ACORDA THERAPEUTICS INC
Form 10-Q
November 07, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 000-50513

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

| | |
|---|---|
| Delaware | 13-3831168 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 420 Saw Mill River Road, Ardsley, New York | 10502 |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

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

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

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

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

| Class | Outstanding at October 31, 2016 |
|---|---|
| Common Stock, $0.001 par value per share | 46,114,306 shares |

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This Quarterly Report on Form 10-Q contains forward looking statements relating to future events and our future performance within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Stockholders are cautioned that such statements involve risks and uncertainties, including: The ability to realize the benefits anticipated from the Biotie Therapies transaction and the Civitas Therapeutics transaction, among other reasons because acquired development programs are generally subject to all the risks inherent in the drug development process and our knowledge of the risks specifically relevant to acquired programs generally improves over time; the ability to successfully integrate Biotie Therapies' operations and Civitas's operations respectively, into our operations; we may need to raise additional funds to finance our expanded operations and may not be able to do so on acceptable terms; our ability to successfully market and sell Ampyra (dalfampridine) Extended Release Tablets, 10 mg in the U.S.; third party payers (including governmental agencies) may not reimburse for the use of Ampyra or our other products at acceptable rates or at all and may impose restrictive prior authorization requirements that limit or block prescriptions; the risk of unfavorable results from future studies of Ampyra or from our other research and development programs, including CVT-301 or any other acquired or in-licensed programs; we may not be able to complete development of, obtain regulatory approval for, or successfully market CVT-301 or any other products under development, or the products that we acquired with the Biotie Therapies transaction; the occurrence of adverse safety events with our products; delays in obtaining or failure to obtain and maintain regulatory approval of or to successfully market Fampyra outside of the U.S. and our dependence on our collaborator Biogen in connection therewith; competition; failure to protect our intellectual property, to defend against the intellectual property claims of others or to obtain third party intellectual property licenses needed for the commercialization of our products; and failure to comply with regulatory requirements could result in adverse action by regulatory agencies. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make, and investors should not place undue reliance on these statements. In addition to the risks and uncertainties described above, we have included important factors in the cautionary statements included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2015, particularly in the "Risk Factors" section (as updated by the disclosures in our subsequent quarterly reports, including this report), that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make. Forward-looking statements in this report are made only as of the date hereof, and we do not assume any obligation to publicly update any forward-looking statements as a result of developments occurring after the date of this report.

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

PART I
Item 1. Financial Statements
ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

| (In thousands, except share data) | September 30, 2016 (unaudited) | December 31, 2015 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $127,940 | $153,204 |
| Restricted cash | — | 6,032 |
| Short-term investments | — | 200,101 |
| Trade accounts receivable, net of allowances of $957 and $884, as of September 30, 2016 and December 31, 2015, respectively | 48,575 | 31,466 |
| Prepaid expenses | 15,639 | 16,079 |
| Finished goods inventory | 40,935 | 36,476 |
| Other current assets | 4,863 | 7,959 |
| Total current assets | 237,952 | 451,317 |
| Property and equipment, net of accumulated depreciation | 35,777 | 40,204 |
| Goodwill | 284,029 | 183,636 |
| Deferred tax asset | 2,951 | 2,128 |
| Intangible assets, net of accumulated amortization | 749,415 | 430,856 |
| Non-current portion of deferred cost of license revenue | 2,430 | 2,906 |
| Other assets | 5,814 | 247 |
| Total assets | $1,318,368 | $1,111,294 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $18,557 | $14,233 |
| Accrued expenses and other current liabilities | 89,374 | 66,158 |
| Current portion of deferred license revenue | 9,057 | 9,057 |
| Current portion of convertible notes payable | 1,134 | 1,144 |
| Total current liabilities | 118,122 | 90,592 |
| Convertible senior notes (due 2021) | 297,111 | 290,420 |
| Acquired contingent consideration | 75,400 | 63,500 |
| Non-current portion of deferred license revenue | 34,720 | 41,513 |
| Non-current portion of convertible notes payable | — | 1,107 |
| Deferred tax liability | 91,429 | 12,146 |
| Other non-current liabilities | 34,820 | 8,991 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value. Authorized 80,000,000 shares at September 30, 2016 and December 31, 2015; issued 46,144,900 and 43,440,324 shares, including those held in treasury, as of September 30, 2016 and December 31, 2015, respectively | 46 | 43 |
| Treasury stock at cost (12,420 shares at September 30, 2016 and December 31, 2015) | (329) | (329) |
| Additional paid-in capital | 911,540 | 812,782 |
| Accumulated deficit | (240,876) | (209,352) |
| Accumulated other comprehensive loss | (3,615) | (119) |
| Total stockholders' equity. | 666,766 | 603,025 |
| Total liabilities and stockholders' equity | $1,318,368 | $1,111,294 |

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited)

