FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

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FILER

ACORDA THERAPEUTICS INC
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Business Address
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914-347-4300

As filed with the Securities and Exchange Commission on January 5, 2006

Registration No. 333-128827

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2 TO

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ACORDA THERAPEUTICS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**2836**	**13-3831168**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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

Ron Cohen
Chief Executive Officer
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(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box. ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 5, 2006

Prospectus

Shares

Common Stock

Acorda Therapeutics, Inc. is offering shares of common stock. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share. After the offering, the market price for our shares may be outside this range.

We will apply to list our common stock on the Nasdaq National Market under the symbol "ACOR."

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 9.

	Per Share	Total
Offering price	$	$
Discounts and commissions to underwriters	$	$
Offering proceeds to Acorda Therapeutics, Inc., before expenses	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters the right to purchase up to additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the shares on or about , 2006.

Banc of America Securities LLC

Lazard Capital Markets

Piper Jaffray

SG Cowen & Co.

, 2006

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making offers to sell or seeking offers to buy these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

TABLE OF CONTENTS

SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully before making an investment decision.

Overview

We are a commercial-stage biopharmaceutical company dedicated to the identification, development and commercialization of novel therapies that improve neurological function in people with spinal cord injury, or SCI, multiple sclerosis, or MS, and other disorders of the central nervous system, or CNS. Our marketed product, Zanaflex Capsules, is FDA-approved for the management of spasticity. Our lead product candidate, Fampridine-SR, is in a Phase 3 clinical trial for the improvement of walking ability in people with MS. Our preclinical programs also target MS and SCI, as well as other CNS disorders, including stroke and traumatic brain injury.

Approximately 650,000 people in the United States suffer from MS or SCI and the combined annual cost of treatment for these conditions exceeds $13 billion. It is estimated that a total of approximately 10 million people live with the long-term consequences of traumatic brain injury and stroke.

Our goal is to continue to grow as a fully-integrated biopharmaceutical company by commercializing pharmaceutical products, developing our product candidates and advancing our preclinical programs for these large and underserved markets. We plan to accomplish this through our sales and marketing infrastructure, our extensive scientific and medical network, our partnerships and our clinical and management experience.

Our Product Pipeline

Zanaflex

Our products, Zanaflex Capsules and Zanaflex tablets, are FDA-approved for the management of spasticity, a symptom of conditions such as MS and SCI that is commonly characterized by stiffness and rigidity, restriction of movement and painful muscle spasms. Zanaflex Capsules and Zanaflex tablets contain tizanidine hydrochloride, or tizanidine, one of the two leading treatments currently used for the management of spasticity. We acquired Zanaflex Capsules and Zanaflex tablets from a wholly-owned subsidiary of Elan Corporation, plc, or Elan, in July 2004. This strategic acquisition provided us with the opportunity to build a commercial infrastructure, develop sales and marketing expertise and create a foundation for future product launches, in addition to generating product revenue.

In April 2005, we launched Zanaflex Capsules, a new capsule formulation of tizanidine. This product is protected by an issued U.S. patent. Zanaflex tablets lost compound patent protection in 2002 and now compete with 11 generic versions of tizanidine tablets.

We believe that Zanaflex Capsules offer important benefits over Zanaflex tablets and generic tizanidine tablets. When taken with food, Zanaflex Capsules have a different blood absorption profile, referred to as pharmacokinetic profile, than Zanaflex tablets and generic tizanidine tablets, generally resulting in a lower level and more gradual rise of peak levels of tizanidine in a patient's blood. As a result of this different pharmacokinetic profile, Zanaflex tablets and generic tizanidine tablets are not therapeutically equivalent, or AB-rated, with Zanaflex Capsules. Therefore, under state pharmacy laws, prescriptions written for Zanaflex Capsules may not properly be filled by the pharmacist with Zanaflex tablets or generic tizanidine tablets. Zanaflex Capsules are also available in a higher dose, which gives patients and prescribers an additional choice in dosing and an opportunity to reduce the number of pills a person must take daily. In addition, people who have difficulty swallowing may find Zanaflex Capsules easier to take.

To support our commercialization of Zanaflex Capsules, we have established a sales and marketing infrastructure consisting of our internal specialty sales force, a contract sales force and a pharmaceutical telesales group. Our internal specialty sales force currently consists of 14 sales professionals who call on neurologists and other prescribers specializing in treating patients with conditions that involve spasticity. Members of this sales force also call on managed care organizations, pharmacists and wholesale drug distribution customers. We plan to expand our specialty sales force to approximately 30 sales professionals in the first quarter of 2006. Our contract sales force is provided by Cardinal Health PTS, LLC, or Cardinal Health, and consists of approximately 160 sales representatives who market Zanaflex Capsules to primary care physicians. We also have a contract with Access Worldwide Communications to provide a small, dedicated sales force of pharmaceutical telesales professionals to contact primary care physicians, specialty physicians and pharmacists. Our current sales and marketing infrastructure enables us to reach virtually all high-volume prescribers of Zanaflex tablets and generic tizanidine. We believe that these prescribers are also potential high-volume prescribers for our lead product candidate, Fampridine-SR, if approved.

Fampridine-SR

Fampridine-SR is currently in a Phase 3 clinical trial for the improvement of walking ability in people with MS. The trial is being conducted pursuant to a Special Protocol Assessment, or SPA, with the FDA. The FDA has agreed that, if successful, this trial could qualify as one of the pivotal efficacy studies required for drug approval. Fampridine-SR is a small molecule drug contained in a sustained release oral tablet form. Laboratory studies have shown that fampridine, the active molecule in Fampridine-SR, improves impulse conduction in nerve fibers in which the insulating outer layer, called the myelin sheath, has been damaged. This damage may be caused by the body's own immune system, in the case of MS, or by physical trauma, in the case of SCI.

More than 800 people have been treated with Fampridine-SR in over 25 clinical trials, including nine clinical trials in MS and 11 clinical trials in SCI. In six Phase 2 clinical trials, treatment with Fampridine-SR has been associated with a variety of neurological benefits in people with MS or SCI. In our most recently completed Phase 2 clinical trial, there was a trend toward improvement in the primary endpoint of walking speed and, when analyzed using the same methodology that the FDA has now agreed to in the SPA for our Phase 3 clinical trial, these results would have been statistically significant. We expect the recruitment period for the current Phase 3 clinical trial, which began in June 2005, to require approximately six to eight months. The treatment period is 14 weeks and the subjects are involved in trial procedures for approximately five months. We expect to be able to evaluate data from this clinical trial in the third quarter of 2006.

We believe Fampridine-SR is the first potential therapy in late-stage clinical development for MS that seeks to improve the function of damaged nerve fibers, rather than only treating the symptoms of MS or slowing the progression of disease. To our knowledge, there are no current drug therapies that improve walking ability in people with MS. We plan to commercialize Fampridine-SR, if approved, ourselves in the United States, and possibly Canada, and with partners in various markets throughout the rest of the world.

Preclinical programs

We have three preclinical programs focused on novel approaches to repair damaged components of the CNS:

Chondroitinase. This program is 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 demonstrated that this scar matrix is partly responsible for limiting the regeneration of nerve fibers in the CNS and restricting their ability to modify existing neural connections. Independent academic laboratories have also published animal studies showing that application of chondroitinase results in recovery of function following injuries to various areas of the brain or spinal cord.

Neuregulins. This program is based on using GGF-2, a neuregulin growth factor to stimulate remyelination, or repair of the myelin sheath. In published studies, GGF-2 has been shown to stimulate remyelination in animal models of MS and to have other effects in neural protection and repair.

Remyelinating antibodies. This program is based on more than 15 years of research performed at Mayo Clinic. Studies have demonstrated the ability of this family of antibodies to stimulate remyelination in three different animal models of MS.

We believe that all of our preclinical therapies have the potential to address conditions for which no effective treatment currently exists. In addition to applicability in MS, SCI and various other CNS disorders, we believe that our preclinical programs also may have applicability in such fields as orthopedics, cardiology, oncology and ophthalmology.

Our Strategy

Our strategy is to continue to grow as a fully-integrated biopharmaceutical company focused on the identification, development and commercialization of a range of nervous system therapeutics. We are using our scientific and clinical expertise in MS and SCI as strategic points of access to additional CNS markets, including stroke and traumatic brain injury. Key aspects of our strategy are to:

maximize our revenue opportunity for Zanaflex Capsules;

complete the clinical development and obtain regulatory approval for Fampridine-SR in MS;

leverage the commercial presence of Zanaflex Capsules for the potential market launch of Fampridine-SR;

advance our pipeline of preclinical programs to clinical trials; and

pursue additional alliances for approved and development-stage products.

We have established an advisory team and network of well-recognized scientists, clinicians and opinion leaders in the fields of MS and SCI. Depending on their expertise, these advisors provide assistance in trial design, conduct clinical trials, keep us apprised of the latest scientific advances and help us identify and evaluate business development opportunities. In addition, we have recruited over 35 MS centers and 80 SCI rehabilitation centers in the United States and Canada to conduct our clinical trials. Our clinical management team has extensive experience in the areas of MS and SCI and works closely with this network.

Risks Associated with our Business

Our business is subject to numerous risks, as more fully described in the section entitled "Risk Factors" immediately following this prospectus summary. We may be unable, for many reasons, including those that are beyond our control, to implement our current business strategy. Those reasons

could include failure to successfully promote Zanaflex Capsules and any other future marketed products; delays in obtaining, or a failure to obtain, regulatory approval for our product candidates; and failure to maintain and to protect our proprietary intellectual property assets, among others. The information about our preclinical and clinical trials may be useful to you in evaluating our company's current stage of development and our near-term and long-term prospects; however, you should note that of the large number of drugs in development only a small percentage successfully complete the FDA regulatory approval process and are commercialized.

We have a limited operating history and, as of September 30, 2005, had an accumulated deficit of approximately $198.5 million. We expect to incur losses for at least the next several years. We had net losses of $26.0 million and $44.7 million for the nine months ended September 30, 2005 and for the year ended December 31, 2004, respectively. We are unable to predict the extent of future losses or when we will become profitable, if at all. Even if we succeed in promoting Zanaflex Capsules and developing and commercializing one or more of our product candidates, we may never generate sufficient sales revenue to achieve and sustain profitability.

Corporate Information

We were incorporated in 1995 as a Delaware corporation. Our principal executive offices are located at 15 Skyline Drive, Hawthorne, New York 10532. Our telephone number is (914) 347-4300. Our website is *www.acorda.com*. The information on our website is not part of this prospectus.

"Acorda Therapeutics" is a registered trademark that we own and "Zanaflex" is a registered trademark that we exclusively license. We have pending U.S. trademark applications for our logo and "Zanaflex Capsules." Other trademarks, trade names and service marks used in this prospectus are the property of their respective owners.

THE OFFERING

Common stock offered	shares
Common stock outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds of this offering for sales and marketing activities, clinical and preclinical development programs and for general corporate purposes. See "Use of Proceeds."
Proposed Nasdaq National Market symbol	ACOR
Risk factors	See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of September 30, 2005, and reflects or assumes the following:

- the conversion of all outstanding shares of our convertible preferred stock and mandatorily redeemable convertible preferred stock into 13,338,279 shares of our common stock upon the closing of this offering;
- no exercise by the underwriters of their over-allotment option to purchase up to additional shares; and
- a 1-for-1.3 reverse stock split of our common stock that we intend to effect prior to the effective date of the registration statement of which this prospectus forms a part.

In the table above, the number of shares of common stock outstanding after this offering excludes, as of September 30, 2005:

- 1,816,518 shares of common stock issuable upon the exercise of outstanding options and warrants to purchase our common stock, at a weighted average exercise price of $5.13 per share;
- 756,620 restricted share grants entitling the share owners the right to acquire shares of common stock;
- 278,339 shares of common stock issuable upon the conversion of outstanding convertible promissory notes; and
- 700,572 shares of common stock reserved for issuance under our stock option plan.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table presents a summary of our historical financial information. You should read this information in conjunction with our consolidated financial statements and related notes and the information under "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. We changed our fiscal year end from June 30 to December 31, beginning with the six months ended December 31, 2003.

Pro forma amounts in the following table reflect the conversion of our outstanding convertible and mandatorily redeemable convertible preferred stock into 13,338,279 shares of common stock upon completion of this offering, assuming that shares of our preferred stock were outstanding for the entire periods presented.

	Year Ended June 30,			Six Months Ended December 31,	Year Ended December 31,	Nine Months Ended September 30,	
						2004	2005
	2001	2002	2003	2003	2004	(unaudited)	
	(in thousands, except per share data)						
Statement of Operations Data:							
Gross sales–Zanaflex	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,239
Less: discounts and allowances	–	–	–	–	(4,417)	(144)	(992)
Net sales	–	–	–	–	(4,417)	(144)	2,247
Grant revenue	462	132	474	382	479	445	184
Total net revenue	462	132	474	382	(3,938)	(301)	2,431
Less: cost of sales	–	–	–	–	(885)	(363)	(2,274)
Gross profit	462	132	474	382	(4,823)	(62)	157
Operating expenses:							
Research and development	6,142	11,147	17,527	16,743	21,999	18,621	9,652
Research and development–related party	2,223	4,687	2,265	3,343	–	–	–
Sales and marketing	–	–	–	–	4,662	2,793	9,657
General and administrative	3,489	6,636	6,388	17,069	13,283	11,034	6,339
Total operating expenses	11,854	22,470	26,180	37,155	39,944	32,448	25,648
Operating loss	(11,392)	(22,338)	(25,706)	(36,773)	(44,767)	(32,510)	(25,491)
Other income (expense):							
Interest and amortization of debt discount expense	–	–	(78)	(38)	(385)	(297)	(824)
Interest and amortization of debt discount expense–related party	(443)	(408)	(369)	(184)	–	–	–
Interest income	1,824	984	393	276	409	329	347
Other income	–	–	26	7	2	2	1

Total other income (expense)	1,381	576	(28)	61	26	34	(476)
Minority interest–related party	699	580	–	–	–	–	–
Cumulative effect of change in accounting principle	–	–	–	–	–	–	3
Net loss	(9,313)	(21,181)	(25,734)	(36,712)	(44,741)	(32,476)	(25,964)
Beneficial conversion feature, accretion of issuance costs, preferred dividends, and fair value of warrants issued to convertible preferred stockholders	(36)	(55)	(24,320)	(11,985)	(24,746)	(18,496)	(18,636)
Net loss allocable to common stockholders	$ (9,349)	$ (21,236)	$ (50,054)	$ (48,697)	$ (69,487)	$ (50,972)	$ (44,600)
Net loss per share allocable to common stockholders–basic & diluted	$ (50.81)	$ (111.90)	$ (261.38)	$ (252.87)	$ (351.76)	$ (259.22)	$ (221.17)

	Year Ended June 30,			Six Months Ended December 31,	Year Ended December 31,	Nine Months Ended September 30,	
						2004	2005
	2001	2002	2003	2003	2004	(unaudited)	
Pro forma net loss per share allocable to common stockholders−basic & diluted (unaudited)					$ (9.63)		$ (1.92)
Weighted average shares of common stock outstanding used in computing net loss per share allocable to common stockholders−basic & diluted	184	190	191	193	198	197	202
Weighted average shares of common stock outstanding used in computing pro forma net loss per share allocable to common stockholders−basic & diluted (unaudited)					13,536		13,547

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of September 30, 2005:

on an actual basis giving retroactive effect to the 1-for-1.3 reverse stock split that we intend to effect prior to the effective date of the registration statement of which this prospectus forms a part;

on a pro forma basis to reflect:

our entry into a revenue interest assignment arrangement with an affiliate of Paul Royalty Fund, or PRF, on December 23, 2005, including (i) our receipt at signing of a payment in the amount of $15.0 million, (ii) our use of approximately $3.0 million of that payment to repay a portion of the amount we owe to GE Capital and approximately $700,000 of that payment to pay fees and expenses related to the transaction, including expenses incurred by PRF and (iii) our recognition of a short-term liability of approximately $11.3 million; and

the automatic conversion of all of our outstanding convertible preferred stock and mandatorily redeemable convertible preferred stock into 13,338,279 shares of common stock on the closing of this offering; and

on a pro forma basis as adjusted to reflect our receipt of net proceeds from the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share (the midpoint of the estimated price range shown on the cover of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses.

	As of September 30, 2005		
	Actual (unaudited)	Pro Forma (unaudited)	Pro Forma As Adjusted (unaudited)
		(in thousands)	
Balance Sheet Data:			
Cash and cash equivalents	$ 3,581	$ 14,879	
Restricted cash	261	261	
Short-term investments	5,160	5,160	
Working capital	(12,203)	(10,506)	
Total assets	25,543	37,342	
Deferred product revenue–Zanaflex Capsules	4,960	4,960	
Deferred product revenue–Zanaflex tablets	10,686	10,686	
Current portion of notes payable	2,347	1,150	
Revenue interest liability–PRF transaction	–	11,299	
Long-term portion of notes payable	3,534	1,731	
Long-term convertible notes payable–principal amount plus accrued interest, less unamortized debt discount–related party	8,695	8,695	
Mandatorily redeemable preferred stock	85,000	–	
Total stockholders' (deficit)	(101,669)	(16,869)	

RISK FACTORS

An investment 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 before you decide to purchase our common stock. Additional risks that are not currently known or foreseeable to us may materialize at a future date. The trading price of our common stock could decline if any of these risks or uncertainties occur and you might lose all or part of your investment.

Risks Related To Our Business

We have a history of operating losses and we expect to continue to incur losses and may never be profitable.

As of September 30, 2005, we had an accumulated deficit of approximately $198.5 million. We had net losses of $26.0 million and $44.7 million for the nine months ended September 30, 2005, and the year ended December 31, 2004, respectively. We have had operating losses since inception as a result of our significant clinical development, research and development, general and administrative, sales and marketing and business development expenses. We expect to incur losses for at least the next several years as we expand our sales and marketing capabilities and continue our clinical trials and research and development activities.

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

market and sell Zanaflex Capsules;

obtain FDA approval for and commercialize Fampridine-SR;

continue to develop our preclinical product candidates and advance them into clinical trials; and

enter into strategic partnerships and collaboration arrangements related to our drug discovery programs and product candidates.

If we are not successful in executing our business plan, we may never achieve or may not sustain profitability.

We will be substantially dependent on sales of one product, Zanaflex Capsules, to generate revenue for the foreseeable future.

We currently 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 distribute Zanaflex tablets, our marketing efforts are 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 and we expect that they will continue to decline. 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 a significant portion of our total revenue for the foreseeable future. If we are unable to convert tablet sales to capsule sales or are otherwise unable to increase our revenue from the sale of this product, our business, financial condition and results of operations could be adversely affected.

If we are unable to successfully differentiate Zanaflex Capsules from both Zanaflex tablets and generic tizanidine tablets we may not be able to increase sales of Zanaflex Capsules.

There are currently 11 generic versions of tizanidine tablets on the market and they are significantly cheaper than either Zanaflex Capsules or Zanaflex tablets. In 2004, these generic versions of tizanidine tablets constituted 95% of tizanidine sales in the United States. Although Zanaflex Capsules have a different pharmacokinetic profile when taken with food and are available in a higher dose than Zanaflex tablets and their generic equivalents, we may be unsuccessful in convincing prescribers, patients and third-party payors that these differences

justify the higher price of Zanaflex Capsules. Prescribers may prescribe generic tizanidine tablets instead of Zanaflex Capsules, and third-party payors may establish unfavorable reimbursement policies for Zanaflex Capsules or otherwise seek

to encourage patients and prescribers to use generic tizanidine tablets instead of Zanaflex Capsules. In addition, although the FDA has determined that neither Zanaflex tablets nor generic tizanidine tablets are therapeutically equivalent, or "AB-rated," to Zanaflex Capsules, it is possible that pharmacists may improperly fill prescriptions with generic tizanidine tablets or may seek to influence patients or physicians to change prescriptions from Zanaflex Capsules to generic tizanidine tablets. If we are unable to successfully differentiate Zanaflex Capsules from Zanaflex tablets and generic tizanidine tablets in the minds of prescribers, pharmacists, patients and third-party payors, our ability to generate meaningful revenue from this product will be adversely affected.

Our company has limited sales and marketing experience and we may not be successful in building an effective sales and marketing organization to market Zanaflex Capsules to specialty physicians.

As a company, we have limited sales and marketing experience, having only launched Zanaflex Capsules in April 2005. In order to successfully commercialize Zanaflex Capsules or any other products that we may bring to market, we will need to have adequate sales, marketing and distribution capabilities. Our internal specialty sales force of 14 persons may need to be significantly expanded in the future. We may not be able to attract and train skilled sales and marketing personnel, in a timely manner or at all, or integrate and manage a growing sales and marketing organization.

Returns of Zanaflex tablets may adversely affect our results of operations.

Prior to the launch of generic tizanidine tablets in June 2002, wholesalers established larger than normal inventories of Zanaflex tablets. These inventories had expiration dates that extended to June 2005. Our return policy is to accept returns for six months before and 12 months after the product's expiration date. According to our Zanaflex asset purchase agreement with Elan, we are responsible for all returns of Zanaflex tablets after January 17, 2005. Zanaflex tablets sold by Elan can be returned to us through June 2006. In the year ended December 31, 2004, we took a $4.1 million charge to establish a reserve for expected returns of Zanaflex tablets sold by Elan. This charge is an estimate. If returns for products not sold by us are higher than we have estimated, we will have to record additional charges, which will adversely affect our results of operations.

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

Before we can obtain regulatory approval for a product candidate, we must undertake extensive clinical testing in humans to demonstrate safety and efficacy to the satisfaction of the FDA and other regulatory agencies. Clinical trials of new product candidates sufficient to obtain regulatory marketing approval are expensive and take years to complete, and the outcome of such trials is uncertain.

Clinical development 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 following reasons:

- 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 commercially viable;
- 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 the product candidate manufactured under current good manufacturing practices;

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

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.

A delay in or termination of any of our clinical development programs could have an adverse effect on our business.

If our Phase 3 clinical trials of Fampridine-SR are unsuccessful, or if we are unable to obtain regulatory approval for this product candidate or any approval is unduly limited in scope, our business prospects will be adversely affected.

In June 2005, we initiated a Phase 3 clinical trial for Fampridine-SR for the improvement of walking ability in patients with MS. In April 2004, we released results from a Phase 2 clinical trial designed to assess the relative safety and efficacy of varying doses of Fampridine-SR in MS. Our results did not reach statistical significance for the primary endpoint in this trial. Although we have designed the current Phase 3 clinical trial to address the difficulties we encountered in interpreting the patient data from the earlier trial, we cannot be sure that the results from our current clinical trial will be statistically significant.

To achieve the primary endpoint in our current Phase 3 clinical trial for MS, we need to show statistical improvement in the walking speed of the patients in the trial and that this improvement is both sustained and clinically meaningful to these patients. If we fail to achieve the primary endpoint in this clinical trial or the results are ambiguous, we will have to determine whether to re-design our MS trial and protocols and continue with additional testing, or cease development activities in this area. Redesigning the program could be extremely costly and time-consuming. Even if we are able to achieve the primary endpoint, we will need positive results from at least one other clinical trial to support the filing of a new drug application, or NDA, with the FDA. We cannot predict how long the second trial, or any additional trial that might be required by the FDA, will take or what the cost will be.

