical testing. The time required to obtain approval may differ from that required to obtain FDA approval. We may fail to
at all. In addition, individual countries, within the European Union or elsewhere, may require additional steps after regulatory approval to gain access to national ma
nd other agencies, that may affect our ability to market and sell our products outside the United States. Approval by the FDA does not ensure approval by regulatory
eign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. We may not be able to file for, and may not rec
ercialize our products in any foreign market, which could adversely affect our business prospects.

we met with national regulatory authorities in four European Union member states regarding Fampridine-SR and we believe, based on these discussions, that our curr
MAA with the EMEA. The EMEA may determine that such an MAA cannot be filed centrally, in which case we would be required to seek approval separately from
pridine-SR through the European Union's decentralized or mutual recognition procedures. The EMEA may also determine that the data we submit are not sufficient t
of Fampridine-SR, which could lead to additional information requirements, including the submission of data from supplemental clinical trials other than those that s
ents to conduct supplemental trials would add to the cost of developing our product candidates. Additional or supplemental trials could also produce findings that are
submitted to the FDA, in which case we would be obligated to report those findings to the FDA.

lates must undergo rigorous clinical testing, the results of which are uncertain and could substantially delay or prevent us from bringing them to market.

obtain regulatory approval for a product candidate, we must undertake extensive clinical testing in humans to demonstrate safety and efficacy to the satisfaction of th
rials of new product candidates sufficient to obtain regulatory marketing approval are expensive and take years to complete, and the outcome of such trials is uncertai

opment of any product candidate that we determine to take into clinical trials may be curtailed, redirected, delayed or eliminated at any time for some or all of the foll

negative or ambiguous results regarding the efficacy of the product candidate;

undesirable side effects that delay or extend the trials, or other unforeseen or undesirable safety issues that make the product candidate not medically or commerciall

inability to locate, recruit and qualify a sufficient number of patients for our trials;

difficulty in determining meaningful end points or other measurements of success in our clinical trials;

regulatory delays or other regulatory actions, including changes in regulatory requirements;

difficulties in obtaining sufficient quantities of our product candidates manufactured under current good manufacturing practices;

delays, suspension or termination of the trials imposed by us, an independent institutional review board for a clinical trial site, or clinical holds placed upon the trials

FDA approval of new drugs that are more effective than our product candidates;

change in the focus of our development efforts or a re-evaluation of our clinical development strategy; and

a change in our financial position.

ermination of any of our clinical development programs could have an adverse effect on our business.

elopment programs are in early stages of development and may never be commercialized.

elopment programs other than Fampridine-SR are in the preclinical phase. Our future success depends, in part, on our ability to select successful product candidates, c ndidates and advance them to clinical trials. These product candidates will require significant development, preclinical studies and clinical trials, regulatory clearances hey can be commercialized.

l programs may not lead to commercially viable products for several reasons. For example, we may fail to identify promising product candidates, our product candida cal tests or clinical trials, or we may have inadequate financial or other resources to pursue discovery and development efforts for new product candidates. In addition ocusing on product candidates that we believe are the most promising. As a result, we may delay or forego pursuit of opportunities with other product candidates. Fro in development goals for our product candidates and programs; however, given the complex nature of the drug discovery and development process, it is difficult to pr goals. For example, the contract manufacturer with whom we had begun work to produce rHIgM22, one of our antibodies, under cGMP, filed for bankruptcy in 2008, re unsuccessful in advancing our preclinical programs into clinical testing or in obtaining regulatory approval, our long-term business prospects will be harmed.

l industry is subject to stringent regulation and failure to obtain regulatory approval will prevent commercialization of our product candidates.

development, preclinical and clinical trial activities, as well as the manufacture and marketing of any products that we may successfully develop, are subject to an ext er regulatory agencies abroad. The process of obtaining required regulatory approvals for drugs is lengthy, expensive and uncertain, and any regulatory approvals ma drug, distribution restrictions or may be conditioned on burdensome post-approval study or other requirements, including the requirement that we institute and follo age potential safety issues, all of which may eliminate or reduce the drug's market potential. Post-market evaluation of a product could result in marketing restriction

verse events that could impact commercial success, or even continued regulatory approval, might emerge with more extensive post-approval patient use. Of the large

nt, only a small percentage result in the submission of an NDA to the FDA and even fewer are approved for commercialization.

duct clinical trials to obtain FDA approval to commercialize any product candidate, an IND application must first be submitted to the FDA and must become effectiv
DA must be submitted to the FDA, including the results of adequate and well-controlled clinical trials demonstrating, among other things, that the product candidate i
rget indication. In addition, the manufacturing facilities used to produce the products must comply with current good manufacturing practices and must pass a pre-app
linical and clinical trial data are required to demonstrate the safety, efficacy, potency and purity for each intended use. The FDA may refuse to accept our regulatory

are subject to oversight by institutional review boards and the FDA to ensure compliance with the FDA's good clinical practice requirements, as well as other requiren
e depend, in part, on third-party laboratories and medical institutions to conduct preclinical studies and clinical trials for our products and other third-party organizati
h must maintain both good laboratory and good clinical practices required by regulators. If any such standards are not complied with in our clinical trials, the resultin
, an institutional review board or the FDA may suspend or terminate such trial, which would severely delay our development and possibly end the development of suc
party manufacturers of our products to qualify for FDA approval and to comply with good manufacturing practices required by regulators. We cannot be certain that c
omply with current good manufacturing practices. The failure to comply with good manufacturing practices may result in the termination of clinical studies, restrictio
he market. Compliance by third parties with these standards and practices is outside of our direct control. For example, in January 2007, we and other pharmaceutical
rding the FDA's concerns with the reliability of certain study analyses conducted by MDS Pharma Services, or MDS Pharma, at its St. Laurent (Montreal) and Blainv
MDS Pharma helped conduct the studies submitted to FDA for the approval of Zanaflex Capsules. The MDS Pharma facility involved was in Ireland, not Canada, a
ude performing the types of analyses that the FDA identified in its recent notice as being of concern. Nonetheless, if the FDA's concerns extend to other MDS Pharma
dies that MDS Pharma assisted on for Zanaflex Capsules could be called into question, and we might have to confirm or repeat the studies.

e are subject to regulation under other state and federal laws, including requirements regarding occupational safety, laboratory practices, environmental protection and
ther local, state, federal and foreign regulations. We cannot predict the impact of such regulations on us, although it could impose significant restrictions on our busin
egulations.

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

ance of our products and product candidates will depend on the benefits of our products in terms of safety, efficacy, convenience, ease of administration and cost effe
enefits to physicians and patients. We believe market acceptance also depends on the pricing of our products and the reimbursement policies of government and third
sales and marketing activities. Physicians

our products, and patients may determine, for any reason, that our products are not useful to them. For example, physicians may not believe that the benefits of Zanafl anaflex tablets or generic tizanidine tablets. The failure of any of our products or product candidates, once approved, to achieve market acceptance would limit our ab fect our results of operations.

ucts may not be commercially viable if we fail to obtain an adequate level of reimbursement for these products by Medicaid, Medicare or other third-party payers.

al success will depend in part on third-party payers, such as government health administrative authorities, including Medicaid and Medicare, private health insurers a se patients for the cost of our products. Significant uncertainty exists as to the reimbursement status of newly-approved healthcare products. Our business would be m Medicare program or other third-party payers were to deny reimbursement for our products or provide reimbursement only on unfavorable terms. Our business could Medicare program or other reimbursing bodies or payers limit the indications for which our products will be reimbursed to a smaller set of indications than we believ

yers frequently require that drug companies negotiate agreements with them that provide discounts or rebates from list prices. Although we do not have any such agre mall number of such agreements with government payors, as sales of Zanaflex Capsules continue to increase, we expect increasing pressure to offer larger discounts o maintain acceptable reimbursement levels. If we were required to negotiate such agreements, there is no guarantee that we would be able to negotiate them at price rd-party payers now also require prior authorization for, or even refuse to provide, reimbursement for Zanaflex Capsules, and others may do so in the future. If we are our products at acceptable levels, our business will be adversely affected. In addition, if our competitors reduce the prices of their products, or otherwise demonstrate roducts, this may result in a greater level of reimbursement for their products relative to our products, which would reduce our sales and adversely affect our results o

tion enacted in December 2003 added an outpatient prescription drug benefit to Medicare. The benefit is provided primarily through private entities, which attempt to nufacturers. These negotiations increase pressure to lower prescription drug prices. While the law specifically prohibits the U.S. government from interfering in price Medicare drug plan sponsors, some members of Congress are pursuing legislation that would permit the U.S. government to use its enormous purchasing power to de npanies, thereby creating de facto price controls on prescription drugs. In addition, the law contains triggers for Congressional consideration of cost containment meas ases exceed a certain level. These cost containment measures could include limitations on prescription drug prices. This Medicare prescription drug coverage legislat on that may be enacted at a future date, could reduce our sales and adversely affect our results of operations.

develop and market products that are more effective, safer or more convenient than our approved products, or obtain marketing approval before we obtain appro unity will be reduced or eliminated.

the pharmaceutical and biotechnology industries is intense and is expected to increase. Many biotechnology and pharmaceutical companies, as well as academic lab elopment for various neurological diseases, including MS and SCI. We are aware of a company developing a sodium/potassium channel blocker and of another Comp e product, which may compete with Fampridine-SR, if approved. In certain circumstances, pharmacists are not prohibited from formulating certain drug compounds t e aware that at present compounded fampridine is used by some people with MS or SCI and it is possible that some people will want to continue to use compounded re approved. Several companies are engaged in developing products that include novel immune system approaches and cell transplant approaches to remyelination for in early stages of development and may compete in the future with Fampridine-SR or our preclinical candidates.

f matter patents on tizanidine, the active ingredient in Zanaflex Capsules and Zanaflex tablets, expired in 2002. As of January 1, 2009, there were 12 companies with et. To the extent that we are not able to differentiate Zanaflex Capsules from Zanaflex tablets and generic tizanidine tablets and/or pharmacists improperly substitute g for Zanaflex Capsules, we may be unable to convert additional sales of Zanaflex tablets and generic tizanidine tablets to Zanaflex Capsules and our ability to generat Although no other FDA-approved capsule formulation of tizanidine exists, another company could develop a capsule or other formulation of tizanidine that competes dvised us in August 2007 that it had submitted an Abbreviated New Drug Application (ANDA) to the FDA seeking marketing approval for generic versions of Zanafl maintain, and, if necessary, enforce our intellectual property", below). If a generic tizanidine hydrochloride capsule were approved and commercialized by any other c mpetition, which would likely cause significant declines in our revenue from this product, which is currently our only marketed product, and in our profit margin. Shou ue to generic competition, we might have to write off a portion of the intangible assets associated with Zanaflex Capsules and Zanaflex.

rs may succeed in developing products that are more effective, safer or more convenient than our products or the ones we have under development or that render our mpetitive or obsolete. In addition, our competitors may achieve product commercialization before we do. If any of our competitors develops a product that is more ef le to obtain FDA approval for commercialization before we do, we may not be able to achieve market acceptance for our products, which would adversely affect our tial development costs we have incurred and will continue to incur.

may be subject to competition from lower-priced versions of such products and competing products imported into the United States from Canada, Mexico and other c ontrols or other market dynamics that make the products lower priced.

ld be curtailed if we are unable to obtain any necessary additional financing on favorable terms or at all.

er 31, 2008, we had approximately $246.0 million in cash, cash equivalents and short-term investments. Although we anticipate this will be sufficient to fund our ope 2010 based on our current projected revenue and spending levels, we have several product candidates in various stages of development, and all will require significa latory approval prior to commercialization. We will need to seek additional equity or debt financing or strategic collaborations to complete our product development to commercialize any products that we successfully develop. We may not be able to raise additional capital on favorable terms or at all. To the extent that we are able ecurities, the issuance of those securities would result in dilution to our stockholders. Holders of such new equity securities may also have rights, preference or privile raised through the incurrence of indebtedness, we may become subject to various restrictions and covenants that could limit our ability to respond to market conditio or take advantage of business opportunities. To the extent funding is raised through collaborations or intellectual property-based financings, we may be required to gi property to one or more of our products, product candidates or preclinical programs. If we are unable to obtain sufficient financing on favorable terms when and if ne continue one or more of our product development programs or devote less resources to marketing Zanaflex Capsules and Fampridine-SR, if approved.

g arrangement with the Paul Royalty Fund, or PRF, upon the occurrence of certain events, PRF may require us to repurchase the right to receive revenues that sets that secure our obligations to PRF. Any exercise by PRF of its right to cause us to repurchase the assigned right or any foreclosure by PRF could adversely a tion.

23, 2005, we entered into a revenue interest assignment agreement with PRF, which was amended on November 28, 2006, pursuant to which we assigned to PRF the aflex Capsules, Zanaflex tablets and any future Zanaflex products. To secure our obligations to PRF, we also granted PRF a security interest in substantially all of our

ngement with PRF, upon the occurrence of certain events, including if we experience a change of control, undergo certain bankruptcy events, transfer any of our inte e agreement, development, commercialization, co-promotion, collaboration, partnering or similar agreement), transfer all or substantially all of our assets, or breach c varranties under the revenue interest assignment agreement, PRF may (i) require us to repurchase the rights we assigned to it at the "put/call price" in effect on the dat Zanaflex assets that secure our obligations to PRF. Except in the case of certain bankruptcy events, if PRF exercises its right to cause us to repurchase the rights we a fail to pay the put/call price as required. The put/call price on a given date is the greater of (i) 150% of all payments made by PRF to us as of such date, less all paym 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 o date.

exercise its right to cause us to repurchase the right we assigned to it, we cannot assure you that we would have sufficient funds available to pay the put/call price in ilable, we may have to use funds that we planned to use for other purposes and our results of operations and financial condition could be adversely affected. If PRF w ur obligations to PRF, our results of operations and financial condition could also be adversely affected. Because PRF's right to cause us to repurchase the rights we as ge in control, transfer of any of our interests in Zanaflex (other than pursuant to a license agreement, development, commercialization, co-promotion, collaboration, p bstantially all of our assets, the existence of that right could discourage us or a potential acquirer from entering into a business transaction that would result in the occu

management and scientific personnel may hinder our ability to execute our business plan.

epends on the continuing contributions of our management team and scientific personnel, and maintaining relationships with our scientific and medical network and th hat conducts our clinical trials. We are highly dependent on the services of Dr. Ron Cohen, our President and Chief Executive Officer, as well as the other principal m success depends in large part upon our ability to attract and retain highly qualified personnel. We face intense competition in our hiring efforts with other pharmaceu es and nonprofit research organizations, and we may have to pay higher salaries to attract and retain qualified personnel. With the exception of Dr. Ron Cohen, we do n the lives of our officers, directors or employees. The loss of one or more of our key employees, or our inability to attract additional qualified personnel, could subst ness plan.

t risk of liability in the event that the use or misuse of our products results in personal injury or death.

isuse of Zanaflex Capsules or any other FDA-approved products we may sell in the future harms people, we may be subject to costly and damaging product liability c are providers, pharmaceutical companies, third-party payers or others. The use of our product candidates in clinical trials could also expose us to product liability clai urance policy that includes coverage of our clinical trials. This insurance policy has a $10 million per claim limit and the aggregate amount of claims under the policy ate marketed product liability coverage. We cannot predict all of the possible harms or side effects that may result from the use of our products or the testing of produ e coverage we currently have may not be adequate to cover all liabilities or defense costs we might incur. A product liability claim or series of claims brought against exceed our resources. Even if claims are not successful, the costs of defending such claims and potential adverse publicity could be harmful to our business.

arious federal and state laws regulating the marketing of Zanaflex Capsules and, if we do not comply with these regulations, we could face substantial penalties.

motion and other activities related to Zanaflex Capsules, or any of our other products under development following their regulatory approval, are subject to regulatory DA, including the Federal Trade Commission, the

ce, and state and local governments. We are subject to various federal and state laws pertaining to health care "fraud and abuse," including both federal and state anti- prescription drug manufacturer to solicit, offer, receive or pay any remuneration as an inducement for the referral of business, including the use, recommendation, pu federal government has published regulations that identify "safe harbors" or exemptions for certain payment arrangements that do not violate the anti-kickback statu it is possible that our practices, or those of our contract sales force, might be challenged under anti-kickback or similar laws. Violations of fraud and abuse laws may fines and civil monetary penalties, and future exclusion from participation in government healthcare programs.

to penalties if we fail to comply with post-approval legal and regulatory requirements and our products could be subject to restrictions or withdrawal from the ma

or which we currently have or may obtain marketing approval, along with the associated manufacturing processes, any post-approval clinical data that we might be re motional activities for the product, are subject to continual recordkeeping and reporting requirements, review and periodic inspections by the FDA and other regulato ject to limitations on the indicated uses for which the product may be marketed or to other restrictive conditions of approval that limit our ability to promote, sell or d ontain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. For example, we are required to inform the FD ackaging of our commercialized products. In December 2007, we filed a field alert with the FDA notifying them that two bottles of Zanaflex Capsules were packaged rmation on their labels. We worked with the packager of Zanaflex Capsules to identify and correct any issues that could have caused this, but there can be no assuran be labeled properly or that other similar issues will not occur. Additionally, in December 2008, we filed a field alert with the FDA notifying them that we had receiv x Capsules that she had received from her physician did not appear to contain any drug substance. We worked closely with the manufacturer and packager to investig te it, but we cannot assure you that this investigation uncovered all of the relevant information, that there will not be similar product complaints in the future, or that dequate or that the complaint does not reflect a broader issue with our manufacturing or quality assurance systems.

tstanding FDA commitment, inherited from Elan, to provide an assessment of the safety and effectiveness of Zanaflex Capsules in pediatric patients. This commitme ex capsules, was to be satisfied by February 2007.

etrospective pediatric safety data to the FDA in April 2007. However, we were not able to complete the pediatric pharmacokinetic study by the February 2007 deadli aining Institutional Review Board approvals. The study was completed and the final report submitted to the FDA in April 2008. The FDA reviewed our response to th on the new standards set out in the 2007 FDA Amendments Act and found that it does not fulfill them. We have withdrawn our submission and plan to meet with FD compliance with the revised standards. This could include conducting additional studies. Such additional studies could be more extensive and more costly than the re enalties for non-compliance with PREA, including a court-imposed injunction to conduct studies.

g and promotion are subject to stringent FDA rules and oversight. In particular, the claims in our promotional materials and activities must be consistent with the FDA
ly substantiated and fairly balanced with information on the safety risks and limitations of the products. Any free samples we distribute to physicians must be careful
mply with the requirements of the Prescription Drug Marketing Act, as amended, and FDA regulations. We must continually review adverse event information that we
l periodic adverse event reports to the FDA and other regulatory authorities.

e research, manufacturing, distribution, sale and promotion of drug and biological products are potentially subject to regulation by various federal, state and local auth
rs for Medicare and Medicaid Services, other divisions of the U.S. Department of Health and Human Services, the U.S. Department of Justice and individual U.S. At
ce, and state and local governments. For example, sales, marketing and scientific/educational grant programs must comply with the anti-kickback and fraud and abus
e False Claims Act, as amended, the privacy provisions of the Health Insurance Portability and Accountability Act and similar state laws. Pricing and rebate program
of the Omnibus Budget Reconciliation Act of 1990, as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorize
neral Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and

ow to adapt, or we may not be able to adapt, to changes in existing regulatory requirements or adoption of new legal or regulatory requirements or policies. Later disco
products, manufacturing processes, or failure to comply with regulatory requirements, may result in:

- voluntary or mandatory recalls;
- voluntary or mandatory patient or physician notification;
- withdrawal of product approvals;
- product seizures;
- restrictions on, or prohibitions against, marketing our products;
- restrictions on importation of our product candidates;
- fines and injunctions;
- civil and criminal penalties;
- exclusion from participation in government programs; and
- suspension of review or refusal to approve pending applications.

e FDA or another regulatory agency may conduct periodic unannounced inspections. If they determine that we or any of our manufacturing or other partners are not in
may issue a notice of inspectional observations. If the observations are significant, we may have to devote significant resources to respond and undertake appropriate
ely affect our business prospects.

al marketing compliance and reporting requirements may expose us to regulatory and legal action by state governments or other government authorities.