| (In thousands, except per share data) | Three-month period ended September 30, 2016 | Three-month period ended September 30, 2015 | Nine-month period ended September 30, 2016 | Nine-month period ended September 30, 2015 |
|---|---|---|---|---|
| Revenues: | | | | |
| Net product revenues | $ 128,508 | $ 141,330 | $ 359,350 | $ 342,394 |
| Royalty revenues | 4,841 | 4,605 | 12,831 | 12,571 |
| License revenue | 2,264 | 2,264 | 6,793 | 6,793 |
| Total net revenues | 135,613 | 148,199 | 378,974 | 361,758 |
| Costs and expenses: | | | | |
| Cost of sales | 27,644 | 24,741 | 77,265 | 65,896 |
| Cost of license revenue | 159 | 159 | 476 | 476 |
| Research and development | 54,777 | 43,356 | 149,640 | 105,221 |
| Selling, general and administrative | 54,805 | 51,056 | 176,388 | 152,645 |
| Changes in fair value of acquired contingent consideration | 3,700 | 3,200 | 11,900 | 7,400 |
| Total operating expenses | 141,085 | 122,512 | 415,669 | 331,638 |
| Operating (loss) income | (5,472) | 25,687 | (36,695) | 30,120 |
| Other (expense) income, (net): | | | | |
| Interest and amortization of debt discount expense | (4,404) | (4,037) | (12,161) | (12,098) |
| Interest income | 46 | 120 | 309 | 281 |
| Realized loss on foreign currency transactions | (179) | — | (1,674) | — |
| Other (expense) income | — | (59) | 10,026 | 411 |
| Total other (expense), (net) | (4,537) | (3,976) | (3,500) | (11,406) |
| (Loss) income before taxes | (10,009) | 21,711 | (40,195) | 18,714 |
| (Provision for) benefit from income taxes | (3,023) | (17,770) | 7,686 | (16,861) |
| Net (loss) income | $ (13,032) | $ 3,941 | $ (32,509) | $ 1,853 |
| Net loss attributable to non-controlling interest | 307 | — | 985 | — |
| Net (loss) income attributable to Acorda Therapeutics, Inc. | $ (12,725) | $ 3,941 | $ (31,524) | $ 1,853 |
| Net (loss) income per share attributable to Acorda Therapeutics, Inc.—basic | $ (0.28) | $ 0.09 | $ (0.70) | $ 0.04 |
| Net (loss) income per share attributable to Acorda Therapeutics, Inc.—diluted | $ (0.28) | $ 0.09 | $ (0.70) | $ 0.04 |
| Weighted average common shares outstanding used in computing net (loss) income per share attributable to Acorda Therapeutics, Inc.—basic | 45,378 | 42,174 | 45,178 | 42,097 |
| Weighted average common shares outstanding used in computing net (loss) income per share attributable to Acorda Therapeutics, Inc.—diluted | 45,378 | 43,432 | 45,178 | 43,434 |

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive (Loss) Income
(unaudited)

| (In thousands) | Three-month period ended September 30, 2016 | Three-month period ended September 30, 2015 | Nine-month period ended September 30, 2016 | Nine-month period ended September 30, 2015 |
|---|---|---|---|---|
| Net (loss) income | $ (13,032) | $ 3,941 | $ (32,509) | $ 1,853 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Foreign currency translation adjustment | 1,097 | — | (3,615) | — |
| Unrealized gains on available for sale securities | — | 17 | — | 31 |
| Reclassification of net losses to net income | — | — | 119 | — |
| Other comprehensive income (loss), net of tax | 1,097 | 17 | (3,496) | 31 |
| Comprehensive (loss) income. | $ (11,935) | $ 3,958 | $ (36,005) | $ 1,884 |
| Other comprehensive income (loss) attributable to noncontrolling interest. | $ 17 | $ — | $ (110) | $ — |

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)

| (In thousands) | Nine-month period ended September 30, 2016 | Nine-month period ended September 30, 2015 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net (loss) income | $ (32,509) | $ 1,853 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Recognition of deferred product revenue - Zanaflex | — | (22,186) |
| Share based compensation expense | 27,392 | 24,748 |
| Amortization of net premiums and discounts on investments | 467 | 2,372 |
| Amortization of debt discount and debt issuance costs | 7,158 | 6,383 |
| Amortization of revenue interest issuance cost | — | 15 |
| Depreciation and amortization expense | 15,775 | 11,153 |
| Change in acquired contingent consideration obligation | 11,900 | 7,400 |
| Realized gain on foreign currency transaction | (10,484) | — |
| Deferred tax (benefit) provision | (10,522) | 16,861 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (17,018) | 455 |
| Decrease in prepaid expenses and other current assets | 5,820 | 1,408 |
| Increase in inventory | (4,459) | (20,001) |
| Decrease in non-current portion of deferred cost of license revenue | 476 | 476 |
| Decrease in other assets | 25 | 25 |
| Increase (decrease) in accounts payable, accrued expenses, other current liabilities | 9,612 | (2,158) |
| Decrease in revenue interest liability interest payable | — | (124) |
| Decrease in non-current portion of deferred license revenue | (6,793) | (6,793) |
| Decrease in deferred product revenue—Zanaflex | — | (988) |
| Decrease (increase) in restricted cash | 6,032 | (4,743) |
| Net cash provided by operating activities | 2,872 | 16,156 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (4,633) | (5,025) |
| Purchases of intangible assets | (482) | (781) |
| Acquisitions, net of cash received | (268,107) | — |
| Purchases of investments | (40,214) | (359,968) |
| Proceeds from maturities of investments | 239,966 | 249,500 |
| Net cash used in investing activities | (73,470) | (116,274) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock and option exercises | 74,673 | 8,000 |
| Purchase of noncontrolling interest | (27,946) | — |
| Debt issuance costs | (1,559) | — |
| Repayments of revenue interest liability | (41) | (215) |
| Net cash provided by financing activities | 45,127 | 7,785 |
| Effect of exchange rate changes on cash and cash equivalents | 207 | — |
| Net decrease in cash and cash equivalents | (25,264) | (92,333) |
| Cash and cash equivalents at beginning of period | 153,204 | 182,170 |
| Cash and cash equivalents at end of period | $ 127,940 | $ 89,837 |
| Supplemental disclosure: | | |
| Cash paid for interest | 3,040 | 4,279 |

| | | |
|---|---|---|
| Cash paid for taxes | 3,564 | 2,152 |

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(unaudited)

(1) Organization and Business Activities

Acorda Therapeutics, Inc. ("Acorda" or the "Company") is a biotechnology company focused on developing therapies that restore function and improve the lives of people with neurological disorders.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information, Accounting Standards Codification (ASC) Topic 270-10 and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In management's opinion, all adjustments considered necessary for a fair presentation have been included in the interim periods presented and all adjustments are of a normal recurring nature. The Company has evaluated subsequent events through the date of this filing. Operating results for the three and nine-month periods ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. When used in these notes, the terms "Acorda" or "the Company" mean Acorda Therapeutics, Inc. The December 31, 2015 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. You should read these unaudited interim condensed consolidated financial statements in conjunction with the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Certain reclassifications were made to prior period amounts in the interim consolidated financial statements and accompanying notes to conform with the current presentation.

(2) Summary of Significant Accounting Policies

Our critical accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 31, 2015. As of September 30, 2016, with the exception of the addition of our policy on translation of foreign currency, the modification of our policy on segment and geographic information to reflect sales of Selincro and the adoption of ASU 2015-03, "Interest – Imputation of Interest" (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), our critical accounting policies have not changed materially from December 31, 2015.