Our Phase 3 clinical trial for Fampridine-SR in MS is being conducted pursuant to a special protocol assessment, or SPA, with the FDA and the FDA has agreed that, if successful, this trial could qualify as one of the pivotal trials needed to support regulatory approval. This SPA may not be changed by either us or the FDA. However, if the FDA determines that a substantial scientific issue essential to determining the safety or efficacy of Fampridine-SR is identified after the trial began, the FDA may alter its conclusion on the adequacy of the protocol. In addition, even if the SPA remains in place and the trial meets its primary endpoint, the FDA could determine that the overall balance of risks and benefits for Fampridine-SR is not adequate to support approval, or only justifies approval for a narrow set of uses or approval with restricted distribution or other burdensome post-approval requirements and limitations. If the FDA denies approval of Fampridine-SR in MS, FDA approval is substantially delayed, approval is granted on a narrow basis or with restricted distribution or other burdensome post-approval requirements, or if the Fampridine-SR program is terminated, our business prospects will be adversely affected.

In March 2004, we completed two Phase 3 clinical trials of Fampridine-SR in SCI in which our results failed to reach their primary endpoints. We expect to resume development of Fampridine-SR for SCI after we have completed further development of the drug for MS. We cannot predict whether future clinical trials of Fampridine-SR in SCI will achieve their primary endpoints, how long these clinical trials will take or how much they will cost.

Our other drug development programs are in early stages of development and may never be commercialized.

All of our development programs other than Fampridine-SR are in the preclinical phase. Our future success depends, in part, on our ability to select promising product candidates, complete preclinical development of these product candidates and advance them to clinical trials. These product candidates will require significant development, preclinical studies and clinical trials, regulatory clearances and substantial additional investment before they can be commercialized.

Our preclinical programs may not lead to commercially viable products for several reasons. For example, we may fail to identify promising product candidates, our product candidates may fail to be safe and effective in preclinical 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, because we have limited resources, we are focusing 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. From time to time, we may establish and announce certain development goals for our product candidates and programs; however, given the complex nature of the drug discovery and development process, it is difficult to predict accurately if and when we will achieve these goals. If we are unsuccessful in advancing our preclinical programs into clinical testing or in obtaining regulatory approval, our long-term business prospects will be harmed.

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

Our research, 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 extensive regulatory approval process by the FDA and other regulatory agencies abroad. The process of obtaining required regulatory approvals for drugs is lengthy, expensive and uncertain, and any regulatory approvals may contain limitations on the indicated usage of a drug, distribution restrictions or may be conditioned on burdensome post-approval study or other requirements, including the requirement that we institute and follow a special risk management plan to monitor and manage 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 restrictions or withdrawal from the market.

The results of preclinical and Phase 1 and Phase 2 clinical studies are not necessarily indicative of whether a product will demonstrate safety and efficacy in larger patient populations, as evaluated in Phase 3 clinical trials. Additional adverse events that could impact commercial success, or even continued regulatory approval, might emerge with more extensive post-approval patient use. Of the large number of drugs in development, only a small percentage result in the submission of an NDA to the FDA and even fewer are approved for commercialization.

In order to conduct clinical trials to obtain FDA approval to commercialize any product candidate, an IND application must first be submitted to the FDA and must become effective before clinical trials may begin. Subsequently, an NDA must be submitted to the FDA, including the results of adequate and well-controlled clinical trials demonstrating, among other things, that the product candidate is safe and effective for use in humans for each target indication. In addition, the manufacturing facilities used to produce the products must comply with current good manufacturing practices and must pass a pre-approval FDA inspection. Extensive submissions of preclinical 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 submissions for filing if they are incomplete.

Clinical trials 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 requirements for the protection of clinical trial participants. We depend, in part, on third-party laboratories and medical institutions to conduct preclinical studies and clinical trials for our products and other third-party organizations to perform data collection and analysis, all of which 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 resulting data from the clinical trial may not be usable or we, 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 such product candidate. We also depend upon third 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 our present or future manufacturers and suppliers will comply with current good manufacturing practices. The failure to comply with good manufacturing practices may result in the termination of clinical studies, restrictions in the sale of, or withdrawal of the products from the market. Compliance by third parties with these standards and practices is outside of our direct control.

In addition, we are subject to regulation under other state and federal laws, including requirements regarding occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other local, state, federal and foreign regulations. We cannot predict the impact of such regulations on us, although it could impose significant restrictions on our business and additional expenses to comply with these regulations.

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

Market acceptance of our products and product candidates will depend on the benefits of our products in terms of safety, efficacy, convenience, ease of administration and cost effectiveness and our ability to demonstrate these benefits to physicians and patients. We believe market acceptance also depends on the pricing of our products and the reimbursement policies of government and third-party payors, as well as on the effectiveness of our sales and marketing activities. Physicians may not prescribe our products, and patients may determine, for any reason, that our products are not useful to them. For example, physicians may not believe that the benefits of Zanaflex Capsules outweigh their higher cost in relation to Zanaflex tablets or generic tizanidine tablets. The failure of any of our products or product candidates, once approved, to achieve market acceptance would limit our ability to generate revenue and would adversely affect our results of operations.

Our potential products 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 payors.

Our commercial success will depend in part on third-party payors, such as government health administrative authorities, including Medicaid and Medicare, private health insurers and other such organizations, agreeing to reimburse patients for the cost of our products. Significant uncertainty exists as to the reimbursement status of newly-approved healthcare products. Our business would be materially adversely affected if the Medicaid program, Medicare program or other third-party payors were to deny reimbursement for our products or provide reimbursement only on unfavorable terms. Our business could also be adversely affected if the Medicaid program, Medicare program or other reimbursing bodies or payors limit the indications for which our products will be reimbursed to a smaller set of indications than we believe is appropriate.

Third-party payors frequently require that drug companies negotiate agreements with them that provide discounts or rebates from list prices. At present we do not have any such agreements with private third-party payors and only a small number of such agreements with government payors. If sales of Zanaflex Capsules increase we may need to offer larger discounts or discounts to a greater number of third-party payors to 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 levels that are profitable to us, or at all. If we are unsuccessful in maintaining reimbursement for 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 that they are more cost effective than our products,

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 of operations.

We may experience pressure to lower prices on our approved products due to new and/or proposed federal legislation.

Federal legislation enacted in December 2003 added an outpatient prescription drug benefit to Medicare, effective January 2006. In the interim, Congress has established a discount drug card program for Medicare beneficiaries. Both benefits will be provided primarily through private entities, which will attempt to negotiate price concessions from pharmaceutical manufacturers. These negotiations may increase pressure to lower prescription drug prices. While the new law specifically prohibits the U.S. government from interfering in price negotiations between manufacturers and 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 demand discounts from pharmaceutical companies, thereby creating de facto price controls on prescription drugs. In addition, the new law contains triggers for Congressional consideration of cost containment measures for Medicare in the event Medicare cost increases exceed a certain level. These cost containment measures could include limitations on prescription drug prices. This Medicare prescription drug coverage legislation, as well as additional healthcare legislation that may be enacted at a future date, could reduce our sales and adversely affect our results of operations.

If our competitors develop and market products that are more effective, safer or more convenient than our approved products, or obtain marketing approval before we obtain approval of future products, our commercial opportunity will be reduced or eliminated.

Competition in the pharmaceutical and biotechnology industries is intense and is expected to increase. Composition of matter patents on tizanidine, the active ingredient in Zanaflex Capsules and Zanaflex tablets, expired in 2002. There are currently 11 generic versions of tizanidine tablets on the market. To the extent that we are not able to differentiate Zanaflex Capsules from Zanaflex tablets and generic tizanidine tablets and/or pharmacists improperly substitute generic tizanidine tablets when filling prescriptions for Zanaflex Capsules, we may be unable to convert a meaningful amount of sales of Zanaflex tablets and generic tizanidine tablets to Zanaflex Capsules and our ability to generate revenue from this product will be adversely affected. Although no other FDA-approved capsule formulation of tizanidine exists, another company could develop a capsule or other formulation of tizanidine that competes with Zanaflex Capsules.

Many biotechnology and pharmaceutical companies, as well as academic laboratories, are involved in research and/or product development for various neurological diseases, including MS and SCI. We are aware of a company developing a sodium/potassium channel blocker and a second company developing an immediate release form of fampridine, both of which may compete with Fampridine-SR, if approved. In certain circumstances, pharmacists are not prohibited from formulating certain drug compounds to fill prescriptions on an individual patient basis. We are 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 formulations even if Fampridine-SR is approved. Several companies are engaged in developing products that include novel immune system approaches and cell transplant approaches to remyelination for the treatment of people with MS. These programs are in early stages of development and may compete in the future with Fampridine-SR or our preclinical candidates.

Our competitors 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 approved or proposed products or technologies noncompetitive or obsolete. In addition, our competitors may achieve product commercialization before we do. If any of our competitors develops a product that is more effective, safer or more convenient for patients, or is able 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 ability to generate revenues and recover the substantial development costs we have incurred and will continue to incur.

Our products 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 countries where there are government price controls or other market dynamics that make the products lower priced.

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

On September 30, 2005, on a pro forma as-adjusted basis after giving effect to this offering, we would have had approximately $ million in cash, cash equivalents and short-term investments. Although we anticipate this will be sufficient to fund our operations for approximately the next 24 months, we have several product candidates in various stages of development, and all will require significant further investment to develop, test and obtain regulatory approval prior to commercialization. We will likely need to seek additional equity or debt financing or strategic collaborations to continue our product development activities, and could require substantial funding to commercialize any products that we successfully develop. We may also require additional financing to support and expand our commercialization of Zanaflex Capsules. We do not currently have any funding commitments or arrangements with third parties to provide funding. We may not be able to raise additional capital on favorable terms or at all.

To the extent that we are able to raise additional capital through the sale of equity securities, the issuance of those securities would result in dilution to our stockholders. Holders of such new equity securities may also have rights, preference or privileges that are senior to yours. If additional capital is raised through the incurrence of indebtedness, we may become subject to various restrictions and covenants that could limit our ability to respond to market conditions, provide for unanticipated capital investments or take advantage of business opportunities. To the extent funding is raised through collaborations or intellectual property-based financings, we may be required to give up some or all of the rights and related intellectual 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 needed, we may be required to reduce, defer or discontinue one or more of our product development programs or devote fewer resources to marketing Zanaflex Capsules.

Under our financing arrangement with PRF, upon the occurrence of certain events, PRF may require us to repurchase the right to receive revenues that we assigned to it or may foreclose on certain assets 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 affect our results of operations and our financial condition.

On December 23, 2005, we entered into a Revenue Interests Assignment Agreement with PRF pursuant to which we assigned to PRF the right to receive a portion of our net revenues from Zanaflex 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 assets related to Zanaflex.

Under our arrangement with PRF, upon the occurrence of certain events, including if we experience a change of control, undergo certain bankruptcy events, transfer any of our interests in Zanaflex (other than pursuant to a license agreement, development, commercialization, co-promotion, collaboration, partnering or similar agreement), transfer all or substantially all of our assets, or breach certain of the covenants, representations or warranties under the Revenue Interests Assignment Agreement, PRF may (i) require us to repurchase the rights we assigned to it at the "put/call price" in effect on the date such right is exercised or (ii) foreclose on the Zanaflex assets that secure our obligations to PRF. Except in the case of certain bankruptcy events, if PRF exercises its right to cause us to repurchase the rights we assigned to it, PRF may not foreclose unless we fail to pay the put/call price as required. 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 payments received by PRF from us as of such date, and (ii) an amount that would generate an internal rate of return to PRF of 25% on all payments made by PRF to us as of such date, taking into account the amount and timing of all payments received by PRF from us as of such date.

If PRF were to 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 effect at that time. Even if we have sufficient funds available, 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 were to foreclose on the Zanaflex assets that secure our 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 assigned to it is triggered by, among other things, a change in control, transfer of any of our interests in Zanaflex (other than pursuant to a license agreement, development, commercialization, co-promotion, collaboration, partnering or similar agreement) or transfer of all or substantially 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 occurrence of any of those events.

The loss of our key management and scientific personnel may hinder our ability to execute our business plan.

Our success depends on the continuing contributions of our management team and scientific personnel, and maintaining relationships with our scientific and medical network and the network of centers in the United States and Canada that 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 members of our management and scientific staff. Our 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 pharmaceutical and biotechnology companies, as well as universities 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 not maintain "key man" life insurance policies on 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 substantially impair our ability to implement our business plan.

We face an inherent risk of liability in the event that the use or misuse of our products results in personal injury or death.

If the use or misuse 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 claims brought against us by consumers, healthcare providers, pharmaceutical companies, third-party payors or others. The use of our product candidates in clinical trials could also expose us to product liability claims. We currently maintain a product liability insurance 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 is also capped at $10 million. We cannot predict all of the possible harms or side effects that may result from the use of our products or the testing of product candidates and, therefore, the amount of insurance 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 us could give rise to a substantial liability that could 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.

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

Our sales, promotion and other activities related to Zanaflex Capsules, or any of our other products under development following their regulatory approval, are subject to regulatory and law enforcement authorities in addition to the FDA, including the Federal Trade Commission, the

Department of Justice, 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-kickback laws. Anti-kickback laws make it illegal for a prescription drug manufacturer to solicit, offer, receive or pay any remuneration as an inducement for the referral of business, including the use, recommendation, purchase or prescription of a particular drug. The federal government has published regulations that identify "safe harbors" or exemptions for certain payment arrangements that do not violate the anti-kickback statutes. Although we seek to comply with these statutes, 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 be punishable by civil or criminal sanctions, including fines and civil monetary penalties, and future exclusion from participation in government healthcare programs.

We may be subject 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 market.

Any product for which we currently have or may obtain marketing approval, along with the associated manufacturing processes, any post-approval clinical data that we might be required to collect and the advertising and promotional activities for the product, are subject to continual recordkeeping and reporting requirements, review and periodic inspections by the FDA and other regulatory bodies. Regulatory approval of a product may be subject 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 distribute a product. Furthermore, any approval may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product.

We have an outstanding commitment with the FDA inherited from Elan to evaluate Zanaflex Capsules for pediatric use by December 2005 in accordance with the requirements of the Pediatric Research Equity Act. We intend to discuss this matter with the FDA and seek a deferral or waiver of the requirement to conduct pediatric studies. Without a waiver, we will be required to conduct a pediatric study of Zanaflex Capsules and incur the related costs of this clinical trial.

Our advertising 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 approvals for our products, and must be appropriately substantiated and fairly balanced with information on the safety risks and limitations of the products. Any free samples we distribute to physicians must be carefully monitored and controlled, and must otherwise comply with the requirements of the Prescription Drug Marketing Act, as amended, and FDA regulations. We must continually review adverse event information that we receive concerning our drugs and make expedited and periodic adverse event reports to the FDA and other regulatory authorities.

In addition, the research, manufacturing, distribution, sale and promotion of drug and biological products are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers 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. Attorney offices within the Department of Justice, and state and local governments. For example, sales, marketing and scientific/educational grant programs must comply with the anti-kickback and fraud and abuse provisions of the Social Security Act, as amended, the False Claims Act, as amended, the privacy provisions of the Health Insurance Portability and Accountability Act and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements 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 authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

We may be slow 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 discovery of

previously unknown problems with our 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.

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

In recent years, several states, including California, Vermont, Maine, Minnesota, New Mexico and West Virginia, have enacted legislation requiring pharmaceutical companies to establish marketing compliance programs and file periodic reports with the state on sales, marketing, pricing and other activities. For example, California has enacted a statute requiring pharmaceutical companies to adopt a comprehensive compliance program that is in accordance with the Office of Inspector General of the Department of Health and Human Services *Compliance Program Guidance for Pharmaceutical Manufacturers*. This compliance program must include policies for compliance with the Pharmaceutical Research and Manufacturers of America *Code on Interactions with Healthcare Professionals*, 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 company's public web site along with an annual declaration of compliance.

Vermont, Maine, Minnesota, New Mexico, and West Virginia have also enacted statutes of varying scope that impose reporting and disclosure requirements upon pharmaceutical companies pertaining to drug pricing and payments and costs associated with pharmaceutical marketing, advertising and promotional activities, as well as restrictions upon the types of gifts that may be provided to healthcare practitioners. Similar legislation is being considered in other states. Many of these requirements are new and uncertain and the penalties for failure to comply with these 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 date. We are currently in the process of developing a formal compliance infrastructure and standard operating procedures to comply with such laws. Unless we are in full compliance with these laws, we could face enforcement action and fines and other penalties, and could receive adverse publicity.

If we seek to market our products in foreign jurisdictions, we will need to obtain regulatory approval in these jurisdictions.

In order to market our products in the European Union and many other foreign jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. Approval procedures vary among countries and can involve additional clinical testing. The time required to obtain approval may differ from that required to obtain FDA approval. Should we decide to market our products abroad, we may fail to obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign 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 receive, necessary regulatory approvals to commercialize our products in any foreign market, which could adversely affect our business prospects.

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

Our research and development activities involve the controlled use of potentially harmful biological materials, hazardous materials and chemicals that are subject to federal, state and local laws and regulations governing their use, storage, handling and disposal. These materials include ketamine, buprinex, sodium peantabarbitol, dehydrated alcohol, xylene petroleum, ether methanol, ethyl alcohol, acetonitrile UV, hexanes, chloroform, alcohol-propyl, alcohol isopropyl and ether formaldehyde solution 37%. 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 comply with environmental regulations, we could be subject to criminal sanctions and/or substantial liability for any damages that result, and any substantial liability could exceed our resources. We currently 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 insurance policy that covers up to $9 million of liability 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 might incur. In addition, the cost of compliance with environmental and health and safety regulations may be substantial.

Risks Related to Our Dependence on Third Parties

We currently have no manufacturing capabilities and are substantially dependent upon Elan, Novartis and other third party suppliers to manufacture Zanaflex Capsules, Zanaflex tablets and Fampridine-SR.

We do not own or operate, and currently do not plan to own or operate, manufacturing facilities for production of Zanaflex Capsules, Zanaflex tablets or Fampridine-SR. We rely and expect to continue to rely on third parties for the production of our products and clinical trial materials.

We rely on a single manufacturer, Elan, for the supply of Zanaflex Capsules. Zanaflex Capsules are manufactured using Elan's proprietary SODAS (spheroidal oral drug absorption system) multiparticulate drug delivery technology. Elan is obligated, in the event of a failure to supply Zanaflex Capsules, to use commercially reasonable efforts to assist us in either producing Zanaflex Capsules ourselves or in transferring production of Zanaflex Capsules to a third-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 FDA may require us to demonstrate through bioequivalence studies and laboratory 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 process of transferring the technology and qualifying the new supplier could take a year or more.

Under our supply agreement with Elan, we provide 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 months 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. Elan is not obligated to supply us with quantities in excess of our forecasted amounts, although it has agreed to use commercially reasonable efforts to do so. Because we have a limited history of selling Zanaflex Capsules, our forecasts of our supply requirements may be inaccurate. As a result, we may have an excess or insufficient supply of Zanaflex Capsules.

The Elan facility located in Gainesville, Georgia, which is responsible for bottling Zanaflex Capsules, has been operating under a court-ordered consent decree and injunction since 2001, which were imposed following adverse FDA inspections and FDA allegations that the facility was failing to comply with current good manufacturing requirements. These prior issues were not related to the manufacture of our products. If, however, Elan fails to comply with the requirements of the consent decree and injunction, it could be held in contempt and the facility could be shut down and the manufacturing of our products halted or interrupted.

We currently rely on Novartis for our supply of Zanaflex tablets and tizanidine, the active pharmaceutical ingredient, or API, in both Zanaflex Capsules and Zanaflex tablets. Under a supply

agreement we assumed from Elan, Novartis is responsible for manufacturing Zanaflex tablets and tizanidine for us through February 2007. This includes the tizanidine that Elan uses to manufacture Zanaflex Capsules for us. Novartis currently produces tizanidine, but has arranged with another party to formulate tablets. We have arranged for another company, Sharp Corporation ("Sharp"), to package and bottle Zanaflex tablets. Novartis has informed us that it intends to discontinue production of tizanidine by the end of 2005. It is our understanding that Novartis is currently in the process of qualifying an alternative tizanidine manufacturer. We have established relationships with the companies that currently formulate, bottle and package the tablets, however, we do not have a relationship with an alternative manufacturer of tizanidine. By the expiration of our contract with Novartis in 2007, we will need to have established a direct relationship with an alternative supplier of tizanidine.

We also rely exclusively on Elan to supply us with our requirements for Fampridine-SR. Elan relies on a third-party manufacturer to supply fampridine, the API in Fampridine-SR. Under 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 compensatory payments if we do not purchase 100% of 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, Inc., a mutually agreed-upon and qualified second manufacturing source, without compensatory payment.

Our dependence 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 and competitive basis.

If third-party contract research organizations do not perform in an acceptable and timely manner, our preclinical testing or clinical trials could be delayed or unsuccessful.

We do not have 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 research organizations and consultants to perform some or all of the functions associated with preclinical testing or clinical trials. The failure of any of these vendors to perform in an acceptable and timely manner in the future, including in accordance with any applicable regulatory requirements, such as good clinical and laboratory practices, or preclinical testing or clinical trial protocols, could cause a delay or otherwise adversely affect on our preclinical testing or clinical trials and ultimately on the timely advancement of our development programs.

We rely on a third party to provide the sales representatives to market Zanaflex Capsules to primary care physicians.

We recently entered into a contract with Cardinal Health pursuant to which it provides us with approximately 160 sales representatives who market Zanaflex Capsules to primary care physicians. These sales representatives are not our employees and we do not have control over their performance or compliance with applicable laws. Their failure to increase prescriptions for Zanaflex Capsules from the targeted primary care physicians would negatively impact our sales growth, and their failure to comply with applicable laws could subject us to liability.

Risks Related to Our Intellectual Property

If we cannot protect our intellectual property, our ability to develop and commercialize our products will be severely limited.

Our success will 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 from our licenses and development programs. Without protection for the intellectual property we use, other companies could offer substantially identical products for sale without incurring the sizable discovery, development and licensing costs that we have incurred. Our ability to recover these expenditures and realize profits upon the sale of products could be diminished.

We have in-licensed or are the assignee of more than 25 U.S. patents, more than 60 foreign patents and over 65 patent applications pending in the United States or abroad for our own technologies and for technologies from our in-licensed programs. The process of obtaining patents can be time consuming and expensive with no certainty of success. Even if we spend the necessary time and money, a patent may not issue or it may not have sufficient scope or 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 develop the technology or that we were the first to file a patent application for the particular technology because U.S. patent applications are confidential until they are published, and publications in the scientific or patent literature lag behind actual discoveries. The degree of future protection for our proprietary rights will remain uncertain if our pending patent applications are not approved for any reason or if we are unable to develop additional proprietary technologies that are patentable. Furthermore, third parties may independently develop similar or alternative technologies, duplicate some or all of our technologies, design around our patented technologies or challenge our issued patents or the patents of our licensors.

We may initiate 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 invalid or unenforceable. Even if the validity or enforceability 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 addition, effective intellectual property enforcement may be unavailable or limited in some foreign countries. 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 costly, time consuming, and may distract management from other important tasks.

As is commonplace in the biotechnology and pharmaceutical industry, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. To the extent our employees are involved in research areas that are similar to those areas in which they were involved at their former employers, we may be subject to claims that such employees and/or we have inadvertently 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 claims, which could result in substantial costs and be a distraction to management and which could have an adverse effect on us, even if we are successful in defending such claims.

We also rely in our business on trade secrets, know-how and other proprietary information. We seek to protect this information, in part, through the use of confidentiality agreements with employees, consultants, advisors and others. Nonetheless, those agreements may not provide adequate protection for our trade secrets, know-how or other proprietary information and prevent their unauthorized use or disclosure. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed products, disputes 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 agreements or that our trade secrets become known or independently discovered by competitors, could adversely affect us by enabling our competitors, who may have greater experience and financial resources, to copy or use our trade secrets and other proprietary information in the advancement of their products, methods or technologies. Policing unauthorized use of our or our licensors' intellectual property is difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use. Adequate remedies may not exist in the event of unauthorized use or disclosure.