, several states, including California, Maine, Massachusetts, Minnesota, New Mexico, Nevada, New Hampshire, Texas, Vermont and West Virginia, and the District
g pharmaceutical companies to establish marketing compliance programs and file periodic reports with the state on sales, marketing, pricing and other activities. For e
armaceutical companies to adopt a comprehensive compliance program that is in accordance with the Office of Inspector General of the Department of Health and Hu
for Pharmaceutical Manufacturers. This compliance program must include policies for compliance with the Pharmaceutical Research and Manufacturers of America
onals, as well as a specific annual dollar limit on gifts or other items given to individual healthcare professionals in California. The law requires posting policies on a
aration of compliance.

f Columbia, Maine, Massachusetts, Minnesota, New Mexico, Nevada, New Hampshire, Texas, Vermont and West Virginia have also enacted laws of varying scope th
pharmaceutical companies pertaining to drug pricing and payments and costs associated with pharmaceutical marketing, advertising and promotional activities. Other
y, various pharmaceutical sales and marketing activities, and new legislation is being considered in many states. Many of the state law requirements are new and unce
e requirements are unclear. We are not aware of any companies against which fines or penalties have been assessed under these state reporting and disclosure laws to
nce infrastructure and standard operating procedures to comply with such laws. Unless we are in full compliance with these laws, we could face enforcement action a
se publicity.

oposed legislation may impose additional requirements. For example, in January 2009, Senators Grassley and Kohl introduced a federal physician payment disclosure
09 which, if enacted, will require pharmaceutical manufacturers to report certain gifts and payments to physicians, which will then be placed on a public database. Fa
icant financial penalties.

l and hazardous materials in a manner that causes injury, we may be liable for damages.

nd development activities involve the controlled use of potentially harmful biological materials, hazardous materials and chemicals that are subject to federal, state ar
, storage, handling and disposal. These materials include ketamine, buprenophine, sodium pentobarbital, ether, acetonitrile, hexanes, chloroform, xylene, dehydrated a
maldehyde. We cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials. If we fail to
ld be subject to criminal sanctions and/or substantial liability for any damages that result, and any substantial liability could exceed our resources.

maintain a general liability insurance policy that has a $2 million per claim limit and also caps aggregate claims at $2 million. In addition, we have an umbrella insura
ty in excess of the general liability policy's $2 million limit. This amount of insurance coverage may not be adequate to cover all liabilities or defense costs we

tion, the cost of compliance with environmental and health and safety regulations may be substantial.

gations pursuant to compliance with the Sarbanes-Oxley Act of 2002 is expensive and time consuming.

Oxley Act of 2002 requires that we maintain certain corporate governance practices and adhere to a variety of reporting requirements, including with respect to intern nce with these requirements has increased our general and administrative costs. In addition, these requirements could make it more difficult and more expensive for us and more difficult for us to attract and retain qualified members of our board of directors, particularly independent directors, or qualified executive officers.

r dependence on third parties

no manufacturing capabilities and are substantially dependent upon Elan and other third party suppliers to manufacture Zanaflex Capsules, Zanaflex tablets an

n or operate, and currently do not plan to own or operate, facilities for production and packaging of Zanaflex Capsules, Zanaflex tablets or Fampridine-SR. We rely ar production and packaging of our commercial products and clinical trial materials.

ingle manufacturer, Elan, for the supply of Zanaflex Capsules. Zanaflex Capsules are manufactured using Elan's proprietary SODAS multiparticulate drug delivery te supply Zanaflex Capsules, to use commercially reasonable efforts to assist us in either producing Zanaflex Capsules ourselves or in transferring production of Zanafl dded that such third-party manufacturer is not a technological competitor of Elan. In the event production is transferred to a third party, the FDA may require us to den ory testing that the product made by the new supplier is equivalent to the current Zanaflex Capsules before we could distribute products from that supplier. The proces new supplier could take a year or more.

ply agreement with Elan, we provide Elan with monthly written 18-month forecasts and with annual written two-year forecasts for our supply requirements of Zanafl he submission of our written 18-month forecast we are obligated to purchase the quantity specified in the forecast, even if our actual requirements are greater or less. I xcess of our forecasted amounts, although it has agreed to use commercially reasonable efforts to do so. If our forecasts of our supply requirements are inaccurate, we Capsules.

2007, we relied on a single manufacturer, Novartis, for the manufacture of Zanaflex tablets and for the supply of tizanidine, the active pharmaceutical ingredient in Z s discontinued production of tizanidine and will no longer supply tizanidine to Elan for the production of Zanaflex Capsules or to us for the production of Zanaflex ta e the tizanidine manufactured by a new supplier, Farmak, as the active ingredient in the production of Zanaflex Capsules. However, we are still required to obtain FD ed for the production of Zanaflex tablets. Elan has agreed to supply us with Novartis-manufactured tizanidine for the manufacture of Zanaflex tablets to satisfy supply

ain FDA approval of a new tizanidine supplier for Zanaflex tablets prior to February 2010, we may experience an interruption in our supply. Beginning in May 2007, tis-manufactured tizanidine must be retested within 30 days of each manufacturing run. If Elan's tizanidine inventory fails its retest prior to FDA approval of a new su ur supply of our Zanaflex tablets could result.

tly in contract negotiations with Patheon regarding the manufacture of Zanaflex tablets, and Patheon has agreed to manufacture Zanaflex tablets prior to the contract b s any disruption in their operations, a delay or interruption in the supply of our Zanaflex products could result until the affected supplier cures the problem or we loca e to enter into alternative supply arrangements on terms that are commercially favorable, if at all. Any new supplier would also be required to qualify under applicable bstantial delays before we are able to qualify any new supplier and transfer the required manufacturing technology to that supplier.

May 2007, the chemical stability of Elan's inventory of Novartis-manufactured tizanidine must be retested within 30 days of each manufacturing run. If Elan's tizanidi new supplier for Zanaflex tablets, a delay or interruption in our supply of our Zanaflex tablets could result.

xclusively on Elan to supply us with our requirements for Fampridine-SR. We and Elan rely on a single third-party manufacturer to supply fampridine, the active pha der our supply agreement with Elan, we are obligated to purchase at least 75% of our yearly supply of Fampridine-SR from Elan, and we are required to make compe our requirements from Elan, subject to certain exceptions. We and Elan have agreed that we may purchase up to 25% of our annual requirements from Patheon, a mut ng source, with compensatory payment.

ce on others to manufacture our marketed products and clinical trial materials may adversely affect our ability to develop and commercialize our products on a timely

act research organizations do not perform in an acceptable and timely manner, our preclinical testing or clinical trials could be delayed or unsuccessful.

e the ability to conduct all aspects of our preclinical testing or clinical trials ourselves. We rely and will continue to rely on clinical investigators, third-party contract rm some or all of the functions associated with preclinical testing and clinical trials. The failure of any of these vendors to perform in an acceptable and timely manne y applicable regulatory requirements, such as good clinical and laboratory practices, or preclinical testing or clinical trial protocols, could cause a delay or other adver l ultimately on the timely advancement of our development programs. For example, the contract manufacturer that we were working with to produce rHlgM22 under ND filing that we had targeted for late 2009.

r intellectual property

t, maintain and, if necessary, enforce our intellectual property, our ability to develop and commercialize our products will be severely limited.

ill depend in part on our and our licensors' ability to obtain, maintain and enforce patent protection for the technologies, compounds and products, if any, resulting fro protection for the intellectual property we use or intend to use, other companies could offer substantially identical products for sale without incurring the sizable disco we have incurred. Our ability to recover these expenditures and realize profits upon the sale of products could be diminished.

nted, in-licensed or are the assignee of over 35 U.S. patents, over 110 foreign patents and over 100 patent applications pending worldwide for technologies we invente n be time consuming and expensive with no certainty of success. Even if we spend the necessary time and money, a patent may not issue, it may not issue in a timely strength to protect the technology it was intended to protect or to provide us with any commercial advantage. We may never be certain that we were the first to develo ent application for the particular technology because patent applications are confidential until they are published, and publications in the scientific or patent literature otection for our proprietary rights will remain uncertain if our pending patent applications are not allowed or issued for any reason or if we are unable to develop addit hermore, third parties may independently develop similar or alternative technologies, duplicate some or all of our technologies, design around our patented technolog r licensors.

te actions to protect our intellectual property and in any litigation in which our patents or our licensors' patents are asserted, a court may determine that the patents are rceability of these patents is upheld by a court, a court may not prevent alleged infringement on the grounds that such activity is not covered by the patent claims. In a nt may be unavailable or limited in some foreign countries for a variety of legal and public policy reasons. From time to time we may receive notices from third parti y rights. Any litigation, whether to enforce our rights to use our or our licensors' patents or to defend against allegations that we infringe third party rights, would be c t from other important tasks.

place in the biotechnology and pharmaceutical industry, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, rs. To the extent our employees are involved in areas that are similar to those areas in which they were involved at their former employers, we may be subject to clain or otherwise used or disclosed the alleged trade secrets or other proprietary information of the former employers. Litigation may be necessary to defend against such c d be a distraction to management and which could have an adverse effect on us, even if we are successful in defending such claims.

n our business on trade secrets, know-how and other proprietary information. We seek to protect this information, in part, through the use of confidentiality agreement ors and others. Nonetheless, those agreements may not provide adequate protection for our trade secrets, know-how or other proprietary information and prevent thei onsultants, collaborators, key

third parties apply technological information independently developed by them or by others to our proposed products, joint ownership may result, which could under sputes may arise as to the proprietary rights to such information which may not be resolved in our favor. The risk that other parties may breach confidentiality agreem ndependently discovered by competitors, could adversely affect us by enabling our competitors, who may have greater experience and financial resources, to copy or tion in the advancement of their products, methods or technologies. Policing unauthorized use of our or our licensors' intellectual property is difficult, expensive and e the extent of any unauthorized use. Adequate remedies may not exist in the event of unauthorized use or disclosure.

7, we received a Paragraph IV Certification Notice from Apotex Inc. advising that it filed an ANDA with the FDA to market generic versions of each of the three Zan response to that Notice, in October 2007, we filed a lawsuit against Apotex Corp. and Apotex Inc. (collectively, "Apotex") in the United States District Court for the D U.S. Patent No. 6,455,557 relating to methods of reducing drowsiness in patients with immediate release multiparticulate tizanidine formulations, including those sol 21.

2007, Apotex filed an answer to our complaint, asserting affirmative defenses of invalidity and non-infringement of U.S. Patent No. 6,455,557, and also filed counterc nfringement. Apotex' defenses or counterclaims may change during the course of the litigation and its arguments and/or the underlying bases for its arguments may c ch we opposed, for partial judgment on the pleadings dismissing the Company's request for relief on the ground that the case is "exceptional" under U.S.C. §§ 271(e)(potex' motion in December 2008. We and Apotex are currently proceeding with discovery in the case. Although we intend to vigorously defend our intellectual prope o assurance that we will prevail or that the ANDA filed by Apotex will not be approved by the FDA. The resolution of this patent litigation could be lengthy and at su d absorb significant management time, all of which may materially and adversely affect our financial position and results of operations. In addition, if Apotex is succe roves that ANDA, it could be permitted to sell a generic tizanidine hydrochloride capsule. Further, other third parties may bring similar claims. We would face signifi hydrochloride capsule, which would cause significant declines in our revenue and profit margin. If a generic tizanidine hydrochloride capsule were approved and com ant competition, which would likely cause significant declines in our revenue from this product, which is currently our only marketed product. Should sales of Zanafl ion, we might have to write off a portion of the intangible assets associated with Zanaflex Capsules and Zanaflex.

cessfully claim that we infringed their patents or proprietary rights, our ability to continue to develop and successfully commercialize our product candidates coul

nay claim that we or our licensors or suppliers are infringing their patents or are misappropriating their proprietary information. In the event of a successful claim aga the patents or proprietary rights of others relating to any of our marketed products or product candidates, we may be required to:

pay substantial damages;

stop using our technologies;

stop certain research and development efforts;

significantly delay product commercialization activities;

develop non-infringing products or methods, which may not be feasible; and

obtain one or more licenses from third parties.

om time to time, we may become aware of third parties who have, or claim to have, intellectual property rights covering matters such as methods for doing business, c
ing medications that are alleged to be broadly applicable across sectors of the industry, and we may receive assertions that these rights apply to us. The existence of s
to our business.

ired under any patents or proprietary rights held by a third party may not be available to us, or may not be available on acceptable terms. If we or our licensors or supp
bstantial delays in, or be prohibited from developing, manufacturing and commercializing our product candidates and advancing our preclinical or clinical programs. I
ne consuming, and might distract management from other important tasks.

on our license agreements and if we fail to meet our obligations under these license agreements, or our agreements are terminated for any reason, we may lose ou

dent on licenses for intellectual property related to Zanaflex, Fampridine-SR and all of our preclinical programs. Our failure to meet any of our obligations under these
s to this intellectual property. If we lose our rights under any of these license agreements, we may be unable to commercialize a product that uses licensed intellectual

our rights to Fampridine-SR under our license agreement with Elan in countries in which we have a license, if we fail to file regulatory approvals within a commercia
eipt of positive data from all preclinical and clinical studies required for the NDA-equivalent. We could also lose our rights under our license agreement with Elan if w
the United States, within 180 days of NDA or equivalent approval. Elan could also terminate our license agreement if we fail to make payments due under the licens
ur prospects for generating revenue and recovering our substantial investment in the development of this product would be materially harmed.

ur common stock

y be volatile and you may lose all or a part of your investment.

tial public offering in February 2006, you could not buy or sell our common stock publicly. While our common stock is listed on the Nasdaq Global Market, an active
stained. You may not be able to sell your shares quickly or at the current market price if trading in our stock is not active. Our stock price could fluctuate significantly

achievement or rejection of regulatory approvals by us or by our competitors;

publicity regarding actual or potential clinical trial results or updates relating to products under development by us or our competitors;

announcements of new corporate partnerships, alliances, financings or other transactions, or of technological innovations or new commercial products by our compet

developments concerning proprietary rights, including patents;

developments concerning our collaborations;

economic or other crises or other external factors;

conditions or trends in the pharmaceutical or biotechnology industries;

litigation and other developments relating to our patents or other proprietary rights or those of our competitors;

governmental regulation and legislation in the United States and foreign countries;

changes in securities analysts' estimates of our performance or our failure to meet analysts' expectations;

sales of substantial amounts of our stock;

delay or failure in initiating, completing or analyzing pre-clinical trials or unsatisfactory design or result of these trials;

variations in product revenue and profitability;

variations in our anticipated or actual operating results; and

delays in completing Phase IV trials if required by the FDA.

factors are beyond our control, and we believe that period-to-period comparisons of our financial results will not necessarily be indicative of our future performance. not meet expectations, we may not be able to adjust our expenditures in that period, which could cause our operating results to suffer. If our operating results in any urities analysts or investors, our stock price may fall by a significant amount.

e stock markets in general, and the Nasdaq Global Market and the market for biopharmaceutical companies in particular, have experienced extreme price and volume ave been unrelated or disproportionate to the operating performance of these companies. These broad market and industry factors may adversely affect the market pri tual operating performance.

common stock could cause our stock price to decline.

stockholders sell a large number of shares of our common stock, or the public market perceives that existing stockholders might sell shares of common stock, the ma ficantly. Sales of substantial amounts of shares of our common stock in the public market by our executive officers, directors, 5% or greater stockholders or other stoc ly affect the market price of our common stock. As of February 13, 2009, we have outstanding 37,774,711 shares of voting common stock. We have registered 6,625 ssuance under our equity compensation plans, including outstanding options to acquire 3,181,056 shares of common stock outstanding as of February 13, 2009, exerc . To the extent that option holders exercise outstanding options, there may be further dilution and the sales of shares issued upon such exercises could cause our stock

ctors and largest stockholders choose to act together, they may be able to control the outcome of stockholder vote.

er 31, 2008, our officers, directors and holders of 5% or more of our outstanding common stock beneficially own approximately 45.9% of our common stock. As a re
le to significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval or mergers or other business combi
ckholders may not always coincide with the interests of other stockholders, and they may act in a manner that advances their best interests and not necessarily those o

***of Delaware law, our certificate of incorporation and our bylaws may delay or prevent an acquisition of us that stockholders may consider favorable or may preve
rs or our management, which could decrease the value of your shares.***

of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire us, and may have the effect of preventing or hindering an
directors or officers. These provisions include:

Our board of directors has the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a dire
from being able to fill vacancies on our board of directors.

Our board of directors may issue, without stockholder approval, shares of preferred stock with rights, preferences and privileges determined by the board of directors
preferred stock with voting or other rights or preferences makes it possible for our board of directors to issue preferred stock with super voting, special approval, divi
on a discriminatory basis that could impede the success of any attempt to acquire us.

Our board of directors is divided into three classes, each with staggered three-year terms. As a result, only one class of directors will be elected at each annual meetin
two other classes of directors will continue to serve for the remainder of their respective three-year terms, limiting the ability of stockholders to reconstitute the boar

The vote of the holders of 75% of the outstanding shares of our common stock is required in order to take certain actions, including amendment of our bylaws, remov
certain amendments to our certificate of incorporation.

corporation, we are also subject to certain anti-takeover provisions of Delaware law. Under Delaware law, a corporation may not engage in a business combination w
ess the holders has held the stock for three years or, among other things, the board of directors has approved the transaction. Our board of directors could rely on Dela
hich could have the effect of reducing your ability to receive a premium on your common stock.

intend to pay dividends in the foreseeable future, you will benefit from an investment in our common stock only if it appreciates in value.

aid cash dividends on any of our classes of capital stock to date, and we currently intend to retain our future earnings, if any, to fund the development and growth of o
ash dividends in the foreseeable future. The success of your investment in our common stock will depend entirely upon any future appreciation.

ee that our common stock will appreciate in value or even maintain the price at which you purchased your shares.

olved Staff Comments.

ies.

executive offices are located in an approximately 46,103 square foot facility in Hawthorne, NY, which houses offices and laboratory space. The current annual rent fo
lieve that our facility is currently adequate for our purposes however there may be a need to rent additional space in the future depending upon the possible growth o
ecember 2012.

roceedings.

7, we received a Paragraph IV Certification Notice from Apotex Inc. advising that it filed an ANDA with the FDA to market generic versions of each of the three Za
response to that Notice, in October 2007, we filed a lawsuit against Apotex Corp. and Apotex Inc. (collectively, Apotex) in the United States District Court for the Di
U.S. Patent No. 6,455,557 relating to methods of reducing drowsiness in patients with immediate release multiparticulate tizanidine formulations, including those so
swered our complaint, asserting patent invalidity and non-infringement and counterclaiming, seeking a declaratory judgment of patent invalidity and non-infringemen

, Apotex filed a motion, which we opposed, for partial judgment on the pleadings dismissing our request for relief on the ground that the case is "exceptional" under
avor and denied Apotex' motion in December 2008. We and Apotex are currently proceeding with discovery in the case.

sion of Matters to a Vote of Security Holders.

submitted to a vote of security holders during the fourth quarter of 2008.

PART II

for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

stock has been quoted on the NASDAQ Global Market under the symbol ACOR since our initial public offering on February 9, 2006. Prior to that date, there was no p
g table sets forth, for the periods indicated, the high and low bid prices per share of our common stock as reported on the NASDAQ Global Market.

	High	Low
Fiscal Year Ended December 31, 2008		
Fourth Quarter	$24.03	$14.42
Third Quarter	$35.65	$23.03
Second Quarter	$33.70	$17.74
First Quarter	$28.14	$17.03

	High	Low
Fiscal Year Ended December 31, 2007		
Fourth Quarter	$23.40	$16.84
Third Quarter	$21.41	$15.80
Second Quarter	$26.58	$16.69
First Quarter	$25.88	$15.06

Transfer Company is the transfer agent and registrar for our common stock. As of February 13, 2009, we had approximately 42 registered holders of record of our cor

mance Graph

graph compares the cumulative 34-month total return attained by stockholders on Acorda Therapeutics, Inc's common stock relative to the cumulative total returns of Biotechnology index. An investment of $100 is assumed to have been made in our common stock and in each of the indexes on 2/10/2006 and its relative performanc

COMPARISON OF 34 MONTH CUMULATIVE TOTAL RETURN*

Among Acorda Therapeutics, Inc, The NASDAQ Composite Index
And The NASDAQ Biotechnology Index

$100 invested on 2/10/06 in stock & 1/31/06 in index including reinvestment of dividends. Fiscal year ending December 31.