Foreign Currency Translation — The functional currency of operations outside the United States of America is deemed to be the currency of the local country, unless otherwise determined that the United States dollar would serve as a more appropriate functional currency given the economic operations of the entity. Accordingly, the assets and liabilities of the Company's foreign subsidiary, Biotie, are translated into United States dollars using the period-end exchange rate; and income and expense items are translated using the average exchange rate during the period; and equity transactions are translated at historical rates. Cumulative translation adjustments are reflected as a separate component of equity. Foreign currency transaction gains and losses are charged to operations.

Segment and Geographic Information

The Company is managed and operated as one business which is focused on the identification, development and commercialization of novel therapies to improve the lives of people with neurological disorders. The entire business is managed by a single management team that reports to the Chief Executive Officer. The Company does not operate separate lines of business with respect to any of its products or product candidates and the Company does not prepare discrete financial information with respect to separate products or product candidates or by location. Accordingly, the Company views its business as one reportable operating segment. Net product revenues reported to date are derived from the sales of Ampyra, Zanaflex and Qutenza in the U.S.

Subsequent Events

Subsequent events are defined as those events or transactions that occur after the balance sheet date, but before the financial statements are filed with the Securities and Exchange Commission. The Company completed an evaluation of the impact of any subsequent events through the date these financial statements were issued, and determined the following subsequent events required disclosure in these financial statements.

In October 2016, the Company entered into a 10 year lease agreement for approximately 26,000 square feet of lab/office space in Waltham, MA. The lease provides for monthly rental payments over the lease term. The Company expects to take occupancy of the space in January 2017.

Recently Issued / Adopted Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update 2015-03, "Interest – Imputation of Interest" (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. ASU-2015-03 is effective for fiscal years and interim periods therein beginning after December 15, 2015, with early adoption permitted. The Company adopted this guidance retrospectively effective in the three-month period ended March 31, 2016. The impact of the adoption of this guidance on the Company's consolidated balance sheet as of December 31, 2015 was a reclassification of approximately $5.0 million representing the unamortized balance of debt issuance costs as of December 31, 2015 from Other Assets to the Convertible Senior Notes liability.

| (In thousands) | Balance at December 31, 2015 | |
|---|---|---|
| | Revised Reporting | As Previously Reported |
| Other assets | $247 | $5,296 |
| Convertible notes payable – due 2021 | $(290,420) | $(295,469 ) |

In March 2016, the FASB issued Accounting Standards Update 2016-09, "Compensation – Stock Compensation" (Topic 718). The main objective of this update is to simplify the accounting, and reporting classifications for certain aspects of share-based payment transactions. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company is currently evaluating the new guidance to determine the impact it may have on its financial statements.

In August 2016, the FASB issued Accounting Standards update 2016-15, "Statement of Cash Flows" (Topic 230). The main objective of this update is to reduce diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the new guidance to determine the impact it may have on its financial statements.

(3) Acquisitions

Biotie Therapies Corp.

On April 18, 2016, the Company acquired a controlling interest in Biotie Therapies Corp. ("Biotie") pursuant to a combination agreement entered into in January 2016. The acquisition of Biotie positions the Company as a leader in Parkinson's disease therapeutic development, with three clinical-stage compounds that have the potential to improve the lives of people with Parkinson's disease. In accordance with the combination agreement, the Company closed a public tender offer for all of Biotie's capital stock, pursuant to which the Company acquired approximately 93% of the fully diluted capital stock of Biotie for a cash purchase price of approximately $350 million. On May 4, 2016, the Company acquired an additional approximately 4% of Biotie's fully diluted capital stock pursuant to a subsequent public offer to Biotie stockholders that did not tender their shares in the initial tender offer. The purchase consideration for the subsequent tender offer was approximately $14.5 million. The acquisition of the additional 4% of Biotie's fully diluted capital stock resulted in the Company owning approximately 97% of the fully diluted capital stock of Biotie (the "Acquisition") as of June 30, 2016.

On September 30, 2016, the Company acquired the remaining approximately 3% of Biotie's fully diluted capital stock in exchange for the payment of a cash security deposit of approximately $13.5 million, as determined by the arbitral tribunal administering the redemption proceedings. Accordingly, the Company owned 100% of the fully diluted

capital stock of Biotie as of September 30, 2016.

The Company estimated the preliminary fair value of the assets acquired and liabilities assumed as of the date of acquisition based on the information available at that time. During the three-month period ended September 30, 2016, the Company recorded a measurement-period adjustment to its preliminary purchase price allocation of $1.2 million, which

reduced other long-term liabilities with a corresponding decrease to goodwill. The valuation of the assets and liabilities is subject to further analysis. As the Company finalizes the fair values of the assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period and such adjustments could be material. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

The following table presents the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date of April 18, 2016, as adjusted through the period ended September 30, 2016:

| (In thousands) | Preliminary Allocation as of the acquisition date | Measurement Period Adjustments | Preliminary Allocation, as adjusted through September 30, 2016 |
|---|---|---|---|
| Cash and cash equivalents | $ 73,854 | $ — | $ 73,854 |
| Other current assets | 2,208 | — | 2,208 |
| Other long-term assets | 4,962 | — | 4,962 |
| Intangible assets (indefinite-lived) | 260,500 | — | 260,500 |
| Intangible assets (definite-lived) | 65,000 | — | 65,000 |
| Current liabilities | (17,547) | — | (17,547) |
| Deferred taxes | (89,038) | — | (89,038) |
| Other long-term liabilities | (26,715) | 1,159 | (25,556) |
| Fair value of assets and liabilities acquired | 273,224 | 1,159 | 274,383 |
| Goodwill | 102,676 | (1,159) | 101,517 |
| Total purchase price | 375,900 | — | 375,900 |
| Less: Noncontrolling interests | (25,736) | — | (25,736) |
| Purchase consideration on date of acquisition | $ 350,164 | $ — | $ 350,164 |

The Company accounted for the Acquisition as a business combination using the acquisition method of accounting. Under the acquisition method of accounting, the total purchase price of the acquisition is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the date of acquisition. The Company incurred approximately $17.7 million in acquisition related expenses to date. For the three and nine-month periods ended September 30, 2016, the Company incurred approximately $0.4 million and $17.1 million, respectively, in acquisition related expenses, all of which were expensed and included in selling, general and administrative expenses in the consolidated statements of operations. The results of Biotie's operations have been included in the consolidated statements of operations from the acquisition date of April 18, 2016.