If third parties successfully claim that we infringed their patents or proprietary rights, our ability to continue to develop and successfully commercialize our product candidates could be delayed.

Third parties may 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 against us or our

licensors or suppliers for infringement of 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;

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

obtain one or more licenses from third parties.

In addition, from time to time, we become aware of third parties who have, or claim to have, intellectual property rights covering matters such as methods for doing business, conducting research, diagnosing diseases or prescribing 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 such intellectual property rights could present a risk to our business.

A license required 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 suppliers are sued for infringement we could encounter substantial delays in, or be prohibited from developing, manufacturing and commercializing our product candidates and advancing our preclinical programs.

We are dependent 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 our rights to our in-licensed patents and technologies.

We are dependent 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 license agreements could result in the loss of our rights 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 property.

We could lose our rights to Fampridine-SR under our license agreement with Elan in countries in which we have a license, including the United States, if we fail to file regulatory approvals within a commercially reasonable time after completion and receipt of positive data from all preclinical and clinical studies required for the related NDA, or any NDA-equivalent. We could also lose our rights under our license agreement with Elan if we fail to launch a product in such countries, within 180 days of NDA or equivalent approval. Elan could also terminate our license agreement if we fail to make payments due under the license agreement. If we lose our rights to Fampridine-SR our prospects for generating revenue and recovering our substantial investment in the development of this product would be materially harmed.

Risks Relating To The Offering

There is no existing market for our common stock. An active trading market may not develop and you may not be able to resell your shares at or above the initial offering price.

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which trading will lead to the development of an active and liquid trading market in our common stock. The initial public offering price of our common stock was determined by negotiations between the representatives of the underwriters and us and may not be indicative of future market prices. The

market price for our common stock may decline below the initial offering price. Our stock price could fluctuate significantly due to a number of factors, including:

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

variations in product revenue and profitability; and

variations in our anticipated or actual operating results.

Many of these factors are beyond our control. In addition, the stock markets in general, and the Nasdaq National Market and the market for biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations recently. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance.

As a new investor, you will experience immediate and substantial dilution in the net tangible book value of your investment and may experience further dilution in the future.

The initial public offering price for this offering is substantially higher than the pro forma net tangible book value per share of our outstanding common stock. Investors purchasing shares of our common stock in this offering will pay more for their shares than the amount paid by existing stockholders who acquired shares prior to this offering. Accordingly, if you purchase common stock in this offering, you will incur immediate dilution in pro forma net tangible book value of approximately $ per share. If the holders of outstanding options or warrants exercise these options or warrants, you will incur further dilution. Investors purchasing shares of our common stock in this offering will contribute approximately % of the total amount we have raised since our inception, but will own only approximately % of our total common stock immediately following the completion of this offering.

Future sales of our common stock could cause our stock price to decline.

Sales of substantial amounts of our common stock in the public market after this offering, or the possibility of those sales or other distributions, could put downward pressure on the market price of our common stock. After the consummation of this offering, our current stockholders will be subject to a 180-day lock up on the sale of their shares. After the lock-up expires, based on the number of shares outstanding as of December 31, 2005, 19,698,104 shares of common stock will be eligible for sale subject to Rule 144, Rule 144(k) or Rule 701. The remaining 913,155 shares held by existing stockholders will be eligible for sale from time to time in the future under Rule 144, Rule 144(k) or Rule 701 and holders of 13,338,279 shares of our common stock will have rights to cause us to file a registration statement on their behalf and to include their shares in registration statements that we may file on our behalf or on behalf of other stockholders. By exercising their registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline.

If our officers, directors and largest stockholders choose to act together, they may be able to control the outcome of a stockholder vote.

After this offering, our officers, directors and holders of 5% or more of our outstanding common stock will beneficially own approximately % of our common stock. Moreover, a majority of our directors are principals or representatives of entities that own substantial amounts of our common stock. As a result, these stockholders, acting together, will be able to significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval or mergers or other business combination transactions. The interests of this group of stockholders 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 of other stockholders.

Certain provisions of Delaware law, our certificate of incorporation and our by-laws may delay or prevent an acquisition of us that stockholders may consider favorable or may prevent efforts by our stockholders to change our directors or our management, which could decrease the value of your shares.

Following this offering, our certificate of incorporation and by-laws will contain provisions that could make it more difficult for a third party to acquire us, and may have the effect of preventing or hindering any attempt by our stockholders to replace our current 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 director, which prevents stockholders 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. The ability to authorize and issue 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, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire us.

Our certificate of incorporation provides for the board of directors to be divided into three classes, each with staggered three-year terms. As a result, only one class of directors will be elected at each annual meeting of stockholders, and each of the 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 board of directors.

Our certificate of incorporation requires the vote of the holders of 75% of the outstanding shares of our common stock in order to take certain actions, including amendment of our bylaws, removal of directors for cause and certain amendments to our certificate of incorporation.

As a Delaware 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 with any holder of 15% or more of its capital stock unless 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 Delaware law to prevent or delay an acquisition of us, which could have the effect of reducing your ability to receive a premium on your common stock.

Because we do not intend to pay dividends, you will benefit from an investment in our common stock only if it appreciates in value.

We have not paid 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 our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. The success of your investment in our common stock will depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value after the offering or even maintain the price at which you purchased your shares.

FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," contains forward-looking statements. These statements relate to future events or to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue," or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements, since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, levels of activity, performance or achievements. Factors that may cause actual results to differ materially from current expectations, which we describe in more detail elsewhere in this prospectus under the heading "Risk Factors," include, but are not limited to:

inability to successfully market and sell any approved product;

unfavorable results of our preclinical or clinical testing;

delays in obtaining, or failure to obtain FDA approvals;

increased regulation by the FDA and other agencies;

the introduction of competitive products;

impairment of license, patent or other proprietary rights;

failure to implement our strategy; and

changes in our financial performance and cash requirements.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement you read in this prospectus reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

The safe harbor for forward-looking statements contained in the Securities Litigation Reform Act of 1995 protects companies from liability for their forward looking statements if they comply with the requirements of the Act. The Act does not provide this protection for initial public offerings.

USE OF PROCEEDS

We estimate that we will receive approximately $ million in net proceeds from the sale of our common stock in this offering, or approximately $ million if the underwriters exercise their over-allotment option in full, based on an assumed initial public offering price of $ per share (the midpoint of the estimated price range shown on the cover of this prospectus) after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the proceeds of this offering as follows:

- approximately $10.0 million for sales and marketing activities, the payment of sales-based milestones to Elan for Zanaflex Capsules and market development for Fampridine-SR, if approved by the FDA;

- approximately $25.0 million principally to complete our current Fampridine-SR clinical trial and to conduct other activities related to the filing of an NDA for Fampridine-SR, as well as for research and development, including our preclinical studies related to our Chondroitinase, Neuregulin and Remyelinating Antibodies programs; and

- the remainder for general corporate purposes, including to fund working capital, capital expenditures, and for the potential acquisition or licensing of pharmaceutical products or product candidates that are complementary to our own.

We expect that the proceeds of this offering will allow us to complete our current Fampridine-SR Phase 3 clinical trial. The amount and timing of our actual expenditures on sales and marketing and our research and development programs will depend on numerous factors, including the progress of our research and development activities, the progress of our clinical trials and regulatory approval process, the number and breadth of our product development programs, our success in marketing Zanaflex Capsules, and any in-licensing and acquisition activities. Our research programs are in an early stage of development and it is difficult to predict what advances, if any, we will make in our research activities using the proceeds of this offering. Accordingly, we will retain broad discretion in the allocation and use of the proceeds of this offering. Currently we have no specific plans or commitments related to any acquisitions or licenses.

Pending application of the net proceeds, we intend to invest them in short-term, investment-grade, interest-bearing instruments.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends for the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in current or future financing instruments and other factors our board of directors deems relevant.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of September 30, 2005:

on an actual basis giving retroactive effect to the 1-for-1.3 reverse stock split that we intend to effect prior to the effective date of the registration statement of which this prospectus forms a part;

on a pro forma basis to reflect:

our entry into a revenue interest assignment arrangement with PRF on December 23, 2005, including (i) our receipt at signing of a payment in the amount of $15.0 million, (ii) our use of approximately $3.0 million of that payment to repay a portion of the amount we owe to GE Capital and approximately $700,000 of that payment to pay fees and expenses related to the transaction, including expenses incurred by PRF and (iii) our recognition of a short-term liability of approximately $11.3 million; and

the automatic conversion of all of our outstanding convertible preferred stock and mandatorily redeemable convertible preferred stock into 13,338,279 shares of common stock on the closing of this offering; and

on a pro forma basis as adjusted to reflect our receipt of net proceeds from the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share (the midpoint of the estimated price range shown on the cover of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses.

	As of September 30, 2005		
	Actual (unaudited)	Pro Forma (unaudited)	Pro Forma As Adjusted (unaudited)
		(in thousands)	
Cash, cash equivalents and short-term investments	$ 8,741	$ 20,039	$
Long-term portion of notes payable	3,534	1,731	
Long-term convertible notes payable–principal amount plus accrued interest, less unamortized debt discount–Related party	8,695	8,695	
Mandatorily Redeemable Convertible Preferred Stock, $.001 par value: 7,472,612 shares of Series E convertible preferred stock authorized, issued and outstanding at September 30, 2005; 10,204,047 shares of Series I convertible preferred stock authorized, issued and outstanding at September 30, 2005; 112,790,246 shares of Series J convertible preferred stock authorized, 112,790,233 shares issued and outstanding at September 30, 2005; 1,533,330 shares of Series K convertible preferred stock authorized, 1,533,327 shares issued and outstanding	85,000	–	

at September 30, 2005; 0 shares issued and outstanding on a pro forma and pro forma as adjusted basis

Stockholders' equity (deficit):			
Non-redeemable Convertible Preferred Stock, $.001 par value: 1,306,068 shares of Series A convertible preferred stock; 900,000 shares of Series B convertible preferred stock; 333,333 shares of Series C convertible preferred stock; 0 shares of Series D preferred stock; 2,300,000 shares of Series F convertible preferred stock; 0 shares of Series G preferred stock; 1,575,229 shares of Series H convertible preferred stock; 0 shares issued and outstanding on a pro forma and pro forma as adjusted basis	6	–	
Common stock, $.001 par value; 260,000,000 shares authorized at September 30, 2005 and 80,000,000 shares authorized on a pro forma and on a pro forma as adjusted basis; 208,766 shares issued and outstanding at September 30, 2005, issued and outstanding on a pro forma basis and on a pro forma as adjusted basis, respectively	–	13	
Additional paid-in capital	96,808	181,801	
Accumulated deficit	(198,475)	(198,677)	
Other comprehensive loss	(6)	(6)	
Total stockholders' (deficit)	(101,669)	(16,869)	
Total capitalization	$ (4,438)	$ (6,444)	

The table above excludes, as of September 30, 2005:

1,816,518 shares of common stock issuable upon the exercise of outstanding options and warrants to purchase our common stock, at a weighted average exercise price of $5.13 per share;

756,620 restricted share grants entitling the share owners the right to acquire shares of common stock;

278,339 shares of common stock issuable upon the conversion of outstanding convertible promissory notes; and

700,572 shares of common stock reserved for issuance under our stock option plan.

DILUTION

Our net tangible book deficit attributable to common stockholders as of September 30, 2005, was approximately $123.0 million, or approximately $(9.08) per share based on 13,547,022 shares of common stock outstanding as of September 30, 2005, calculated after giving effect to the automatic conversion of all of our outstanding convertible preferred stock and mandatorily redeemable convertible preferred stock into 13,338,279 shares of common stock upon the closing of this offering. Net tangible book deficit per share represents our total tangible assets reduced by our total liabilities, mandatorily redeemable convertible preferred stock, deferred offering costs and the liquidation value of our convertible preferred stock and divided by the number of shares of common stock outstanding. Dilution per share to new investors represents the difference between the amount per share that you pay in this offering and the pro forma as adjusted net tangible book value per share immediately after this offering.

Our pro forma as adjusted net tangible book value as of September 30, 2005, would have been approximately $ million, or approximately $ per share, after giving effect to:

- the automatic conversion of our outstanding convertible preferred stock and mandatorily redeemable convertible preferred stock into 13,338,279 shares of common stock upon the closing of the offering;

- our entry into a revenue interest assignment arrangement with PRF on December 23, 2005, including (i) our receipt at signing of a payment in the amount of $15.0 million, (ii) our use of approximately $3.0 million of that payment to repay a portion of the amount we owe to GE Capital and approximately $700,000 of that payment to pay fees and expenses related to the transaction, including expenses incurred by PRF and (iii) our recognition of a short-term liability of approximately $11.3 million;

- the sale by us of shares in this offering, assuming an initial public offering price of $ per share (the midpoint of the estimated price range shown on the cover of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses; and

- a 1-for-1.3 reverse stock split that we intend to effect prior to the effective date of the registration statement of which this prospectus forms a part.

This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate decrease in net tangible book value per share of $ to you. The following table illustrates the dilution.

Assumed initial public offering price per share		$
Net tangible book deficit per share as of September 30, 2005	$	
Pro forma increase in net tangible book value per share attributable to conversion of convertible preferred stock and mandatorily redeemable convertible preferred stock		
Increase in net tangible book value per share attributable to existing stockholders		
Pro forma as adjusted net tangible book value per share after the offering		
Dilution per share to new investors		$

If the underwriters exercise their over-allotment option in full, the pro forma net tangible book value per share after the offering would be $ per share, the increase in net tangible book value per share to existing stockholders would be $ per share and the dilution to new investors would be $ per share.

The following table sets forth, as of September 30, 2005, on a pro forma basis, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
Existing stockholders	13,547,022	%	$	%	$
New investors(1)					
Total		100.0%	$	100.0%	

(1) Before the underwriters' commissions and our expenses.

The table above assumes no exercise of stock options or warrants outstanding as of September 30, 2005. At September 30, 2005, there were 1,816,518 shares of common stock issuable upon exercise of outstanding stock options and warrants at a weighted average exercise price of $5.13 per share. To the extent that outstanding options or warrants are exercised in the future, there will be further dilution to new investors. To the extent all of such outstanding options and warrants had been exercised as of September 30, 2005, net tangible book value per share after this offering would be $ and total dilution per share to new investors would be $.

The issuance of additional common stock will result in further dilution to new investors.

If the underwriters' over-allotment option is exercised in full, the number of shares of our common stock held by existing stockholders will be reduced to of the aggregate number of shares of our common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to or of the aggregate number of shares of common stock outstanding after this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated statement of operations data for the fiscal years ended June 30, 2001, 2002 and 2003, six month period ended December 31, 2003, and the year ended December 31, 2004 and the selected consolidated balance sheet data presented below as of June 30, 2001, 2002 and 2003, and December 31, 2003 and 2004, set forth below are derived from, and are qualified by reference to, our consolidated financial statements other than the pro forma financial information, which have been audited by KPMG LLP, our Independent Registered Public Accounting Firm, and that are included elsewhere in this prospectus for the years ended June 30, 2002 and 2003, six months ended December 31, 2003 and year ended 2004.

We changed our fiscal year end from June 30 to December 31, effective for the six months ended December 31, 2003. The selected consolidated statement of operations data presented below for the nine months ended September 30, 2004 and 2005, and selected consolidated balance sheet data presented below as of September 30, 2005, have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial information include, in the opinion of management, all adjustments, consisting of normal and recurring adjustments, that management considers necessary for a fair presentation, in all material respects, of its consolidated results for those periods. Our historical results are not necessarily indicative of the results to be expected in the future periods and the results for the nine months ended September 30, 2005, should not be considered indicative of results expected for the full year.

This data should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the related notes included elsewhere in this prospectus.

Pro forma per share amounts in the following table reflect the conversion of our outstanding convertible and mandatorily redeemable convertible preferred stock into 13,338,279 shares of common stock upon completion of this offering, assuming that shares of our preferred stock were outstanding for the entire periods presented. Pro forma balance sheet data amounts in the following table reflect the conversion of our outstanding convertible and mandatorily redeemable convertible preferred stock, as well as our entry into a revenue interest assignment arrangement with PRF on December 23, 2005, including (i) our receipt at signing of a payment in the amount of $15.0 million, (ii) our use of approximately $3.0 million of that payment to repay a portion of the amount we owe to GE Capital and approximately $700,000 of that payment to pay fees and expenses related to the transaction, including expenses incurred by PRF and (iii) our recognition of a short-term liability of approximately $11.3 million.

	Year Ended June 30,			Six Months Ended December 31,	Year Ended December 31,	Nine Months Ended September 30,	
						2004	2005
	2001	2002	2003	2003	2004	(unaudited)	
	(in thousands, except per share data)						
Statement of Operations Data:							
Gross sales–Zanaflex	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,239
Less: discounts and allowances	–	–	–	–	(4,417)	(144)	(992)
Net sales	–	–	–	–	(4,417)	(144)	2,247
Grant revenue	462	132	474	382	479	445	184
Total net revenue	462	132	474	382	(3,938)	(301)	2,431
Less: cost of sales	–	–	–	–	(885)	(363)	(2,274)
Gross profit	462	132	474	382	(4,823)	(62)	157
Operating expenses:							
Research and development	6,142	11,147	17,527	16,743	21,999	18,621	9,652
Research and development–related party	2,223	4,687	2,265	3,343	–	–	–
Sales and marketing	–	–	–	–	4,662	2,793	9,657
General and administrative	3,489	6,636	6,388	17,069	13,283	11,034	6,339
Total operating expenses	11,854	22,470	26,180	37,155	39,944	32,448	25,648
Operating loss	(11,392)	(22,338)	(25,706)	(36,773)	(44,767)	(32,510)	(25,491)
Other income (expense):							
Interest and amortization of debt discount expense	–	–	(78)	(38)	(385)	(297)	(824)
Interest and amortization of debt discount expense–related party	(443)	(408)	(369)	(184)	–	–	–
Interest income	1,824	984	393	276	409	329	347
Other income	–	–	26	7	2	2	1
Total other income (expense)	1,381	576	(28)	61	26	34	(476)
Minority interest–related party	699	580	–	–	–	–	–
Cumulative effect of change in accounting principle	–	–	–	–	–	–	3
Net loss	(9,313)	(21,181)	(25,734)	(36,712)	(44,741)	(32,476)	(25,964)

Beneficial conversion feature, accretion of issuance costs, preferred dividends, and fair value of warrants issued to convertible preferred stockholders	(36)	(55)	(24,320)	(11,985)	(24,746)	(18,496)	(18,636)
Net loss allocable to common stockholders	$ (9,349)	$ (21,236)	$ (50,054)	$ (48,697)	$ (69,487)	$ (50,972)	$ (44,600)
Net loss per share allocable to common stockholders−basic & diluted	$ (50.81)	$ (111.90)	$ (261.38)	$ (252.87)	$ (351.76)	$ (259.22)	$ (221.17)

	Year Ended June 30,			Six Months Ended December 31,	Year Ended December 31,	Nine Months Ended September 30,	
	2001	2002	2003	2003	2004	2004	2005
						(unaudited)	
Pro forma net loss per share allocable to common stockholders−basic & diluted (unaudited)(1)					$ (9.63)		$ (1.92)
Weighted average shares of common stock outstanding used in computing net loss per share allocable to common stockholders−basic & diluted	184	190	191	193	198	197	202
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)					13,536		13,547

(1) The pro forma net loss per share and weighted average shares of common stock used in computing pro forma net loss per share allocable to common stockholders for the year ended December 31, 2004 and the nine months ended September 30, 2005 are calculated as if all our convertible preferred stock and mandatorily redeemable convertible preferred stock were converted into common stock as of the beginning of the year ended December 31, 2004 or from their respective dates of issuance, if issued after the beginning of the year ended December 31, 2004. The pro forma net loss per share allocable to common stockholders for the year ended December 31, 2004 has been computed assuming the offering was completed at the beginning of the fiscal year presented and has been adjusted to give effect to the following: (a) recognition of the unamortized portion of a beneficial conversion charge of $67.9 million; (b) recognition of the unamortized portion of issuance costs relating to Series E, Series I, Series J and Series K preferred stock of $379,000; and (c) reversal of accrued preferred dividends on Series J and Series K preferred stock of $7.4 million (see Note 8 to the consolidated financial statements). The pro forma net loss per share allocable to common stockholders for the nine month period ended September 30, 2005 reflects the reversal of the accrued preferred dividend of $4.0 million, amortized beneficial conversion charge of $14.5 million and amortized issuance cost of $81,000 assuming that the automatic conversion occurred as of the beginning of the fiscal year ended December 31, 2004.

(2) The weighted average shares of our common stock outstanding used in computing the pro forma net loss per share allocable to common stockholders is calculated based on (a) Series A through Series J equivalent shares of common stock from the beginning of the fiscal year; and (b) Series K equivalent shares of common stock issuable from the date of issuance of the Series K preferred stock.

	As of June 30,			As of December 31,		As of September 30,	Pro Forma As of September 30,
	2001	2002	2003	2003	2004	2005	2005
	(in thousands)					(unaudited)	
Consolidated Balance Sheet Data:							
Cash and cash equivalents	$ 48,083	$ 27,012	$ 48,319	$ 8,965	$ 11,729	$ 3,581	$ 14,879
Restricted cash	243	250	253	254	257	261	261
Short-term investments	–	2,836	12,250	32,250	9,397	5,160	5,160
Working capital	46,115	27,097	58,975	35,375	9,067	(12,203)	(10,506)

Total assets	50,349	33,597	64,807	45,960	30,982	25,543	37,342
Deferred grant revenue	–	–	95	48	–	–	–
Deferred product revenue–Zanaflex Capsules	–	–	–	–	–	4,960	4,960
Deferred product revenue–Zanaflex tablets	–	–	–	–	6,668	10,686	10,686
Current portion of notes payable	–	–	310	324	302	2,347	1,150
Non-current portion of notes payable	–	–	612	447	145	3,534	1,731
Revenue interest liability	–	–	–	–	–	–	11,299
Long-term convertible notes payable–related party	7,131	7,538	7,907	8,091	8,422	8,695	8,695
Mandatorily redeemable preferred stock	59,604	59,659	18,187	30,171	66,364	85,000	–
Total stockholders' (deficit)	(19,041)	(36,910)	35,328	(130)	(60,571)	(101,669)	(16,869)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in this prospectus. This discussion and analysis contains forward-looking statements that are subject to risks, uncertainties and other factors, including, but not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus, that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. See "Forward-Looking Statements."

Background

Since we commenced operations in 1995, we have devoted substantially all of our resources to the identification, development and commercialization of novel therapies that improve neurological function in people with MS, SCI and other disorders of the CNS. Our marketed drug, Zanaflex Capsules, is FDA-approved for the management of spasticity. Our lead product candidate, Fampridine-SR, is in a Phase 3 clinical trial for the improvement of walking ability in people with MS. Our preclinical programs also target MS and SCI, as well as other CNS disorders, including stroke and traumatic brain injury.

From 1995 until 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 rights to Fampridine-SR from Elan for the treatment of SCI in 1997. In 1998, we formed a joint venture, MS Research & Development Corporation, or MSRD, with Elan International Services, Ltd., or EIS, a subsidiary of Elan, to develop Fampridine-SR for the treatment of MS under an exclusive worldwide license from Elan.

In September 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 from Elan for Fampridine-SR for MS. We paid MSRD approximately $11.5 million for all of the assets and assumed all of the liabilities of MSRD, and MSRD distributed to us approximately $9.5 million as our pro rata portion of the purchase price. From the time of establishment of MSRD until the sale of MSRD's assets to us, Elan was considered to be a related party under generally accepted accounting principles. In conjunction with the termination and assignment, we entered into an amended license agreement with Elan that granted us exclusive worldwide rights to Fampridine-SR in return for the payment of royalties and milestones. In addition, we entered into a supply agreement under which Elan provides Fampridine-SR based upon an agreed upon price schedule.