	2/06	2/06	3/06	4/06	5/06	6/06	7/06	8/06	9/06	10/06	11/06
tics, Inc	100.00	92.26	77.68	72.92	57.29	62.05	47.62	43.45	136.16	264.73	288.10
site	100.00	98.94	101.92	101.51	95.35	95.19	92.07	96.20	99.30	104.20	107.17
nology	100.00	103.61	101.75	95.72	92.16	91.09	92.89	93.37	95.18	100.89	99.74

2/07	3/07	4/07	5/07	6/07	7/07	8/07	9/07	10/07	11/07	12/07
323.07	288.99	368.75	296.13	253.87	249.70	267.71	273.07	301.64	278.42	326.79
106.93	107.36	111.33	114.98	114.93	112.53	114.32	119.77	126.45	117.37	116.69
97.23	94.38	102.67	101.43	98.70	97.27	98.85	104.54	109.02	105.77	99.24

3/08	4/08	5/08	6/08	7/08	8/08	9/08	10/08	11/08	12/08
267.11	313.24	320.83	488.54	488.24	418.90	354.91	303.57	269.64	305.21
100.28	106.34	111.15	101.31	101.24	102.63	89.90	73.71	65.99	67.98
96.08	96.75	98.85	97.19	110.37	107.25	100.80	91.94	85.49	91.64

e performance included in this graph is not necessarily indicative of future stock price performance.

r declared or paid cash dividends on our common stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We currently in
ings to fund the development and growth of our business.

l Financial Data.

unaudited selected consolidated financial data for each of the five years in the period ended December 31, 2008 are derived from our audited consolidated financial s with our audited consolidated financial statements and related notes that are included elsewhere in this Annual Report on Form 10-K and with "Management's Discus lts of Operations" included in Item 7 below.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands, except per share data)				
Statement of Operations Data:					
Gross sales Zanaflex	$ 53,398	$ 43,586	$ 26,548	$ 5,923	$
Less: discounts and allowances	(5,670)	(4,160)	396	(1,114)	(4,417)
Net sales	47,728	39,426	26,944	4,809	(4,417)
Grant revenue	99	60	407	336	479
Total net revenue	47,827	39,486	27,351	5,145	(3,938)
Less: cost of sales	(11,355)	(8,356)	(7,123)	(5,132)	(885)
Gross profit	36,472	31,130	20,228	13	(4,823)
Operating expenses:					
Research and development	36,604	22,410	12,055	12,890	21,999
Sales and marketing	49,070	30,737	19,079	13,099	4,662
General and administrative	24,237	17,431	12,561	8,435	13,283
Total operating expenses	109,911	70,578	43,695	34,424	39,944
Operating loss	(73,439)	(39,448)	(23,467)	(34,411)	(44,767)
Other income (expense):					
Interest and amortization of debt discount expense	(5,591)	(2,664)	(2,553)	(1,526)	(385)
Interest income	4,682	4,087	1,471	402	409
Other income	8	51	76	1	2
Total other income (expense)	(901)	1,474	(1,006)	(1,123)	26
Cumulative effect of change in accounting principle(3)			454	3	
Net loss	(74,340)	(37,974)	(24,019)	(35,531)	(44,741)
Beneficial conversion feature, accretion of issuance costs, preferred dividends, and fair value of warrants issued to convertible preferred stockholders			(36,008)	(24,849)	(24,746)
Net loss allocable to common stockholders	(74,340)	(37,974)	$(60,027)	$(60,380)	$(69,487)
Net loss per share allocable to common stockholders basic & diluted	$ (2.19)	$ (1.45)	$ (3.27)	$(295.27)	$(351.76)

Pro forma net loss per share allocable to common stockholders basic & diluted (unaudited)(1)				$ (.79)	$ (9.63)
Weighted average shares of common stock outstanding used in computing net loss per share allocable to common stockholders basic & diluted	33,939	26,237	18,346	204	198
Weighted average shares of common stock outstanding used in computing pro forma net loss per share allocable to common stockholders basic & diluted (unaudited)(1)(2)				13,547	13,536

forma net loss per share and weighted average shares of common stock used in computing pro forma net loss per share allocable to cor
ded December 31, 2005 and 2004, respectively, are calculated as if all our convertible preferred stock and mandatorily redeemable con
ed into common stock as of the beginning of the year ended December 31, 2004 or from their respective dates of issuance, if issued afte
December 31, 2004. The pro forma net loss per share allocable to common stockholders for the year ended December 31, 2004 was com

was completed at the beginning of the fiscal year presented and has been adjusted to give effect to the following: (a) recognition of the
al conversion charge of $67.9 million; (b) recognition of the unamortized portion of issuance costs relating to Series E, Series I, Series
$379,000; and (c) reversal of accrued preferred dividends on Series J and Series K preferred stock of $7.4 million. The pro forma net l
n stockholders for the year ended December 31, 2005 reflects the reversal of the accrued preferred dividend of $5.3 million, amortized b
4 million and amortized issuance cost of $108,000 assuming that the automatic conversion occurred as of the beginning of the fiscal yea
ur initial public offering in February 2006, all the preferred stock was converted into common stock.

ghted average shares of our common stock outstanding used in computing the pro forma net loss per share allocable to common stockh
es A through Series J equivalent shares of common stock from the beginning of the fiscal year; and (b) Series K equivalent shares of co
of issuance of the Series K preferred stock.

uary 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards 123 (revised 2004), "Share-Based Payment" (S
that the costs resulting from all share-based payment transactions be recognized in the financial statements at their fair values. We ado
ified prospective application method under which the provisions of SFAS No. 123R apply to new awards and to awards modified, repu
tion date. Additionally, compensation cost for the portion of the awards for which the requisite service has not been rendered that are o
n date is recognized in the Consolidated Statement of Operations over the remaining service period after the adoption date based on the
ue. Results for prior periods have not been restated. Upon adoption of SFAS No. 123R, we recorded a cumulative effect of change in ac
5 during the three-month period ended March 31, 2006, calculated as the difference between compensation cost recognized to date usin
t would have been recognized to date using estimated forfeitures.

	As of December 31,				
	2008	2007	2006	2005	2004
			(in thousands)		
lidated Balance Sheet					
nd cash equivalents	$ 29,613	$ 16,810	$18,101	$ 11,761	$ 11,729
erm investments	216,435	78,310	35,656	2,001	9,397
ng capital	207,445	71,770	33,324	(10,394)	9,067
ssets	281,501	127,306	84,368	33,912	30,982
ed product e Zanaflex tablets	7,867	7,914	9,117	11,510	6,668
ed product e Zanaflex Capsules	16,436	13,924	11,324	5,226	
t portion of notes payable		188	1,044	1,068	302
rrent portion of notes e			187	1,147	145
t portion of revenue t liability PRF transaction	6,181	1,785	3,392	2,162	
l option liability PRF tion	338	463	350	400	
rrent portion of revenue t liability PRF transaction	12,498	17,444	19,744	12,914	
erm convertible notes e	6,905	6,703	6,508	8,768	8,422
torily redeemable ed stock				91,214	66,364
	207,157	63,433	18,669	(116,536)	(60,571)

tockholders' equity
)

65

ement's Discussion and Analysis of Financial Condition and Results of Operations.

discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statem
on Form 10-K.

menced operations in 1995, we have devoted substantially all of our resources to the identification, development and commercialization of novel therapies that impro
other disorders of the CNS. Our marketed drug, Zanaflex Capsules, is FDA-approved for the management of spasticity.

l positive results from a Phase 3 clinical trial of our lead product candidate, Fampridine-SR, for the improvement of walking ability in people with MS in September 2
MS, MS-F204, was initiated in June 2007 and favorable results from that study were released in June 2008. The objective of this study was to show that individuals tr
ikely to have consistent improvements in their walking than those treated with placebo. A Thorough QT cardiac study was initiated in September 2007 and favorable
2008. This study evaluated the potential to cause an increase in the electrocardiographic QT interval. Fampridine-SR, at both therapeutic and supratherapeutic doses,
y 30, 2009, we submitted a New Drug Application to the FDA for Fampridine-SR. We have also discussed Fampridine-SR with national regulatory authorities of fou
current data are sufficient to file a centralized MAA with the European Medicines Agency. We are in discussions with potential marketing partners regarding the co
ion and other non-U.S. markets. At the same time, we are preparing for the filing of a centralized MAA with the EMEA. We plan to maintain our flexibility in the ti
S. commercialization pathway and availability to patients. We believe Fampridine-SR is the first potential therapy in late-stage clinical development for MS that seek
rs and, if approved, could be complementary to existing drugs used to treat MS. To our knowledge, there are no current therapies indicated to improve walking abilit

, 2008 the Company acquired certain assets of Neurorecovery, Inc. (NRI). These assets will enable Acorda to explore additional therapeutic indications for its investi
well as gain access to pre-clinical compounds that may have utility in nervous system disorders. Under the terms of the purchase agreement, Acorda was assigned tw
to the use of aminopyridines in peripheral neuropathies and two early stage development candidates. Acorda also acquired NRI's pre-clinical and clinical data, regul
copyrights, trademarks and domain names relating to the three products. Acorda issued 100,000 shares of its Common Stock as the purchase price for these assets w
on was accounted for as an acquisition of in-process research and development assets and, as such, resulted in a non-cash expense in the first quarter of 2008 of $2,68

preclinical programs focused on novel approaches to repair damaged components of the CNS. We believe all of our preclinical programs neuregulins, remyelinating
and have the potential to be first-in-class therapies. While these programs have initially been focused on MS and SCI, we believe they may be applicable across a nu
c brain injury, because many of the mechanisms of tissue damage and repair are similar. In addition, we believe

have applicability beyond the nervous system, including in such fields as cardiology, oncology, orthopedics and ophthalmology. Our preclinical programs also target
uding stroke and traumatic brain injury.

til mid-2004, we were engaged almost exclusively in the in-licensing of compounds and the preclinical and clinical development of these compounds. We licensed the
nt of SCI in 1997. In September 2003, we entered into an amended license agreement with Elan that granted us exclusive worldwide rights to Fampridine-SR in retur
ion, we entered into a supply agreement under which Elan provides Fampridine-SR based upon an agreed upon price schedule.

nded a significant portion of our funds on a number of clinical trials for Fampridine-SR, our most advanced product candidate, including two Phase 3 clinical trials of
l, the results of which were announced in April 2004 and the Phase 3 clinical trials for MS described above.

se 2 clinical trial in MS was completed in 2001. In mid-2004, we decided to put our clinical trials of Fampridine-SR in SCI on hold, and refocused our efforts on our
our recently completed Phase 3 clinical trial of Fampridine-SR for improvement of walking ability in people with MS. We may resume our clinical development of F

ve acquired all of Elan's research, development, distribution, sales and marketing rights to Zanaflex Capsules and Zanaflex tablets in the United States. These product
sticity. We made an upfront payment to Elan of $2.0 million and we will also be obligated to pay royalties upon the achievement of specified sales levels. Through D
d milestones totaling $19.5 million in the aggregate, based on the achievement of specified levels of sales. As part of our Zanaflex acquisition, we entered into a long-
rovides us with Zanaflex Capsules. Elan also assigned us its rights under an agreement with Novartis for the supply of tizanidine and Zanaflex tablets.

efforts are focused on Zanaflex Capsules, which we launched in April 2005 and pre-launch activities associated with the commercialization of Fampridine-SR, if app
rotection in 2002 and both Zanaflex Capsules and Zanaflex tablets compete with 12 generic tizanidine products. Although we currently distribute Zanaflex tablets, we
anaflex tablets. As a result, prescriptions for Zanaflex tablets have declined and we expect that they will continue to decline. Our goal is to convert as many sales of Z
sales of Zanaflex Capsules as possible. We believe that sales of Zanaflex Capsules will constitute a significant portion of our total revenue until we begin to generate
Capsules and tablets commercial operations were cash flow positive in 2008 and are expected to be cash flow positive in 2009, with Zanaflex Capsules revenue expe

e began establishing our own specialty sales force in the U.S., which consisted of 61 sales professionals as of December 31, 2008. This sales force has targeted neuro
g people with conditions that involve spasticity. We also employ an internal and field-based team who call on managed care organizations, pharmacists and distributi
ional Markets Group, LLC to provide a small, dedicated sales force of pharmaceutical telesales professionals who contact primary care, specialist physicians and pha

005, we entered into a revenue interest assignment agreement with PRF pursuant to which we assigned PRF the right to receive a portion of our net revenues (as defi
nt from our net revenues as determined in accordance with GAAP) from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The agreement covers
ober 1, 2005 through and including December 31, 2015, unless the agreement is terminated earlier. Under the agreement, PRF is entitled to a royalty consisting of cer
ues, based upon the level of net revenues. The agreement provides that the royalty rate will drop to 1% upon PRF's receipt of 2.1 times the aggregate amount PRF has
e terms of the agreement, we are required to pay PRF $5.0 million on December 1, 2009 and an additional $5.0 million on December 1, 2010. For more information re
Capital Resources Financing Arrangements."

our initial public offering in February 2006, in which we sold 6,075,614 shares of our common stock, resulting in net proceeds of approximately $31.5 million. Since
te placement of our common stock in October 2006 and three follow-on common stock offerings, raising an aggregate of approximately $273.4 million, in July 2007

2007, we received a Paragraph IV Certification Notice from Apotex Inc. advising that it had filed an ANDA with the FDA for generic versions of each of the three Za
age strengths marketed by us. In response to the filing of the ANDA, in October 2007, we filed a lawsuit against Apotex Corp. and Apotex Inc. (collectively, Apotex)
ew Jersey asserting infringement of our U.S. Patent No. 6,455,557 relating to multiparticulate tizanidine compositions, including those sold by us as Zanaflex Capsul
swered our complaint, asserting patent invalidity and non-infringement and counterclaiming, seeking a declaratory judgment of patent invalidity and non-infringemen
e ANDA were approved by the FDA and Apotex were successful in challenging the validity of the patent, Apotex could be permitted to sell a generic tizanidine hydr
ules.

, Apotex filed a motion, which we opposed, for partial judgment on the pleadings dismissing our request for relief on the ground that the case is "exceptional" under
avor and denied Apotex' motion in December 2008. We and Apotex are currently proceeding with discovery in the case.

nd Returns

ue consists of sales of Zanaflex Capsules and Zanaflex tablets. Under SFAS 48, *Revenue Recognition When the Right of Return Exists,* we are not permitted to recogn
the likely return rate for our products. Since we have only limited sales history with Zanaflex Capsules and due to generic competition and customer conversion from
t reasonably determine a return rate. As a result, we account for sales of these products using a deferred revenue recognition model. At a future point in time, we expe
turns and will then begin to recognize revenue based on shipments of product to our wholesale drug distributors.

erred revenue model, we do not recognize revenue upon shipment of product to our wholesale drug distributors. Instead, we record deferred revenue at gross invoice s
ry held by the wholesaler as a component of inventory. We recognize revenue when prescriptions are filled to end-users because once prescriptions are filled

be returned. We use monthly prescription data that we purchase to determine the amount of revenue to be recognized. When we receive the prescription data, we use t
l gross sales. We then reduce deferred revenue and record cost of goods sold. We began receiving end-user prescription data in March 2005 which enabled us to begin
s. We began marketing Zanaflex Capsules in April 2005 and began receiving prescription data and recognizing revenue in the same month.

enue interest assignment agreement with PRF, as amended in November 2006, PRF is entitled to a portion of our net revenues from Zanaflex Capsules, Zanaflex table
ment covers all Zanaflex net revenues (as defined in the agreement) generated from October 1, 2005 through and including December 31, 2015, unless the agreement
entitled to a certain portion of such Zanaflex net revenues. For more information regarding our agreement with PRF, see " Liquidity and Capital Resources Financin

urns of products for six months prior to and 12 months after their expiration date. Returns of products sold by us are charged directly against deferred revenue, reducin
ize.

wances

wholesaler fees for services, cash discounts, Medicaid and patient program rebates and chargebacks have been established. At the time product is shipped to wholesale
the appropriate reserves are credited. These allowances are established by management as its best estimate of historical experience adjusted to reflect known changes
es for wholesaler fees for services, chargebacks, rebates and discounts are established based on contractual terms with customers and analyses of historical usage of di

is recognized when the related research expenses are incurred and our performance obligations under the terms of the respective contract are satisfied. To the extent e
ipment is deferred and amortized over the shorter of its useful life or the life of the related contract.

onsists of cost of inventory, expense due to inventory reserves, royalty expense, milestone amortization of intangible assets associated with the Zanaflex acquisition,
stability testing costs. Our inventory costs, royalty obligations and milestone obligations are set forth in the agreements entered into in connection with our Zanaflex a
n with the revenue interest assignment transaction entered into in December 2005 will not constitute royalty expense or otherwise affect our cost of sales. See " Liqu
ng Arrangements."

lopment Expenses

development expenses consist primarily of employee compensation and benefits, fees paid to professional service providers for independently monitoring our clinical
al trials, costs of contract manufacturing services, costs of materials used in clinical trials and research and development and depreciation of capital

evelop our products. Share-based compensation is classified between clinical development and preclinical research and development based on employee job function.
as incurred.

table summarizes our research and development expenses for the years ended December 31, 2008, 2007 and 2006. Clinical development contract expense MS consi
consisting largely of clinical trial and research services provided by outside laboratories and vendors in connection with each product candidate in clinical developme
imarily consists of costs associated with Fampridine-SR manufacturing development. Preclinical research and development research contracts consists of our externa
laboratories and vendors in connection with each product candidate in all preclinical programs as a group. Our internal research and development costs, which are in
osts, related benefits and share-based compensation, that are not attributable to any individual project because we use these resources across several development pro
l costs related to the preparation of the Fampridine-SR NDA and regulatory support for Fampridine-SR clinical studies and pre-clinical research and development.