The definite-lived intangible asset will be amortized on a straight line basis over the period in which the Company expects to receive economic benefit and will be reviewed for impairment when facts and circumstances indicate that the carrying value of the asset may not be recoverable.

The fair value of the IPR&D will be capitalized as of the acquisition date and subsequently accounted for as indefinite-lived intangible assets until disposition of the assets or completion or abandonment of the associated research and development efforts. Accordingly, during the development period after the completion of the acquisition, these assets will not be amortized into earnings; rather, these assets will be subject to periodic impairment testing. Upon successful completion of the development efforts, the useful lives of the IPR&D assets will be determined and the assets will be considered definite-lived intangible assets and amortized over their expected useful lives.

Goodwill is calculated as the excess of the purchase price and the noncontrolling interest over the estimated fair value of the assets acquired and liabilities assumed. The goodwill recorded is primarily related to establishing a deferred tax

liability for the IPR&D intangible assets which have no tax basis and, therefore, will not result in a future tax deduction. None of the goodwill is deductible for tax purposes.

The revenue of Biotie included in the consolidated statements of operations for the three-month period ended September 30, 2016 and the year to date period April 18, 2016 through September 30, 2016 was $1.1 million and $1.9

7

million, respectively. The net loss of Biotie included in the consolidated statement of operations for the three-month period ended September 30, 2016 and the year to date period April 18, 2016 through September 30, 2016 was $11.7 million and $26.5 million, respectively.

Noncontrolling Interests

The fair value of the noncontrolling interest was comprised of the fair value of Biotie's equity interests not acquired by the Company. The fair value of the noncontrolling interest was determined by quoted market price, which is considered to be a Level 1 input under the fair value measurements and disclosure guidance. The noncontrolling interest in Biotie was presented as permanent equity in the Company's consolidated balance sheet. Noncontrolling interests are generally adjusted for the net income or loss and other comprehensive income or loss attributable to the noncontrolling shareholders and any additional acquisition of noncontrolling interests. On September 30, 2016, the Company acquired shares representing the remaining approximately 3% of Biotie's fully diluted capital stock, which eliminated the noncontrolling interest as of September 30, 2016.

Activity attributable to stockholders' equity - Acorda and noncontrolling interests for the nine-month period ended September 30, 2016 is as follows:

| (In thousands) | Stockholders' Equity Acorda | Non-Controlling Interest | Total Stockholders' Equity |
|---|---|---|---|
| Balance at December 31, 2015 | $ 603,025 | $ — | $ 603,025 |
| Net loss | (31,524) | (985) | (32,509) |
| Other comprehensive loss | (3,496) | (110) | (3,606) |
| Noncontrolling interest at date of acquisition | — | 25,736 | 25,736 |
| Purchase of noncontrolling interest | (3,305) | (24,641) | (27,946) |
| Private Placement, net of issuance costs | 72,094 | — | 72,094 |
| Stock compensation expense and option exercises | 29,972 | — | 29,972 |
| Balance at September 30, 2016 | $ 666,766 | $ — | $ 666,766 |

Financial Instruments

The Company does not enter into hedging transactions in the normal course of business. However, as a result of the Biotie acquisition which was completed in Euros, the Company was exposed to fluctuations in exchange rates between the U.S. dollar and the Euro until the completion of the transaction. To mitigate this risk, the Company entered into foreign currency options to limit its exposure to fluctuations in exchange rates between the U.S. dollar and the Euro until the transaction was completed. As of May 2, 2016, there were no foreign currency options outstanding.

The Company had a realized gain on the foreign currency options of approximately $9.9 million, which is included in other income in the consolidated statements of operations for the nine month period ended September 30, 2016.

Pro-Forma Financial Information Associated with the Biotie Acquisition (Unaudited)

The following table summarizes certain supplemental pro forma financial information for the three and nine-month periods ended September 30, 2016 and 2015 as if the Acquisition had occurred as of January 1, 2015. The unaudited pro forma financial information for the three and nine months ended September 30, 2016 reflects (i) the net impact to amortization expense based on the fair value adjustments to the intangibles assets; (ii) the impact to operations resulting from the reversal of transaction costs related to the Acquisition; (iii) the impact to operations resulting from the reversal of the unrealized and realized gains on the foreign currency option; (iv) the impact to interest expense based on the fair value adjustments to the debt acquired from Biotie; (v) the tax effects of those adjustments; and (vi) the net loss attributable to the noncontrolling interests resulting from the Acquisition.

The unaudited pro forma financial information for the three and nine-month periods ended September 30, 2015 reflects (i) the net impact to amortization expense based on the fair value adjustments to the intangible assets acquired from Biotie; (ii) the impact to interest expense based on the fair value adjustments to the debt acquired from Biotie; and (iii) the net loss attributable to the noncontrolling interests resulting from the Acquisition, and the related tax effects of those adjustments.

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|---|---|---|
| (In thousands) | 2016 | 2015 | 2016 | 2015 |
| Revenues | $135,613 | $149,076 | $380,032 | $365,092 |
| Loss from continuing operations attributable to Acorda | $(12,168 ) | $(7,255 ) | $(55,376 ) | $(30,362 ) |

(4) Intangible Assets and Goodwill

Intangible Assets

In connection with the acquisition of Biotie (Note 3), the Company acquired global rights to tozadenant, SYN-120, and BTT-1023. Tozadenant is an oral adenosine A2a receptor antagonist currently in Phase 3 development as an adjunctive treatment to levodopa in Parkinson's disease patients to reduce OFF periods. SYN-120 is an oral, dual antagonist with the potential to facilitate pro-cognitive and antipsychotic activities for patients with neurodegenerative diseases, such as Parkinson's and Alzheimer's. BTT-1023 is a fully human monoclonal antibody which targets vascular adhesion for the potential treatment of inflammatory/fibrotic disease, such as rheumatoid arthritis and psoriasis. The Company also acquired rights to Selincro, an orally administered drug used for the treatment of alcohol dependence. Selincro received European Medicines Agency approval in 2013 and is currently marketed across Europe by Biotie's partner H. Lundbeck A/S, a Danish pharmaceutical company.