In September 2003, we entered into a collaboration agreement with Teva Pharmaceutical Industries Ltd., or Teva, to jointly develop and promote in the United States products containing valrocemide, pursuant to which we made an initial payment to Teva of $2.1 million. We and Teva amicably terminated this collaboration agreement in June 2005 and in connection with the termination we paid Teva approximately $3.1 million. We and Teva have no further obligations to each other under this collaboration agreement.

We have expended 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 Fampridine-SR in SCI and a Phase 2 clinical trial in MS, the results of which were announced in March 2004. An earlier Phase 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 ongoing Fampridine-SR in MS program, leading to our current Phase 3 clinical trial of Fampridine-SR for improvement of walking ability in people with MS. We may resume our clinical development of Fampridine-SR for SCI following completion of our MS clinical program, or sooner.

In July 2004, we acquired all of Elan's research, development, distribution, sales and marketing rights to Zanaflex Capsules and Zanaflex tablets in the United States. These products are FDA-approved for the management of spasticity. We made an upfront payment to Elan of $2.0 million and are obligated to pay royalties on sales and to make milestone payments upon achievement of specified sales levels. To date, we have achieved two milestones, the first triggering a payment of $1.5 million, 50% of which was paid in the first quarter of 2005 and 50% of which is due in the first quarter of 2006. The second milestone of $3.0 million is due in the first quarter of 2006. As part of our Zanaflex acquisition, we entered into a long-term supply agreement with Elan under which Elan provides us with Zanaflex Capsules. Elan also assigned us its rights under an agreement with Novartis for the supply of tizanidine and Zanaflex tablets.

Our marketing efforts are focused on Zanaflex Capsules, which we launched in April 2005. Zanaflex tablets lost compound patent protection in 2002 and compete with 11 generic tizanidine products. Although we currently distribute Zanaflex tablets, we do not, and do not intend to, actively promote Zanaflex 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 Zanaflex tablets and generic tizanidine tablets to sales of Zanaflex Capsules as possible. We believe that sales of Zanaflex Capsules will constitute a significant portion of our total revenue for the foreseeable future.

In late 2004, we began establishing our own specialty sales force in the United States, which consisted of 14 sales professionals as of September 30, 2005. This sales force targets neurologists and other prescribers who specialize in treating people with conditions that involve spasticity. Members of this sales force also call on managed care organizations, pharmacists and distribution customers. We plan to expand our specialty sales force to approximately 30 sales professionals in the first quarter of 2006. We have also entered into an agreement with Cardinal Health, under which, since August 2005, they have provided approximately 160 sales representatives to market Zanaflex Capsules to primary care physicians in the United States. We have retained Access Worldwide Communications to provide a small, dedicated sales force of pharmaceutical telesales professionals to contact primary care, specialty physicians and pharmacists. We expect to expand this sales and marketing infrastructure in the future, as appropriate.

In February 2004, we changed our fiscal year end from June 30 to December 31, effective for the six months ended December 31, 2003.

In December 2005, we entered into a Revenue Interests Assignment Agreement with PRF pursuant to which we assigned PRF the right to receive a portion of our net revenues (as defined in the agreement) from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The agreement covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, unless the agreement is terminated earlier. In consideration for the assignment, PRF paid us $15.0 million at signing. We used approximately $3.0 million of that payment to repay a portion of the amount we owe to GE Capital, $200,000 of that payment for expenses associated with such repayment and $500,000 of that payment to reimburse PRF for expenses it incurred in the transaction. Under our agreement with PRF, we are required 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, clinical and regulatory activities and other financial obligations related specifically and solely to our Zanaflex operations. At our election, PRF is also required to pay us (i) an additional $5.0 million if our Zanaflex net revenues in 2005 equal or exceed $11.0 million and our Zanaflex net revenues in the first six months of 2006 equal or exceed $16.0 million, and (ii) an additional $5.0 million if our Zanaflex net revenues in 2006 equal or exceed $33.5 million. If we meet these milestones and decide to borrow these additional funds, we would be required to pay PRF $5.0 million on December 1, 2009 in the case of the first additional payment and $5.0 million on December 1, 2010 in the case of the second additional payment. For more information regarding our agreement with PRF, see "−Liquidity and Capital Resources−Financing Arrangements."

Product Revenue and Returns

Ongoing Zanaflex Capsule and Tablet Sales

Product revenue 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 recognize revenue until we can reasonably estimate 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 Zanaflex tablets to Zanaflex Capsules, we cannot 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, which could be in a number of years, when we are able to reasonably estimate product returns we will begin to recognize revenue based on shipments of product to our wholesale drug distributors.

Under our deferred revenue model, we do not recognize revenue upon shipment of product to our wholesale drug distributors. Instead, we record deferred revenue at gross invoice sales price, and classify the cost basis of the inventory held by the wholesaler as a component of inventory. We recognize revenue when prescriptions are filled to end-users because once prescriptions are filled the product cannot be returned. We use monthly prescription data that we purchase from NDC Health, a leading provider of healthcare data, to determine the amount of revenue to be recognized. When we receive the prescription data, we use the number of units of product prescribed to record 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 recognizing revenue from Zanaflex tablet sales. We began marketing Zanaflex Capsules in April 2005 and began receiving prescription data and recognizing revenue in the same month. Through September 30, 2005, we have recognized $2.1 million in revenue from Zanaflex tablets and $1.1 million from Zanaflex Capsules.

Under our Revenue Interests Assignment Agreement with PRF, PRF is entitled to a portion of our net revenues from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The agreement covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, unless the agreement terminates earlier. Under 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% of such net revenues; and

with respect to Zanaflex net revenues in excess of $60.0 million for each fiscal year during the term of the agreement, 1% of such net revenues.

Notwithstanding the foregoing, once PRF has received and retained payments under the agreement that are at least twice the aggregate amount PRF has paid us under the agreement, PRF will only be entitled to 1% of Zanaflex net revenues.

We accept returns 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, reducing the amount of deferred revenue that we may recognize.

Sale of Zanaflex Tablet Inventory Acquired From Elan

When we acquired Zanaflex from Elan, we also acquired Elan's inventory of Zanaflex tablets. This inventory included partial lots with expiration dating of less than 12 months and full lots with expiration dating greater than 12 months. We have deferred recognition of any revenue from sales of the partial lot inventory until the return period for the product expires in June 2006, and will recognize revenue

then only to the extent that deferred revenues exceed returns. We cannot use prescription data to recognize revenue associated with the partial lot inventory acquired from Elan because we cannot determine whether the prescription was filled with product that Elan sold prior to our acquisition of Zanaflex or with product we sold.

All Zanaflex tablet partial lot inventory that we acquired from Elan has either been sold or is no longer being sold by us. As a result, after the return period expires in June 2006, there will no longer be deferred revenue associated with the Zanaflex tablet partial lot inventory acquired from Elan.

In July 2005 we began to recognize revenue from the full lots based on prescriptions filled for Zanaflex tablets. All of the Zanaflex tablet inventory sold by Elan prior to our acquisition reached expiration in June 2005, therefore any prescriptions filled for Zanaflex tablets subsequent to June 2005 must be from the full inventory lots acquired by and sold by us.

We are uncertain about the amount of returns that we may receive on these products, for a number of reasons including our limited historical returns experience. Returns of Zanaflex tablet inventory acquired from Elan and sold by us are charged against deferred revenue, reducing the amount of deferred revenue that we may recognize.

Returns of Zanaflex Tablets sold by Elan

As part of the acquisition of Zanaflex, we agreed to accept returns of Zanaflex tablets that were returned subsequent to January 17, 2005, including returns of product that was originally sold by Elan. Product returns prior to January 17, 2005, were the responsibility of Elan. We have recorded a charge of $4.1 million in the year ended December 31, 2004, for the estimated returns of Zanaflex tablets sold by Elan. To the extent that returns exceed the estimated charge, we will be required to record further charges. The return period for Zanaflex tablets sold by Elan ends in June 2006, after which time we do not anticipate any further charges resulting from Zanaflex tablets sold by Elan.

Discounts and Allowances

Discounts and allowances consist of estimated reserves for cash discounts, rebates and chargebacks. At the time product is shipped to wholesalers an allowance is recorded for these discounts and allowances. Allowances are established on a product-by-product basis. These allowances are established by management as its best estimate based on each product's historical experience adjusted to reflect known changes in the factors that impact such reserves. Reserves for chargebacks, rebates and discounts are established based on the contractual terms with customers, analysis of historical levels of discounts, chargebacks and rebates, communications with customers and the levels of inventory remaining in the distribution channel as well as expectations about the market for each product and anticipated introduction of competitive products.

Grant Revenue

Grant revenue 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 expended, grant revenue related to purchase of equipment is deferred and amortized over the shorter of its useful life or the life of the related contract.

Cost of Sales

Cost of sales consists of cost of inventory, royalty expense and milestone amortization of intangible assets associated with the Zanaflex acquisition, packaging costs, freight and required inventory stability testing costs. Our inventory costs, royalty obligations and milestone obligations are set forth in the agreements entered into in connection with our Zanaflex acquisition.

Research and Development Expenses

Research and development expenses consist primarily of salaries and related expenses for personnel, fees paid to professional service providers in conjunction with independently monitoring our clinical trials and acquiring and evaluating data from our clinical trials, costs of contract manufacturing services, costs of materials used in clinical trials and research and development, depreciation of capital resources used to develop our products, costs of facilities and the legal costs of pursuing patent protection of our intellectual property. We expense research and development costs as incurred. We expect our research and development expenses to increase as we continue to develop our product candidates and preclinical programs.

The following table summarizes our research and development expenses for the fiscal years ended June 30, 2001, 2002, 2003, the six months ended December 31, 2003, the year ended December 31, 2004 and the nine months ended September 30, 2005. Included in this table are our external research and development costs, consisting largely of clinical trial and research services provided by outside laboratories and vendors recognized in connection with each product candidate currently in clinical development and all preclinical programs as a group. Many of our internal research and development costs, including personnel costs, related benefits and stock-based compensation, are not attributable to any individual project because we use these resources across several development projects. Compensation expense for option grants is classified between clinical development and preclinical research and development based on employee job function.

	Year Ended June 30,			Six Months Ended December 31, 2003	Year Ended December 31, 2004	Nine Months Ended September 30,	
	2001	2002	2003			2004	2005
						(unaudited)	
				(in thousands)			
Clinical development:							
Contract expense–SCI	$ 1,557	$ 3,359	$ 5,777	$ 4,266	$ 5,853	$ 5,630	$ 30
Contract expense–MS	649	908	1,613	2,116	2,850	2,205	2,296
Other contract expense	–	–	1,015	1,388	4,945	4,292	3,729
Operating expense	695	1,518	2,356	1,789	2,652	2,108	951
Licensing expense–Teva	–	–	–	2,000	–	–	–
Total clinical development	2,901	5,785	10,761	11,559	16,300	14,235	7,006
Preclinical research & development:							
Research contracts	586	617	271	412	628	469	68
Contract expense	–	213	1,441	216	113	47	62
Operating expense	2,655	4,531	5,054	4,556	4,958	3,870	2,516
Total preclinical research & development	3,241	5,361	6,766	5,184	5,699	4,386	2,646
Total research & development	6,142	11,146	17,527	16,743	21,999	18,621	9,652
Research & development–related party expense	2,223	4,687	2,265	3,343	–	–	–

Total	$ 8,365	$ 15,833	$ 19,792	$ 20,086	$ 21,999	$ 18,621	$ 9,652

Research and Development–Related Party

In cooperation with Elan, we have conducted a series of clinical trials during the past eight years evaluating Fampridine-SR. Elan was considered to be a related party during the period from April,

1998 when MSRD, our jointly-owned venture with Elan to develop Fampridine-SR in MS, was formed until September 2003, when Elan's interest in MSRD was sold to us (see Note 11 to our consolidated financial statements included in this prospectus). Related party research and development or sales and marketing expenses have been included as a separate line item in our financial statements for this period and in the table above. These expenses consisted of the contracted development and supply of our lead product candidate, Fampridine-SR, license fees and expenses associated with our acquisition of Elan's interest in MSRD.

Sales and Marketing Expenses

Sales and marketing expenses includes the costs of salaries for our sales and marketing personnel and the cost of our advertising, promotion and education programs. Sales and marketing expenses include the cost of our contract sales force provided by Cardinal Health and our contract pharmaceutical telesales services provided by Access Worldwide.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs for personnel serving executive, finance, business development, legal, information technology and human resource functions. Other costs include facility costs not otherwise included in research and development or sales and marketing expense and professional fees for legal and accounting services. We expect that our general and administrative expenses will increase as we add personnel and become subject to the reporting obligations applicable to public companies.

Stock-Based Compensation

We have accounted for options and restricted stock granted to employees and directors in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*, and related interpretations. As such, compensation expense is recorded on stock option and restricted stock grants based on the fair value of the restricted stock and options granted, which is estimated on the date of grant using an option-pricing model and it is recognized on a straight-line basis over the vesting period. Compensation expense for options and restricted stock granted to employees amounted to $643,000, $1.3 million, $1.6 million, $13.2 million, $9.0 million, and $3.5 million for the years ended June 30, 2001, 2002 and 2003, the six months ended December 31, 2003, the year ended December 31, 2004 and the nine months ended September 30, 2005. Compensation expense for options and restricted stock granted to employees are classified between research and development and general and administrative expense based on employee job function.

We have accounted for stock options granted to non-employees on a fair-value basis in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*, Emerging Issues Task Force ("EITF") Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, and FASB Interpretations No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans an Interpretation of APB Opinion No. 15 and 25*. As a result, the non-cash charge to operations for non-employee options with vesting or other performance criteria is affected each reporting period by changes in the fair value of our common stock. Compensation expense for options granted to non-employees amounted to $94,000, $75,000, ($7,000), $8,000, $15,000 and $47,000 for the years ended June 30, 2001, 2002 and 2003, the six months ended December 31, 2003, the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. The amount of compensation expense to be recorded in the future for options granted to non-employees is subject to change each reporting period based upon changes in the fair value of our common stock, estimated volatility and risk free interest rate until the non-employee completes performance under the option agreement.

We may record additional deferred stock-based compensation if we grant additional options or change the terms of the options granted to our employees.

Beneficial Conversion Feature

In May 2003, we completed a private placement of 112,790,233 shares of Series J convertible preferred stock for an aggregate purchase price of approximately $55.3 million. As a result of this financing, our Series A through Series I preferred stockholders' original conversion prices were reduced due to anti-dilution adjustments, which resulted in a beneficial conversion of $80.7 million in accordance with EITF No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios* and EITF No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*. The beneficial conversion of $20.9 million was recorded as an immediate charge to additional paid-in capital, relating to our Series A, Series B, Series C, Series F and Series H convertible preferred stock, which are not mandatorily redeemable and may be converted to common stock at any time at the option of the holders. The remaining beneficial conversion of $59.9 million, relating to our Series E and Series I convertible preferred stock, which are mandatorily redeemable at any time on or after June 30, 2008, is being accreted ratably over the mandatory redemption period. Such accretion amounted to $1.7 million, $5.8 million, $11.6 million and $8.7 million for the year ended June 30, 2003, the six months ended December 31, 2003, the year ended December 31, 2004, and the nine months ended September 30, 2005, respectively, and is charged to additional paid-in capital.

The issuance of Series J mandatorily redeemable convertible preferred stock resulted in a beneficial conversion amounting to $40.0 million in accordance with EITF No. 98-5. The beneficial conversion is calculated based on the estimated fair value of our common stock price per share at the date of issuance of Series J preferred stock of approximately $10.14 per share of common stock, which was calculated based on the estimated projected midpoint of the range of our initial public offering price per common share, which was planned in the fourth calendar quarter of 2003, and the stock price appreciation in comparable public companies from May 2003 to August 2003. The beneficial conversion feature is being accreted ratably over the mandatory redemption period, with a charge to additional paid-in capital of $1.1 million, $3.9 million, $7.8 million and $5.8 million for the year ended June 30, 2003, the six months ended December 31, 2003, the year ended December 31, 2004, and the nine months ended September 30, 2005, respectively.

The unamortized portion of the beneficial conversion at September 30, 2005 was $53.3 million. Upon the closing of this offering, we will recognize a one time non-cash charge to additional paid in capital, reflecting the unamortized portion of the beneficial conversion feature as a result of the automatic conversion of all outstanding convertible preferred stock and mandatorily redeemable convertible preferred stock to common stock upon completion of this offering.

Other Income (Expense)

Interest income consists of interest earned on our cash, cash equivalents and short-term investments. Interest expense consists of interest expense on our GE Capital notes. Interest expense-related party consists of amortization of debt discount and accrued interest on our $7.5 million aggregate principal amount of EIS convertible notes, outstanding as of September 30, 2005. Other income consists primarily of unrealized gains from our investment securities.

Results of Operations

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Product Sales

We recognized revenue from the sale of Zanaflex Capsules and Zanaflex tablets of $3.2 million for the nine months ended September 30, 2005, as compared to $0 for the nine months ended September 30, 2004. We recognize product sales using a deferred revenue recognition model meaning that product sales are recorded as deferred revenue when shipped to the wholesaler and only recognized as revenue when end-user prescriptions of the product are filled. Product sales in the nine months ended September 30, 2005, consist of Zanaflex tablet sales beginning in March 2005, which is

when we began receiving prescription data for tablets containing a code clearly identifying these prescriptions as having been filled with product we sold, and Zanaflex Capsules prescription data beginning after our launch of the product in April 2005.

Deferred revenue from Zanaflex Capsules was $5.0 million as of September 30, 2005, as compared to $0 as of September 30, 2004. The increase in deferred revenue of Zanaflex Capsules was a result of our launch of the product in April 2005. We expect deferred revenue from Zanaflex Capsules to increase in the future as our sales and marketing efforts ramp up, and prescription data continues to lag wholesaler orders made in anticipation of demand.

Deferred revenue from Zanaflex tablets was $10.7 million as of September 30, 2005, an increase of $4.0 million since December 31, 2004, as compared to $2.8 million as of September 30, 2004. The increase in deferred revenue of Zanaflex tablets was a result of continued sales of the product and the fact that we are not recognizing any of the deferred revenue from Zanaflex tablet inventory acquired from Elan that had an expiration date of less than twelve months at the date of acquisition until after the return period expires in June 2006. With respect to the $10.7 million of deferred revenue at September 30, 2005, approximately $2.5 million relates to product that we acquired from Elan that had an expiration date of less than 12 months at the time we sold it during 2004. We believe there is a high likelihood that this product will be returned, which would result in our inability to recognize revenue related to these sales. We expect deferred revenue from Zanaflex tablets to decline over time as we attempt to convert Zanaflex tablet sales to Zanaflex Capsules sales.

Discounts and Allowances

We recorded discounts and allowances of $992,000 for the nine months ended September 30, 2005 as compared to $144,000 for the nine months ended September 30, 2004. Discounts and allowances are recorded when Zanaflex Capsules and Zanaflex tablets are shipped to wholesalers. We began shipping Zanaflex tablets after our acquisition from Elan in July 2004 and Zanaflex Capsules in April 2005. Discounts and allowances for the nine months ended September 30, 2005 consisted of $683,000 in cash discounts and $308,000 in reserves for chargebacks and rebates. Discounts and allowances for the nine months ended September 30, 2004, consisted of $55,000 in cash discounts and $89,000 for chargebacks and rebates. As part of our April 2005 launch of Zanaflex Capsules, in April, May and September 2005 we extended a 6% promotional cash discount over and above the standard 2% discount provided to drug wholesalers and a 4% rebate on products resold by the wholesalers to pharmacies, hospitals and other third parties. We expect cash discounts to decrease in future periods as a percentage of sales.

Grant Revenue

Grant revenue for the nine months ended September 30, 2005 was $184,000 compared to $445,000 for the nine months ended September 30, 2004. Grant revenue is recognized when the related research expenses are incurred and our performance obligations under the terms of the respective contract are satisfied.

Cost of Sales

We recorded cost of sales of $2.3 million for the nine months ended September 30, 2005 as compared to $363,000 for the nine months ended September 30, 2004. Cost of sales for the nine months ended September 30, 2005, consisted of $1.2 million in royalty fees, $249,000 in milestone amortization of intangible assets, $561,000 in inventory costs and $275,000 in costs related to packaging, freight, and stability testing. Cost of sales for the nine months ended September 30, 2004, consisted of $261,000 in royalty fees, $37,000 in milestone amortization of intangible assets and $65,000 in inventory costs. We began incurring cost of sales upon the acquisition of Zanaflex in July 2004.

Research and Development

Research and development expenses for the nine months ended September 30, 2005, were $9.7 million as compared to $18.6 million for the nine months ended September 30, 2004, a decrease of approximately $8.9 million, or 47.8%. The decrease in research and development expenses was primarily attributable to completion of two Phase 3 clinical trials of Fampridine-SR in SCI, and one Phase 2 clinical trial of Fampridine-SR in MS, during the first quarter of 2004. The SCI clinical development program expense decreased from $5.6 million for the nine months ended September 30, 2004 to $30,000 for the nine months ended September 30, 2005, due to our decision to put the program on hold. The MS clinical development program expense increased from $2.2 million for the nine months ended September 30, 2004 to $2.3 million for the nine months ended September 30, 2005, an increase of 4.5%. We expect that expenses associated with our MS clinical development program will increase as we continue our Phase 3 clinical trial.

Other contract expenses decreased to $3.8 million in the nine months ended September 30, 2005, from $4.3 million in the nine months ended September 30, 2004, a decrease of 11.6%. This decrease is primarily due to a $3.1 million decrease in expenses for the manufacture of clinical supplies from the period ended September 30, 2004, offset by a $2.2 million increase in expenses related to the valrocemide collaboration, primarily due to expenses of $3.1 million related to the termination of that collaboration in the nine months ended September 30, 2005.

Operating expenses for clinical development and preclinical research and development decreased to $3.3 million in the nine months ended September 30, 2005, from $6.0 million in the nine months ended September 30, 2004, a decrease of $2.5 million, or 41.7%. This decrease was a result of a $1.1 million decrease in preclinical salaries and benefits due to a staff reduction in early 2005. These expenses also include non-cash stock-based compensation expense of $465,000 for the nine months ended September 30, 2005, and $1.4 million for the nine months ended September 30, 2004.

Sales and Marketing

Sales and marketing expenses for the nine months ended September 30, 2005, were $9.7 million compared to $2.8 million for the nine months ended September 30, 2004, an increase of approximately $6.9 million or 246.4%. This increase was primarily attributable to $3.3 million for marketing and distribution and sales administration expense related to the launch of Zanaflex Capsules and the distribution of Zanaflex tablets and $3.0 million in salaries and benefits related to our Zanaflex Capsules specialty sales force.

General and Administrative

General and administrative expenses for the nine months ended September 30, 2005, were $6.3 million compared to $11.0 million for the nine months ended September 30, 2004, a decrease of approximately $4.7 million, or 42.7%. Total general and administrative expenses include non-cash stock based compensation expense of $2.0 million for the nine months ended September 30, 2005, as compared to $5.3 million for the nine months ended September 30, 2004, primarily attributable to the repricing in the first quarter of 2004 of options granted prior to 2004. In addition, the nine months ended September 30, 2004, included approximately $1.2 million in outside NDA preparation services related to our Phase 3 trials of Fampridine-SR in SCI.

Other Income (Expense)

Other income (expense) decreased to a loss of $476,000 for the nine months ended September 30, 2005, from a gain of $34,000 in the nine months ended September 30, 2004, a decrease of $510,000. Interest expense increased by $527,000 primarily related to a $6.0 million secured term loan with GE Capital entered into in January 2005. The increase in interest expense was offset by an increase in interest income of $18,000 during the nine months ended September 30, 2005.