	Year Ended December 31,		
	2008	2007	2006
Clinical development:			
Contract expense MS	$ 8,887	$10,823	$ 6,004
Other contract expense	2,120	1,368	751
NRI acquisition	2,687		
Operating expense	5,290	3,496	1,553
Total clinical development	18,984	15,687	8,308
Preclinical research and development:			
Research contracts	6,425	681	153
Operating expense	3,018	2,406	3,057
Total preclinical research and development	9,443	3,087	3,210
Regulatory affairs	8,177	3,636	537
Total	$36,604	$22,410	$12,055

g Expenses

keting expenses include personnel costs, related benefits and share-based compensation for our sales and marketing personnel and the cost of Zanaflex sales and mark
with the possible commercialization of Fampridine-SR.

istrative Expenses

dministrative expenses consist primarily of personnel costs, related benefits and share-based compensation for personnel serving executive, finance, medical affairs, b
ogy and human resource functions. Other costs include facility costs not otherwise included in research and development or sales and marketing expense and profess

pense)

e consists of income earned on our cash, cash equivalents and short-term investments. Interest expense consists of interest expense related to our revenue interest liab

ons

ber 31, 2008 Compared to Year Ended December 31, 2007

l gross sales from the sale of Zanaflex Capsules and Zanaflex tablets of $53.4 million for the year ended December 31, 2008, as compared to $43.6 million for the yea mately $9.8 million, or 23%. The increase was due to an increase in prescriptions written for our products that we believe is the result of expanding our sales force act We have not increased products' prices since a 10% increase effective January 1, 2007. We recognize product sales using a deferred revenue recognition model meani erred revenue and only recognized as revenue when end-user prescriptions of the product are reported.

wances

iscounts and allowances of $5.7 million for the year ended December 31, 2008 as compared to a $4.2 million for the year ended December 31, 2007, an increase of ap counts and allowances was the result of a higher level of Zanaflex revenues and related shipments. Discounts and allowances are recorded when Zanaflex Capsules an

allowances for the year ended December 31, 2008, consisted of $2.3 million for fees for services payable to wholesalers, $1.9 million for chargebacks and rebates an n rebates. Discounts and allowances for the year ended December 31, 2007 consisted of $1.6 million for fees for services payable to wholesalers, $1.5 million for char discounts and allowances.

for the year ended December 31, 2008 was $99,000 compared to $60,000 for the year ended December 31, 2007, an increase of approximately $39,000, or 65%. Gra penses are incurred and our performance obligations under the terms of the respective contract are satisfied.

ost of sales of $11.4 million for the year ended December 31, 2008 as compared to $8.4 million for the year ended December 31, 2007, an increase of approximately o the increase in gross sales and the amortization of the Zanaflex intangible asset achieved in the beginning of 2008. Cost of sales for the year ended December 31, 20 4 million in royalty fees, $2.4 million in amortization of intangible assets, which is unrelated to either the volume of shipments or the amount of revenue recognized, nd stability testing. Cost of sales for the year ended December 31, 2007 consisted of $3.0 million in royalty fees, $3.9 million in inventory costs, $1.2 million in amor

elated to either the volume of shipments or the amount of revenue recognized, and $222,000 in costs related to packaging, freight and stability testing.

lopment

development expenses for the year ended December 31, 2008 were $36.6 million as compared to $22.4 million for the year ended December 31, 2007, an increase of
n research and development expenses was primarily due to an increase of $5.8 million from $602,000 to $6.4 million for the development of our preclinical pipeline
of these products and the Company's acquisition of certain in-process research and development assets of NRI resulted in a non-cash expense of approximately $2.7
or Research and Development Expenses.

s were partially offset by a decrease in MS clinical development program expense of $1.9 million or 18% to $8.9 million. This decrease was primarily due to an initia
pridine-SR during 2007 and the Thorough QT cardiac study which was conducted during the second half of 2007.

enses for clinical development, pre-clinical research and development and regulatory were $16.5 million for the year ended December 31, 2008, compared to $9.5 mi
, an increase of $7.0 million, or 74%. This increase was primarily attributable to an increase in regulatory expenses of $4.4 million for the preparation of an NDA for
an increase in research and development staff and compensation of approximately $2.8 million to support pre-clinical research and development, Fampridine-SR clin

expenses increased to $2.2 million for the year ended December 31, 2008, from $1.4 million for the year ended December 31, 2007, an increase of $800,000 or 55%.
e of $753,000 for manufacturing and stability fees related to Fampridine-SR.

g

keting expenses for the year ended December 31, 2008 were $49.1 million compared to $30.7 million for the year ended December 31, 2007, an increase of approxim
rily attributable to an increase of $12.4 million for pre-launch activities associated with the possible commercialization of Fampridine-SR, if approved. In addition, we
compensation of $4.4 million to support promotion of Zanaflex Capsules and Fampridine-SR pre-launch activities, an increase in other selling related expenses of $7
orate communications of $550,000 and an increase in Zanaflex Capsules marketing expenses of $211,000.

istrative

dministrative expenses for the year ended December 31, 2008 were $24.2 million compared to $17.4 million for the year ended December 31, 2007, an increase of ap
he result of an increase in staff and compensation and other expenses related of $3.4 million to supporting the growth of the overall organization, an increase in legal
x patent infringement litigation and an increase in costs associated with medical affairs research and educational programs of $1.1 million.

keting and general and administrative expenses are expected to increase in 2009 and 2010 primarily due to an increase in our expected pre-launch activities and an app
orce in anticipation of the potential launch of Fampridine-SR, if approved.

ense)

was $901,000 in expense for the year ended December 31, 2008 compared to other income of $1.5 million for the year ended December 31, 2007, a decrease of appr
rimarily due to an increase in interest expense of $2.9 million. This increase in interest expense was the result of a $1.5 million increase in interest expense under the
l shipments and the impact of a $1.4 million out-of-period adjustment made during the second quarter of 2008 to correct an error identified in the previously recorded
006 amended revenue interests assignment agreement with PRF. This out-of-period adjustment did not increase the total interest expense associated with this agreeme
by a $500,000 increase in interest income as a result of the investment of net proceeds from our follow-on public offerings in February and August 2008.

ber 31, 2007 Compared to Year Ended December 31, 2006

l gross sales from the sale of Zanaflex Capsules and Zanaflex tablets of $43.6 million for the year ended December 31, 2007, as compared to $26.5 million for the yea
mately $17.1 million, or 64%. The increase was due to an increase in prescriptions written for our products that we believe was the result of our sales force expansion
2007. Also included in gross sales for the year ended December 31, 2007 was $462,000 of revenue recognized associated with our 2mg tablet deferred revenue. In A
owing us to recognize the remaining $462,000 deferred revenue as gross sales. We recognize product sales using a deferred revenue recognition model meaning that
d revenue and only recognized as revenue when end-user prescriptions of the product are reported.

wances

iscounts and allowances of $4.2 million for the year ended December 31, 2007 as compared to a negative $396,000 for the year ended December 31, 2006, an increas
flex acquisition in 2004, we agreed to accept any returns of Zanaflex tablets that were returned subsequent to January 17, 2005, including returns of product that was
date were the responsibility of Elan. As a result of this agreement, in December 2004 we recorded a return liability of $4.1 million which was our best estimate of the
y become liable. Our obligation to continue to accept these returns ended in June 2006. As a result of the returns we accepted since 2004, the net balance remaining o
e 2006. We reversed this liability in June 2006, which resulted in a reduction in discounts and allowances of $1.8 million and a corresponding reduction of the produc
uting to the increase in discounts and allowances in 2007 versus 2006 was the higher level of Zanaflex revenues and related shipments.

allowances are recorded when Zanaflex Capsules and Zanaflex tablets are shipped to wholesalers. Discounts and allowances for the year ended December 31, 2007,
esalers, $1.5 million for chargebacks and rebates and $1.1 million in cash discounts and allowances. Discounts and allowances for the year ended December 31, 2006
the Elan product return liability reversal described above, $664,000 in cash discounts and $742,000 in allowances for chargebacks and rebates.

for the year ended December 31, 2007 was $60,000 compared to $407,000 for the year ended December 31, 2006, a decrease of approximately $347,000, or 85%. Gr
expenses are incurred and our performance obligations under the terms of the respective contract are satisfied.

ost of sales of $8.4 million for the year ended December 31, 2007 as compared to $7.1 million for the year ended December 31, 2006, an increase of approximately $
December 31, 2007 consisted of $3.0 million in royalty fees, $3.9 million in inventory costs, $1.2 million in amortization of intangible assets, and $222,000 in costs re
st of sales for the year ended December 31, 2006 consisted of $2.9 million in royalty fees, $2.6 million in inventory costs, $775,000 in amortization of intangible asse
,000 in costs related to packaging, freight and stability testing. The charges for excess inventory were taken in 2006 due to lower than anticipated sales of Zanaflex Ca
had 36 month dating at the time. During the three-month period ended June 30, 2007, results from stability testing performed on Zanaflex Capsules by our manufactu
x Capsules expiration dating from 36 months to 48 months.

lopment

development expenses for the year ended December 31, 2007 were $22.4 million as compared to $12.1 million for the year ended December 31, 2006, an increase of
n research and development expenses was primarily due the initiation of our second Phase 3 trial for Fampridine-SR and expenses related to our Thorough QT cardia
pment program expense increased to $10.8 million for the year ended December 31, 2007 from $6.0 million for the year ended December 31, 2006, an increase of $4.
our second Phase 3 clinical trial of Fampridine-SR which began in June 2007 and the Thorough QT cardiac study which was conducted during the second half of 200
ry 2008.

enses for clinical development, preclinical research and development and regulatory were $9.5 million for the year ended December 31, 2007, compared to $5.1 milli
, an increase of $4.4 million, or 85%. This increase was primarily attributable to an increase in regulatory expenses of $3.1 million for the preparation of an NDA for
harges related to share-based compensation and benefits and consulting fees and approximately $854,000 in increased salaries, non-cash charges related to share-base
ical research and development.

expenses increased to $2.0 million for the year ended December 31, 2007, from $904,000 for the year ended December 31, 2006, an increase of $1.1 million or 127%
facturing and stability fees related to Fampridine-SR and an increase of $482,000 for preclinical programs related primarily to antibody development with the Mayo C

g

keting expenses for the year ended December 31, 2007 were $30.7 million compared to $19.1 million for the year ended December 31, 2006, an increase of approxim

%. This increase was primarily attributable to an increase in salaries and benefits of $5.8 million, other selling related expenses of $2.0 million resulting from the exp
e, that was completed during the three-month period ended March 31, 2007, an increase in marketing expenses of $2.3 million of which $829,000 was related to pre-l
lization of Fampridine-SR, if approved and an increase of $1.5 million in non-cash charges related to share-based compensation.

istrative

dministrative expenses for the year ended December 31, 2007 were $17.4 million compared to $12.6 million for the year ended December 31, 2006, an increase of ap
marily attributable to a $1.8 million increase in non-cash charges related to share-based compensation, an increase in medical affairs expenses of $791,000, an increas
nse of $599,000 due to employee headcount and salary increases, an increase in other third party services of $364,000 resulting from costs associated with compliance
increase in business development expenses of $211,000, an increase of $206,000 in patent prosecution and defense expenses, an increase in depreciation primarily re
of $171,000 and an increase in the loss related to the PRF put/call valuation of $163,000.

ense)

(expense) was $1.5 million in income for the year ended December 31, 2007 compared to an expense of $1.0 million for the year ended December 31, 2006, an increa
ease was largely due to an increase of $2.6 million in interest income as a result of the investment of the net proceeds from our follow-on public offering completed in
$110,000 principally related to the PRF revenue interest agreement.

f change in accounting principle

2006, we adopted the provisions of Statement of Financial Accounting Standards 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R), which requires that th
nt transactions be recognized in the financial statements at their fair values. We adopted SFAS No. 123R using the modified prospective application method under wh
new awards and to awards modified, repurchased, or cancelled after the adoption date. Additionally, compensation cost for the portion of the awards for which the req
utstanding as of the adoption date is recognized in the consolidated statement of operations over the remaining service period after the adoption date based on the awa
riods have not been restated. In connection with the adoption of SFAS No. 123R, we changed our method of recognizing the number of outstanding instruments for w
ered from an actual basis to an estimate. This change resulted in the recognition of a cumulative effect of change in accounting principle for the twelve-months ending
or the year ended December 31, 2007. The cumulative effect adjustment represents the difference between compensation cost recognized through the date of adoption
e been recognized to date using estimated forfeitures.

on Feature, Accretion of Issuance Costs, Preferred Dividends and Fair Value of Warrants Issued to Convertible Preferred Stockholders

d to preferred stock decreased from $36.0 million for the twelve-month period ended December 31, 2006 to no charge for the twelve-month period ended December 3
ortized portion of beneficial conversion charges and issuance costs and reversal of the cumulative preferred dividend upon the completion of our initial public offerin
further charges are necessary.

tal Resources

red annual operating losses since inception and, as of December 31, 2008, we had an accumulated deficit of approximately $344.4 million. We have financed our ope
mmon stock, private placements of our securities, our financing arrangement with PRF and, to a lesser extent, from loans and government grants.

a follow-on public offering in February 2008 in which approximately 3.7 million shares of our common stock were sold, resulting in proceeds of approximately $74.

a follow-on public offering in August 2008 in which approximately 4.6 million shares of our common stock were sold, resulting in proceeds of approximately $126.6

ments

7, 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 develop
red these promissory notes to funds affiliated with Saints Capital. As of December 31, 2008, $5.0 million of these promissory notes were outstanding. In January 2005
loan which was repaid during the three-month period ended March 31, 2008.

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
greement) from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. To secure our obligations to PRF, we also granted PRF a security interest in su
reement with PRF covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, unless the agreement terminates earli
to the revenue interest assignment agreement with PRF. Under the terms of the amendment, PRF paid us $5.0 million in November 2006 and an additional $5.0 milli
fiscal year 2006 exceeded $25.0 million. Under the terms of the amendment, we are required to pay PRF $5.0 million on December 1, 2009 and an additional $5.0 m

ement 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% o

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.

ng 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 agreem revenues. In connection with the transaction, we recorded a liability as of December 31, 2008, referred to as the revenue interest liability, of approximately $18.7 mil *of Future Revenues*. We impute interest expense associated with this liability using the effective interest rate method and record a corresponding accrued interest liabi 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 de of Zanaflex sales. We currently estimate that the imputed interest rate associated with this liability will be approximately 6.2%. Payments made to PRF as a result of Z liability and the principal amount of the revenue interest liability.

rrence of certain events, including if we experience a change of control, undergo certain bankruptcy events, transfer any of our interests in Zanaflex (other than pursu mercialization, co-promotion, collaboration, partnering or similar agreement), transfer all or substantially all of our assets, or breach certain of the covenants, represent t, 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 asse 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 no uired. 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 eff 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 am rn 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 d our call option meet the criteria to be considered an embedded derivative and should be accounted for as such. Therefore, we recorded a net liability of $337,500 as o reflect its current estimated fair value, in accordance with SFAS No. 133, *Accounting for Derivatives Instruments and Hedging Activities*. This liability is revalued fair value and any gain or loss resulting from the revaluation is recorded in earnings.

riod 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 Zanaf 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 amou 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 durin

s

31, 2008, cash and cash equivalents and short-term investments were approximately $246.0 million, as compared to $95.1 million at December 31, 2007. Our cash an ments with original maturities of three months or less at date of purchase and consist of time deposits and investments in a Treasury money market fund and high-qua ces with financial institutions in excess of insured limits. We do not anticipate any losses with respect to such cash balances. As of December 31, 2008, our cash and mpared to

December 31, 2007. Our short-term investments consist of US Treasury bonds, and commercial paper securities with original maturities greater than three months an
s was $216.4 million as of December 31, 2008, as compared to $78.3 million as of December 31, 2007.

Operations

in operations was $49.2 million and $25.7 million for the years ended December 31, 2008 and 2007, respectively. Cash used in operations for the year ended Decemb
loss of $74.3 million, amortization of the discount on short-term investments of $3.1 million, an increase in prepaid expenses and other current assets of $1.3 million
and an increase in accounts receivable of $357,000. Cash used in operations for the year ended December 31, 2008 was partially offset by an increase in accounts pa
$8.8 million, a non-cash share-based compensation expense of $9.8 million, depreciation and amortization of $3.5 million, a non-cash expense for the acquisition of
x Capsules deferred product revenue of $2.5 million and a decrease in inventory of $3.3 million. Cash used in operations for the year ended December 31, 2007 was p
mortization of the discount on short-term investments of $3.0 million, a decrease in Zanaflex tablets deferred product revenue of $1.2 million and an increase in prepa
Cash used in operations for the year ended December 31, 2007 was partially offset by a non-cash share-based compensation expense of $7.8 million, an increase in a
abilities of $4.6 million, depreciation and amortization of $2.3 million, and an increase in Zanaflex Capsules deferred product revenue of $2.6 million.

nvesting

in investing activities for the year ended December 31, 2008 was $141.3 million, primarily due to $326.0 million in purchases of short-term investments, a $5.0 milli
e to the final Elan Zanaflex milestone, and purchases of property and equipment of $1.8 million, offset by $191.6 million in proceeds from maturities and sales of sho

by Financing

ded by financing activities for the year ended December 31, 2008 was $203.2 million, primarily due to $205.1 million in net proceeds from the issuance of common s
offset by $1.6 million in repayments to PRF and $188,000 for notes payable.

ds

ital requirements will depend on a number of factors, including the amount of revenue generated from sales of Zanaflex Capsules, revenue from Fampridine-SR, if ap
velopment activities, the timing and outcome of regulatory approvals, the amount and timing of milestone or other payments made under collaborative agreements, th
maintaining, defending and enforcing patent claims and other intellectual property rights and the acquisition of licenses to new products or compounds. We expect to
al years as we continue to support our sales and marketing infrastructure for the commercialization of Zanaflex Capsules, increase our efforts to support pre-launch ac

its commercialization, if approved, and continue our clinical development and advance our preclinical programs.

r year-end 2009 cash, cash equivalents and investment balances will be in excess of $150.0 million and that our current financial resources and sources of liquidity wi
obligations through 2010 based on our current projected revenue and spending levels. To the extent our capital resources are insufficient to meet future operating requ
educe planned expenditures, or incur indebtedness to fund its operations. We may be unable to obtain additional debt or equity financing on acceptable terms, if at all
e required to curtail our sales and marketing efforts, delay, reduce the scope of or eliminate some of our research and development programs or obtain funds through
at may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently.

ations and Commitments

7, EIS loaned us an aggregate of $7.5 million pursuant to two convertible promissory notes. One promissory note in the principal amount of $5.0 million bears interes
of the note. The other promissory note in the amount of $2.5 million was non-interest bearing. On December 23, 2005, EIS transferred these promissory notes to fun
ints Capital exercised the conversion option of the $2.5 million convertible promissory note at an exercise price of $11.856 per share and received 210,863 shares of c
tible promissory note is convertible into 67,476 shares of common stock. Principal and interest are repayable, if not converted, ratably over a seven-year period, begi
for certain products to be developed, subject to limitations related to gross margin on product sales. If we and Saints Capital determine that regulatory approval will
ll automatically convert into the underlying common stock unless Saints Capital elects to have the amount due on the note cancelled. If our license and supply agreem
e principal and interest is repayable ratably over 15 years. The $5.0 million promissory note restricts our ability to incur indebtedness that is senior to the note, subjec
rest assignment arrangement with PRF.

ve acquired all of Elan's research and development, distribution, and sales and marketing rights to Zanaflex Capsules and Zanaflex tablets in the United States. Under
obligated to make milestone payments to Elan of up to $19.5 million based on cumulative gross sales of Zanaflex tablets and Zanaflex Capsules. As of December 31,
. The final $5.0 million milestone was reached in January 2008 and was paid in the three-month period ended June 30, 2008. Under our Zanaflex supply agreement w
18-month rolling forecast at the beginning of each month and a two-year forecast not later than July 1 of each year. We are required to order 100% of the forecast requ
mmediately following each monthly forecast report. At December 31, 2008, the forecast requirement for the five-month period following December 31, 2008 amount

mpridine-SR license agreement with Elan, we are obligated to make milestone payments to Elan of up to $15.0 million over the life of the contract and royalty payme
ur various other research, license and collaboration agreements with other parties we are obligated to make milestone payments of up to an aggregate of approximate
milestone

lan 90 days following the FDA's approval of a NDA for Fampridine-SR's use for the first indication and further milestone amounts are payable in connection with ad

005, we entered into a revenue interest assignment agreement with PRF pursuant to which we assigned PRF the right to receive a portion of our net revenues (as defi nt from our net revenues as determined in accordance with GAAP) from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The agreement covers ober 1, 2005 through and including December 31, 2015, unless the agreement is terminated earlier. In consideration for the assignment, PRF paid us $15 million at si d to use the remainder of the amount we received at signing and any other amounts we receive under the agreement to support commercialization, sales, marketing, c obligations related specifically and solely to our Zanaflex operations.