In accordance with the acquisition method of accounting, the Company allocated the acquisition cost for the transaction to the underlying assets acquired and liabilities assumed, based upon the estimated fair values of those assets and liabilities at the date of acquisition. The Company classified the fair value of the acquired IPR&D as indefinite lived intangible assets until the successful completion or abandonment of the associated research and development efforts. The Company classified the fair value of Selincro as a definite lived intangible asset. The fair value assigned to Selincro will be amortized over the estimated remaining useful life of 7 years. The value allocated to the indefinite lived intangible assets was $260.5 million. The value allocated to Selincro was $65 million.

Information regarding intangible assets is as follows:

| | | September 30, 2016 | | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|---|---|
| (Dollars In thousands) | Estimated Remaining Useful Lives (Years) | Cost | Accumulated Amortization | Foreign Currency Translation | Net Carrying Amount | Cost | Accumulated Amortization | Net Carrying Amount |
| In-process research & development (1) | Indefinite-lived | $683,500 | $ - | $ (307) | $683,193 | $423,000 | $ - | $423,000 |
| Selincro | 7 | 65,000 | (4,229) | (780) | 59,991 | - | - | - |
| Ampyra milestones | 11 | 5,750 | (2,603) | - | 3,147 | 5,750 | (2,380) | 3,370 |
| Ampyra CSRO royalty buyout | 4 | 3,000 | (2,035) | - | 965 | 3,000 | (1,817) | 1,183 |
| Website development costs | 3 | 13,083 | (11,032) | - | 2,051 | 12,504 | (9,467) | 3,037 |
| Website development costs – in process | n/a | 68 | - | - | 68 | 266 | - | 266 |
| | | $770,401 | $ (19,899) | $ (1,087) | $749,415 | $444,520 | $ (13,664) | $430,856 |

(1) Includes the fair values of: CVT-301: $423.0 million; tozadenant: $232.0 million; SYN-120: $24.2 million and BTT-1023: $4.3 million

The Company recorded $2.8 million and $6.2 million in amortization expense related to these intangibles assets during the three and nine-month periods ended September 30, 2016, respectively. The Company recorded $0.7 million and $2.3 million in amortization expense related to these intangibles assets during the three and nine month periods ended September 30, 2015.

Estimated future amortization expense for intangible assets subsequent to September 30, 2016 is as follows:

| | (In thousands) |
|---|---|
| 2016 | $2,857 |
| 2017 | 10,994 |
| 2018 | 10,298 |
| 2019 | 9,987 |
| 2020 | 9,602 |
| Thereafter | 23,196 |
| | $66,934 |

Goodwill

Changes in the carrying amount of goodwill were as follows:

| | In thousands |
|---|---|
| Balance at December 31, 2015 | $183,636 |
| Goodwill associated with the acquisition of Biotie Therapies | 102,676 |
| Decrease to goodwill for measurement period adjustment | (1,159) |
| Foreign currency translation adjustment | (1,124) |
| Balance at September 30, 2016 | $284,029 |

(5) Share-based Compensation

During the three month periods ended September 30, 2016 and 2015, the Company recognized share-based compensation expense of $10.0 million and $8.9 million, respectively. During the nine-month periods ended September 30, 2016 and 2015, the Company recognized share-based compensation expense of $27.4 million and $24.7 million. Activity in options and restricted stock during the nine-month period ended September 30, 2016 and related balances outstanding as of that date are reflected below. The weighted average fair value per share of options granted to employees for the three-month periods ended September 30, 2016 and 2015 were approximately $11.21 and $14.74, respectively. The weighted average fair value per share of options granted to employees for the nine-month periods ended September 30, 2016 and 2015 were approximately $13.65 and $15.89, respectively.

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

| | For the three-month period ended September 30, | | For the nine-month period ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2016 | 2015 | 2016 | 2015 |
| Research and development | $2.9 | $2.2 | $7.7 | $6.2 |
| Selling, general and administrative | 7.1 | 6.7 | 19.7 | 18.5 |
| Total | $10.0 | $8.9 | $27.4 | $24.7 |

A summary of share-based compensation activity for the nine-month period ended September 30, 2016 is presented below:

Stock Option Activity

| | Number of Shares (In thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Intrinsic Value (In thousands) |
|---|---|---|---|---|
| Balance at January 1, 2016 | 8,223 | $ 30.97 | | |
| Granted | 1,717 | 31.91 | | |
| Cancelled | (526) | 34.22 | | |
| Exercised | (141) | 18.33 | | |
| Balance at September 30, 2016 | 9,273 | $ 31.15 | 6.4 | $ 816 |
| Vested and expected to vest at September 30, 2016 | 9,175 | $ 31.13 | 6.4 | $ 816 |
| Vested and exercisable at September 30, 2016 | 5,877 | $ 29.60 | 5.3 | $ 816 |

Restricted Stock Activity

| (In thousands) Restricted Stock | Number of Shares |
|---|---|
| Nonvested at January 1, 2016 | 441 |
| Granted | 659 |
| Vested | (19) |
| Forfeited | (219) |
| Nonvested at September 30, 2016 | 862 |

Unrecognized compensation cost for unvested stock options, restricted stock awards and performance stock units as of September 30, 2016 totaled $63.7 million and is expected to be recognized over a weighted average period of approximately 2.4 years.

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(6) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine-month periods ended September 30, 2016 and 2015:

| (In thousands, except per share data) | Three-month period ended September 30, 2016 | Three-month period ended September 30, 2015 | Nine-month period ended September 30, 2016 | Nine-month period ended September 30, 2015 |
|---|---|---|---|---|
| Basic and diluted | | | | |
| Net (loss) income | $ (12,725) | $ 3,941 | $ (31,524) | $ 1,853 |
| Weighted average common shares outstanding used in computing net (loss) income per share—basic | 45,378 | 42,174 | 45,178 | 42,097 |
| Plus: net effect of dilutive stock options and restricted common shares | — | 1,258 | — | 1,337 |
| Weighted average common shares outstanding used in computing net (loss) income per share—diluted | 45,378 | 43,432 | 45,178 | 43,434 |
| Net (loss) income per share—basic | $ (0.28) | $ 0.09 | $ (0.70) | $ 0.04 |
| Net (loss) income per share—diluted | $ (0.28) | $ 0.09 | $ (0.70) | $ 0.04 |