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

Charges related to preferred stock remained relatively flat at $18.6 million for the nine months ended September 30, 2005, and $18.5 million for the nine months ended September 30, 2004. These charges primarily comprised accretion of issuance costs on Series E, Series I and Series J mandatorily redeemable convertible preferred stock, accrual of preferred dividend of on Series J and Series K mandatorily redeemable convertible preferred stock, accretion of beneficial conversion feature on Series A through Series I preferred stock for reset in conversion price and accretion of beneficial conversion feature on Series J preferred stock (see Notes 3, 8 and 11 to our consolidated financial statements included in this prospectus).

Year Ended December 31, 2004 Compared to Twelve Months Ended December 31, 2003[(1)]

	Twelve Months Ended December 31, 2003 (unaudited)	Year Ended December 31, 2004
	(in thousands)	
Gross sales–Zanaflex	$ –	$ –
Less: discounts and allowances	–	(4,417)
Net sales	–	(4,417)
Grant revenue	764	479
Total net revenue	764	(3,938)
Less: cost of sales	–	(885)
Gross profit	764	(4,823)
Operating expenses:		
Research and development	26,228	21,999
Research and development–related party	4,016	–
Sales and marketing	–	4,662
General and administrative	21,220	13,283
Total operating expenses	51,464	39,944
Operating loss	(50,700)	(44,767)
Other income (expense):		
Interest and amortization of debt discount expense	(82)	(385)
Interest and amortization of debt discount expense–related party	(445)	–
Interest income	417	409
Other income	30	2
Total other income (expense)	(80)	26
Net loss	(50,780)	(44,741)

Beneficial conversion feature, accretion of issuance costs, preferred dividends, and fair value of warrants issued to convertible preferred stockholders	(36,277)	(24,746)
Net loss allocable to common stockholders	$ (87,057)	$ (69,487)

(1) We changed our fiscal year end from June 30 to December 31, effective for the six months ended December 31, 2003. Accordingly, these amounts are derived from our books and records and represent the accumulation of the period January 1, 2003 to June 30, 2003 and July 1, 2003 to December 31, 2003.

Product Sales

We did not record product sales from the sale of either Zanaflex Capsules or Zanaflex tablets in the year ended December 31, 2004, or the twelve months ended December 31, 2003.

We did not record deferred revenue from Zanaflex Capsules in either period, as the product was not launched until April 2005. Deferred revenue from Zanaflex tablets was $6.7 million as of December 31, 2004, as compared to $0 as of December 31, 2003. With respect to the $6.7 million of deferred revenue at December 31, 2004, approximately $3.6 million related to product that we acquired from Elan that had an expiration date of less than 12 months at the time we sold it during 2004. We believe there is a high likelihood that this product will be returned, which would result in our inability to recognize revenue related to these sales.

Discounts and Allowances

We recorded discounts and allowances of $4.4 million for the year ended December 31, 2004, as compared to $0 for the twelve months ended December 31, 2003. Discounts and allowances for the year ended December 31, 2004, consisted of $128,000 in cash discounts and $207,000 for chargebacks and rebates. Additionally, in the year ended December 31, 2004, we took a $4.1 million charge to establish a reserve for expected returns of Zanaflex tablets sold by Elan prior to our acquisition of Zanaflex. As part of the acquisition of Zanaflex, we agreed to accept any returns of Zanaflex tablets that were returned subsequent to January 17, 2005, including returns of product that was originally sold by Elan.

Grant Revenue

Grant revenue for the year ended December 31, 2004, was $479,000 compared to $764,000 for the twelve months ended December 31, 2003. Grant revenue is recognized when the related research expenses are incurred and our performance obligations under the terms of the respective contract are satisfied.

Cost of Sales

We recorded cost of sales of $885,000 for the year ended December 31, 2004 as compared with $0 for the twelve months ended December 31, 2003. Cost of sales for the year ended December 31, 2004, consisted of $519,000 in royalty fees, $114,000 in milestone amortization of intangible assets and $252,000 in inventory costs related to the sale of Zanaflex tablets. For the twelve months ended December 31, 2003, we had no product sales and, as a result, no cost of sales.

Research and Development

Research and development expense for the year ended December 31, 2004, was $22.0 million, as compared to $26.2 million for the twelve months ended December 31, 2003, a decrease of approximately $4.2 million, or 16.0%. Contributing to this decrease was completion of two Phase 3 clinical trials of Fampridine-SR in SCI, and one Phase 2 clinical trial of Fampridine-SR in MS, during the first quarter of 2004. The SCI clinical development program expense decreased to $5.9 million for the year ended December 31, 2004, as compared to $7.2 million for the twelve months ended December 31, 2003, a decrease of $1.3 million, or 18.1%. The MS clinical development program expense decreased to $2.9 million for the year ended December 31, 2004, as compared to $3.3 million for the twelve months ended December 31, 2003, a decrease of $400,000, or 12.1%. We expect that expenses associated with our MS clinical development program will increase as we continue our Phase 3 clinical trial. Our licensing expense decreased to $0 for the year ended December 31, 2004, as compared to $2.0 million for the twelve months ended December 31, 2003. This expense was attributable to an initial payment to Teva for our collaboration agreement for valrocemide.

Other contract expenses increased to $5.0 million for the year ended December 31, 2004, as compared to $1.9 million for the twelve months ended December 31, 2003, an increase of $3.1 million, or 163.2%. This increase is primarily the result of the inclusion of costs related to the drug development and supply of Fampridine-SR in other contract expenses for the year ended December 31, 2004. Prior to the termination of the joint venture with Elan in September 2003, this cost was included in Research and development−related party expense. Also contributing to this increase was a cost of $914,000 relating to a terminated development program.

Operating expense for clinical development and preclinical research and development decreased to $7.6 million for the year ended December 31, 2004, as compared to $11.2 million for the twelve months ended December 31, 2003, a decrease of $3.6 million, or 32.1%. This decrease was partly attributable to a decline in non-cash stock-based compensation expense to $1.8 million for the year ended December 31, 2004, as compared to $3.0 million for the twelve months ended December 31, 2003. The decrease was also attributable to other expenses in the twelve months ended December 31, 2003, which included $508,000 of NDA expense and a $452,000 bonus accrual. In addition, research and development lab expense for the year ended December 31, 2004 was $277,000, as compared to $557,000 for the twelve months ended December 31, 2003, a decrease of $280,000.

Research and development−related party expenses for the year ended December 31, 2004, were $0, as compared to $4.0 million for the twelve months ended December 31, 2003. This decrease was attributable to the termination of our MSRD joint venture with Elan in September 2003, after which all MSRD-related research and development expenses were included in clinical development expenses. Research and development−related party expenses for the twelve months ended December 31, 2003 also included $2.0 million related to termination of the joint venture and $2.0 million in drug development and supply cost.

Sales and Marketing

Sales and marketing expense was $4.7 million for the year ended December 31, 2004, as compared to $0 for the twelve months ended December 31, 2003. This increase was attributable to the beginning of our commercial efforts after our acquisition of the Zanaflex products in July 2004 and included $2.1 million in expense for marketing, distribution, and sales administration, $1.2 million in salaries and benefits, approximately $765,000 in non-cash stock-based compensation expense, and approximately $600,000 in additional sales and marketing overhead expenses.

General and Administrative

General and administrative expense decreased to $13.3 million for the year ended December 31, 2004, from $21.2 million for the twelve months ended December 31, 2003, a decrease of approximately $7.9 million, or 37.3%. This decrease was partly attributable to a decrease in non-cash stock based compensation expense to $6.5 million for the year ended December 31, 2004, as compared to $11.8 million for the twelve months ended December 31, 2003, a decrease of approximately $5.3 million, or 44.9%. In addition, for the twelve months ended December 31, 2003, we had an additional $1.4 million in financing-related expenses as compared to the year ended December 31, 2004.

Other Income (Expense)

Other income (expense) increased to a gain of $26,000 for the year ended December 31, 2004, compared to a loss of $80,000 for the twelve months ended December 31, 2003, an increase of $106,000. Interest expense decreased by $142,000 due to a decrease in interest expense on our EIS convertible promissory notes, offset by an increase in interest expense from our GE Capital notes, and a decrease of $8,000 in interest income for the year ended December 31, 2004, as compared to the twelve months ended December 31, 2003.

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

Charges related to preferred stock decreased to $24.8 million for the year ended December 31, 2004, from $36.3 million for the twelve months ended December 31, 2003. For the year ended December 31, 2004, charges were primarily comprised of beneficial conversion charges of $19.5 million on Series E, Series I and Series J convertible preferred stock, accretion of issuance costs of $106,000, and preferred dividends of $5.2 million (see Notes 3 and 8 to our consolidated financial statements in this prospectus). For the twelve months ended December 31, 2003, charges were primarily comprised of beneficial conversion charges of $33.9 million on Series A, B, C, F and H convertible preferred stock, and Series E, I and J mandatorily redeemable convertible preferred stock, accretion of issuance costs of $86,000, and preferred dividends of $2.8 million (see Notes 3, 8 and 11 to our consolidated financial statements in this prospectus).

Year Ended June 30, 2003 Compared to Year Ended June 30, 2002

Grant Revenue

Grant revenue for the year ended June 30, 2003, was $474,000 compared to $132,000 for the year ended June 30, 2002. For the year ended June 30, 2003, we deferred approximately $95,000 in grant revenue since it related to funding for the purchase of equipment.

Research and Development

Research and development expense for the year ended June 30, 2003, was $17.5 million, as compared to $11.1 million for the year ended June 30, 2002, an increase of approximately $6.4 million, or 57.7%. The increase was primarily attributable to acceleration in patient enrollment for both the Phase 2 clinical trial of Fampridine-SR in MS, as well as two Phase 3 clinical trials of Fampridine-SR in SCI. The SCI study expenses increased to $5.8 million for the year ended June 30, 2003, as compared to $3.4 million for the year ended June 30, 2002, an increase of $2.4 million, or 70.6%. The MS study expense increased to $1.6 million for the year ended June 30, 2003, as compared to $900,000 for the year ended June 30, 2002.

Operating and other contract expense for clinical development and preclinical research and development increased to $8.4 million for the year ended June 30, 2003, as compared to $6.0 million for the year ended June 30, 2002, an increase of $2.4 million, or 40.0%. These expenses include a non-cash stock-based compensation expense of $478,000 for the year ended June 30, 2003, as compared to $455,000 for the year ended June 30, 2002. This increase is also attributable to increased staffing and support required for the new clinical trials.

Research and development-related party expenses were $2.3 million for the year ended June 30, 2003, as compared to $4.7 million for the year ended June 30, 2002, a decrease of $2.4 million, or 51.1%. This decrease in expense was due to reduced development activities by Elan related to Fampridine-SR during the year ended June 30, 2003.

General and Administrative

General and administrative expense of $6.4 million remained relatively flat for the year ended June 30, 2003, as compared to $6.6 million for the year ended June 30, 2002. The decrease in general and administrative expense was primarily due to management's decision to defer spending for market research and medical communications during the year ended June 30, 2003. General and administrative expenses also include non-cash stock based compensation expense of $1.1 million for the year ended June 30, 2003, as compared to $950,000 for the year ended June 30, 2002, an increase of approximately $150,000, or 15.8%.

Other Income (Expense)

Other income (expense) decreased to a loss of $28,000 for the year ended June 30, 2003, compared to a gain of $576,000 for the year ended June 30, 2002, a decrease of $604,000. This decrease was primarily attributable to a decrease in interest income of $591,000 due to lower average cash balances and lower interest earned on cash balances during the year ended June 30, 2003.

Minority Interest

Minority interest decreased to $0 for the year ended June 30, 2003, compared to $580,000 for the year ended June 30, 2002. Elan's previous ownership interest in MSRD, a joint venture that was owned approximately 83% by Acorda and approximately 17% by Elan and another minority stockholder, was reflected as minority interest in our consolidated financial statements. In the year ended June 30, 2003, Elan ceased funding its share of the joint venture's expenses, and therefore there is no minority interest for the year ended June 30, 2003. The assets of this joint venture were transferred to us as of September 2003.

Beneficial conversion feature, accretion of issuance costs, preferred dividends and fair value of warrants issued to convertible preferred stockholders

Charges related to preferred stock increased to $24.3 million for the year ended June 30, 2003, as compared to $55,000 for the year ended June 30, 2002. For the year ended June 30, 2003, charges were primarily comprised of accretion of issuance costs of $66,000 on Series E, Series I and Series J mandatorily redeemable convertible preferred stock, accrual of preferred dividend of $630,000 on Series J mandatorily redeemable convertible preferred stock, accretion of beneficial conversion feature of $23.6 million on Series A through Series J preferred stock for reset in conversion price and accretion of beneficial conversion feature of $1.1 million on Series J preferred stock (see Notes 3, 8 and 11 to our consolidated financial statements included in this prospectus). For the year ended June 30, 2002, charges were primarily comprised of accretion of issuance costs on Series E and Series I mandatorily redeemable convertible preferred stock (see Note 3 and 8 to our consolidated financial statements included in this prospectus).

Liquidity and Capital Resources

We have incurred annual operating losses since inception, and, as of September 30, 2005, we had an accumulated deficit of approximately $198.5 million. We have financed our operations primarily through private placements of our securities, and, to a lesser extent, from loans, government grants and, more recently, our financing arrangement with PRF.

Financing Arrangements

From our inception through September 30, 2005, we raised aggregate net proceeds of $147.9 million through private placements of equity securities. In January 1997, EIS loaned us an aggregate of $7.5 million pursuant to two convertible promissory notes to partly fund our research and development activities, all of which was outstanding as of June 30, 2005. In August and September 2002, we financed certain of our fixed assets through two financing agreements with General Electric Capital Corporation, or GE Capital, in the aggregate amount of approximately $1.2 million, of which $194,000 was outstanding as of September 30, 2005. In January 2005, we entered into a $6.0 million senior secured term loan, which is collateralized by all of our personal property and fixtures, other than the property that secures our revenue interests assignment arrangement with PRF.

On December 23, 2005, we entered into a Revenue Interests Assignment Agreement with PRF, a dedicated healthcare investment fund, pursuant to which we assigned to PRF the right to a portion of our net revenues (as defined in the agreement) from Zanaflex Capsules, Zanaflex tablets and any

future Zanaflex products. To secure our obligations to PRF, we also granted PRF a security interest in substantially all of our assets related to Zanaflex. Our agreement with PRF covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, unless the agreement terminates earlier. Under 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% of such net revenues; and

with respect to Zanaflex net revenues in excess of $60.0 million for each fiscal year during the term of the agreement, 1% of such net revenues.

Notwithstanding the foregoing, once PRF has received and retained payments under the agreement that are at least twice the aggregate amount PRF has paid us under the agreement, PRF will only be entitled to 1% of Zanaflex net revenues. In connection with the transaction, we recognized a short-term liability of approximately $11.3 million.

In consideration for our assignment of the right to receive a portion of Zanaflex net revenues, PRF paid us $15.0 million at signing of the agreement. We used approximately $3.0 million of the signing payment to repay a portion of the amount we owe to GE Capital, approximately $400,000 of the signing payment for fees and expenses associated with such repayment and $500,000 of the signing payment to reimburse PRF for expenses it estimated it incurred in the transaction. If $500,000 exceeds the actual amount of expenses PRF incurred in the transaction, PRF is required to pay us the excess within 90 days of the signing date. Under our agreement with PRF, we are required 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, clinical and regulatory activities and other financial obligations related specifically and solely to our Zanaflex operations. We may not use any proceeds from our agreement with PRF to support any of our other products unless such use is ancillary to the support of commercialization of Zanaflex.

At our election, PRF is also required to pay us (i) an additional $5.0 million if our Zanaflex net revenues in 2005 equal or exceed $11.0 million and our Zanaflex net revenues in the first six months of 2006 equal or exceed $16.0 million, and (ii) an additional $5.0 million if our Zanaflex net revenues in 2006 equal or exceed $33.5 million. If we meet these milestones and decide to borrow these additional funds, we would be required to pay PRF $5.0 million on December 1, 2009 in the case of the first additional payment and $5.0 million on December 1, 2010 in the case of the second additional payment.

Upon the occurrence of certain events, including if we experience a change of control, undergo certain bankruptcy events, transfer any of our interests in Zanaflex (other than pursuant to a license agreement, development, commercialization, co-promotion, collaboration, partnering or similar agreement), transfer all or substantially all of our assets, or breach certain of the covenants, representations or warranties we make under the agreement, PRF may (i) require us to repurchase the rights we sold them at the "put/call price" in effect on the date such right is exercised or (ii) foreclose on the Zanaflex assets that secure our obligations to PRF. Except in the case of certain bankruptcy events, if PRF exercises its right to cause us to repurchase the rights we assigned to it, PRF may not foreclose unless we fail to pay the put/call price as required. If we experience a change of control or complete an initial public offering of shares of our common stock that results in our having a total market capitalization in excess of $150.0 million, we have the right to repurchase the rights we sold to PRF at the "put/call price" in effect on the date such right is exercised. The put/call price on a given

date is the greater of (i) 150% of all payments made by PRF to us as of such date, less all payments received by PRF from us as of such date, and (ii) an amount that would generate an internal rate of return to PRF of 25% on all payments made by PRF to us as of such date, taking into account the amount and timing of all payments received by PRF from us as of such date.

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

PRF also has the right to appoint a representative to receive all notices and materials provided to our board of directors and to attend as an observer all meetings of our board of directors, subject to certain exceptions. This right will terminate on the earlier to occur of the fourth anniversary of the completion of an initial public offering of shares of our common stock or termination of the Revenue Interests Assignment Agreement.

Investment Activities

At September 30, 2005, cash and cash equivalents and short-term investments were approximately $8.7 million, as compared to $23.6 million at September 30, 2004. Our cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at date of purchase and consist of time deposits and investments in money market funds with commercial banks and financial institutions and high-quality government and investment grade corporate bonds. Also, we maintain cash balances with financial institutions in excess of insured limits. We do not anticipate any losses with respect to such cash balances. Our short-term investments consist of corporate debt securities with original maturities greater than three months and less than one year. The balance of these investments was $5.2 million as of September 30, 2005, as compared to $18.7 million as of September 30, 2004. As of September 30, 2005, our cash and cash equivalents were $3.6 million, and our short-term investments were $5.2 million, as compared to $4.9 million and $18.7 million respectively, as of September 30, 2004.

Net Cash Used by Operations

Net cash used by operations was $18.1 million, $24.3 million, and $26.9 million for the years ended June 30, 2002 and 2003 and the year ended December 31, 2004, respectively, and $25.8 million and $16.9 million for the nine months ended September 30, 2004 and 2005, respectively. Cash used by operations for the nine months ended September 30, 2005 was primarily attributable to a net loss of $26.0 million, an increase in prepaid expenses and other current assets of $1.5 million, a decrease in return-related liabilities of $2.1 million and an increase in inventory of $4.5 million attributable to the launch of Zanaflex Capsules. Cash used in operations for the nine months ended September 30, 2005, was offset by stock compensation expense of $3.5 million, an increase in deferred revenue of $9.0 million from Zanaflex sales, and a $2.7 million increase in accounts payable, accrued expenses and other current liabilities. Amounts classified as royalty payable as of December 31, 2004, are included in accounts payable, accrued expenses and other current liabilities as of September 30, 2005, due to their reclassification as a current liability.

Cash used by operations for the nine months ended September 30, 2004, of $25.8 million was primarily due to a net loss of approximately $32.5 million, an increase in accounts receivable of $1.6 million due to the acquisition of Zanaflex and a decrease in accounts payable of $2.4 million due to timing of our payments. The cash used in operations for the nine months ended September 30, 2004,

was offset by stock compensation expense of $7.3 million and an increase in deferred revenue of $2.8 million due to Zanaflex sales.

Cash used by operations for the year ended December 31, 2004, of $26.9 million was due to a net loss of $44.7 million, a $1.9 million increase in accounts receivable from Zanaflex sales and a $3.4 million decrease in accounts payable; accrued expenses and other current liabilities, primarily due to a $1.1 million decrease in bonus accruals. Cash used by operations for the year ended December 31, 2004, was offset by stock compensation expense of $9.1 million, depreciation and amortization expense of $1.2 million; an increase in deferred product revenue of $6.7 million; an increase in returns liability of $4.1 million; amortization of discount on short-term investments of $1.7 million; and an increase in royalty payable of $750,000 for Zanaflex sales.

Cash used by operations for the year ended June 30, 2003, of $24.3 million was due to a net loss of $25.7 million; a reduction in amounts due to Elan of $593,000, primarily due to lower drug development charges; an increase in prepaid expenses and other current assets of $402,000; a $154,000 increase in interest receivable on our short term investments and an increase in other receivables and an increase in grant receivable of $214,000. The cash used in operations for the year ended June 30, 2003 was offset by stock compensation expense of $1.6 million, depreciation and amortization expense of $740,000 and amortization of debt discount relating to our $7.5 million aggregate principal amount convertible notes payable to EIS of $219,000.

Cash used by operations for the year ended June 30, 2002, of $18.1 million was due to a net loss of approximately $21.2 million and minority interest of $580,000. The cash used in operations for the year ended June 30, 2002, was partially offset by stock compensation expenses of $1.4 million; expensing of warrants and beneficial conversion charge of $618,000 on Series C preferred stock issued to Elan, an increase of $580,000 primarily due to increased drug development charges from Elan, depreciation and amortization expense of $417,000, amortization of debt discount relating to our $7.5 million aggregate principal amount of convertible promissory notes payable to EIS of $258,000, increase in accounts payable and accrued expenses and other current liabilities of $224,000 due to higher expenses incurred as research and development projects progress.

Net Cash Used in/Provided by Investing

Net cash provided by investing activities for the nine months ended September 30, 2005, was $3.2 million, primarily due to $4.1 million in net proceeds received from maturities of short-term investments. In addition, we purchased property and equipment of $142,000 in the nine months ended September 30, 2005. Net cash provided by investing activities for the nine months ended September 30, 2005 was offset by $750,000 in purchases of intangible assets relating to the Zanaflex milestone accrual. Net cash provided by investing activities for the nine months ended September 30, 2004, was $10.5 million, primarily due to $12.9 million in net proceeds received from maturities of short-term investments. Net cash provided by investing activities for the nine months ended September 30, 2004, was offset by $2 million in purchases of intangible assets related to the acquisition of Zanaflex and $463,000 in purchases of property and equipment. We had no material commitments to purchase property and equipment as of September 30, 2005.

Net cash provided by investing activities for the year ended December 31, 2004, was $18.6 million, primarily due to $21.1 million in net proceeds received from maturities of short-term investments. Net cash provided by investing activities for the year ended December 31, 2004, was offset by $2.0 million in purchases of intangible assets related to the acquisition of Zanaflex and $532,000 in purchases of property and equipment.

Net cash used in investing activities for the year ended June 30, 2003 was $10.4 million, primarily due to the net reinvestment of $9.7 million of surplus cash into marketable securities and purchase of property and equipment of $748,000. Net cash used in investing activities for the year ended June 30,

2002 was $5.1 million and was primarily due to purchase of short-term investment of $2.8 million and purchase of purchased property and equipment of $2.2 million in the year ended June 30, 2002. We incurred significant expenses in acquiring property and equipment in the year ended June 30, 2002 as a result of the expansion of our office and laboratory facilities.

Net Cash Used in/Provided by Financing

Net cash provided by financing activities for the nine months ended September 30, 2005, was $5.6 million, primarily due to $5.8 million in proceeds received from the GE Capital senior secured loan and $215,000 in proceeds received from issuance of warrants to GE Capital in conjunction with the issuance of the GE Capital senior secured loan, offset by approximately $429,000 in repayments of notes payable.