2006, we entered into an amendment to the revenue interest assignment agreement with PRF. Under the amendment, PRF is entitled to a royalty consisting of certain upon the level of net revenues. Previously, once PRF had received and retained payments under the agreement that are at least twice the aggregate amount PRF paid drop to 1% of Zanaflex net revenues. The amendment provides that the royalty rate will drop to 1% upon PRF's receipt of 2.1 times the aggregate amount PRF has pa e terms of the amendment, PRF paid us $5.0 million in November 2006 and agreed that we would be entitled to an additional $5.0 million is due if our net revenues d million. This milestone was met and the receivable was reflected in our December 31, 2006 financial statements. This milestone payment was received in February 20 required to pay PRF $5.0 million on December 1, 2009 and an additional $5.0 million on December 1, 2010.

table summarizes our minimum contractual obligations as of December 31, 2008. This table does not include certain contingent payments as to which we cannot reas include the $5.0 million aggregate principal amount of convertible notes payable to Saints Capital or milestone payments under our license agreements as these amo hould be read in conjunction with the accompanying notes to our consolidated financial statements:

	Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years
PRF Payments(1)	$10,000	$ 5,000	$ 5,000	$
Accrued Interest on Convertible Notes Payable(2)	1,128	207	446	475
Operating Lease	4,000	1,000	2,000	1,000
Inventory Purchase Commitment	3,800	3,800		
Total	$18,928	$ 10,007	$ 7,446	$ 1,475

ments represent the two $5 million payments due to PRF on December 1, 2009 and December 1, 2010 and exclude principal and interest payments, due to uncertainty ments.

ts accrued interest on the convertible note on the assumption that it remains outstanding during these periods. The table does not reflect the repayment of principal, du yment and the timing thereof.

ns of the employment agreement with our chief executive officer, Ron Cohen, we are obligated to pay severance under certain circumstances. If the employment agree
cer for reasons other than for cause, we must pay an amount equal to (i) the base salary the chief executive officer would have received during the 15-month period in
) the last annual bonus received by the chief executive officer multiplied by a fraction, the numerator of which is the number of days in the calendar year elapsed as o
ch is 365.

ns of the employment agreements with our chief scientific officer, Andrew Blight, our chief financial officer, David Lawrence and our general counsel, Jane Wasman.
mstances. In the event we terminate our employment agreement with Dr. Blight, Mr. Lawrence or Ms. Wasman without cause, or if one of them voluntarily terminates
gated to make severance payments equal to nine months base annual salary, in the case of Dr. Blight, and seven months base annual salary, in the case of Mr. Lawrenc
payments for the severance period. In such event, all options, stock appreciation rights awards and restricted stock awards that have vested as of the termination date s
. All unvested options, stock appreciation rights awards and stock awards will be cancelled on the date of termination. If Dr. Blight, Mr. Lawrence or Ms. Wasman vo
t good reason or if we terminate his or her employment without cause within 18 months after a change in control, we are obligated to make severance payments equa
light, and nine months base annual salary, in the case of Mr. Lawrence and Ms. Wasman, in each case paid in a lump sum within 30 days after termination, as well as
d plus a bonus equal to the prior year's bonus pro rated for the number of days worked prior to termination. We are also obligated to pay salary earned but not paid, va
eimbursable business expenses incurred through the date of termination. In such event, not less than 50% of the unvested options, stock appreciation rights and restric
y and full vested and shall remain exercisable for 18 months following such date. All options that have vested as of the termination date shall remain exercisable for 9
tock appreciation rights awards and stock awards will be cancelled on the date of termination.

n

d assets are cash, cash equivalents and short-term investments. Because of their liquidity, these assets are not directly affected by inflation. Because we intend to retai
e and fixtures and leasehold improvements, we believe that the incremental inflation related to replacement costs of such items will not materially affect our operation
s, primarily employee compensation and contract services, which could increase our level of expenses.

g Policies and Estimates

discussion of critical accounting policies identifies the accounting policies that require application of management's most difficult, subjective or complex judgments,
ut the effect of matters that are inherently uncertain and may change in subsequent periods. It is not intended to be a comprehensive list of all of our significant accou
Note 2 of the notes to the consolidated financial statements included in this prospectus. In many cases, the accounting treatment of a particular transaction is specificall

need for management's judgment in their application. There are also areas in which the selection of an available alternative policy would not produce a materially diff
eas of critical accounting policies: sales revenue recognition, research and development, income taxes, and share-based compensation.

on

revenue recognition guidance in SFAS No. 48, *Revenue Recognition When the Right of Return Exists*, which among other criteria requires that future returns can be re
Under SFAS 48 we are not permitted to recognize revenue until we can reasonably estimate the likely return rate for our products. Since we have only limited sales h
petition and customer conversion from Zanaflex tablets to Zanaflex Capsules, we do not believe we can reasonably determine a return rate. As a result, we account fo
cognition model. At a future point in time, which could be in a number of years, when we are able to reasonably estimate product returns we will begin to recognize r
esale drug distributors.

erred revenue model, we do not recognize revenue upon shipment of product to our wholesale drug distributors. Instead, we record deferred revenue at gross invoice s
ry shipped as inventory held by others. We recognize revenue when prescriptions are filled to an end-user because once a prescription is filled the product cannot be r
at we purchase to determine the amount of revenue to be recognized. We use the number of units of product prescribed to record gross sales. We then reduce deferred
eiving end-user prescription data in March 2005 which enabled us to begin recognizing revenue from Zanaflex tablet sales. We began marketing Zanaflex Capsules in
d recognizing revenue in the same month.

he prescription data we purchase, we also receive data that we use to monitor trends in sales from wholesalers to their customers. We receive this data from an outsid
mber of bottles shipped from certain wholesalers to their customers. We also compare our shipments to wholesalers to prescription reports to further assess inventory
use the wholesaler sales trend data and the wholesaler vs. prescription comparison to better understand market conditions, but not as a basis for recognizing revenue.

rns of products for six months prior to and 12 months after their expiration date. Returns of products sold by us are charged directly against deferred revenue, reducin
ize.

lopment

development expenses include the costs associated with our internal research and development activities including, salaries and benefits, occupancy costs, and researc
such as sponsored university-based research, clinical trial vendors, contract manufacturing for our preclinical program, and regulatory consulting to support our NDA
ses include expenses related to grant revenue and the cost of clinical trial drug supply shipped to our clinical study vendors. We account for our clinical study costs by
l trial and recognizing this cost as visits occur, beginning when the patient enrolls in the trial. This estimated cost includes payments to the trial site and patient-relate
ct of the trial. Cost per patient varies based on the type of clinical trial,

al trial, and the length of the treatment period for each patient. As actual costs become known to us, we adjust our accrual; such changes in estimate may be a materia
d also materially affect our results of operations. All research and development costs are expensed as incurred except where EITF Issue No. 07-3, *Accounting for Nor
o be Used in Future Research and Development Activities* applies. In these cases, non-refundable advance payments for goods and services that will be used in future
lized at the time of payment and expensed when the research and development activity has been performed.

process of preparing our financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. We account for income tax
method, deferred income taxes are recognized for tax consequences in future years of differences between the tax bases of assets and liabilities and their financial rep
ws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are provided if, based upon th
not that some or all of the deferred tax assets will not be realized.

ecorded any tax provision or benefit for the years ended December 31, 2008 and 2007. We have provided a valuation allowance for the full amount of our gross defer
rom deductible temporary differences and net operating loss carry-forwards cannot be sufficiently assured at December 31, 2008.

er 31, 2008, we had available net operating loss carry-forwards of approximately $262.2 million for federal and state income tax purposes, which are available to offs
expire between 2010 and 2028 and research and development tax credit carry-forwards of approximately $1.6 million for federal income tax reporting purposes whic
, through 2018. Since our inception, we have incurred substantial losses and expect to incur substantial and recurring losses in future periods. The Internal Revenue C
a limitation of the annual use of net operating loss and research and development tax credit carry-forwards (following certain ownership changes, as defined by the Co
these carry-forwards. We have experienced various ownership changes, as defined by the Code, as a result of past financings. Accordingly, our ability to utilize the a
ditionally, because U.S. tax laws limit the time during which these carry-forwards may be applied against future taxes we may not be able to take full advantage of the

ensation

r stock options and restricted stock granted to employees according to the provisions of SFAS No. 123R, *Share Based Payment*, which requires that the costs resultin
gnized in the financial statements at their fair values. We adopted SFAS No. 123R using the modified prospective application method under which the provisions of S
ds modified, repurchased, or cancelled after the adoption date of January 1, 2006.

e fair value of each option on the date of grant using the Black-Scholes closed-form option-pricing model based on assumptions for the expected term of the stock op
vailing interest rates, and an estimated forfeiture rate.

d our current assumptions on the following:

Assumption	Method of estimating
Estimated expected term of options	Based on the 50th percentile of our peer companies
Expected volatility	Combination of historic volatility of our common stock since October historic volatility of the stock of our peer companies
Risk-free interest rate	Yields of U.S. Treasury securities corresponding with the expected life grants
Forfeiture rates	Historical forfeiture data

ptions, the expected term of the option and expected volatility of our common stock are the most difficult to estimate since they are based on the exercise behavior o common stock. Increases in the term and the volatility of our common stock will generally cause an increase in compensation expense.

r stock options granted to non-employees on a fair-value basis in accordance with EITF No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than elling, Goods or Services*, and FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans an Interpreta*

titative and Qualitative Disclosures About Market Risk.

nstruments consist of cash and cash equivalents, short-term investments, grants receivable, notes payable, convertible notes payable, accounts payable, and put/call li nstruments approximate their carrying amounts at December 31, 2008.

equivalents and short-term investments at December 31, 2008, which are exposed to the impact of interest rate changes and our interest income fluctuates as our inter f our investments in money market funds, US Treasury bonds and corporate debt securities, the carrying value of our cash equivalents and short-term investments app .

n investment portfolio in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity lthough our investments are subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposur 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 invest te 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 de

al Statements and Supplementary Data.

ted financial statements required pursuant to this item are included in Item 15 of this report and are presented beginning on page F-1.

s in and Disagreements With Accountants on Accounting and Financial Disclosure.

ols and Procedures.

osure controls and procedures

Rule 13a-15 under the Exchange Act, within 90 days prior to filing this report, we carried out an evaluation of the effectiveness of the design and operation of our di
13a-15(e) and 15d-15(e) under the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our
er. Based on that evaluation, these officers have concluded that, as of December 31, 2008, our disclosure controls and procedures were effective and designed to ensu
ed to be included in our reports filed under the Exchange Act would be made known to them. There have been no changes in our internal controls over financial repo
d 15(d)-15(f) under the Exchange Act) or in other factors that has materially affected or is reasonably likely to materially affect internal controls over financial reporti

ntrols and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange A
ported within the time periods specified in the SEC's rules and regulations. Disclosure controls and procedures include controls and procedures designed to ensure tha
orts filed under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer as appropriate,

control over financial reporting

changes in our internal control over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materia

effectiveness of controls

controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Because of inherent
ntrols can provide absolute assurance that all control issues, if any, within a company have been detected.

ort on Internal Control Over Financial Reporting

ent is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) of the Exchange Act).

ervision of and with the participation of our chief executive officer and our chief financial officer, our management conducted an assessment of the effectiveness of ou
the framework and criteria established in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commissio
ncluded that, as of December 31, 2008, our internal control over financial reporting was effective.

he independent registered public accounting firm that audits our consolidated financial statements, has issued its attestation report on the Company's internal control o
. This attestation report appears below.

dent Registered Public Accounting Firm

tors and Stockholders
s, Inc.:

ed Acorda Therapeutics, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framew* zations of the Treadway Commission (COSO). Acorda Therapeutics, Inc.'s management is responsible for maintaining effective internal control over financial reporti ernal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to expr r financial reporting based on our audit.

our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the ether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing s y in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

nternal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of fina nce with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the ccurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary dance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of man rovide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a materi

inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future pe me inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

, Acorda Therapeutics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria establish by the Committee of Sponsoring Organizations of the Treadway Commission.

audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acorda Therapeutic
and 2007, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended I
9 expressed an unqualified opinion on those consolidated financial statements.

rsey

Information.

PART III

ors and Executive Officers of the Registrant.

on required by this item will be contained in our 2009 Proxy Statement under the captions "Discussion of Proposals," "Information About Corporate Governance," "In
r Information" and is incorporated herein by this reference.

ted a code of business conduct and ethics applicable to all of our directors and employees, including our principal executive officer, principal financial officer and our
s available on the corporate governance section of "Investor Relations" of our website, *www.acorda.com*.

the code of business conduct and ethics for directors or executive officers, or any amendment to the code that applies to directors or executive officers, may only be m
disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on it
bove. To date, no such waivers have been requested or granted.

or and Executive Compensation.

on required by this item will be contained in our 2009 Proxy Statement under the captions "Corporate Governance," "Information About Our Executive Officers" and
by this reference.

ty Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

on required by this item will be contained in our 2009 Proxy Statement under the captions "Information About Our Executive Officers" and "Other Information" and i

n Relationships and Related Transactions.

on required by this item will be contained in our 2009 Proxy Statement under the caption "Information About Our Executive Officers" and is incorporated herein by th

pal Accountant Fees and Services.

on required by this item will be contained in our 2009 Proxy Statement under the caption "Discussion of Proposals" and is incorporated herein by this reference.

PART IV

ts and Financial Statement Schedules.

locuments are being filed as part of this report:

The following financial statements of the Company and the Report of Independent Registered Public Accounting Firm are included in this Annual Report on Form 1

ts of Acorda Therapeutics, Inc. and Subsidiary:
LLP, Independent Registered Public Accounting Firm
s of December 31, 2008 and 2007
erations for the years ended December 31, 2008, 2007 and 2006
anges in Stockholders' Equity for the years ended December 31, 2008,

sh Flows for the years ended December 31, 2008, 2007 and 2006
l Statements

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

tors and Stockholders
s, Inc.:

ed the accompanying consolidated balance sheets of Acorda Therapeutics, Inc. and subsidiary (the Company) as of December 31, 2008 and 2007, and the related con
ders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of
express an opinion on these consolidated financial statements based on our audits.

our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform th
ether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the
he accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our a

, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Acorda Therapeutics, Inc. and subsidiary as of
perations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting princip

audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting
ed in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated Ma
on the effectiveness of the Company's internal control over financial reporting.

rsey

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Balance Sheets

	December 31, 2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 29,612,916	$ 16,810,415
Restricted cash	297,655	288,194
Short-term investments	216,435,416	78,310,241
Trade accounts receivable, net	4,622,486	4,265,581
Prepaid expenses	3,330,069	2,341,585
Finished goods inventory held by the Company	3,670,949	5,849,929
Finished goods inventory held by others	2,472,692	1,874,405
Other current assets	1,605,572	1,293,496
Total current assets	262,047,755	111,033,846
Property and equipment, net of accumulated depreciation	2,348,147	1,651,739
Intangible assets, net of accumulated amortization	16,565,456	13,943,888
Other assets	539,328	676,993
Total assets	$ 281,500,686	$ 127,306,466
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 10,124,840	$ 6,675,894
Accrued expenses and other current liabilities	13,993,753	8,777,645
Deferred product revenue Zanaflex tablets	7,867,046	7,913,776
Deferred product revenue Zanaflex Capsules	16,436,474	13,923,781
Current portion of notes payable		187,645
Current portion of revenue interest liability	6,181,100	1,785,018
Total current liabilities	54,603,213	39,263,759
Put/call liability	337,500	462,500
Non current portion of revenue interest liability	12,497,745	17,444,324
Long-term convertible notes payable	6,904,883	6,703,235
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value. Authorized 80,000,000 shares at December 31, 2008 and 2007 respectively; issued and outstanding 37,613,356 and 28,574,678 shares as of December 31, 2008 and 2007, respectively	37,614	28,575
Additional paid-in capital	550,683,383	333,144,050
Accumulated deficit	(344,376,410)	(270,035,770)
Accumulated other comprehensive income	812,758	295,793
Total stockholders' equity	207,157,345	63,432,648
Total liabilities and stockholders' equity	$ 281,500,686	$ 127,306,466

See accompanying Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Operations

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Gross sales Zanaflex	$ 53,397,999	$ 43,586,367	$ 26,548,264
Discounts and allowances	(5,670,048)	(4,160,356)	395,517
Net sales	47,727,951	39,426,011	26,943,781
Grant revenue	98,846	59,880	407,165
Total net revenue	47,826,797	39,485,891	27,350,946
Less: cost of sales	(11,354,912)	(8,355,858)	(7,122,833)
Gross profit	36,471,885	31,130,033	20,228,113
Operating expenses:			
Research and development	36,604,478	22,410,279	12,054,780
Sales and marketing	49,069,841	30,736,544	19,079,013
General and administrative	24,236,920	17,430,561	12,561,245
Total operating expenses	109,911,239	70,577,384	43,695,038
Operating loss	(73,439,354)	(39,447,351)	(23,466,925)
Other income (expense):			
Interest and amortization of debt discount expense	(5,591,426)	(2,664,390)	(2,553,443)
Interest income	4,682,055	4,086,521	1,471,334
Other income	8,085	50,753	75,437
Total other income (expense)	(901,286)	1,472,884	(1,006,672)
Cumulative effect of change in accounting principle			454,225
Net loss	(74,340,640)	(37,974,467)	(24,019,372)
Beneficial conversion feature, accretion of issuance costs, preferred dividends, and fair value of warrants issued to convertible preferred stockholders			(36,007,456)
Net loss allocable to common stockholders	$ (74,340,640)	$ (37,974,467)	$ (60,026,828)
Net loss per share allocable to common stockholders basic and diluted	$ (2.19)	$ (1.45)	$ (3.27)
Weighted average common shares outstanding used in computing net loss per share allocable to common stockholders basic and diluted	33,938,980	26,236,781	18,345,543

See accompanying Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity

	Stockholders' equity														
	ries A ertible ferred ock r		Series B convertible preferred stock		Series C convertible preferred stock		Series F convertible preferred stock		Series H convertible preferred stock		Common Stock				
	Par value		Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Additional paid-in capital		Ac
68	$ 1,306		900,000	$ 900	333,333	$ 333	2,300,000	$ 2,300	1,575,229	$ 1,575	208,732	$ 209	$ 91,501,190		$(
													1,444		
													2,087,602		
											340,760	341	1,755,167		
											220,105	220	669,452		
													(270,725)		
													12,734,009		
													(48,470,740)		

68)	(1,306)	(900,000)	(900)	(333,333)	(333)	(2,300,000)	(2,300)	(1,575,229)	(1,575)	13,338,278	13,337	127,212,872
										6,075,614	6,076	31,453,233
										3,230,769	3,231	29,778,183
										32,634	33	195,773
										210,863	211	2,499,789
												(454,225)
										23,657,755	**$23,658**	**$250,693,024**

See accompanying Notes to Consolidated Financial Statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Stockholders' equity										
	Series A convertible preferred stock		Series B convertible preferred stock		Series C convertible preferred stock		Series F convertible preferred stock		Series H convertible preferred stock		
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	
Research and development expense for issuance of stock options to nonemployees										$ 357	
Compensation expense for issuance of stock options to employees										5,890,879	
Compensation expense for issuance of restricted stock to employees									342,682	343	1,904,897
Exercise of stock options									367,912	368	2,325,666
Common stock issued pursuant to follow-on offering, net of offering costs of $5,290,961									4,189,460	4,189	72,209,859
Expense related to private placement											(80,615)
Common stock issued pursuant to exercise of warrants									16,869	17	199,983
Comprehensive loss											
Unrealized gain on investment securities											
Net loss											

	Common Stock		Additional paid-in capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Sto
	Number of shares	Par value				
Research and development expense for issuance of stock options to nonemployees						$
Compensation expense for issuance of stock options to employees						
Compensation expense for issuance of restricted stock to employees						
Exercise of stock options						
Common stock issued pursuant to follow-on offering, net of offering costs of $5,290,961						
Expense related to private placement						
Common stock issued pursuant to exercise of warrants						
Comprehensive loss						
Unrealized gain on investment securities					282,453	
Net loss				(37,974,467)		

Total comprehensive loss						
Balance at December 31, 2007	**28,574,678**	**$28,575**	**$333,144,050**	**$(270,035,770)**	**$ 295,793**	**$**

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Stockholders' equity											
	Series A convertible preferred stock		Series B convertible preferred stock		Series C convertible preferred stock		Series F convertible preferred stock		Series H convertible preferred			
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Common Stock Number of shares	Common Stock Par value
Research and development expense for issuance of stock options to nonemployees												
Compensation expense for issuance of stock options to employees												
Compensation expense for issuance of restricted stock to employees											102,886	103
Exercise of stock options											523,792	524
Common stock issued pursuant to follow-on offerings, net of offering costs of $9,686,600											8,312,000	8,312
Stock issued pursuant to NRI asset acquisition											100,000	100
Comprehensive loss												
Unrealized gain on investment securities												
Net loss												
Total comprehensive loss												
											37,613,356	**$37,614**

	Additional paid-in capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Stoc
Research and development expense for issuance of stock options to nonemployees	$ 252,754			$
Compensation expense for issuance of stock options to employees	8,046,376			
Compensation expense for issuance of restricted stock to employees	1,505,753			
Exercise of stock options	3,835,461			
Common stock issued pursuant to follow-on offerings, net of offering costs of $9,686,600	201,213,089			20
Stock issued pursuant to NRI asset acquisition	2,685,900			
Comprehensive loss				
Unrealized gain on investment securities			516,965	
Net loss		(74,340,640)		(7
Total comprehensive loss				(7
	$550,683,383	**$(344,376,410)**	**$ 812,758**	**$ 20**