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

Securities that could potentially be dilutive are excluded from the computation of diluted earnings per share when a loss from continuing operations exists or when the exercise price exceeds the average closing price of the Company's common stock during the period, because their inclusion would result in an anti-dilutive effect on per share amounts. The following amounts were not included in the calculation of net income per diluted share because their effects were anti-dilutive:

| (In thousands) | Three-month period ended September 30, 2016 | Three-month period ended September 30, 2015 | Nine-month period ended September 30, 2016 | Nine-month period ended September 30, 2015 |
|---|---|---|---|---|
| Denominator | | | | |
| Stock options and restricted common shares | 8,278 | 4,630 | 7,821 | 4,517 |
| Convertible note – Saints Capital | 10 | 19 | 10 | 19 |

Additionally, the impact of the convertible debt and the impact of the convertible capital loan assumed from Biotie were determined to be anti-dilutive and excluded from the calculation of net loss per diluted share for the three and nine-month periods ended September 30, 2016.

(7) Income Taxes

The Company's effective income tax rate differs from the U.S. statutory rate principally due to state taxes, foreign taxes related to the Company's Puerto Rico operations, Federal research and development tax credits, jurisdictions with pretax losses from the acquisition of Biotie for which no tax benefit can be recognized and certain other permanent tax items. The annual rate depends on a number of factors, including the jurisdiction in which operating profit is earned and the timing and nature of discrete items.

For the three-month periods ended September 30, 2016 and 2015, the Company recorded a $3.0 million and $17.8 million provision for income taxes, respectively. The effective income tax rates for the Company for the three-month periods ended September 30, 2016 and 2015 were 30% and 82%, respectively. The variance in the effective tax rates for the three-month period ended September 30, 2016 as compared to the three-month period ended September 30, 2015 was due primarily to the valuation allowance recorded on jurisdictions with pretax losses from the acquisition of

Biotie during three-month
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period ended June 30, 2016 for which no tax benefit can be recognized, partially offset by a non-deductible $8.8 million payment in July 2015 to the former equity holders of Neuronex and the Company being able to receive a benefit in 2016 for the Federal research and development tax credits as a result of passed legislation making the tax credit permanent. The Company was not able to benefit from the Federal research and development tax credits for the three-month period ended September 30, 2015, however, the Company was able to receive the benefit for this tax credit in the effective tax rate at December 31, 2015.

For the nine-month periods ended September 30, 2016 and 2015, the Company recorded a $7.7 million benefit and $16.9 million provision for income taxes, respectively. The effective income tax rates for the Company for the nine-month periods ended September 30, 2016 and 2015 were 19% and 90%, respectively. The variance in the effective tax rates for the nine-month period ended September 30, 2016 as compared to the nine-month period ended September 30, 2015 was due primarily to the valuation allowance recorded on jurisdictions with pretax losses from the acquisition of Biotie during the six-month period ended June 30, 2016 for which no tax benefit can be recognized, partially offset by a non-deductible $8.8 million payment in July 2015 to the former equity holders of Neuronex and the Company being able to receive a benefit in 2016 for the Federal research and development tax credits as a result of passed legislation making the tax credit permanent. The Company was not able to benefit from the Federal research and development tax credits for the nine-month period ended September 30, 2015, however, the Company was able to receive the benefit for this tax credit in the effective tax rate at December 31, 2015.

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

(8) Fair Value Measurements

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates, exchange rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability. The Company's Level 1 assets consist of time deposits, money market funds and investments in a Treasury money market fund and the Company's Level 2 assets consist of high-quality government bonds that are valued using observable market prices. The Company's Level 3 liabilities represent acquired contingent consideration related to the acquisition of Civitas and are valued using a probability weighted discounted cash flow valuation approach. No changes in valuation techniques occurred during the three or nine-month periods ended September 30, 2016. The estimated fair values of all of our financial instruments approximate their carrying values at September 30, 2016, except for the fair value of the Company's convertible senior notes, which was approximately $276 million as of September 30, 2016. The Company estimates the fair value of its notes utilizing market quotations for the debt (Level 2).

| (In thousands) | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| September 30, 2016 | | | |
| Assets Carried at Fair Value: | | | |
| Cash equivalents | $25,519 | $— | $— |
| | | | |
| Liabilities Carried at Fair Value: | | | |
| Acquired contingent consideration | — | — | 75,400 |
| | | | |
| December 31, 2015 | | | |
| Assets Carried at Fair Value: | | | |
| Cash equivalents | $70,504 | $13,009 | $— |
| Short-term investments | — | 200,101 | — |

| | | | |
|---|---|---|---|
| Liabilities Carried at Fair Value: | | | |
| Acquired contingent consideration | — | — | 63,500 |

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

Acquired contingent consideration

| (In thousands) | Three-month period ended September 30, 2016 | Three-month period ended September 30, 2015 | Nine-month period ended September 30, 2016 | Nine-month period ended September 30, 2015 |
|---|---|---|---|---|
| Acquired contingent consideration: | | | | |
| Balance, beginning of period | $ 71,700 | $ 56,800 | $ 63,500 | $ 52,600 |
| Fair value change to contingent consideration (unrealized) included in the statement of operations | 3,700 | 3,200 | 11,900 | 7,400 |
| Balance, end of period | $ 75,400 | $ 60,000 | $ 75,400 | $ 60,000 |

The Company estimates the fair value of its acquired contingent consideration using a probability weighted discounted cash flow valuation approach based on estimated future sales expected from CVT-301, a phase 3 candidate for the treatment of OFF periods of Parkinson's disease and CVT-427, a Phase I candidate. CVT-427 is an inhaled triptan intended for acute treatment of migraine using the ARCUS delivery system. Using this approach, expected future cash flows are calculated over the expected life of the agreement, are discounted, and then exercise scenario probabilities are applied. Some of the more significant assumptions made in the valuation include (i) the estimated CVT-301 and CVT 427 revenue forecasts, (ii) probabilities of success, and (iii) discount periods and rate. The probability of achievement of revenue milestones ranged from 43.9% to 70% with milestone payment outcomes ranging from $0 to $54 million in the aggregate for CVT-301 and CVT-427. The valuation is performed quarterly. Gains and losses are included in the statement of operations. For the three and nine-month periods ended September 30, 2016, changes in the fair value of the acquired contingent consideration were due to the re-calculation of cash flows for the passage of time and updates to certain other estimated assumptions.