Net cash provided by financing activities for the nine months ended September 30, 2004, was $11.2 million, primarily due to proceeds from issuance of preferred stock. In March 2004, we completed a private placement of 1,533,327 shares of Series K mandatorily redeemable convertible preferred stock at $7.50 per share for an aggregate purchase price of approximately $11.5 million. Issuance costs of $55,000 related to this financing were netted against proceeds received. Net cash provided by financing activities for the nine months ended September 30, 2004, was offset by $240,000 in repayments of notes payable to GE Capital.

Net cash provided by financing activities for the year ended December 31, 2004, was $11.1 million, primarily due to proceeds from issuance of the Series K preferred stock. Net cash provided by financing activities for the year ended December 31, 2004, was offset by $324,000 in repayments of notes payable to GE Capital.

Net cash provided by financing activities in the years ended June 30, 2003, and 2002 was $55.9 million and $2.1 million, respectively. The cash provided in the year ended June 30, 2003, was primarily due to proceeds of $55.3 million from the issuance of Series J mandatorily redeemable stock. Issuance costs of $334,000 related to this financing were netted against proceeds received. In the year ended June 30, 2003, also we entered into two financing agreements with GE Capital and received aggregate proceeds in the amount of $1.2 million. In the year ended June 30, 2002, we received proceeds from the issuance of preferred stock of approximately $1.3 million. Proceeds from the issuance of preferred stock primarily consisted of the issuance of 150,000 Series B preferred stock for an aggregate purchase price of $300,000 and 333,333 Series C preferred stock for an aggregate purchase price of $1.0 million to Elan as part of our January 1997 License and Supply Agreement.

Future Capital Needs

Our future capital requirements will depend on a number of factors, including the amount of revenue generated from sales of Zanaflex Capsules, the continued progress of our research and development activities, the timing and outcome of regulatory approvals, the amount and timing of milestone or other payments made under collaborative agreements, the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights and the acquisition of licenses to new products or compounds. We expect to incur losses from operations for at least the next several years as we continue to expand our sales and marketing infrastructure and increase our marketing efforts to support the commercialization of Zanaflex Capsules, continue our clinical development of Fampridine-SR and advance our preclinical programs.

We believe our existing cash and cash equivalents and short-term investment, together with the net proceeds from our financing arrangement with PRF and this offering, will be sufficient to fund our operating expenses, debt repayments and capital equipment requirements for approximately the next 18 months from the date of this prospectus. To the extent our capital resources are insufficient to meet future operating requirements, we will need to raise additional capital or incur indebtedness to fund

our operations. We may be unable to obtain additional debt or equity financing on acceptable terms, if at all. If adequate funds are not available, we may be 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 arrangements with collaborative partners or others that may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently.

Contractual Obligations and Commitments

In January 2005, we entered into a $6.0 million senior secured term loan with GE Capital. We are required to pay monthly installments until February 2008, with interest-only payments for the first six months followed by principal and interest payments for the remaining 29 months. Interest is fixed at the rate of 9.93% per annum. The loan is secured by all of our personal property and fixtures, other than the property that secures our financing arrangement with PRF.

In 2002, we entered into two financing agreements with GE Capital for an aggregate amount of approximately $1.2 million, to finance the purchase of certain property and equipment. One note is for $766,781 and bears an annual fixed interest rate of 8.88%. The second note is for $386,731 and bears an annual fixed interest rate of 8.57%. These financing arrangements are secured by certain of our property and equipment and do not include any debt covenants. We are required to pay monthly installments until October 2006. The aggregate principal payments required subsequent to June 30, 2005 are $129,115 in 2005, and $144,654 in 2006.

In January 1997, 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 interest at a rate of 3% which began on the first anniversary of the note. The other promissory note in the amount of $2.5 million is non-interest bearing. The unpaid principal of $5.0 million note is convertible into shares of our Series D preferred stock at a conversion price of $12.50 per share. The $2.5 million promissory note is convertible after January 22, 1999, into either shares of Series B preferred stock at a conversion price of $2.00 per share or into an undesignated series of preferred stock at a conversion price equal to 80% of the most recently completed equity financing, whichever conversion price is greater. If our preferred stock is no longer outstanding, these notes will be convertible into shares of our common stock. Principal and interest are repayable, if not converted, ratably over a seven-year period, beginning one year after we receive regulatory approval for certain products to be developed, subject to limitations related to gross margin on product sales. If we and Elan determine that regulatory approval will not likely occur, the $5.0 million promissory note will automatically convert into the underlying common stock. If our license and supply agreements with Elan are terminated for any other reason, the principal and interest is repayable ratably over 15 years. Both promissory notes restrict our ability to incur indebtedness that is senior to the notes, subject to certain exceptions, including for our revenue interests assignment arrangement with PRF.

Under our Zanaflex purchase agreement with Elan, we are 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 September 30, 2005, we have made or accrued $4.5 million of these milestone payments in the consolidated financial statements. Under our Zanaflex supply agreement with Elan, we are required to provide to Elan an 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 bound to order one hundred percent of the forecast required quantities for each five month period immediately following each monthly forecast report. At September 30, 2005, the forecast requirement for the five month period following September 30, 2005 amounted to approximately $4.9 million.

Under our Fampridine-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 payments as a

percentage of product sales. In addition, under our various other research, license and collaboration agreements we are obligated to make milestone payments of up to an aggregate of approximately $16.8 million over the life of the contracts.

The following table summarizes our minimum contractual obligations as of December 31, 2004. This table does not reflect contingent milestone or royalty payments that may result in future periods from our collaborations, alliances and/or license agreements. This table should be read in conjunction with the accompanying notes to our consolidated financial statements:

Twelve Month Period Ending December 31,	Notes Payable(1)	Operating Leases
	(in thousands)	
2005	$ 1,202	$ 642
2006	2,462	642
2007	2,558	642
2008	225	53
Total	$ 6,447	$ 1,979

(1) The notes payable represents the principal and interest payable on the GE Capital notes payable and does not include the $7.5 million aggregate principal amount of convertible notes payable to EIS or milestone payments under our license agreements as these amounts are payable on contingent events. In December 2005, we used a portion of the initial payment we received from our financing arrangement with PRF to repay approximately $3.0 million of the GE Capital notes payable. In connection with the PRF transaction, we incurred a short-term obligation of approximately $1.3 million. The payment changed the aggregate principal payments to GE required subsequent to December 31, 2004 to: $3,858,654 in 2005; $890,521 in 2006; $1,062,180 in 2007; and $187,645 in 2008. The related interest payments required subsequent to December 31, 2004 are: $524,687 in 2005; $163,196 in 2006; $76,683 in 2007; and $2,332 in 2008.

Under the terms of the employment agreement with our chief executive officer, Ron Cohen, we are obligated to pay severance under certain circumstances. If the employment agreement is terminated by us or by our chief executive officer for reasons other than for cause, we must pay (i) an amount equal to the base salary the chief executive officer would have received during the fifteen month period immediately following the date of termination, plus (ii) bonus equal to last annual bonus received by chief executive officer multiplied by a fraction, the numerator 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.

Under the terms of the employment agreements with our Chief Scientific Officer, Andrew Blight, our Chief Operating Officer, Mary Fisher, our Chief Financial Officer, David Lawrence and our General Counsel, Jane Wasman, we are obligated to pay severance under certain circumstances. In the event we terminate our employment agreement with Dr. Blight, Ms. Fisher, Mr. Lawrence or Ms. Wasman without cause, or if one of them voluntarily terminates his or her agreements with good reason, we are obligated to make severance payments equal to nine months base annual salary, in the case of Dr. Blight and Ms. Fisher, and seven months base annual salary, in the case of Mr. Lawrence and Ms. Wasman, as well as COBRA premium 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 shall remain exercisable for 90 days following such date. All unvested options, stock appreciation rights awards and stock awards will be cancelled on the date of termination. If Dr. Blight, Ms. Fisher, Mr. Lawrence or Ms. Wasman voluntarily terminates his or her employment without 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 equal to one year's base annual salary, in the case of Dr. Blight and Ms. Fisher, 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 COBRA premium payments for the severance period 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, vacation and sick leave days that have accrued, and reimbursable business expenses incurred through the date of termination. In such event, not less than 50% of the unvested options, stock appreciation rights and restricted or other stock awards shall become immediately 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 90 days following such date. All unvested options, stock appreciation rights awards and stock awards will be cancelled on the date of termination.

Subsequent Events

For a discussion of material events that have taken place subsequent to September 30, 2005, please refer to Note 17 to our consolidated financial statements included in this prospectus.

Quantitative and Qualitative Disclosures about Market Risk

Our financial instruments consist of cash and cash equivalents, short-term investments, grant receivable, notes payable, convertible notes payable and accounts payable. The estimated fair values of all of our financial instruments, excluding convertible notes payable to EIS, approximate their carrying amounts at September 30, 2005. The terms of these notes are disclosed at Note 11 to the consolidated financial statements.

We have cash equivalents and short-term investments at September 30, 2005, which are exposed to the impact of interest rate changes and our interest income fluctuates as our interest rates change. Due to the short-term nature of our investments in money market funds and corporate debt securities, the carrying value of our cash equivalents and short-term investments approximate their fair value at September 30, 2005.

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

Effects of Inflation

Our most liquid 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 retain and continue to use our equipment, furniture and fixtures and leasehold improvements, we believe that the incremental inflation related to replacement costs of such items will not materially affect our operations. However, the rate of inflation affects our expenses, primarily employee compensation and contract services, which could increase our level of expenses.

Critical Accounting Policies and Estimates

The following discussion of critical accounting policies identifies the accounting policies that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about 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 accounting policies, which are more fully described in 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 specifically dictated by generally accepted accounting principles, with no 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 different result. We have identified the following as our areas of critical accounting policies: sales revenue recognition, research and development, income taxes, and stock-based compensation.

Revenue Recognition

We apply the 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 reasonably estimated in order to recognize revenue. 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 history with Zanaflex Capsules and due to generic competition 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 for sales of these products using a deferred revenue recognition 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 revenue based on shipments of product to our wholesale drug distributors.

Under our deferred revenue model, we do not recognize revenue upon shipment of product to our wholesale drug distributors. Instead, we record deferred revenue at gross invoice sales price, and classify the cost basis of the inventory shipped as a component of inventory. We recognize revenue when prescriptions are filled to an end-user because once a prescription is filled the product cannot be returned. We use monthly prescription data that we purchase from NDC Health, a leading provider of healthcare data, to determine the amount of revenue to be recognized. We receive this data approximately 45 days after the end of a given month. We estimate prescription sales until the NDC data becomes available, at which time adjustments are made to revenue and cost of sales to account for any differences between our estimates and the actual data. To date such differences have been immaterial. When we receive the prescription data, we use the number of units of product prescribed to record 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 recognizing revenue from Zanaflex tablet sales. We began marketing Zanaflex Capsules in April 2005 and began receiving prescription data and recognizing revenue in the same month.

In addition to the prescription data we receive from NDC Health, we also receive data that we use to monitor ex-wholesaler sales trends. We receive this data from an outside vendor on a monthly basis. This data includes bottles shipped from certain wholesalers to their accounts/ customers. We also periodically compare our ex-factory shipments to prescription reports to further assess inventory in the distribution channel.

We accept returns 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, reducing the amount of deferred revenue that we may recognize.

Sale of Zanaflex Tablet Inventory Acquired From Elan

When we acquired Zanaflex from Elan, we also acquired Elan's inventory of Zanaflex tablets. This inventory included partial lots with expiration dating of less than 12 months and full lots with expiration dating greater than 12 months. We have deferred recognition of any revenue from sales of the partial lot inventory until the return period for the product expires in June 2006, and will recognize revenue then only to the extent that deferred revenues exceed returns. We cannot use prescription data to recognize revenue associated with the partial lot inventory acquired from Elan because we cannot determine whether the prescription was filled with product that Elan sold prior to our acquisition of Zanaflex or with product we sold.

All Zanaflex tablet partial lot inventory that we acquired from Elan has either been sold or is no longer being sold by us. As a result, after the return period expires in June 2006, there will no longer be deferred revenue associated with the Zanaflex tablet partial lot inventory acquired from Elan.

In July 2005 we began to recognize revenue from the full lots based on prescriptions filled for Zanaflex tablets. All of the Zanaflex tablet inventory sold by Elan prior to our acquisition reached expiration in June 2005, therefore any prescriptions filled for Zanaflex tablets subsequent to June 2005 must be from the full inventory lots acquired by and sold by us.

We are uncertain about the amount of returns that we may receive on these products, for a number of reasons including our limited historical returns experience. Returns of Zanaflex tablet inventory acquired from Elan and sold by us are charged against deferred revenue, reducing the amount of deferred revenue that we may recognize.

At December 31, 2004, and September 30, 2005, we had deferred revenue from Zanaflex tablets of $6.6 million and $10.7 million (unaudited), respectively, of which $3.6 million and $2.5 million (unaudited), respectively, was related to product acquired from Elan that had an expiration date of less than 12 months at the time it was sold during 2004. We believe there is a high likelihood that this product will be returned, which would result in our inability to recognize related revenue.

Returns of Zanaflex Tablets sold by Elan

As part of the acquisition of Zanaflex, we agreed to accept any returns of Zanaflex tablets that were returned subsequent to January 17, 2005, including returns of product that was originally sold by Elan. Product returns prior to January 17, 2005, were the responsibility of Elan. We have recorded a charge of $4.1 million in the year ended December 31, 2004, for the estimated returns of Zanaflex tablets sold by Elan. To the extent that returns exceed the estimated charge, we will be required to record further charges. The return period for Zanaflex tablets sold by Elan ends in June 2006, after which time we do not anticipate any further charges resulting from Zanaflex tablets sold by Elan.

Research and Development

Research and development expenses include the costs associated with our internal research and development activities including, salaries and benefits, occupancy costs, and research and development conducted for us by third parties, such as sponsored university-based research, and clinical trial vendors. In addition, research and development expenses 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 estimating the total cost to treat a patient in each clinical trial and recognizing this cost as we estimate when the patient receives treatment, beginning when the patient enrolls in the trial. This estimated cost includes payments to the trial site and patient-related costs, including laboratory costs related to the conduct of the trial. Cost per patient varies based on the type of clinical trial, the site of the clinical 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 material change in our clinical study accrual, which could also materially affect our results of operations.

Income Taxes

As part of the 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 taxes by the liability method. Under this 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 reporting amounts at each year-end, based on enacted laws 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 the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We have not recorded any tax provision or benefit for the years ended June 30, 2002 and 2003 and December 31, 2004 and for the nine months ended September 30, 2005. We have provided a valuation allowance for the full amount of our net deferred tax assets since realization of any future benefit from deductible temporary differences and net operating loss carry-forwards cannot be sufficiently assured at September 30, 2005.

As of September 30, 2005, we had available net operating loss carry-forwards of approximately $63.5 million for federal and state income tax purposes, which are available to offset future federal and state taxable income, if any, and expire between 2009 and 2024 and research and development tax credit carry-forwards of approximately $1.5 million for federal income tax reporting purposes which are available to reduce federal income taxes, if any, through 2018. Since our inception, we have incurred substantial losses and expect to incur substantial and recurring losses in future periods. The Internal Revenue Code of 1986, as amended, the Code, provides for 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 Code) that could significantly limit our ability to utilize 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 aforementioned carry-forwards may be limited. Additionally, 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 these attributes for federal income tax purposes.

Stock-Based Compensation

We account for options and restricted stock granted to employees and directors in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, and related interpretations. As such, compensation expense is recorded on stock option grants based on the fair value of the options granted, which is estimated on the date of grant using the Black-Scholes option-pricing model and it is recognized on a straight-line basis over the vesting period. Compensation expense for restricted stock granted is based on the fair value of the restricted stock granted and is recognized on a straight-line basis over the vesting period. We account for stock options granted to non-employees on a fair-value basis in accordance with SFAS No. 123, Emerging Issues Task Force Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, and FASB Interpretations No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans an Interpretation of APB Opinion No. 15 and 25*. As a result, the non-cash charge to operations for non-employee options with vesting or other performance criteria is affected each reporting period by changes in the estimated fair value of our common stock. The two factors which most affect charges or credits to operations related to stock-based compensation are the fair value of the common stock underlying stock options for which stock-based compensation is recorded and the volatility of such fair value. If our estimates of the fair value of these equity instruments change, it would have the effect of changing compensation expenses. Because shares of our common stock have not been publicly traded, we estimate the fair value of our common stock considering, among other factors, the most recent previous sale of convertible preferred stock (pro forma for the 1-for-1.3 reverse split that we intend to effect on or about the date of this prospectus). We do not discount the issuance price of our preferred stock in estimating the fair value of our common stock.

BUSINESS

Acorda Therapeutics is a commercial-stage biopharmaceutical company dedicated to the identification, development and commercialization of novel therapies that improve neurological function in people with spinal cord injury, or SCI, multiple sclerosis, or MS, and other disorders of the central nervous system, or CNS. Our marketed drug, Zanaflex Capsules, is FDA-approved for the management of spasticity. Our lead product candidate, Fampridine-SR, is in a Phase 3 clinical trial for the improvement of walking ability in people with MS. Our preclinical programs also target MS and SCI as well as other CNS disorders, including stroke and traumatic brain injury.

Approximately 650,000 people in the United States suffer from MS or SCI and the combined annual cost of treatment for these conditions exceeds $13 billion. In addition, it is estimated that a total of approximately 10 million people live with the long-term consequences of traumatic brain injury and stroke in the United States. Our goal is to continue to grow as a fully-integrated biopharmaceutical company by commercializing therapeutic products, developing our product candidates and advancing our preclinical programs for these large and underserved markets.

Company Highlights

Our marketed drug, Zanaflex Capsules, is a differentiated product that addresses our core patient population. We own all marketing, sales and distribution rights in the United States to Zanaflex Capsules and Zanaflex tablets. Both products are FDA-approved for the management of spasticity, a symptom of many CNS disorders, including MS and SCI. These products contain tizanidine, one of the two leading treatments for spasticity. Zanaflex Capsules are an ideal strategic fit with our therapeutic focus and expertise. We believe that Zanaflex Capsules, which we launched in April 2005, offer important benefits over Zanaflex tablets and generic equivalents of Zanaflex tablets. When taken with food, Zanaflex Capsules are absorbed into the blood differently than the tablets, resulting in a lower and more gradual rise of peak blood levels. As a result, Zanaflex tablets and generic tizanidine tablets are not AB-rated with Zanaflex Capsules by the FDA, meaning that the FDA does not consider the tablet products to be therapeutically equivalent to Zanaflex Capsules. Therefore, under state laws, pharmacists may not properly substitute the tablets when filling a prescription for Zanaflex Capsules. In addition, Zanaflex Capsules are available in a higher dose and may be easier to take by people who have difficulty swallowing.

Our established specialty sales and marketing infrastructure provides a platform for growth. To support our commercialization of Zanaflex Capsules, we have established an internal sales force of 14 highly-experienced people who call on neurologists and other prescribers specializing in treating patients with spasticity. Members of this sales force also call on managed care organizations, pharmacists and wholesale drug distribution customers. We plan to expand our specialty sales force to approximately 30 sales professionals in the first quarter of 2006 to extend our reach among prescribers in the MS and SCI communities and our patient education outreach. In addition, Cardinal Health provides approximately 160 sales representatives to call on primary care physicians who currently prescribe Zanaflex tablets or generic tizanidine tablets. We also have a contract with Access Worldwide Communications to provide a small, dedicated sales force of pharmaceutical telesales professionals to contact primary care physicians, specialty physicians and pharmacists. We believe that the sales and marketing expertise we develop with Zanaflex Capsules will accelerate our commercialization of Fampridine-SR, if approved, since the target prescribers for both overlap substantially.

Our lead product-candidate Fampridine-SR is in a Phase 3 clinical trial for improvement of walking ability in people with MS. We are currently conducting a Phase 3 clinical trial under an SPA issued by the FDA. The FDA has agreed that this trial, if successful, could qualify as one of the

pivotal efficacy studies required for drug approval. We believe Fampridine-SR is the first potential therapy in late-stage clinical development for MS that seeks to improve the function of damaged nerve fibers and would be complementary to existing drugs used to treat MS. To our knowledge, there are no current therapies approved or in development that improve walking ability in people with MS.

Our preclinical nerve regeneration and remyelination programs have broad potential applicability. We have three preclinical programs focused on novel approaches to repair damaged components of the CNS. We believe all of our preclinical programs−chondroitinase, neuregulins and remyelinating antibodies−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 broadly applicable across a number of CNS disorders, including stroke and traumatic brain injury, because many of the mechanisms of tissue damage and repair are similar. We believe that our preclinical programs also have applicability beyond the nervous system, including in such fields as orthopedics, cardiology, oncology and ophthalmology.

Our extensive scientific and medical network extends our reach and expertise in the core focus areas of MS and SCI. We have an established advisory team and network of well-recognized scientists, clinicians and opinion leaders in the fields of MS and SCI. Depending on their expertise, these advisors provide assistance in trial design, conduct clinical trials, keep us apprised of the latest scientific advances and help us identify and evaluate business development opportunities. In addition, we have recruited over 35 MS centers and 80 SCI rehabilitation centers in the United States and Canada to conduct our clinical trials. Our clinical management team has extensive experience in the areas of MS and SCI and works closely with this network.

Background and Market Opportunity

The Challenge of Nervous System Disorders

The spinal cord and brain together comprise the CNS. The billions of nerve cells that make up the CNS, in conjunction with the nerve bundles that run through all parts of the body, which is called the peripheral nervous system, transmit the electrical impulses necessary to sustain, regulate and monitor every aspect of human life. The spinal cord serves as the master link between the brain and the body and carries information that regulates movement, sensation and involuntary functions, such as breathing, blood pressure, temperature control, and bladder, bowel and sexual functions.

Nerve impulses travel within and between the brain and spinal cord via long, thin fibers, or axons, that transmit information to other nerve cells through microscopic junctions called synapses. When axons are damaged or lost, they do not normally regenerate, and there is only very limited adaptability, or plasticity, of the surviving axons that allow them to take over the role of damaged or lost axons. The myelin sheath that surrounds axons in the brain and spinal cord provides insulation that facilitates the transmission of nerve impulses. We refer to the axon and its surrounding myelin sheath as a nerve fiber. The myelin sheath is composed of multiple layers of tightly packed cell membrane and is vulnerable to damage in conditions like MS and SCI. Once damaged, it is often not effectively repaired. Although nerve fibers can survive in a demyelinated state, their ability to conduct nerve impulses may be completely lost or severely compromised.

Our Approach to the Market for CNS Disorders

We are focused on identifying, developing and commercializing novel pharmaceutical products that address large and underserved CNS markets. We view MS and SCI as the primary markets for our

products as well as strategic points of access to a broad range of additional neurological conditions for the following reasons:

Focusing on both MS and SCI provides insight into chronic and acute CNS conditions. MS represents a chronic degeneration of the CNS, whereas SCI represents an acute CNS injury followed by a relatively stable chronic condition.

Many of the mechanisms of secondary tissue damage and potential repair in MS and SCI are shared with other conditions, including stroke and traumatic brain injury.

The functional deficits and symptoms suffered by MS and SCI patients, such as walking impairments, spasticity and loss of bladder and bowel function, are shared by other CNS disorders.

A treatment that protects the spinal cord from the consequences of injury, regenerates neural connections, remyelinates or optimizes function of surviving structures in the spinal cord is likely to also be applicable to many conditions affecting the brain and the rest of the nervous system.

For people with MS, SCI and similar chronic neurological conditions, even relatively small and incremental improvements in CNS function can produce meaningful benefits in their quality of life.