Balance at December 31, 2008

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31 2006
Cash flows from operating activities:			
Net loss	$ (74,340,640)	$ (37,974,467)	$ (24,019,372)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock compensation expense	9,804,986	7,796,476	3,844,554
NRI asset acquisition	2,686,000		
Amortization of note discount			55,944
Amortization of discount on short-term investments	(3,124,056)	(2,973,325)	(332,069)
Cumulative effect of change in accounting principle			(454,225)
Amortization of revenue interest issuance cost	89,235	65,861	72,741
Accretion of discount			47,282
Realized/unrealized gain/loss on warrants			46,782
Depreciation and amortization expense	3,480,768	2,252,462	1,785,941
Gain (loss) on put/call liability	(125,000)	112,500	(50,000)
(Gain) loss on disposal of property and equipment		(23,750)	587
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(356,905)	50,518	(3,726,847)
(Increase) decrease in prepaid expenses and other current assets	(1,300,560)	(969,651)	1,426,341
(Increase) decrease in inventory held by the Company	3,330,916	343,180	1,165,466
Increase in inventory held by others	(598,287)	(354,341)	(349,461)
Decrease (increase) in other assets	48,430	(8,536)	(18,528)
Increase (decrease) in accounts payable, accrued expenses, other liabilities	8,793,339	4,623,743	(4,817,846)
Decrease in returns liability			(1,831,211)
Decrease in deferred product revenue Zanaflex tablets	(46,730)	(1,203,199)	(2,392,623)
Increase in deferred product revenue Zanaflex Capsules	2,512,693	2,599,620	6,098,054
Restricted cash	(9,461)	(13,813)	(11,388)
Net cash used in operating activities	(49,155,272)	(25,676,722)	(23,459,878)
Cash flows from investing activities:			
Purchases of property and equipment	(1,806,443)	(1,336,068)	(527,458)
Purchases of intangible assets	(5,000,000)	(10,000,000)	
Purchases of short-term investments	(326,034,154)	(147,148,940)	(46,293,380)
Proceeds from maturities of short-term investments	191,550,000	107,750,000	12,986,000

Net cash used in investing activities	(141,290,597)	(50,735,008)	(33,834,838)
Cash flows from financing activities:			
Net proceeds from issuance of common stock and option and warrant exercises	205,057,386	74,659,467	61,910,395
Proceeds from sale of revenue interest		5,000,000	5,000,000
Repayments of revenue interest liability	(1,621,371)	(3,494,281)	(2,245,012)
Repayments of notes payable	(187,645)	(1,043,949)	(1,031,058)
Net cash provided by financing activities	203,248,370	75,121,237	63,634,325
Net increase (decrease) in cash and cash equivalents	12,802,501	(1,290,493)	6,339,609
Cash and cash equivalents at beginning of period	16,810,415	18,100,908	11,761,299
Cash and cash equivalents at end of period	$ 29,612,916	$ 16,810,415	$ 18,100,908
Supplemental disclosure:			
Cash paid for interest	$ 3,874,525	$ 2,312,453	$ 1,950,420
Non-cash charges related to convertible preferred stock:			
Beneficial conversion feature			48,470,740
Accretion of issuance costs			270,725
Preferred dividend			(12,734,009)
Non-cash activities:			
Conversion of preferred stock to common stock			127,219,795
Accrued inventory	1,151,936	1,492,084	279,649
Accrued Zanaflex milestone payments			5,000,000
Conversion of note payable into common stock			2,500,000
Conversion of warrant payable into common stock			207,501

See accompanying Notes to Consolidated Financial Statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements

nd Business Activities

eutics, Inc. ("Acorda" or the "Company") is a commercial stage biopharmaceutical company dedicated to the identification, development and commercialization of n
on in people with multiple sclerosis (MS), spinal cord injury and other disorders of the central nervous system.

completed an initial public offering in February 2006. As part of that offering, 6,075,614 shares of the Company's common stock were sold, resulting in net proceeds
underwriting discount and offering expenses payable by the Company.

completed a private placement in October 2006. As part of that offering, 3,230,769 shares of the Company's common stock were sold, resulting in proceeds to the Co
f issuance costs.

completed a follow-on public offering of its common stock in July 2007. As part of that offering, 4,189,460 shares of the Company's common stock were sold, result
f issuance costs.

completed a follow-on public offering of its common stock in February 2008. As part of that offering, 3,712,000 shares of the Company's common stock were sold, r
6 million, net of issuance costs.

completed a follow-on public offering of its common stock in August 2008. As part of that offering, 4,600,000 shares of the Company's common stock were sold, res
.6 million, net of issuance costs.

finances its operations through a combination of issuance of equity securities, revenues from Zanaflex Capsules, loans and, to a lesser extent, grants. There are no ass
ing an adequate level of financing needed to fund its development and commercialization efforts. The Company believes that its current financial resources and sourc
meet financial obligations through 2010 based on the Company's currently projected revenue and spending levels. To the extent the Company's capital resources are
ents, the Company will need to raise additional capital, reduce planned expenditures, or incur indebtedness to fund its operations. The Company may be unable to obt
able terms, if at all. If adequate funds are not available, the Company may be required to curtail its sales and marketing efforts, delay, reduce the scope of or eliminate
ams or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain product candidates that it might othe
pendently.

gnificant Accounting Policies

olidation

ying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the resu
ned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

n of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of as
gent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items s
e research and development (clinical trial accrual) and share-based compensation accounting, which are largely dependent on the fair value of the Company's equity s
based on estimated prescriptions filled. The Company adjusts its inventory value based on an estimate of inventory that may be returned. Actual results could differ f

uivalents

considers all highly liquid debt instruments with original maturities of three months or less from date of purchase to be cash equivalents. All cash and cash equivalen
y money market fund and US Treasury bonds, which are unrestricted as to withdrawal or use. To date, the Company has not experienced any losses on its cash and ca
cash equivalents approximates its fair value due to its short-term and liquid nature.

n represents a certificate of deposit placed by the Company with a bank for issuance of a letter of credit to the Company's lessor for office space.

ments

estments consist of highly rated corporate securities including industrial issuers and US Treasury bonds with maturities greater than three months. In accordance with
rds (SFAS) No. 115 (SFAS 115), *Accounting for Certain Investments in Debt and Equity Securities*, the Company classifies its short-term investments as available-fo
value of the investments based on quoted market prices. The Company considers all of these investments to be available-for-sale.

ding 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

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
tized premiums and discounts, dividend and interest income and realized gains and losses are included in interest income.

ated at the lower of cost or market value and includes amounts for both Zanaflex tablet and Zanaflex Capsule inventories. Inventories consist of finished goods. Cost
FO) for all inventories. The Company adjusts its inventory value based on an estimate of inventory that may be returned or not sold based on sales projections and ha
xcess inventory.

pment

quipment are stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which ra
ments are recorded at cost, less accumulated amortization, which is computed on the straight-line basis over the shorter of the useful lives of the assets or the remainir
pairs are charged to expense as incurred.

has recorded intangible assets related to its Zanaflex acquisition. These intangible assets are amortized on a straight line basis over the period in which the Company
ewed for impairment when facts and circumstances indicate that the carrying value of the asset may not be recoverable. The determination of the expected life will be
ristics of the intangible asset. In the Company's evaluation of the intangible assets, it considers the term of the underlying patent life and the expected life of the produ
ment is measured as the amount by which the carrying value exceeds its estimated fair value. Fair value is generally estimated based on either appraised value or othe

g-Lived Assets

with the Financial Accounting Standards Board (FASB) SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company continually e
occurred that indicate that the estimated remaining useful life of its long-lived assets may warrant revision or that the carrying value of these assets may be impaired.
ong-lived assets based on profitability and cash flow expectations for the related assets. Any write-downs are treated as permanent reductions in the carrying amount o
mpany believes that, as of each of the balance sheet dates presented, none of the Company's long-lived assets was impaired.

tion and maintenance costs are expensed as incurred.

lopment

development expenses include the clinical development costs associated with the Company's product candidates and research and development costs associated with t
penses include internal research and development costs and the costs of research and development conducted on behalf of the Company by third parties, including sp
l study vendors and preclinical contract manufacturers. All research and development costs are expensed as incurred except where Emerging Issues Task Force (EITF
ance Payments for Goods or Services to be Used in Future Research and Development Activities applies. In these cases, non-refundable advance payments for goods
development activities are capitalized at the time of payment and expensed when the research and development activity has been performed. Costs incurred in obtain
y to research and development expense if the technology licensed has not reached technological feasibility and has no alternative future uses.

ome Taxes

are accounted for under the asset and liability method with deferred tax assets and liabilities recognized for the future tax consequences attributable to differences betw
f existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable incon
es are expected to be reversed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes
y a valuation allowance for the amounts of any tax benefits which, more likely than not, will not be realized.

he FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, An Interpretation of FASB Statement No. 109*, Accounting for In
ued FASB Staff Position FIN 48-1 which provided guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of rec
terpretation and Staff Position establishes criteria for recognizing and measuring the financial statement tax effects of positions taken on a company's tax returns. A tw
old for recognition is a more likely-than-not test that the tax position will be sustained upon examination and the tax position is measured at the largest amount of ben
zed upon ultimate settlement. The Company adopted FIN 48 as of January 1, 2007. The adoption of this Interpretation had no impact on the Company's results of ope
serves for uncertain tax positions.

on

applies the revenue recognition guidance in SFAS No. 48, *Revenue Recognition When the Right of Return Exists*, which among other criteria requires that future retu
evenue. The amount of future tablet returns is uncertain due to generic competition and customer conversion to Zanaflex Capsules. Zanaflex Capsules has limited his
ns for both products, the Company is accounting for these product shipments using a deferred revenue recognition model. Under the deferred revenue model, the Com
ent. For these product shipments, the Company invoices the wholesaler, records deferred revenue at gross invoice sales price, and classifies the cost basis of the prod
tory. 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)
harmacy 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 su
n third-party data, as certain third-party information was itself in the form of estimates, and reflect other limitations. The Company's sales and revenue recognition re
cribed to the end-user. The Company expects to be able to apply a more traditional revenue recognition policy such that revenue is recognized upon shipment to the c
velop reasonable estimates of expected returns based upon historical returns.

s net revenues represent total revenues less allowances for customer credits, including estimated discounts, rebates, and chargebacks. Product shipping and handling c
recorded in accordance with EITF Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer*, which states that cash consideration given by a ve
e selling prices of the vendor's

s and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement. At the time product is shipped to wholesalers, a
cks, rebates, and discounts. These reserves are established by management as its best estimate based on available information and are adjusted to reflect known chang
for chargebacks, rebates and discounts are established based on the contractual terms with customers, analysis of historical levels of discounts, chargebacks and rebate
ventory remaining in the distribution channel, as well as expectations about the market for each product and anticipated introduction of competitive products. In addit
d 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 h
nce 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 datin
is charge represents the cost basis for the low end of the range of the Company's estimated returns.

on Grants

ed to research and development grants is recognized when the related research expenses are incurred and the Company's specific performance obligations under the te
ent expended, grant funding related to purchases of equipment is deferred and amortized over the shorter of the equipment's useful life or the life of the related contra
olidated financial statements is not subject to repayment. Payments, if any, received in advance of performance under the contract are deferred and recognized as rev

isk

uments that potentially subject the Company to concentrations of credit risk consist principally of investments in cash and cash equivalents, restricted cash, accounts
s cash and cash equivalents, restricted cash and debt securities with approved financial institutions. The Company is exposed to credit risks and liquidity in the event
rs of investments in excess of FDIC insured limits. The Company performs periodic evaluations of the relative credit standing of these financial institutions and limit
.

is substantially dependent upon Elan for several activities related to the development and commercialization of Fampridine-SR. The Company will rely on Elan to as
A) review of the New Drug Application (NDA) for Fampridine-SR in multiple sclerosis. If Elan fails to assist the Company in a complete and timely manner the Co
ercialization of Fampridine-SR in MS.

relies on a single manufacturer, Elan, for the supply of Zanaflex Capsules. Zanaflex Capsules are manufactured using Elan's proprietary SODAS multiparticulate dru
ent of a failure to supply Zanaflex Capsules, to use commercially reasonable efforts to assist the Company in either producing Zanaflex Capsules itself or in transferri
party manufacturer, provided that such third-party manufacturer is not a technological competitor of Elan. In the event production is transferred to a third party, the F
h bioequivalence studies and laboratory testing that the product made by the new supplier is equivalent to the current Zanaflex Capsules before the Company could di

2007, the Company relied on a single manufacturer, Novartis, for the manufacture of Zanaflex tablets and for the supply of tizanidine, the active pharmaceutical ingr
s. Novartis has discontinued production of tizanidine and will no longer supply tizanidine to Elan for the production of Zanaflex Capsules or to the Company for the p
tly received FDA approval to use the tizanidine manufactured by a new supplier, Farmak, as the active ingredient in the production of Zanaflex Capsules. However, t
al for a new supplier of the tizanidine needed for the production of Zanaflex tablets. Elan has agreed to supply the Company with Novartis-manufactured tizanidine fo
pply requirements through the first quarter of 2010. If the Company fails to gain FDA approval of a new tizanidine supplier for Zanaflex tablets prior to February 201
upply.

is currently in contract negotiations with Patheon regarding the manufacture of Zanaflex tablets, and Patheon has agreed to manufacture Zanaflex tablets prior to the
periences any disruption in their operations, a delay or interruption in the supply of our Zanaflex products could result until the affected supplier cures the problem or
he Company may not be able to enter into alternative supply arrangements on terms that are commercially favorable, if at all. Any new supplier would also be require
ents. The Company could experience substantial delays before it is able to qualify any new supplier and transfer the required manufacturing technology to that suppli

also relies exclusively on Elan to supply it with its requirements for Fampridine-SR. The Company and Elan rely on a single third-party manufacturer to supply famp
idine-SR. Under the Company's supply agreement with Elan, the Company is obligated to purchase at least 75% of its yearly supply of Fampridine-SR from Elan, an
ents if it does not purchase 100% of its requirements from Elan, subject to certain exceptions. The Company and Elan have agreed that it may purchase up to 25% of
agreed-upon and qualified second manufacturing source, with compensatory payment.

r pharmaceutical companies, the Company's principal customers are wholesale pharmaceutical distributors. The Company periodically assesses the financial strength
cipated losses, if necessary. To date, such losses have been minimal. Sales to the Company's top three customers, McKesson, Cardinal and AmerisourceBergen, repre
1, 2008 and 2007.

btful Accounts

e Company's accounts receivable may not be collected due principally to customer disputes and sales returns. The Company provides reserves for these situations bas
le portfolio and an analysis of high-risk customers. The Company has not recognized an allowance as of December 31, 2008 or 2007, as management believes all out

ncial Instruments

of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sal
e between the fair value and carrying amounts of financial instruments that are recognized at historical cost amounts. Effective January 1, 2008, the Company adopte
ch defines fair value, establishes a framework

value and expands required disclosures about fair value measurements. Under the standard, fair value refers to the price that would be received to sell an asset or paid
market participants in the market in which the reporting entity transacts. The standard clarifies the principle that fair value should be based on the assumptions mark
liability.

methods are used to estimate the Company's financial instruments:

Cash equivalents, grants receivables, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these i

Available-for-sale securities are recorded based primarily on quoted market prices;

Notes payable carrying value approximate fair value as the interest rates on these notes approximate market rate of interest; and

cal for the Company to estimate the fair value of the convertible notes payable due to the specific provisions of these notes including the uncertainty of the timing of r
of certain products. The terms of these notes are disclosed at Note 10. See Note 16 for our discussion of fair value measurements.

e

are is computed in accordance with SFAS No. 128, *Earnings Per Share*, by dividing the net loss allocable to common stockholders by the weighted average number
ompany has certain options, warrants, convertible preferred stock and mandatorily redeemable convertible preferred stock (see Notes 3 and 8), which have not been u
se to do so would be anti-dilutive. As such, the numerator and the denominator used in computing both basic and diluted net loss per share allocable to common stoc

table shows dilutive common share equivalents outstanding, which are not included in earning per share calculations, as the effect of their inclusion is anti-dilutive du

	Year Ended December 31,		
	2008	2007	2006
Convertible promissory note	67,476	67,476	67,476
Options	3,284,323	2,999,513	2,534,663
Warrants			16,869
	3,351,799	3,066,989	2,619,008

has reflected the beneficial conversion feature for Series E, Series I and Series J, accretion of issuance costs for Series E, Series I, Series J and Series K, and preferred
able to common stockholders as set forth below.

	Beneficial conversion feature	Accretion of issuance costs	Preferred dividend
For the year ended December 31, 2008	$	$	$
For the year ended December 31, 2007			
For the year ended December 31, 2006	48,470,740	270,725	(12,734,009)

ensation

has various share-based employee and non-employee compensation plans, which are described more fully in Note 8.

2006, the Company adopted the provisions of SFAS 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R), which requires that the costs resulting from all sha
nancial statements at their fair values. The Company adopted SFAS No. 123R using the modified prospective application method under which the provisions of SFAS
fied, repurchased, or cancelled after the adoption date. Additionally, compensation cost for the portion of the awards for which the requisite service has not been rend
ognized in the consolidated statement of operations over the remaining service period after the adoption date based on the award's original estimate of fair value. Resu

accounts for stock options granted to non-employees on a fair-value basis in accordance with EITF No. 96-18, *Accounting for Equity Instruments That Are Issued to*
njunction with Selling, Goods or Services, and FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Pla*
25.

on

is managed and operated as one business. The entire business is managed by a single management team that reports to the chief executive officer. The Company does
ct to any of its product candidates. Accordingly, the Company does not prepare discrete financial information with respect to separate product candidates or by locatio
s as defined by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

come

, *Reporting Comprehensive Income* (SFAS No. 130) establishes standards for the reporting and display of comprehensive income (loss) and its components in a full s
at unrealized gains (losses) from the Company's investment securities be included in other comprehensive income (loss).

eriod amounts have been reclassified to conform to current year presentation.

Pronouncements

07, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits an entity to measure certain financial assets
ent by instrument basis. Under SFAS 159, entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date
ary 1, 2008, but the Company did not elect to measure any additional financial instruments at fair value as a result of this statement. Therefore, the adoption of SFAS
financial statements.

EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities* was issued.
g the accounting for non-refundable advance payments for goods and services that will be used in future R&D activities and requires that they be expensed when the
and not at the time of payment. The Company adopted EITF No. 07-3 as of January 1, 2008. The adoption has not had an impact on our consolidated financial staten

007, the FASB issued SFAS No. 141R, *Business Combinations*. This statement is effective for fiscal years beginning on or after December 15, 2008, with early adop acquisitions completed after December 31, 2008. Among other things, the new standard requires that all acquisition-related costs be expensed as incurred, that acquir orded at fair value as an indefinite-lived asset at the acquisition date and that all restructuring costs related to acquired operations be expensed as incurred. This new s ounting for assets and liabilities arising from contingencies acquired or assumed and, for acquisitions both prior and subsequent to December 31, 2008, requires the ac ed tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in co Company does not expect the adoption of SFAS No. 141R to have a material impact on its consolidated financial statements.