The acquired contingent consideration is classified as a Level 3 liability as its valuation requires substantial judgment and estimation of factors that are not currently observable in the market. If different assumptions were used for the various inputs to the valuation approach, including but not limited to, assumptions involving probability adjusted sales estimates for CVT-301 and CVT-427 and estimated discount rates, the estimated fair value could be significantly higher or lower than the fair value determined.

(9) Investments

The Company held no short-term available-for-sale debt securities at September 30, 2016 as compared to $200.1 million at December 31, 2015 as these investments were either sold or matured during the three-month period ended March 31, 2016 to facilitate the Biotie acquisition. The contractual maturities of available-for-sale debt securities held at December 31, 2015 were greater than 3 months but less than 1 year.

| (In thousands) | Amortized Cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
|---|---|---|---|---|
| September 30, 2016 | | | | |
| U.S. Treasury bonds | $— | $ — | $ (— ) | $— |
| December 31, 2015 | | | | |
| U.S. Treasury bonds | 200,244 | — | (143 ) | 200,101 |

Short-term investments with maturities of three months or less from date of purchase have been classified as cash equivalents, and amounted to $25.5 million and $83.5 million as of September 30, 2016 and December 31, 2015, respectively.

Unrealized holding gains and losses are reported within accumulated other comprehensive (loss) (AOCI) in the statements of comprehensive income. The changes in AOCI associated with the unrealized holding (losses) on available-for-sale investments during the nine-month period ended September 30, 2016, were as follows (in thousands):

| (In thousands) | Net Unrealized Gains (Losses) on Marketable Securities |
|---|---|
| Balance at December 31, 2015 | $ (119) |
| Other comprehensive loss before reclassifications: | — |
| Amounts reclassified from accumulated other comprehensive loss | 119 |
| Net current period other comprehensive income | 119 |
| Balance at September 30, 2016 | $ — |

(10) Debt Obligations

Asset Based Loan

On June 1, 2016, the Company and certain of its subsidiaries entered into a Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as the sole initial lender and the administrative agent for the lenders (the "Administrative Agent").

The Credit Agreement provides the Company with a three-year senior secured revolving credit facility in the maximum amount of $60 million. Availability under the facility is subject to a borrowing base, which is based on eligible accounts receivable, inventory and equipment of the Company and certain of its U.S. subsidiaries, after adjusting for customary factors that are subject to modification from time to time by the Administrative Agent at its discretion (not to be exercised unreasonably). Based on the Company's eligible accounts receivable and inventory and other components of the borrowing base, the availability under the facility was approximately $60 million as of September 30, 2016.

Amounts drawn under the facility will bear interest, at the Company's option, at (i) an alternate base rate (the highest of (a) the prime rate, (b) the federal funds effective rate or the overnight bank funding rate plus 0.5%, and (c) the LIBOR rate (adjusted for statutory reserve requirements for eurocurrency liabilities) plus 1%) plus 1.5%, or (ii) the LIBOR rate (adjusted for statutory reserve requirements for eurocurrency liabilities) plus 2.5%. The facility is subject to an annual commitment fee of either 0.375% or 0.50%, depending on the amounts already drawn under the facility. As of September 30, 2016, there were no amounts drawn under the facility.

The Company's obligations under the facility are guaranteed by its U.S. subsidiaries (other than its U.S. subsidiary of Biotie Therapies Oyj). The Company's obligations under the facility and its subsidiaries' obligations under the related guarantees are secured by first priority security interests in collateral that includes, subject to certain exceptions:

- U.S. accounts receivable, inventory and manufacturing equipment;
- Equity interests in the Company's U.S. subsidiaries (other than its U.S. subsidiary of Biotie Therapies Oyj) and up to 65% of the voting equity interests of its directly owned foreign subsidiaries; and
- Substantially all other tangible and intangible assets, including equipment, contract rights and intellectual property (other than intellectual property related to Ampyra).

The facility contains certain covenants that, among other things, limit the Company's ability and the ability of certain of its subsidiaries to (i) incur additional debt or issue redeemable preferred stock, (ii) pay dividends, repurchase shares or make certain other restricted payments or investments, (iii) incur liens, (iv) sell assets, (v) incur restrictions on future liens and incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us,

(vi) enter into affiliate transactions, (vii) engage in sale and leaseback transactions, and (viii) consolidate or merge. These covenants are subject to significant exceptions and qualifications. In addition, the Company will not be permitted to allow its ratio of (a) EBITDA minus Unfinanced Capital Expenditures to (b) Fixed Charges to be less than 1.10 to 1.00 on a trailing four quarter basis as of the end of any fiscal quarter during any period.

The facility has customary representations and warranties including, as a condition to borrowing, that all such

representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse effect on the Company's business or financial condition since December 31, 2015. The facility also has customary defaults, including a cross-default to material indebtedness of the Company and its subsidiaries. The Administrative Agent may declare any outstanding obligations under the facility immediately due and payable upon the occurrence, and during the continuance, of an event of default. In addition, any outstanding obligations under the facility will be immediately due and payable in the event that the Company or certain of its subsidiaries become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law.

Non-convertible Capital Loans

Non-convertible capital loans ("Tekes Loans") granted by Tekes, a Finnish Funding Agency for Technology and Innovation, with an adjusted acquisition-date fair value of $23.3 million (€20.6 million) and a carrying value of $23.2 million as of September 30, 2016. The Tekes Loans are comprised of fourteen non-convertible loans granted by Tekes. The maturity dates for the Tekes Loans range from eight to ten years. These loans bear interest based on the greater of 3% or the base rate set by Finland's Ministry of Finance minus one (1) percentage point. According to certain terms and conditions of the Tekes Loans, Biotie may repay the principal amounts of these loans and the accrued and unpaid interest only if the restricted equity of Biotie, including its consolidated subsidiaries, is positive (fully covered).