Spasticity

Spasticity refers to the often painful involuntary tensing, stiffening or contracting of muscles. Spasticity is not a disease but a symptom of other conditions, such as MS, SCI, stroke, traumatic brain injury and cerebral palsy, where portions of the nervous system that control voluntary movement have been damaged. This damage results in the nerve cells in the spinal cord becoming disconnected from controlling centers in the brain and, as a result, transmitting unregulated impulses to the muscles. People who have spasticity may not experience it all the time–it may be triggered by a stimulus, such as pain, pressure sores, cold weather or a urinary tract infection. Up to 75% of people with chronic SCI, and the majority of people with MS, experience some form of spasticity. We Move, a non-profit organization dedicated to movement disorders, estimates that spasticity affects approximately 500,000 people in the United States and over 12 million worldwide.

Current treatments for spasticity are focused on reducing spasm frequency, pain or irritating stimuli that can provoke spasticity. Treatment of spasticity often involves a combination of physical therapy and oral medications. Baclofen and tizanidine, the active ingredient in the Zanaflex products, are the two most frequently prescribed oral medications for spasticity. For more intractable spasticity, treatments sometimes include surgical or chemical destruction of nerve roots in the affected area.

Multiple Sclerosis

The National Multiple Sclerosis Society, or NMSS, currently estimates that 400,000 people in the United States have multiple sclerosis. The NMSS estimates that the medical costs associated with treating MS in the United States were approximately $6.2 billion in 2004. Medications accounted for approximately $3.5 billion of these costs. MS is more prevalent in Caucasians and women and is generally diagnosed between the ages of 20 and 50.

MS is a degenerative CNS disorder in which the immune system attacks and damages the insulating myelin sheath. This damage, which can occur at multiple sites in the CNS, blocks or diminishes conduction of electrical impulses. People with MS may suffer impairments in any number of neurological functions. These impairments vary from individual to individual and over the course of time, depending on which parts of the brain and spinal cord are affected, and often include difficulty walking, spasticity, fatigue, lack of stamina and loss or disturbance of vision. They may also include loss of sensation, loss of bowel and bladder control, sexual dysfunction, depression, neuropathic pain,

muscle paralysis, dizziness, tremors and cognitive difficulties. Individuals vary in the severity of the impairments they suffer on a day-to-day basis, with impairments becoming better or worse depending on the activity of the disease on a given day. An individual with MS may function normally one day and experience one or more symptoms of MS the next.

MS is generally classified by how the disease progresses. The most common classification is relapsing-remitting MS, in which people go through periods during which their disease is relatively stable or in remission, only to experience a recurrence of their disease, known as a relapse, which creates additional damage and loss of function. Approximately 10% of MS cases in the United States. are diagnosed as primary progressive MS, which does not involve distinct attacks but rather a steady worsening of symptoms. Secondary progressive MS involves an initial period of relapsing-remitting disease followed by a steady worsening that is punctuated by more severe flare-ups and partial remissions. Most people with relapsing-remitting disease will eventually convert to secondary progressive disease, though this may not occur for many years.

There are no current treatments that address the weakness and loss of mobility that is a major aspect of the progressive disability experienced by people with MS. Existing treatments are classified as relapse management, disease course management and symptom relief.

Relapse Management. The majority of neurologists treating people with MS use intravenous high-dose corticosteroids for the treatment of sudden and severe relapses. Generally, people experiencing a severe relapse receive a four-day course of steroids on either an in-patient or out-patient basis. This treatment may shorten the time required for recovery from such a relapse.

Disease Course Management. Drugs that modify the immune reactions associated with nerve damage in MS include Avonex, Betaseron, Copaxone and Rebif. These drugs are approved only for the relapsing-remitting form of the disease. Other drugs that suppress the immune system include drugs initially approved to treat cancer, such as Novantrone, which is approved for the treatment of relapsing or secondary progressive MS, and methotrexate. These medications produce a reduction in relapse rate, rather than a halting or reversal of the disease process. They do not restore lost neurological function.

Symptom Relief. Doctors also prescribe a number of drugs to address the secondary disabilities, or symptoms, associated with MS. These include treatments for spasticity, fatigue, bladder and bowel control, depression and pain. Baclofen and tizanidine are the most frequently prescribed drugs for spasticity. Commonly prescribed drugs for other symptoms include Ditropan or Detrol for bladder dysfunction, Provigil for fatigue, fluoxetine for depression, and amitriptyline for pain.

Spinal Cord Injury

According to the National Spinal Cord Injury Statistical Center, approximately 250,000 people in the United States live with the long-term consequences of SCI and approximately 11,000 new spinal cord injuries occur each year, typically in young men. The majority of people with SCI are injured under the age of 30 and live with permanent disability and multiple related medical conditions for more than 40 years after their injury. The National Spinal Cord Injury Database at the University of Alabama estimates that the average lifetime costs directly attributable to SCI for an individual injured at age 25 varies from approximately $600,000 to $2.8 million depending on the severity of the injury.

The spinal cord can be injured by physical trauma that bends the neck or body violently, such as vehicular or diving accidents, or by objects that penetrate or impact the spinal cord, such as a bullet or a knife. The spinal cord can also be injured by loss of blood flow due to damage to major blood vessels or during surgical procedures. When an area of the spinal cord is damaged, motor and sensory function are impaired throughout those parts of the body that are below the level of the injury.

Until recently, SCI was considered an untreatable and incurable condition. Within the last two decades, researchers have shown that the spinal cord is not severed in most people with SCI. Rather, stretching or compression of the cord causes nerve fibers and blood vessels to tear and unleashes a secondary process of bleeding, loss of blood flow and inflammation that causes more tissue damage. The majority of people with spinal cord injury have some axons that survive within or around the site of injury. Because of these surviving axons, approximately 50% of people with SCI have some motor and/or sensory function remaining below the level of the injury and are said to have incomplete SCI. Those with no detectable function below the injury level are said to have complete SCI. Researchers have also shown that many axons that survive trauma are damaged and permanently lose part of their myelin sheath.

In addition to the impact of paralysis on mobility and independence, chronic SCI is often associated with several life-altering conditions that vary depending on the individual and the extent of injury. These include spasticity, as well as persistent pain, loss of control of bowel and bladder functions, loss of sexual function, compromised breathing, loss of sensation, and unstable control of blood pressure, heart rate and body temperature. There is no cure for SCI and no treatment available that is capable of improving neurological function. Methylprednisolone, a high-dose steroid, is currently the standard of care in the United States. Methylprednisolone is a one-time treatment administered to the patient immediately following an injury to prevent secondary tissue damage. There are several treatments for the symptoms of SCI, many of which are the same treatments used to address the symptoms of MS. We believe that novel therapies that offer even an incremental improvement in these conditions would have a meaningful impact on the quality of life for people with SCI.

Other Disorders of the Central Nervous System

Neurological injuries and degenerative diseases of the CNS, including stroke, traumatic brain injury, Parkinson's disease and Alzheimer's disease, are among the most devastating and costly of human ailments. These conditions are most often chronic and historically have been extremely difficult to treat. These disorders, like MS and SCI, involve damage to nerve cells and nerve fibers and would likely benefit from similar approaches to tissue protection and repair. For example, the inflammation process that occurs naturally after many types of tissue injury may damage both injured and healthy CNS cells. As with MS and SCI, these conditions could be treated with interventions that replace nerve cells, stimulate new nerve fiber growth, or increase the adaptability of connections within the nervous system.

Our Strategy

Our strategy is to continue to grow as a fully-integrated biopharmaceutical company focused on the identification, development and commercialization of a range of nervous system therapeutics. We are using our scientific, clinical and commercial expertise in MS and SCI as strategic points of access to additional CNS markets, including stroke and traumatic brain injury. Key aspects of our strategy are:

Maximize our revenue opportunity for Zanaflex Capsules. Our internal and external sales organization targets the relatively small number of prescribers responsible for writing 80% of tizanidine prescriptions in an effort to convert sales of Zanaflex tablets or generic tizanidine tablets to sales of Zanaflex Capsules. We plan to continue to expand our sales and marketing infrastructure and also implement marketing and educational programs to support Zanaflex Capsules. We are seeking FDA approval of improvements in labeling and we will also explore the potential for new indications.

Complete the clinical development of and obtain regulatory approval for Fampridine-SR in MS. We have advanced Fampridine-SR into a Phase 3 clinical trial for the improvement of walking ability in people with MS. The FDA has agreed that this trial, if successful, could be one of the pivotal

trials necessary for regulatory approval. We may also pursue subsequent approvals of Fampridine-SR in additional CNS disorders, including SCI.

Leverage the commercial presence of Zanaflex Capsules for the potential launch of Fampridine-SR. We expect that the sales and marketing expertise we are developing with Zanaflex Capsules will provide a strong foundation for the commercial launch of Fampridine-SR, if approved by the FDA. Target prescribers for both Zanaflex and Fampridine-SR are likely to overlap substantially. Through our acquisition of the Zanaflex products, we have been able to strengthen our long-standing relationships with the physician and patient communities for both MS and SCI.

Advance our pipeline of preclinical programs into clinical trials. We have two preclinical programs focused on remyelination and one on nerve fiber regeneration and enhanced CNS plasticity. In order to advance these programs we are using our in-house scientific expertise and animal modeling capabilities, supplemented by outside service providers and the development work of our partners. We are also seeking partnering and additional grant funding opportunities for these programs.

Pursue additional alliances for approved and development stage products. We believe that our commercial infrastructure, specialty sales force and relationships with clinicians and patient communities for MS and SCI make us an attractive partner to in-license products and clinical programs that would be marketed to these groups. We also intend to enter into co-marketing and co-promotion agreements for marketing our approved products outside of the United States and may enter into co-development agreements for our preclinical programs.

Our Product Pipeline

Name	Primary Indication	Status	Marketing Rights
Zanaflex Capsules	Spasticity	FDA-approved	U.S.
Zanaflex (tablets)	Spasticity	FDA-approved	U.S.
Fampridine-SR	MS	Phase 3	Worldwide
Chondroitinase Program	SCI	Preclinical	Worldwide
Neuregulin Program	MS	Preclinical	Worldwide
Remyelinating Antibody Program	MS	Preclinical	Worldwide

Zanaflex Products

Zanaflex Capsules and Zanaflex tablets are short-acting drugs approved by the FDA for the management of spasticity. We acquired all of Elan's U.S. sales, marketing and distribution rights to Zanaflex Capsules and Zanaflex tablets in July 2004. These products contain tizanidine, one of the two leading treatments for the management of spasticity. Zanaflex tablets were approved by the FDA in 1996 and lost compound patent protection in 2002. There are currently 11 generic versions of tizanidine tablets on the market. However, substantial brand loyalty remains in the prescriber community for the Zanaflex brand. Approximately 90% of all prescriptions for tizanidine are written as "Zanaflex," although most are switched automatically at the pharmacy for a generic tizanidine tablet. Zanaflex Capsules were approved by the FDA in 2002, but were never marketed by Elan. We began marketing Zanaflex Capsules in April 2005.

Clinical trials conducted by Elan demonstrated that Zanaflex Capsules, when taken with food, produce average peak levels of tizanidine in a person's blood that are lower and rise more gradually compared to the peak levels following a similar dose of the tablet form. The FDA recognizes these differences and has determined that Zanaflex tablets and generic tizanidine tablets are not

therapeutically equivalent and are not AB-rated to Zanaflex Capsules. As a result, under state pharmacy laws, prescriptions written for Zanaflex Capsules may not be filled by the pharmacist with Zanaflex tablets or generic tizanidine tablets, although some substitution does take place in practice. Zanaflex Capsules are available in 2 mg, 4 mg and 6 mg doses, while tablet formulations are only available in 2 mg and 4 mg doses. The 6 mg capsule gives patients and physicians an additional dosing choice and an opportunity to reduce the number of pills a patient must take daily. In addition, many patients may find capsules easier to swallow than tablets. In addition, people who have difficulty swallowing may open the capsule and sprinkle it on food. The pharmacokinetic effect of sprinkling contents of the capsule on food, however, is different from when the intact capsule is taken with food.

In 2004, retail sales of Zanaflex tablets and generic equivalents of Zanaflex tablets totaled approximately $300 million in the United States, with Zanaflex tablets accounting for about $15 million of that amount. The vast majority of prescriptions for these products are written by a relatively small group of prescribers. In 2004, over 117,000 physicians wrote one or more prescriptions for generic tizanidine or Zanaflex tablets. However, 78% of all such prescriptions were generated by approximately 9,200 prescribers. We believe that our internal specialty sales force, contract sales force and contract telesales group, will be able to reach virtually all of these high-volume prescribers.

Sales and promotional support for Zanaflex Capsules

To support our commercialization of Zanaflex Capsules, we have established a sales and marketing infrastructure consisting of an internal specialty sales force, a contract sales force and a pharmaceutical telesales group. Our internal specialty sales force currently consists of 14 sales professionals who call on neurologists and other prescribers specializing in treating patients with conditions that involve spasticity. Members of our internal sales force also call on managed care organizations, pharmacists and distribution customers. We plan to expand our specialty sales force to approximately 30 sales professionals in the first quarter of 2006. In addition, Cardinal Health provides us with a contract sales force of approximately 160 sales representatives to market Zanaflex Capsules to primary care physicians who currently prescribe Zanaflex tablets or generic tizanidine tablets. We use a pharmaceutical telesales group to contact primary care physicians, specialty physicians and pharmacists to provide information regarding Zanaflex Capsules or determine their interest in receiving samples of Zanaflex Capsules or a visit from a sales representative.

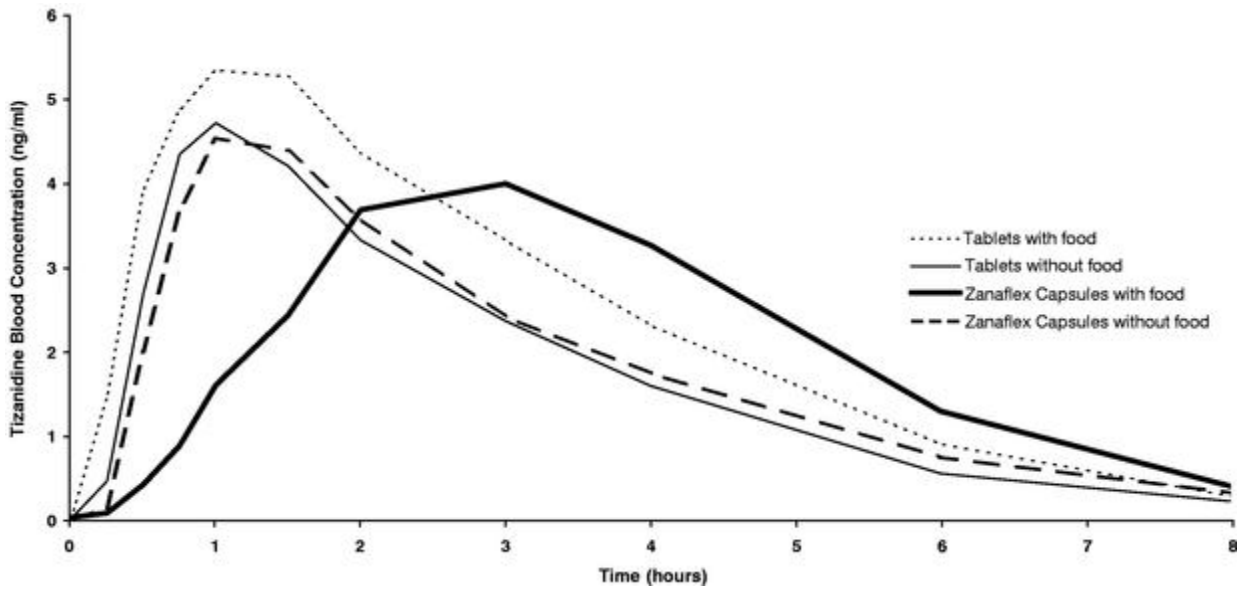
After the introduction of generic tizanidine tablets in June 2002, Elan discontinued promotional and educational support for Zanaflex tablets. To our knowledge, none of the distributors of generic tizanidine or baclofen, the other leading spasticity treatment, which is also generic, has engaged in any educational programs on the treatment of spasticity. Concurrent with our launch of Zanaflex Capsules in April 2005, we initiated a sampling program as well as a number of educational, promotional and drug safety monitoring programs for prescribers and patients. In addition to our programs for prescribers and patients, we also have a number of programs in place to educate pharmacists about Zanaflex Capsules and the pharmacokinetic differences between tizanidine tablets, including generic tizanidine tablets and Zanaflex tablets, and Zanaflex Capsules.

Since April 2005, we have seen continued growth in monthly prescriptions of Zanaflex Capsules. We believe that this trend will continue as we extend our reach into the population of high-volume prescribers of tizanidine. We are seeking FDA approval of improvements in labeling and we will also explore the potential for new indications.

Pharmacokinetic differences between Zanaflex Capsules and tizanidine tablets

Although tizanidine, the active ingredient in Zanaflex Capsules, Zanaflex tablets and generic tizanidine tablets, is the same, there are some important differences between the capsule and tablet formulations. To establish the differences between Zanaflex Capsules and Zanaflex tablets, Elan conducted a single dose clinical trial with 96 healthy volunteers. That trial demonstrated that Zanaflex Capsules, when taken with food, resulted, on average, in a more gradual rise in tizanidine levels in the blood and a lower peak concentration. By contrast, the trial demonstrated that Zanaflex Capsules taken without food resulted in essentially the same pharmacokinetic effect as the tablet formulation of tizanidine. The results of the trial are illustrated in Figure 1 below.

Figure 1. Average Blood Concentration Over Time



Average blood concentrations of tizanidine in subjects following a single dose of 4 mg Zanaflex tablet or a 4 mg dose of Zanaflex Capsules, taken either with or without food.

As a result of this difference in absorption rate and blood level when taken with food, the FDA has determined that neither Zanaflex tablets nor generic tizanidine tablets are therapeutically equivalent or AB-rated, to Zanaflex Capsules. Therefore, under state pharmacy laws, pharmacists cannot fill prescriptions written for Zanaflex Capsules with Zanaflex tablets or generic tizanidine tablets. The FDA-approved package insert for Zanaflex Capsules contains the following language regarding the differences between the products: "Food has complex effects on tizanidine pharmacokinetics, which differ with different formulations. These pharmacokinetic differences may result in clinically significant differences when (1) switching administration of the tablet between the fed or fasted state, (2) switching administration of the capsule between the fed or fasted state, (3) switching between the tablet and capsule in the fed state, or (4) switching between the intact capsule and sprinkling the contents of the capsule on applesauce. These changes may result in increased adverse events or delayed/more rapid onset of activity, depending on the nature of the switch. For this reason, the prescriber should be thoroughly familiar with the changes in kinetics associated with these different conditions."

The most frequent adverse events associated with the use of tizanidine include dry mouth, drowsiness, fatigue and dizziness. These events are generally mild to moderate and are believed to be dose-related. In one single-dose study where patients were not titrated, two-thirds of patients experienced hypotension. Zanaflex Capsules have a short-acting effect, and patients are advised to take it at the times during the day when they most need relief from spasticity.

Fampridine-SR

Fampridine-SR, our lead product candidate, is currently in a Phase 3 clinical trial for the improvement of walking ability in people with MS pursuant to an SPA issued by the FDA. The FDA has agreed that this trial, if successful, could qualify as one of the pivotal efficacy studies required for drug approval. Fampridine-SR is a small molecule drug contained in a sustained-release tablet form. Laboratory studies have shown that fampridine, the active ingredient in Fampridine-SR, improves impulse conduction in nerve fibers in which the myelin sheath has been damaged. Fampridine is not currently FDA-approved for use in MS or any other indications. We believe that Fampridine-SR could represent a fundamental shift in the treatment of people with MS because it may improve neurological function rather than treating the symptoms or slowing the progression of disease, as current treatments do. We have obtained Orphan Drug designations from the FDA for Fampridine-SR in both MS and incomplete SCI.

In MS, the myelin sheath is damaged by the body's own immune system, causing areas of myelin sheath loss, also known as demyelination. When a nerve fiber is demyelinated after injury, large numbers of the specialized potassium channels on the surface of the axon that are normally hidden or covered by the myelin sheath are exposed and leak potassium ions, causing the nerve fiber to short circuit its electrical impulses. Fampridine blocks these exposed channels, thereby permitting the nerve fiber to transmit impulses again, even in a demyelinated state. Fampridine may also serve to amplify electrical signals at sites of contact or synapses between nerve cells by blocking the same channels in the tips of the nerve fiber, thereby improving the function of surviving tissue in the injured nervous system. Fampridine-SR is a sustained release formulation of fampridine that we believe enables safer and more effective blood levels to be maintained throughout the day, which cannot be easily accomplished with an immediate-release formulation.

We have a worldwide, exclusive license from Elan for all of its rights to, among other things, develop, promote, distribute, use and sell Fampridine-SR in all human clinical indications, and to develop, promote, distribute, use and sell other patented sustained-release formulations of the drug. Elan also manufactures Fampridine-SR for us.

We believe there are compelling reasons to develop Fampridine-SR as a new therapy for improving walking ability in people with MS:

According to a patient registry maintained by the North American Research Committee on Multiple Sclerosis, approximately 80% of people with MS experience some degree of walking impairment, which is one of the most limiting aspects of the disease.

Our Phase 2 clinical trials of Fampridine-SR in MS patients have shown improvement in walking ability and leg strength.

There are no current therapies that improve walking ability or leg strength in people with MS.

Clinical Trials of Fampridine-SR

We have conducted a series of clinical trials to establish the safety, pharmacokinetics and optimal dosing of Fampridine-SR in MS and SCI, as well as to assess its efficacy. More than 800 people have been treated with Fampridine-SR in over 25 clinical trials, including nine clinical trials in MS and 11 clinical trials in SCI.

Clinical Trials in Multiple Sclerosis

Current Phase 3 Trial. Our current Phase 3 clinical trial, MS-F203, was initiated in June 2005, after we reached agreement with the FDA on the protocol design and received a Special Protocol Assessment from the FDA Division of Neuropharmacological Drug Products. The FDA has agreed that this trial, if successful, could qualify as one of the pivotal efficacy studies required for drug approval.

MS-F203 is a double-blind clinical trial designed to enroll 240 people at up to 35 MS centers in the United States and Canada. Subjects will complete a Timed 25-Foot Walking Test at each visit during the clinical trial. This test involves timing the subject's completion of a 25-foot walk as fast as he or she can do so safely. Such a test is relevant as a measure of the subject's ability to perform tasks that are required in daily life, such as crossing the street in the time period allotted by a traffic light. In addition, subjects will also be asked to fill out a 12-item questionnaire known as the MS Walking Scale or MSWS-12. The MSWS-12 is a subjective measure of the degree to which walking disability impacts the subject's daily life.