007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 160 will change the accounting for minority interest rests and classified by the parent company as a component of equity. This statement is effective for fiscal years beginning on or after December 15, 2008, with early a . 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests and prospective adoption for all other requirements. No. 160 to have a material impact on its consolidated financial statements.

the FASB issued Final FASB Staff Position (FSP), FAS 142-3, *Determination of the Useful Life of Intangible Assets,* which amends the factors that should be consid ons used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. This FSP shall be effective for finan er December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company will ascertain its impact, if any, during the three-mon

08, the FASB issued FASB Staff Position (FSP), FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which cl *r Value Measurements*, in a market that is not active and illustrates key considerations in determining the fair value of a financial asset when the market for that finan have an impact on our financial statements.

on Stock

completed an initial public offering (IPO) on February 9, 2006. As part of that offering, 6,075,614 shares of the Company's common stock were sold, resulting in net deducting the underwriting discount and offering expenses payable by the Company.

ng of the IPO, all of the Company's convertible preferred stock and mandatorily redeemable convertible preferred stock was converted into 13,338,278 shares of com owing: (a) recognition of the unamortized portion of a beneficial conversion charge of $48.5 million; (b) recognition of the unamortized portion of issuance costs rela red stock of $271,000; and (c) net reversal of accrued preferred dividends on Series J and Series K preferred stock of $12.7 million.

completed a private placement of its common stock in October 2006. As part of that offering, 3,230,769 shares of the Company's common stock were sold, resulting
8 million net of issuance costs.

completed a follow-on public offering in July 2007. As part of that offering, 4,189,460 shares of the Company's common stock were sold, resulting in proceeds of ap

completed a follow-on public offering in February 2008. As part of that offering, 3,712,000 shares of the Company's common stock were sold, resulting in proceeds

completed a follow-on public offering in August 2008. As part of that offering, 4,600,000 shares of the Company's common stock were sold, resulting in proceeds of

Elan Zanaflex purchase agreement, warrants to purchase 16,869 shares of common stock were issued for an aggregate exercise price of $11.856. These warrants were
d Saints Capital V, L.P., together Saints Capital, in December 2005 and were exercised in January 2007 for an aggregate of $200,000.

vestments

has accounted for its investments in accordance with SFAS No. 115 and determined that all of its short-term investments are classified as available-for-sale. Availabl
rest on these securities included in interest income. Available-for-sale securities consisted of the following:

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
2008				
Commercial paper	$119,302,891	$ 585,564	$	$119,888,455
US Treasury bonds	96,319,767	228,848	(1,654)	96,546,961
2007				
Commercial paper	77,018,656	295,855		77,314,511
Corporate bonds	995,792		(62)	995,730

l maturities of available-for-sale debt securities at December 31, 2008 and 2007 are within one year.

e market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value in accor
-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. The impairment would be charged to earnings for the difference
ate and a new cost basis for the security established. Factors evaluated to determine if an investment is other-than-temporarily impaired include significant deteriorati
quality, or business prospects of the issuer; adverse changes in the general market condition in which the issuer operates; the intent and ability to retain the investment
n the market value of the investment; and, issues that raise concerns about the issuer's ability to continue as a going concern. The Company has determined that there

ry declines in the fair values of its short term investments as of December 31, 2008.

estments with maturity of three months or less from date of purchase have been classified as cash and cash equivalents, and amounted to $27,283,767 and $15,766,93

Equipment

quipment consisted of the following:

	December 31, 2008	December 31, 2007	Estimated useful lives
Laboratory equipment	$ 1,746,163	$ 2,299,170	5 years
Furniture and fixtures	753,258	626,649	5 years
Computer equipment	2,265,644	1,800,791	3 years
Websites(1)	439,681		3 years
Capital in Progress(2)	137,585		3 years
Leasehold improvements	2,885,695	2,542,277	2 to 7 years
	8,228,026	7,268,887	
Less accumulated depreciation	(5,879,879)	(5,617,148)	
	$ 2,348,147	$ 1,651,739	

(1) Website development has been capitalized in conformity with EITF 00-2, "*Accounting for Web Site Development Costs*".

(2) Capital in Progress represents website development for a site that is not complete and has not been launched as of December 31, 2008.

nd amortization expense on property and equipment was $1,102,336 and $1,018,758 for the years ended December 31, 2008 and 2007, respectively.

ses and Other Current Liabilities

ses and other current liabilities consisted of the following:

	December 31, 2008	December 31, 2007
Accrued research and development expenses	$ 2,888,791	$ 2,172,364
Bonus payable	2,212,713	1,498,520
Sales force commissions and incentive payments payable	2,287,211	1,044,881
Legal accruals	1,321,882	173,413
Royalties payable	906,695	962,831
Regulatory accruals	895,810	
Fees for distributor services payable	621,000	1,084,932
Other accrued expenses	2,859,651	1,840,704
	$ 13,993,753	$ 8,777,645

rch and development expenses include amounts relating to the clinical trials as well as preclinical operating costs. Legal accruals are primarily comprised of expenses
s include amounts for activities and consultants related to

he NDA for Fampridine-SR. Other accrued expenses include payroll liabilities, vacation accruals, sales and marketing accruals, and other operating expense accruals.

ompany entered into a $6 million senior secured term loan with General Electric Capital Corporation that bears an annual fixed interest rate of 9.93%. The Company
ebruary 2008, with interest-only payments for the first six months starting March 2005 followed by principal and interest payments for the remaining 30 months. The
l property and fixtures owned at closing or subsequently acquired. The Company repaid $3 million of the loan in December 2005. As of February 2008 this loan was

convertible notes payable see Note 10.

Options and Restricted Stock

999, the Company's board of directors approved the adoption of the Acorda Therapeutics, Inc. 1999 Employee Stock Option Plan (the 1999 Plan). All employees of th
999 Plan, including executive officers, as well as directors, independent contractors, and agents of the Company. The 1999 Plan also covers the issuance of restricted s
Compensation Committee of the Board of Directors, which selects the individuals to be granted options and stock appreciation rights, determines the time or times a
shall be granted under the 1999 Plan, determines the number of shares to be granted subject to any option or stock appreciation right under the 1999 Plan and the dura
and makes any other determinations necessary, advisable, and/or appropriate to administer the 1999 Plan. Under the 1999 Plan, each option granted expires no later th
nsation expense is calculated using a Black-Scholes calculation with the expense being recognized over the vesting period. The number of shares authorized for issua

, 2006, the Company's board of directors approved the adoption of the Acorda Therapeutics, Inc. 2006 Employee Incentive Plan (the 2006 Plan). This 2006 Plan serv
an, as amended, and no further option grants or stock issuances shall be made under the 1999 Plan after the effective date, as determined under Section 14 of the 2006
le to participate in the 2006 Plan, including executive officers, as well as directors, independent contractors, and agents of the Company. The 2006 Plan also covers th
istered by the Compensation Committee of the Board of Directors, which selects the individuals to be granted options and stock appreciation rights, determines the tim
ights shall be granted under the 2006 Plan, determines the number of shares to be granted subject to any option or stock appreciation right under the 2006 Plan and th
and makes any other determinations necessary, advisable, and/or appropriate to administer the 2006 Plan. Under the 2006 Plan, each option granted expires no later th
mber of shares of common stock reserved for issuance pursuant to awards made under the 2006 Plan as of December 31, 2008 is 4,144,576 shares of stock. The total
ce under this 2006 Plan, including shares of common stock subject to the then outstanding awards, shall automatically increase on January 1 of each year during the te
es of common stock equal to 4% of the outstanding shares of common stock on that date, unless otherwise determined by the Board of Directors. The Board determi
ct for 2007. The

hat the automatic increase of 4% should take effect for 2008. Upon the exercise of options in the future, the Company intends to issue new shares.

applying SFAS No. 123R in a particular year may not be representative of the effects on reported net income or loss for future years. The fair value of each option gra
ck-Scholes option-pricing model with the following weighted average assumptions:

	Year ended December 31,		
	2008	2007	2006
Employees and directors:			
Estimated volatility	80.17%	71.84%	71.49%
Expected life in years	5.30	6.17	5.40
Risk free interest rate	2.85%	4.66%	4.64%
Dividend yield			

estimated volatility for purposes of computing compensation expense on its employee and non-employee options using a combination of the volatility of the Compan
ity of public companies that the Company considered comparable. The expected life used to estimate the fair value of employee options is 5.3 years. The Company b
0 peer companies' choices for expected life for their valuations.

average fair value per share of options granted to employees and directors for the years ended December 31, 2008, 2007 and 2006 amounted to approximately $14.20
e granted to non-employees for the year ended December 31, 2008 and no options were granted to non-employees for the years ended December 31, 2007 and 2006.

r ended December 31, 2008, the Company granted 1,134,484 stock options and restricted stock awards to employees and directors under the 2006 Plan. These stock
xercise price of $21.31 per share. 1,100 of these options vested immediately, 95,000 of these options vest over a one-year vesting schedule and 813,384 will vest over
tock awards granted in 2008 will vest over a three-year vesting schedule. As a result of these grants the total compensation charge to be recognized over the service p
ognized during the year ended December 31, 2008.

costs for options and restricted stock granted to employees and directors amounted to $9,552,236, $7,796,118, and $3,843,110 for the years ended December 31, 200
pensation costs capitalized in our inventory balances. Compensation expense for options and restricted stock granted to employees and directors are classified betwee
general and administrative expense based on employee job function.

share-based compensation activity for the year ended December 31, 2008 is presented below:

ity

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Intrinsic Value
Balance at January 1, 2008	2,999,513	$ 10.17		
Granted	924,484	21.29		
Forfeited	(115,882)	16.21		
Exercised	(523,792)	7.32		
Balance at December 31, 2008	3,284,323	$ 13.55	7.5	$24,751,341
Vested and expected to vest at December 31, 2008	3,196,736	$ 13.38	7.4	$24,555,730
Vested and exercisable at December 31, 2008	1,735,910	$ 9.42	6.5	$19,512,382

	Options Outstanding			Options Exercisable	
Range of exercise price	Outstanding as of December 31, 2008	Weighted-average remaining contractual life	Weighted-average exercise price	Exercisable as of December 31, 2008	Weighted-average exercise price
$2.45-$4.81	601,531	4.70	$ 2.68	585,295	$ 2.65
$4.82-$8.14	774,398	6.73	6.99	572,801	7.21
$8.15-$19.41	772,279	8.17	16.40	334,377	16.40
$19.42-$21.74	666,732	9.25	20.08	106,967	19.93
$21.75-$34.70	469,383	8.54	24.34	136,470	22.39
	3,284,323	7.47	$ 13.55	1,735,910	$ 9.42

compensation cost for unvested stock options and restricted stock awards as of December 31, 2008 totaled $19.1 million and is expected to be recognized over a weig
ears.

tivity

Restricted Stock	Number of Shares
Nonvested at January 1, 2008	39,722
Granted	225,000
Vested	(102,886)
Forfeited	(11,673)
Nonvested at December 31, 2008	150,163

had available net operating loss carry-forwards (NOL) of approximately $262.2 million and $179.9 million as of December 31, 2008 and 2007, for federal and state i
uture federal and state taxable income, if any, and expire between 2010 and 2028. The Company also has research and development tax credit carryforwards of appro
December 31, 2008 and 2007, for

reporting purposes that are available to reduce federal income taxes, if any, and expire in future years beginning in 2018.

of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2008 and 2007 are presented be

	December 31, 2008	December 31, 2007
Net operating loss carryforwards	$ 88,829,117	$ 64,949,570
Research and development tax credit	1,577,897	1,406,750
Property and equipment	834,527	756,420
Intellectual property	3,154,808	3,289,572
Stock options and warrants	8,155,122	11,722,929
Deferred revenue	7,724,122	7,342,693
Inventory reserve	167,362	220,651
Revenue interest liability	6,728,310	7,242,903
NRI acquisition	892,276	
Other temporary differences	1,390,290	898,298
	119,453,831	97,829,786
Less valuation allowance	(119,453,831)	(97,829,786)
Net deferred tax assets	$	$

e valuation allowance for the years ended December 31, 2008 and 2007 amounted to approximately $21.6 million and $3.6 million, respectively. Since inception, the C
o incur substantial losses in future periods. The Tax Reform Act of 1986 (the Act) provides for a limitation of the annual use of NOL and research and development t
hanges, as defined by the Act) that could significantly limit the Company's ability to utilize these carryforwards. The Company has experienced various ownership ch
ngly, the Company's ability to utilize the aforementioned carryforwards may be limited. Additionally, because U.S. tax laws limit the time during which these carryfo
mpany may not be able to take full advantage of these attributes for federal income tax purposes. Because of the above mentioned factors, the Company has not recog
iods presented. As of December 31, 2008, management believes that it is more likely than not that the net deferred tax assets will not be realized based on future oper
gly, the Company has provided a full valuation allowance against its gross deferred tax assets and no tax benefit has been recognized relative to its pretax losses.

Research Agreements

7, the Company entered into several agreements with Elan, including a License and Supply Agreement (the Agreement) to develop Elan's sustained-release formulati
y. The term of the agreement is equal to the greater of 20 years or the duration of relevant Fampridine-SR patent rights. The Company is responsible for all clinical tri
ufacture, subject to certain exceptions, products for the Company upon regulatory approval at specified prices as a percentage of net selling price. In the event Elan d
valty as a stated percentage of the products' net selling price.

eement, Elan also loaned to the Company an aggregate of $7.5 million pursuant to two convertible promissory notes. On December 23, 2005, Elan transferred these p
One promissory note in the amount of $5.0 million bears interest at a rate of 3% beginning on the first anniversary of the issuance of the note. The unpaid principal i
ncipal and interest are repayable, if not converted, ratably over a seven-year period beginning one year after the Company receives certain regulatory approval for the
d to gross margin on product sales. If it is determined by both parties that regulatory approval will not likely occur, the $5.0 million promissory note will automaticall
he License and Supply Agreement is otherwise terminated, the principal and interest is repayable ratably over 15 years. The $5.0 million promissory note restricts the
senior to the notes, subject to certain exceptions, including for the Company's revenue interest assignment arrangement (See Note 15).

omissory note was in the amount of $2.5 million and was non-interest bearing. In December 2006, Saints Capital exercised the conversion of this note into 210,863 sh

se convertible promissory notes has been imputed using 9% on 50% of the $5 million note and 8% on the $2.5 million note. In the case of the $5 million note, the Co
on note based on the provision in the License and Supply Agreement that provided for a recovery of up to $2.5 million of the license fee paid, which was dependent u
ry approval of the product is received, the convertible note would be repayable and the Company would be entitled to recovery of up to $2.5 million based on the afo
at regulatory approval will not likely occur, the note will not be repayable and the Company would not receive recovery of up to $2.5 million of the license fee. Elan
wnership interest in the Company, significant license agreements entered into and involvement with research and development activities of the Company. The aggreg
tible note payable is convertible into 67,476 shares of common stock.

ted License

2003, the Company entered into an amended and restated license agreement with Elan, which replaced two prior licenses for Fampridine-SR. Under this agreement, E
e rights to Fampridine-SR, as well as Elan's formulation for any other mono- or di-aminopyridines, for all indications, including spinal cord injury and multiple sclero
ments and royalties based on net sales of the product if and when approved.

y termination provisions, the Elan license terminates on a country by country basis on the latter to occur of fifteen years from the date of the agreement, the expiration
mpetition in that country.

2003, the Company entered into a supply agreement with Elan relating to the manufacture and supply of Fampridine-SR by Elan. The Company agreed to purchase at
mpridine from Elan, unless Elan is unable or unwilling to meet its requirements, for a purchase price based on a specified percentage of net sales. In those circumstanc
00% of its requirements from

agreed to make certain compensatory payments to Elan. Elan agreed to assist the Company in qualifying a second manufacturer to manufacture and supply the Comp
an.

efit Plan

ember 1, 1999, the Company adopted a defined contribution 401(k) savings plan (the 401(k) plan) covering all employees of the Company. Participants may elect to c
n to the 401(k) plan, subject to defined limitations. Effective January 1, 2007, the Company amended the plan to include an employer match contribution to employee
p to 6% of his or her earnings, the Company will contribute an additional 50 cents into the funds. The Company's expense related to the plan was $548,000, $388,000
, 2007 and 2006, respectively.

s and Contingencies

he Company entered into a lease agreement for its facility. During November 2000, May 2001, February 2007, July 2008 and February 2009, the Company entered in
mendments, the Company increased the total leased space and extended the lease term for its original leased space. After the first six months of the February 2009 an
pon 12 months notice with no penalty. During 2008, the Company entered into a lease agreement through November 2009 for a corporate apartment. Future minimu
es required subsequent to December 31, 2008 are as follows:

2009	$1,021,000
2010	1,000,000
2011	1,000,000
2012	1,000,000
	$4,021,000

nder these operating leases during the years ended December 31, 2008, 2007 and 2006 was $882,378, $799,006 and $676,834, respectively.

aflex purchase agreement with Elan, the Company is obligated to make milestone payments to Elan of up to $19.5 million based on cumulative gross sales of Zanafle
, 2008, the Company has made all $19.5 million of these milestone payments. Under its Zanaflex supply agreement with Elan, the Company is required to provide to
each month and a two-year forecast not later than July 1 of each year. The Company is bound to order one hundred percent of the forecast required quantities for each
thly forecast report. At December 31, 2008, the forecast requirement for the five month period following December 31, 2008 amounted to approximately $3.8 millio

s of the employment agreement with the Company's chief executive officer, the Company is obligated to pay severance under certain circumstances. If the employme
Company's chief executive officer for reasons other than for cause, the Company must pay (i) an amount equal to the base salary the chief executive officer would ha
diately following the date of termination, plus (ii) bonus equal to last annual bonus received by the chief executive officer multiplied by a fraction, the numerator of v
elapsed as of the termination date and the denominator of which shall be 365.

is also party to employment agreements with its other executive officers, who are the Company's chief scientific officer, executive vice president and general counsel
d conditions of their employment. If any of the employment agreements are terminated by the Company or by the executives for reasons other than for cause, the Co
y the executive would have received during the nine month period immediately following the date of termination in the case of the chief scientific officer and a seven
of termination in the case of the executive vice president and general counsel and chief financial officer, plus (ii) a bonus equal to the last annual bonus received by th
ator of which shall be the number of days in the calendar year elapsed as of the termination date and the denominator of which shall be 365.

7, the Company received a Paragraph IV Certification Notice from Apotex Inc. advising that it had submitted an Abbreviated New Drug Application to the FDA seek
x Capsules. In October 2007, the Company filed a lawsuit against Apotex Corp. and Apotex Inc. (collectively, Apotex) for patent infringement in relation to the filing
swered the Company's complaint, asserting patent invalidity and non-infringement and counterclaiming, seeking a declaratory judgment of patent invalidity and non-i
erclaims. In March 2008, Apotex filed a motion, which the Company opposed, for partial judgment on the pleadings dismissing the Company's request for relief on th
U.S.C. §§ 271(e)(4) or 285. The court ruled in the Company's favor and denied Apotex' motion in December 2008. The Company and Apotex are currently proceedi
or amounts related to legal matters if it is probable that a liability has been incurred and the amount is reasonably estimable. As of December 31, 2008 there have bee

rns

terms of the Zanaflex asset purchase agreement, any product returned within six months of acquisition date was the obligation of Elan. Beginning in January 2005, su
June 30, 2006, the Company accepted $4.7 million in total product returns, of which $2.3 million was for product not sold by the Company. The Company accepts p
to its expiration date. The Company recorded a charge to discounts and allowances of $4.1 million in the year ending December 31, 2004 to record an estimated liabi
Company continued to receive returns of the product sold by Elan through June 2006 at which point the right of return expired and the remaining $1.8 million accrual
ances.