Convertible Capital Loan

Convertible capital loan issued to certain shareholders and venture capital organizations with an acquisition-date fair value of $6.0 million (€5.3 million) and a carrying value of $6.0 million as of September 30, 2016. The loan bears cash interest at a rate of 10% per annum, payable annually each year. The convertible capital loan is subject to certain terms and restrictive conditions as it relates to interest payments and repayment of the loan. The loan will yield interest from the fiscal years in which the financial statements do not present sufficient funds available for profit distribution; however, interest on the loan may be paid if Biotie, including its subsidiaries, has sufficient funds for profit distribution as of the most recently ended fiscal year. The loan may be repaid only if the restricted equity of Biotie, including its consolidated subsidiaries, for the last financial period is sufficient to repay the loan. Pursuant to the terms of the loan agreement, the loan is convertible at any time at the option of the holders into 828,000 common shares of Biotie. The conversion rates for the loan are €1.8688 per share for 540,000 of the shares and €2.3359 for the remaining 288,000 of the shares.

Research and Development Loans

Research and Development Loans ("R&D Loans") granted by Tekes with an acquisition-date fair value of $2.9 million (€2.6 million) and a carrying value of $3.0 million as of September 30, 2016. The R&D Loans bear interest based on the greater of 1% or the base rate set by Finland's Ministry of Finance minus three (3) percentage points. The repayment of these loans shall be initiated after five years, thereafter the loan principal shall be paid in equal installments over a 5 year period.

(11) Commitments and Contingencies

The Company's long-term contractual obligations include commitments and estimated purchase obligations entered into in the normal course of business. Under certain supply agreements and other agreements with manufacturers and suppliers, the Company is required to make payments for the manufacture and supply of its clinical and approved products. The Company's major outstanding contractual obligations are for payments related to its convertible notes, capital loans, operating leases and commitments to purchase inventory. The following table summarizes the contractual obligations at September 30, 2016 and the effect such obligations are expected to have on the Company's liquidity and cash flow in future periods:

| | Payments due by period (1)(9) | | | |
|---|---|---|---|---|
| (In thousands) | Total | Less than 1 year | 1-3 years | 4-5 years |
| Convertible Senior Notes (2) | $374,575 | $6,038 | $12,075 | $356,462 |
| Convertible note payable (3) | 1,144 | 1,144 | — | — |
| Capital loans (4) (6) | 20,089 | — | — | — |
| Research and development loans (5) (6) | 3,002 | 600 | 1,201 | 1,201 |
| Operating leases (7) | 31,659 | 6,255 | 12,258 | 13,146 |
| Inventory purchase commitments (8) | 34,980 | 34,980 | — | — |
| Total | $465,449 | $49,017 | $25,534 | $370,809 |

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(1) Excludes a liability for uncertain tax positions totaling $6.3 million. This liability has been excluded because the Company cannot currently make a reliable estimate of the period in which the liability will be payable, if ever.

(2) Represents the future payments of principal and interest to be made on the Convertible Senior Notes issued in June 2014 and due in 2021.

(3) Represents the remaining annual payment of principal and interest to be made on the convertible note payable to Saints Capital.

(4) Represents payments for the convertible and non-convertible capital loans. The convertible capital loan and the non-convertible capital loans have a stated maturity of less than one year. However, the repayment of these loans and payment of accrued interest thereon are governed by a restrictive condition, according to which the loan principal must only be repaid if Biotie's consolidated restricted equity is fully covered. Accrued interest must only be paid if Biotie, including its subsidiaries, has sufficient funds for profit distribution as of the most recently ended fiscal year. Interest accrues in the interim.

(5) Represents the future principal payments on the R&D loans acquired from Biotie.

(6) The amounts do not include interest costs at the loans' applicable interest rates.

(7) Represents payments for the operating leases of the Company's Ardsley, NY headquarters, the Company's manufacturing facility in Chelsea, MA, Biotie's headquarters at Turku, Finland, and Biotie's clinical operations in South San Francisco, CA.

(8) Represents Ampyra, Zanaflex, and Qutenza inventory commitments. The Ampyra inventory commitment is an estimate as the price paid for Ampyra inventory is based on a percentage of the net product sales during the quarter Alkermes ships inventory to us. Under our supply agreement with Alkermes, we provide Alkermes with monthly written 18-month forecasts, and with annual written five-year forecasts for our supply requirements of Ampyra and two-year forecasts for our supply requirements of Zanaflex Capsules. In each of the five months for Zanaflex and three months for Ampyra following the 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. We have agreed to purchase at least 75% of our annual requirements of Ampyra from Alkermes, unless Alkermes is unable or

unwilling to meet its requirements, for a percentage of net product sales and the quantity of product shipped by Alkermes to us.

(9) Pursuant to the UCB Termination and Transition Agreement, Biotie is required to pay up to $4.3 million (€ 3.9 million) to UCB. The amount that will be paid will be determined based on a percentage of future consideration Biotie will receive from tozadenant. The liability is excluded as the Company cannot currently estimate the period in which the liability will be payable, if ever.

The Company is currently party to various legal proceedings which are principally patent litigation matters. The Company has assessed such legal proceedings and does not believe that it is probable that a liability has been incurred or that the amount of any potential liability or range of losses can be reasonably estimated. As a result, the Company did not record any loss contingencies for any of these matters. While it is not possible to determine the outcome of these matters the Company believes that the resolution of all such matters will not have a material adverse effect on its consolidated financial position or liquidity, but could possibly be material to the Company's consolidated results of operations in any one accounting period. Litigation expenses are expensed as incurred.

Operating Leases

Biotie Leases

In connection with the acquisition of Biotie, the Company assumed two existing leases in Turku, Finland and South San Francisco, California. The lease for Biotie's headquarters in Turku, Finland, was entered into on June 27, 2013. This lease will expire in November 2016, after which Biotie may extend the lease for an additional six months. The lease provides for monthly rent payments during the lease term. On August 20, 2013, Biotie entered into a 60-month lease for its clinical space located in South San Francisco, California. This lease provides for monthly rent payments during the lease term. This lease will expire in December 2018.

Future minimum commitments under all of the Company's non-cancelable operating leases subsequent to September 30, 2016 are as follows:

| | (In thousands) |
|---|---|
| 2016 | $1,564 |
| 2017 | 6,252 |
| 2018 | 6,347 |
| 2019 | 5,821 |
| 2020 | 5,966 |