Zanaflex acquisition, the Company purchased certain tablet inventory from Elan that expired within one year. The majority of this product was sold by the Company
y received returns of the product sold by Elan through June 2006 at which point the right of return expired and the Company recognized the $2.2 million deferred rev

sets

acquired all of Elan's U.S. sales, marketing and distribution rights to Zanaflex Capsules and Zanaflex tablets in July 2004 for $2.0 million plus $675,000 for finished
up to $19.5 million in future contingent milestone payments based on cumulative gross sales of Zanaflex tablets and Zanaflex Capsules. As of December 31, 2008, t
ese milestone payments which were

ble assets in the consolidated financial statements. The final $5.0 million milestone was reached in January 2008 and was paid during the three-month period ended Ju

with this transaction, the Company acquired the rights to the tradename "Zanaflex®", one issued U.S. patent and two patent applications related to Zanaflex Capsules with Elan. Additionally, the Company assumed Elan's existing contract with Novartis to manufacture Zanaflex tablets and entered into a separate contract with Elan to rately launched Zanaflex Capsules in April 2005. The Company did not acquire any receivables, employees, facilities or fixed assets. The Company allocated, on a re ments made to Elan to the assets acquired, principally the Zanaflex tradename and the capsulation patent. There is no expected residual value of these intangible assets of the tradename and patent over their estimated future economic benefit to be achieved.

ets consisted of the following:

	December 31, 2008	December 31, 2007	Estimated remaining useful lives as of December 31, 2008
Zanaflex patents	$ 19,350,000	$ 14,850,000	13 years
Zanaflex tradename	2,150,000	1,650,000	0 years
	21,500,000	16,500,000	
Less accumulated amortization	4,934,544	2,556,112	
	$ 16,565,456	$ 13,943,888	

recorded $2,378,431 and $1,233,704 in amortization expense related to these intangible assets in the years ending December 31, 2008 and 2007, respectively.

re amortization expense for these intangible assets subsequent to December 31, 2008 for the next five years is as follows:

2009	$1,282,696
2010	1,282,696
2011	1,282,696
2012	1,282,696
2013	1,282,696
	$6,413,480

ue Interest

23, 2005, the Company entered into an agreement with an affiliate of Paul Royalty Fund (PRF), under which the Company received $15 million in cash. In exchange Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The agreement covers all Zanaflex net revenues (as defined in the agreement) generated from r 31, 2015, unless the agreement terminates earlier. In November 2006, the Company entered into an amendment to the revenue interest assignment agreement with P aid the Company $5.0 million in November 2006. An additional $5.0 million was due if the Company's net revenues during the fiscal year 2006 equaled or exceeded ble was reflected in the Company's December 31, 2006 financial statements. Under

endment, the Company is required to pay PRF $5.0 million on December 1, 2009 and an additional $5.0 million on December 1, 2010 since the net revenues mileston

eement and the amendment to the agreement, 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% o

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.

ng the foregoing, once PRF has received and retained payments under the amended agreement that are at least 2.1 times the aggregate amount PRF has paid the Comp
% of Zanaflex net revenues. If PRF is entitled to 15% of net revenues as described above, the Company will remit 8% of cash payments received from wholesalers to
tion and settlement.

with the transaction, the Company recorded a liability, referred to as the revenue interest liability, in accordance with EITF 88-18, *Sales of Future Revenues.* The Com
liability using the effective interest rate method and records a corresponding accrued interest liability. The effective interest rate is calculated based on the rate that w
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 sale
mputed interest rate associated with this liability will be approximately 6.2%. Payments made to PRF as a result of Zanaflex sales levels will reduce the accrued intere
nue interest liability. The Company recorded approximately $5.4 million, $2.4 million and $2.1 million in interest expense related to this agreement in 2008, 2007 and
cluded a $1.4 million out-of-period adjustment made during the second quarter of 2008 to correct an error identified in the previously recorded effective interest exper
nterests assignment agreement with PRF. This out-of-period adjustment did not increase the total interest expense associated with this agreement. Through December
n made to PRF as a result of Zanaflex sales levels.

t also contains put and call options whereby the Company may repurchase the revenue interest at its option or can be required by PRF to repurchase the revenue intere
periences a change of control, undergoes certain bankruptcy events, transfers any of their interests in Zanaflex (other than pursuant to a license agreement, developme
boration, partnering or similar agreement), transfers all or substantially all of its assets, or breaches certain of the covenants, representations or warranties made under
y refers to as PRF's put option, to require the Company to repurchase the rights sold to PRF at the "put/call price" in effect on the date such right is exercised. If the Co
ght, which the Company refers to as the Company's call option, to repurchase the rights sold to PRF at the "put/call price" in effect on the date such right is exercised.
e as a result of this trigger, the Company will have a period of 180 days during which to exercise the option. The Company does not currently intend to

on if it becomes exercisable as a result of such a transaction but may reevaluate whether it would exercise the option during the 180-day period. The put/call price on
ments made by PRF as of such date, less all payments received by PRF as of such date, and (ii) an amount that would generate an internal rate of return to PRF of 25%
into account the amount and timing of all payments received by PRF as of such date. The Company has determined that PRF's put option and the Company's call opt
edded derivative and should be accounted for as such. The Company recorded a net liability of $337,500 as of December 31, 2008 related to the put/call option to refle
SFAS No. 133, *Accounting for Derivatives Instruments and Hedging Activities.* This liability is revalued on a semi-annual basis to reflect any changes in the fair valu
n is recorded in earnings. For the year ended December 31, 2008, a gain of $125,000 has been recorded as a result of the change in the net put/call liability balance fro

easurements

ary 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and expands
s. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market partici
asacts. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. The im
was not material to our consolidated financial statements.

157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purpos
r Statement 13*, removed leasing transactions accounted for under SFAS No. 13, *Accounting for Leases*, and related guidance from the scope of SFAS No. 157. FSP F
. *157* deferred the effective date of SFAS No. 157 for the Company in relation to all nonfinancial assets and nonfinancial liabilities to January 1, 2009.

establishes a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value
n for recurring fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs
corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

table presents information about our assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 and indicates the fair value hierarchy o
air value.

	Level 1	Level 2	Level 3
Assets Carried at Fair Value:			
Cash equivalents	$ 27,283,767	$	$
Short-term investments	216,435,415		
Liabilities Carried at Fair Value:			
Put/call liability			337,500

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 d

	Balance as of December 31, 2007	Realized gains included in net loss	Unrealized losses included in other comprehensive loss	Balance as of December 31, 2008
Liabilities Carried at Fair Value:				
Put/call liability	$ 462,500	$ (125,000)	$	$ 337,500

evaluates the fair value of positions classified within the Level 3 category based on revenue projections, business, general economic and market conditions that could

vents

, 2009, the Company submitted a New Drug Application to the U.S. Food and Drug Administration for Fampridine-SR.

nsolidated Financial Data (unaudited)

	2008			
	March 31	June 30	September 30	December 31
Net sales	11,487,326	11,359,021	12,442,431	12,439,173
Gross profit	8,527,166	8,556,135	9,764,756	9,623,828
Net loss allocable to common stockholders basic and diluted	(16,430,875)	(18,822,458)	(18,855,762)	(20,231,545)
Net loss per share allocable to common stockholders basic and diluted	$ (0.54)	$ (0.58)	$ (0.53)	$ (0.54)

	2007			
	March 31	June 30	September 30	December 31
Net sales	8,310,772	9,484,250	10,439,028	11,191,961
Gross profit	6,762,468	7,483,821	8,277,740	8,606,004
Net loss allocable to common stockholders basic and diluted	(7,548,740)	(8,163,712)	(8,532,440)	(13,729,575)
Net loss per share allocable to common stockholders basic and diluted	$ (0.32)	$ (0.33)	$ (0.30)	$ (0.48)

Exhibits are incorporated herein by reference or are filed with this Annual Report on Form 10-K as indicated below.

Description
mended and Restated Certificate of Incorporation of the Registrant. Incorporated erein by reference to Exhibit 3.1 to the Registrant's Registration Statement on orm S-1, No. 333-128827, filed on November 20, 2006.
mended and Restated Bylaws of the Registrant. Incorporated herein by reference to xhibit 3.2 of the Registrant's Current Report on Form 8-K filed on March 21, 2007.
pecimen Stock Certificate evidencing shares of common stock. Incorporated herein y reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, o. 333-128827, filed on October 5, 2005.
corda Therapeutics 1999 Employee Stock Option Plan. Incorporated herein by eference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1, o. 333-128827, filed on October 5, 2005.
mendment to 1999 Employee Stock Option Plan. Incorporated herein by reference o Exhibit 10.2 to the Registrant's Registration Statement on Form S-1, o. 333-128827, filed on October 5, 2005.
mendment No. 2 to 1999 Employee Stock Option Plan. Incorporated herein by eference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1, o. 333-128827, filed on October 5, 2005.
corda Therapeutics 2006 Employee Incentive Plan. Incorporated herein by reference o Exhibit 10.4 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 5, 2006.
corda Therapeutics 2006 Employee Incentive Plan, as amended as of January 13, 005. Incorporated herein by reference to Exhibit 10.5 to the Registrant's Registration tatement on Form S-1/A, No. 333-128827, filed on January 18, 2006.
ixth Amended and Restated Registration Rights Agreement, dated March 3, 2004, by nd among the Registrant and certain stockholders named therein. Incorporated herein y reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1, o. 333-128827, filed on October 5, 2005.
mployment Agreement, dated August 11, 2002, by and between the Registrant and on Cohen. Incorporated herein by reference to Exhibit 10.5 to the Registrant's egistration Statement on Form S-1, No. 333-128827, filed on October 5, 2005.
mendment to August 11, 2002 Employment Agreement, dated September 26, 2005, y and between the Registrant and Ron Cohen. Incorporated herein by reference to xhibit 10.6 to the Registrant's Registration Statement on Form S-1, No. 333-128827, led on October 5, 2005.
etter Agreement, dated November 30, 2004, by and between the Registrant and Mark Pinney. Incorporated herein by reference to Exhibit 10.7 to the Registrant's egistration Statement on Form S-1, No. 333-128827, filed on October 5, 2005.
mployment Agreement, dated as of December 19, 2005, by and between the egistrant and Andrew R. Blight. Incorporated herein by reference to Exhibit 10.9 to he Registrant's Registration Statement on Form S-1/A, No. 333-128827, filed on

anuary 5, 2006.

Description

mployment Agreement, dated as of December 19, 2005, by and between the egistrant and Mary Fisher. Incorporated herein by reference to Exhibit 10.10 to the egistrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 5, 2006.

mployment Agreement, dated as of December 19, 2005, by and between the egistrant and David Lawrence. Incorporated herein by reference to Exhibit 10.11 to he Registrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 5, 2006.

mployment Agreement, dated as of December 19, 2005, by and between the egistrant and Jane Wasman. Incorporated herein by reference to Exhibit 10.12 to the egistrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 5, 2006.

mended and Restated License Agreement, dated September 26, 2003, by and etween the Registrant and Elan Corporation, plc. Incorporated herein by reference to xhibit 10.14 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006.

upply Agreement, dated September 26, 2003, by and between the Registrant and lan Corporation, plc. Incorporated herein by reference to Exhibit 10.15 to the egistrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 25, 2006

icense Agreement, dated September 26, 2003, by and between the Registrant and ush-Presbyterian-St. Luke's Medical Center. Incorporated herein by reference to xhibit 10.16 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006.

ide Agreement, dated September 26, 2003, by and among the Registrant, ush-Presbyterian-St. Luke's Medical Center, and Elan Corporation, plc. Incorporated erein by reference to Exhibit 10.11 to the Registrant's Registration Statement on orm S-1, No. 333-128827, filed on October 5, 2005.

ayment Agreement, dated September 26, 2003, by and among the Registrant, ush-Presbyterian-St. Luke's Medical Center, and Elan Corporation, plc. Incorporated erein by reference to Exhibit 10.18 to the Registrant's Registration Statement on orm S-1/A, No. 333-128827, filed on January 25, 2006.

mendment No. 1 to the Payment Agreement, dated as of October 27, 2003, by and etween the Registrant and Elan Corporation, plc. Incorporated herein by reference to xhibit 10.19 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006.

mended and Restated License Agreement, dated August 1, 2003, by and between he Registrant and Canadian Spinal Research Organization. Incorporated herein by eference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006

icense Agreement, dated February 3, 2003, by and between the Registrant and ornell Research Foundation, Inc. Incorporated herein by reference to Exhibit 10.21 o the Registrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 25, 2006.

Description

icense Agreement, dated November 12, 2002, by and between the Registrant and eNeS Pharmaceuticals, plc. Incorporated herein by reference to Exhibit 10.22 to the egistrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 25, 2006.

icense Agreement, dated November 12, 2002, by and between the Registrant and eNeS Pharmaceuticals, plc. Incorporated herein by reference to Exhibit 10.23 to the egistrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 25, 2006.

icense Agreement, dated September 8, 2000, by and between the Registrant and Iayo Foundation for Medical Education and Research. Incorporated herein by eference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006.

ide Letter Agreement, dated June 1, 2005, by and between the Registrant and Mayo oundation for Medical Education and Research. Incorporated herein by reference to xhibit 10.25 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006.

sset Purchase Agreement, dated as of July 21, 2004, by and between the Registrant nd Elan Pharmaceuticals, Inc. Incorporated herein by reference to Exhibit 10.26 to he Registrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 25, 2006.

anaflex Supply Agreement, dated as of July 21, 2004, by and between the Registrant nd Elan Pharma International Limited. Incorporated herein by reference to xhibit 10.27 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006.

ssignment and Assumption Agreement, dated as of July 21, 2004, by and among the egistrant, Elan Pharmaceuticals, Inc., and Novartis Pharma AG. Incorporated herein y reference to Exhibit 10.28 to the Registrant's Registration Statement on orm S-1/A, No. 333-128827, filed on January 25, 2006.

icense Agreement, dated April 17, 1991, by and between Sandoz Pharma, now ovartis Pharma AG and Athena Neurosciences, Inc., now Elan Pharmaceuticals, Inc. ncorporated herein by reference to Exhibit 10.29 to the Registrant's Registration tatement on Form S-1/A, No. 333-128827, filed on January 25, 2006.

atent Assignment Agreement, dated as of July 21, 2004, by and between the egistrant and Elan Pharmaceuticals, Inc. Incorporated herein by reference to xhibit 10.24 to the Registrant's Registration Statement on Form S-1, o. 333-128827, filed on October 5, 2005.

rademark License Agreement, dated as of July 21, 2004, by and between the egistrant and Elan Pharmaceuticals, Inc. Incorporated herein by reference to xhibit 10.25 to the Registrant's Registration Statement on Form S-1, o. 333-128827, filed on October 5, 2005.

greement Relating to Additional Trademark, dated as of July 2005, by and between he Registrant and Elan Pharmaceuticals, Inc. Incorporated herein by reference to xhibit 10.32 to the Registrant's Registration Statement on Form S-1/A, o. 333-128827, filed on January 25, 2006.

omain Name Assignment Agreement, dated as of July 21, 2004, by and between the

egistrant and Elan Pharmaceuticals, Inc. Incorporated herein by reference to
xhibit 10.27 to the Registrant's Registration Statement on Form S-1,
o. 333-128827, filed on October 5, 2005.

Description

ill of Sale and Assignment and Assumption Agreement, dated as of July 21, 2004, y and between the Registrant and Elan Pharmaceuticals, Inc. Incorporated herein by eference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1, lo. 333-128827, filed on October 5, 2005.

imited Recourse Convertible Promissory Note issued to Elan International ervices, Ltd. Incorporated herein by reference to Exhibit 10.29 to the Registrant's egistration Statement on Form S-1, No. 333-128827, filed on October 5, 2005.

ull Recourse Convertible Promissory Note issued to Elan International Services, Ltd. ncorporated herein by reference to Exhibit 10.30 to the Registrant's Registration tatement on Form S-1, No. 333-128827, filed on October 5, 2005.

lote Modification and Amendment, dated as of December 23, 2005, by and between he Registrant and Elan Pharma International Limited. Incorporated herein by eference to Exhibit 10.36 to the Registrant's Registration Statement on Form S-1/A, lo. 333-128827, filed on January 5, 2006.

ampridine Tablet Technical Transfer Program Proposal for Commercial egistration, dated February 26, 2003, by and between the Registrant and atheon, Inc. Incorporated herein by reference to Exhibit 10.38 to the Registrant's egistration Statement on Form S-1/A, No. 333-128827, filed on January 25, 2006.

ecurities Amendment Agreement, dated September 26, 2003, by and among the egistrant, Elan Corporation plc and Elan International Services, Ltd. Incorporated erein by reference to Exhibit 10.31 to the Registrant's Registration Statement on orm S-1, No. 333-128827, filed on October 5, 2005.

yndicated Sales Force Agreement, dated as of August 1, 2005, between the egistrant and Cardinal Health PTS, LLC. Incorporated herein by reference to xhibit 10.40 to the Registrant's Registration Statement on Form S-1/A, lo. 333-128827, filed on January 25, 2006.

icense Agreement, dated as of December 19, 2003, by and among the Registrant, ambridge University Technical Services Limited, and King's College London. ncorporated herein by reference to Exhibit 10.41 to the Registrant's Registration tatement on Form S-1/A, No. 333-128827, filed on January 25, 2006.

romissory Note issued to General Electric Capital Corporation. Incorporated herein y reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1, lo. 333-128827, filed on October 5, 2005.

evenue Interests Assignment Agreement, dated as of December 23, 2005, between he Registrant and King George Holdings Luxembourg IIA S.à.r.l., an affiliate of Paul oyalty Fund II, L.P. Incorporated herein by reference to Exhibit 10.41 to the egistrant's Registration Statement on Form S-1/A, No. 333-128827, filed on anuary 5, 2006.

ecurities Purchase Agreement, dated as of October 3, 2006, by and among the egistrant and the purchasers listed on Exhibit A thereto. Incorporated herein by eference to Exhibit 10.44 of the Registrant's Current Report on Form 8-K filed on ctober 5, 2006.

irst Amendment to Revenue Interests Assignment Agreement and to Guaranty, dated lovember 28, 2006 by and among the Registrant, King George Holdings uxembourg IIA S.à.r.1. and Paul Royalty Fund II, L.P. Incorporated herein by

eference to Exhibit 10.45 to Registrant's Current Report on Form 8-K filed on
ovember 29, 2006.

mendment to August 11, 2002 Employment Agreement, dated May 10, 2007, by
nd between the Registrant and Ron Cohen. Incorporated herein by reference to
xhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on May 14, 2007.

Description

mendment to December 19, 2005 Employment Agreement, dated May 10, 2007, by nd between the Registrant and Andrew R. Blight. Incorporated herein by reference to xhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on May 14, 2007.

mendment to December 19, 2005 Employment Agreement, dated May 10, 2007, by nd between the Registrant and Mary Fisher. Incorporated herein by reference to xhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed on May 14, 2007.

mendment to December 19, 2005 Employment Agreement, dated May 10, 2007, by nd between the Registrant and David Lawrence. Incorporated herein by reference to xhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed on May 14, 2007.

mendment to December 19, 2005 Employment Agreement, dated May 10, 2007, by nd between the Registrant and Jane Wasman. Incorporated herein by reference to xhibit 10.5 to Registrant's Quarterly Report on Form 10-Q filed on May 14, 2007.

egistration Rights Agreement, dated as of February 1, 2008, by and among the egistrant and Edward A. Labry III. Incorporated herein by reference to Exhibit 10.51 o Registrant's Annual Report on Form 10-K filed on March 14, 2008.

mendment to August 11, 2002 Employment Agreement dated December 28, 2007, y and between the Registrant and Ron Cohen. Incorporated herein by reference to xhibit 10.52 to Registrant's Annual Report on Form 10-K filed on March 14, 2008.

mployment Offer Letter, dated October 20, 2008, by and between the Registrant and homas C. Wessel.

ist of Subsidiaries of the Registrant. Incorporated herein by reference to Exhibit 21.1 o the Registrant's Registration Statement on Form S-1, No. 333-128827, filed on ctober 5, 2005.

onsent of KPMG LLP, Independent Registered Public Accounting Firm.

ertification by the Chief Executive Officer pursuant to Rule 13a-14(a) under the ecurities Exchange Act of 1934.

ertification by the Chief Financial Officer pursuant to Rule 13a-14(a) under the ecurities Exchange Act of 1934.

ertification Pursuant to 18 USC. Section 1350, as adopted pursuant to Section 906 of he Sarbanes-Oxley Act of 2002.

---

tial treatment granted as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission

management contract or compensatory plan or arrangement.

SIGNATURES

e requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Acorda Therapeutics, Inc. has duly caused this report to be signed on its behalf by the u
tate of New York, on this 2nd day of March 2009.

ACORDA THERAPEUTICS, INC.

By: /s/ RON COHEN

Ron Cohen
President and Chief Executive Officer

e requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and

ature	Title	Date
M.D.	President, Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2009
ENCE, M.B.A.	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 2, 2009
I.B.A.		
NE	Director	March 2, 2009
EY	Director	March 2, 2009
EM, PH.D.	Director	March 2, 2009
D.		
PHILLIPS	Director	March 2, 2009
DALL	Director	March 2, 2009
AUSCHER,	Director	March 2, 2009
r, M.B.A.		
	Director	March 2, 2009

	Director	March 2, 2009