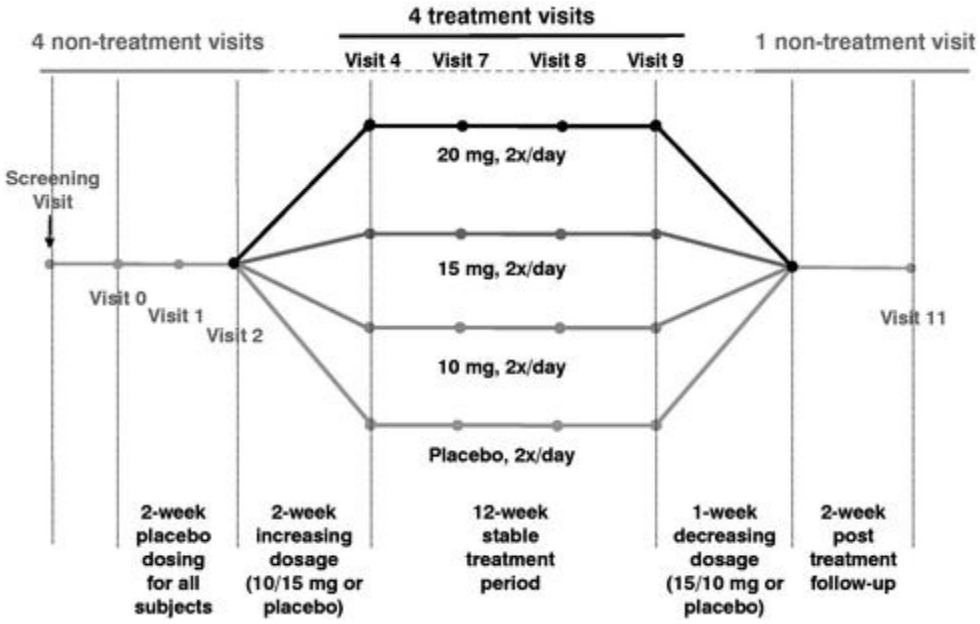
Trial results will be analyzed using our proprietary responder analysis, for which we have applied for a patent. A subject will be deemed to be a responder if his or her score on the 25-foot walk was better during the majority of his or her visits in the treatment phase of the trial, than the best visit during the non-treatment phase. The primary endpoint of the trial will be the comparison of the percentage of responders in the Fampridine-SR group to the percentage of responders in the placebo group. To validate the clinical importance of improvements in the timed walk measurements, the MSWS-12 scores of the responders will be compared against those of non-responders. This analysis is designed to ensure that being deemed a responder is clinically meaningful to the subject. In addition, the trial will also test for significant improvement in walking ability in the Fampridine-SR-treated responder group at the last treatment visit versus the placebo group. This analysis is designed to ensure that the improvements seen by responders are maintained over the duration of the trial. As a secondary endpoint, the trial will also measure lower extremity muscle strength, as assessed by the modified British Medical Research Council manual muscle testing procedures, referred to as the Lower Extremity Manual Muscle Test or LEMMT.

The design of our Phase 3 clinical trial was closely modeled on the design of the preceding Phase 2 clinical trial, MS-F202, and builds on our clinical trial experience in measuring improvements in neurological function against the variability in function that is inherent in people with MS. Individuals who suffer from MS vary in the severity of the impairments they experience on a day-to-day basis, depending on the activity of the disease on a given day. As a result, from one clinical trial visit to the next, a subject's walking ability can vary significantly. This variability makes it difficult to distinguish treatment-related changes in walking ability from disease-related changes in walking ability. Our review of MS-F202 data demonstrated that a responder form of analysis helps overcome the effect of the inherent variability of disease activity that people with MS experience.

We expect the recruitment period for the current trial, which began in June 2005, to require approximately six to eight months. The treatment period is 14 weeks and each subject is involved in trial procedures for approximately five months overall. We currently expect to be able to evaluate data from this clinical trial in the third quarter of 2006, if patient recruitment proceeds as planned.

Phase 2 Clinical Trials. Our most recently completed Phase 2 clinical trial, MS-F202, was designed to compare 10 mg, 15 mg and 20 mg doses of Fampridine-SR taken twice per day and to assess their relative safety and efficacy over a stable treatment period of 12 weeks. The pre-specified primary endpoint of the clinical trial was an improvement in average walking speed using the Timed 25-Foot Walk. The clinical trial was initiated in early 2003 and completed enrollment of 211 subjects in 24 major MS centers in August 2003. The clinical trial was designed to give us a clear indication of optimal dose and the number of subjects that we would need to establish efficacy in a subsequent Phase 3 trial. The overall design of our MS-F202 Phase 2 clinical trial is illustrated in Figure 2 below.

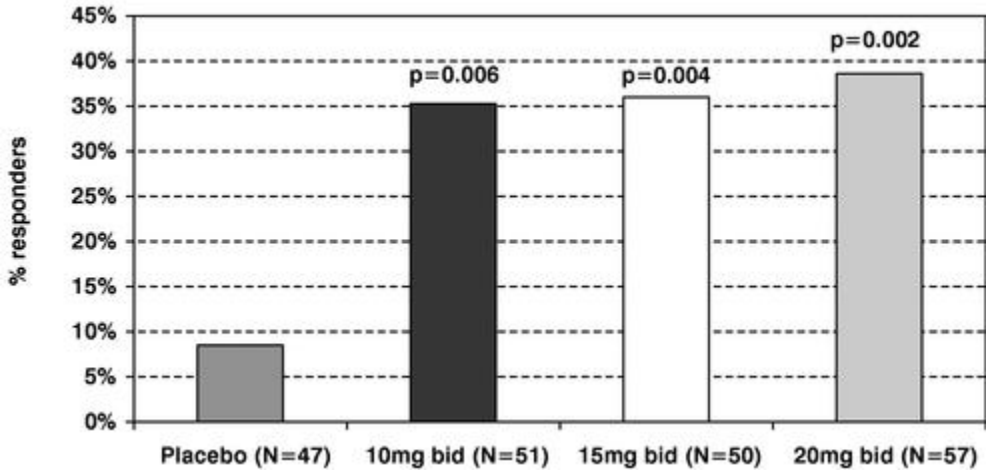
Figure 2. Design of Fampridine-SR MS-F202 Phase 2 clinical trial.



The efficacy results, based on the prospective analysis plan of MS-F202, indicated a trend for improvement from baseline in walking ability (using the Timed 25-Foot Walk test) in the Fampridine-SR-treated subjects, relative to the placebo-treated subjects. Statistical significance was not reached on the primary efficacy analysis, which was defined as the percentage change from baseline in average walking speed during the 12 weeks of stable double-blind treatment. Statistical significance was obtained for the secondary outcome measure of lower extremity muscle strength, as assessed by LEMMT. All three Fampridine-SR dose groups showed greater mean increases from baseline in LEMMT scores relative to the placebo group and the differences were statistically significant for the 10 mg and 15 mg Fampridine-SR groups ($p< 0.05$). A p-value is a statistical term that indicates the probability that a difference between treatment groups is random. The smaller the p-value, the lower the likelihood that the difference was random. Generally a p-value of less than 0.05 is considered to represent a statistically significant difference.

Our analysis of the data led us to believe that part of the reason that statistical significance was not achieved on the primary endpoint was related to the disease-related variability of walking ability for a subject from visit to visit, together with the fact that not all subjects are expected to respond to the treatment. We believe this variability in walking ability, much of which is contributed by subjects who do not respond, made it difficult to establish the significance of treatment-related improvements using the average walking speed measure that had been prospectively defined as the endpoint of the trial. In order to try to reduce the effect of this variability, we developed an analysis designed to classify subjects as responders only if they demonstrated consistent improvement during the treatment period, when subjects were taking either Fampridine-SR or placebo. Subjects were deemed to be responders if their Timed 25-Foot Walk test results were better during at least three of the four treatment visits than their best score during the non-treatment period. When examined using this form of analysis, all three of the groups receiving Fampridine-SR had a statistically significant increase in the number of responders compared to placebo, as shown in Figure 3.

Figure 3. Responder rates for treatment groups in MS-F202.

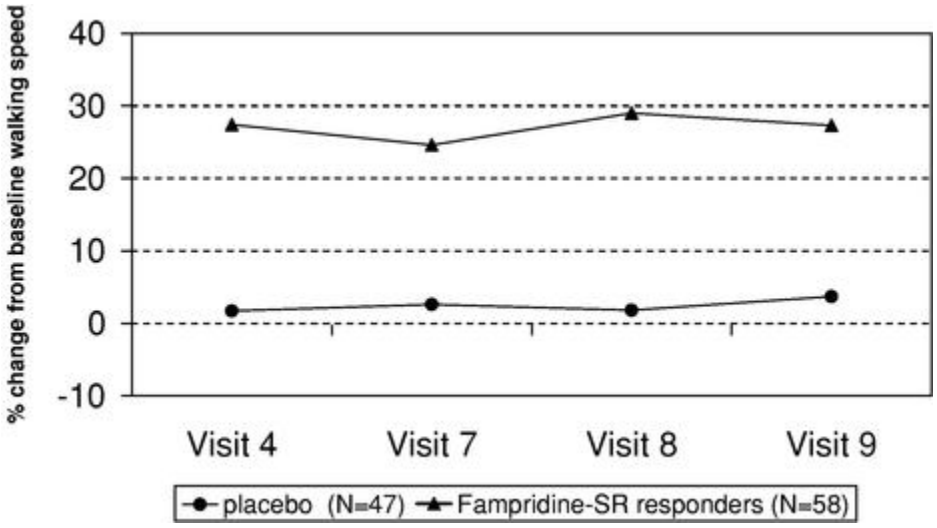


Since the differences in responder rates among the three doses examined were small, more detailed analyses were performed comparing the pooled Fampridine-SR-treated groups against the placebo-treated group. The difference in responder rate between the pooled Fampridine-SR-treated subjects and the placebo-treated subjects was statistically significant (p-value<0.001), as shown below.

Status	Placebo (N=47)	Fampridine-SR Pooled (N=158)
Responders	**8.5%**	**36.7%**
Non-responders	**91.5%**	**63.3%**

The responder analysis allows characteristics of the response to be appreciated in more detail. The improvement in walking in responders appeared to be substantial and sustained. The average increase in walking speed of responders was more than 25%, as compared to approximately 2% for non-responders. This was consistent over the 3-month period of treatment and was statistically significant at every visit, as shown in Figure 4.

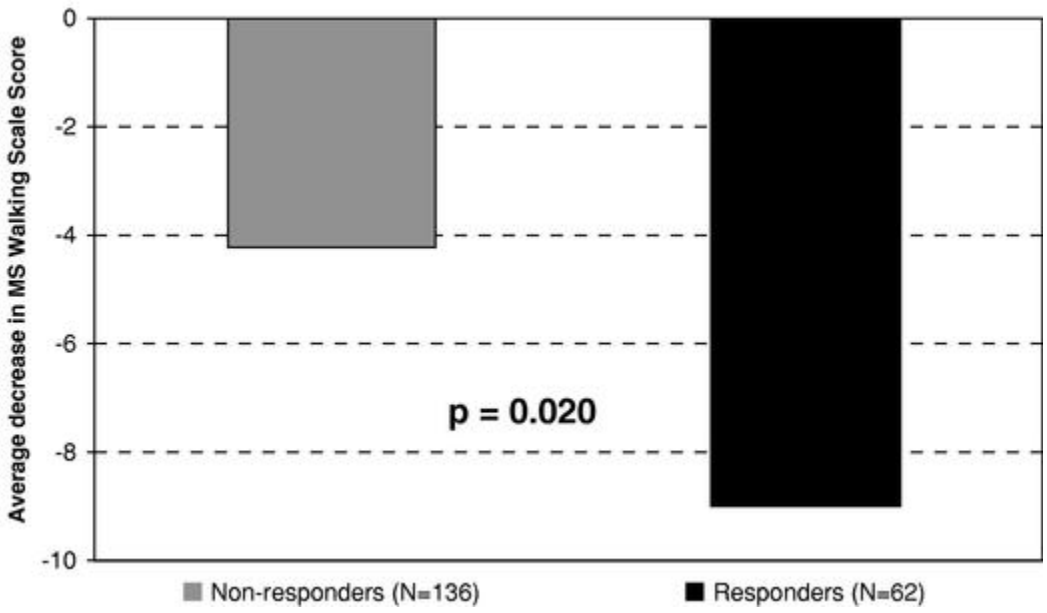
Figure 4. The average percent change from baseline in walking speed.



The graph depicts the average change in walking speed during the treatment period for study MS-F202, comparing Fampridine-SR-treated responders to the placebo-treated group. Differences between the groups were statistically significant (p<0.001) at all visits.

In MS-F202, subjects were required to fill out the MSWS-12 questionnaire. When the results of this questionnaire were analyzed for all evaluable subjects, the average improvement, or reduction in score, during the treatment period was greater for responders than for non-responders, in each case including those subjects on placebo, and the difference was statistically significant. We believe this result demonstrates that being a timed-walk responder is clinically meaningful to patients. These results are shown in Figure 5.

Figure 5. Average change in MS Walking Scale Score.



Histogram to show the average change in score for the MS Walking Scale for responders and non-responders between the baseline and stable treatment periods. A reduction in score represents a subject's perception that there has been improvement in the effect of walking disability on activities of daily life.

This analysis of the MS-F202 clinical trial served as the basis for the design of the Phase 3 MS-F203 clinical trial. The results of MS-F202 using this analysis showed that there was a statistically significant increase in the number of people being treated who experienced a consistent increase in walking ability, compared to placebo, and that this improvement was sustained and clinically meaningful to patients. These data also show that the benefit was maintained for the full 14 weeks of treatment. These results are similar whether the pooled Fampridine-SR-treated subjects or just those subjects receiving the current target dose of 10 mg twice a day are compared with the placebo-treated group.

In 2001, we completed a smaller double-blind Phase 2 clinical trial of Fampridine-SR, MS-F201. This clinical trial was designed to determine the optimal dose range of Fampridine-SR and to evaluate possible ways in which to measure the effect of the drug on symptoms of the disease, including motor strength, timed walking and self-reported fatigue. The clinical trial involved a total of 36 MS subjects in four major academic MS research centers. A total of 25 subjects received Fampridine-SR in doses increasing from 10 mg to 40 mg twice per day during seven weeks of treatment and 11 subjects were given placebo during the same period. This treatment period was preceded by a series of baseline evaluations during the course of four weeks to allow the subjects to become adjusted to the clinic visits and allow the various measurements to stabilize. A one-week blinded treatment with placebo tablets preceded the first drug administration to look for potential placebo effects on the various outcome measures.

The clinical trial demonstrated that doses up to 25 mg twice a day were well tolerated and were associated with statistically significant improvements in walking ability and leg muscle strength. All the improvement in strength and walking ability was apparent within these first four weeks of the

treatment, at doses from 10 mg to 25 mg twice a day. The placebo-treated subjects showed some tendency to improve or worsen in walking ability, mostly within 20% of their baseline average. However, the Fampridine-SR-treated group showed a marked tendency for improvement in walking speed, with 9 of 25 subjects improving more than 20% from baseline and two with greater than 50% improvement. These findings were consistent with the results of an earlier, small, crossover study sponsored by Elan, using doses of 17.5 mg twice a day for one week, which was published in the journal *Neurology* in 1997.

We re-examined the data from the MS-F201 clinical trial using an equivalent responder analysis in which we defined a responder as a subject who showed walking ability on the 25-Foot Walk that was faster in a majority of treatment visits than the fastest speed recorded during the non-treatment period. In MS-F201, this meant that four or more of the seven treatment visits had to show faster walking than the visits during the non-treatment period. We found that the responder rates in this trial were 40% (10 of 25) for the Fampridine-SR-treated subjects and 9.1% (1 of 11) for the placebo-treated subjects. Hence, the response rate by this measurement was similar to that seen in the MS-F202 clinical trial. We did not incorporate the MSWS-12 measure in the MS-F201 clinical trial.

Clinical Trials in Spinal Cord Injury

Recent clinical research using imaging and post-mortem studies has shown that the majority of people with SCI do not have severed spinal cords and maintain some nerve fibers that cross the site of injury. However, these surviving nerve fibers are often damaged and lose their myelin sheath. A series of preclinical studies and clinical trials have indicated that fampridine can potentially improve conduction in nerve fibers injured by spinal cord injury and improve function in people with spinal cord injury.

Phase 3 Clinical Trials. In March 2004, we released results from two Phase 3 double-blind clinical trials of Fampridine-SR in people with SCI. The trials did not reach statistical significance in their primary endpoints, which were reduction of spasticity, as measured by the Ashworth scale, and improvement of patients' Subject Global Impression, or SGI. The Ashworth scale is a validated, 5-point clinician assessment of an individual's spasticity. The SGI is a seven-point scale in which trial participants rate how they feel about the overall effect of the trial drug. In one of the SCI trials, the data showed a positive trend ($p=0.069$) toward improvement on the Ashworth scale when analyzed across all observations during the double-blind trial treatment period, which was the trial's pre-specified plan of analysis. When analyzed based on the subjects' last observation carried forward, a commonly used method of analysis, the improvement in, or reduction of, Ashworth score in that trial was statistically significant ($p=0.006$). The drug groups in both trials showed a progressive mean improvement on the Ashworth score during the double-blind treatment period. However, the placebo group in one of the trials showed a more pronounced reduction in Ashworth Score than expected.

The design of these Phase 3 clinical trials was based on a series of earlier Phase 2 clinical trials in which the most consistent finding was a greater reduction in spasticity in Fampridine-SR-treated subjects relative to placebo-treated subjects, as measured by the Ashworth Score. Other benefits observed in the Phase 2 trials were improved motor, bowel, bladder and sexual function. Unlike the design of our Phase 3 clinical trials, our Phase 2 clinical trials did not require a minimum spasticity level for enrollment and the treatment period was from one to four weeks rather than 14 weeks. These changes were made in the Phase 3 trials because the FDA required minimum twelve week duration of treatment for approval of a long-term therapy of this kind and because adequate measurement of benefit required a certain degree of spasticity at baseline.

Based on the entire body of data in clinical trials of fampridine in people with SCI and the new approaches to evaluating response to the drug that we have learned in MS trials, we expect to resume

development of Fampridine-SR for SCI after we have completed further development of the drug for MS.

Safety Profile of Fampridine-SR

To date, Fampridine-SR has been tested in over 800 subjects. The adverse events most commonly experienced in all double blind, placebo-controlled Phase 2 and Phase 3 studies were insomnia, numbness or tingling in the extremities, dizziness and nausea. These events were generally mild to moderate and are believed to have been dose-related. Seizures have also been observed in some prior trials of Fampridine-SR with higher doses of the drug. No seizures have been reported to date in patients with the dose that we have selected for our Phase 3 clinical trial. We are carefully monitoring the potential 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. We are also aware that people with MS are reported to have a higher incidence of seizures than the unaffected population. We have excluded from these trials subjects at known risk for seizures because of previous experience or abnormal electroencephalogram indicative of such risk.

As part of our continuing evaluation of safety, we have established extension studies that allow subjects in earlier clinical trials to receive Fampridine-SR on an unblinded, or open-label basis, with their progress followed for at least a year and the potential for continuing treatment until the drug is approved. By their open-label design, these studies will allow us to gain some additional knowledge of the longer term efficacy and safety of the drug, albeit limited by the lack of a placebo control group. These studies are intended primarily to gain sufficient subject experience to satisfy the regulatory guidelines for long-term and overall safety assessments. As of September 2005, approximately 176 subjects from MS-F202 have been enrolled in an extension trial and 37 remain active in the trial, with approximately 42 subjects who have taken the drug for over a year. A new extension study for subjects of the current Phase 3 clinical trial is expected to enroll a majority of the MS-F203 trial subjects, beginning in the fourth quarter of 2005.

Only limited data are yet available from these ongoing safety studies, since no interim analysis of the data is planned, but there have been two incidences of seizures in subjects enrolled in the MS-F202 extension. These seizures occurred in subjects who had been taking the drug at a dose of 15 mg twice a day for six months and five months respectively, before the adverse event. The protocol has now been amended to restrict doses to 10 mg twice a day in order to gather more safety data at the dose that we are examining in the current Phase 3 trial and for which we intend to seek approval. To date, we have had no report of seizure at the 10 mg twice a day dose.

Other Research and Development Programs

Chondroitinase Program

We have developed 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 demonstrated that this scar matrix is partly responsible for limiting the regeneration of nerve fibers in the CNS and restricting their ability to modify existing neural connections, which is the process known as plasticity. This scar matrix may also inhibit repair of the myelin sheath by restricting the movements of the myelinating cells into the area of damage.

Major components of the scar matrix, known as proteoglycans, consist of a combination of protein and sugar molecules. Chondroitin sulfate proteoglycans, or CSPGs, are the specific types of proteoglycans found in the scar matrix. Cell culture studies and a number of animal studies have shown that these CSPGs inhibit the growth of nerve fibers and are likely to be key factors in the failure of the spinal cord or brain to regenerate and repair. Studies also have shown that bacterial enzymes produced

by the body called chondroitinases break down the CSPG molecules, thereby reducing their inhibitory activity.

Four independent laboratories have published animal studies showing that application of chondroitinase results in recovery of function following injuries to various areas of the brain or spinal cord. These functions have included walking, forelimb grasping, sensation, and visual and bladder function. We have produced a recombinant version of naturally-occurring Chondroitinase ABC-I and successfully tested its ability to improve function in an animal model of spinal cord injury. These studies were recently published in the Journal of Neurotrauma. In these studies, rats that sustained a spinal cord injury were treated with either chondroitinase or an ineffective enzyme control and evaluated over 10 weeks of recovery. Animals treated with chondroitinase showed significant improvements both in motor function of the limbs and in bladder function, compared to those treated with the control enzyme.

We are conducting a research program, which has been funded in part by federal and state grants, to develop second generation approaches to overcoming the proteoglycan matrix. These include novel enzyme molecules and alternative approaches to blocking matrix formation. We are now exploring research grants from the NIH and potential partnerships with other companies for completing our preclinical program in chondroitinase. In 2003, we obtained an exclusive worldwide license to certain patents and technology from Cambridge University Technical Services Limited and King's College London related to our chondroitinase program. We are also building our intellectual property position with respect to this technology with patent applications around uses of the known compound and new chemical structures.

Remyelination Programs

Our remyelination programs include two distinct therapeutic approaches to stimulate repair of the damaged myelin sheath in MS, Glial Growth Factor 2, or GGF-2, and remyelinating antibodies. These two approaches address remyelination by different and potentially complementary routes. Both programs require finalizing production of clinical-grade material and completion of preclinical toxicology tests before moving into clinical development. We believe a therapy that could permanently repair myelin sheaths has the potential to restore substantial neurological function to those affected by demyelinating conditions.

Neuregulins/GGF-2

GGF-2 is a member of the neuregulin family of growth factors related to epidermal growth factor. The neuregulins bind to erbB receptors, which translate the growth factor signal to the cell and cause changes in cell growth, protein production and gene expression. The molecule was shown in published studies to stimulate remyelination in animal models of MS and to have a range of other effects in neural protection and repair. In 2002, we obtained from CeNeS an exclusive worldwide license to its neuregulin patents and related technology, including GGF-2. We initially plan to develop GGF-2 for the treatment of MS.

Neuregulins covered in the portfolio from CeNeS have additional potential applications in treatment of heart disease and cancer. Neuregulins and their erbB receptors are essential for cardiac development and have been shown to protect cardiac muscle cells from stressors that model congestive heart failure and myocardial infarction. Additionally, GGF-2 has been shown to protect the heart and brain from the toxicity of commonly used chemotherapeutic agents, such as cisplatin. The neuregulins may also have the potential, when coupled with toxins, to target erbB receptor positive tumors such as those found in certain types of breast cancers.

Remyelinating Antibodies Program

Our remyelinating antibodies program is based on more than 15 years of research performed at Mayo Clinic. Under a license agreement entered into with Mayo Clinic in September 2000, we have exclusive worldwide rights to patents and other intellectual property for these antibodies related to use and treatment of CNS disorders. Studies have demonstrated the ability of this family of antibodies to stimulate 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 that make the myelin sheath and stimulate them in a number of ways, leading to increased remyelination activity. First identified in mice, similar antibodies were subsequently identified in human blood samples by the Mayo team and we have been able to produce a recombinant human antibody that may be suitable for clinical development.

We have also 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 received a $2 million grant to develop and manufacture clinical-grade material and progress the program towards clinical development.

Sales and Marketing

We have established three sales channels for marketing Zanaflex Capsules: an internal specialty sales force, a contract sales force and a telemarketing group.

Internal Specialty Sales Force. We currently employ a team of 14 highly experienced sales professionals to call on neurologists and other prescribers who specialize in treating people with conditions that involve spasticity. Members of this sales force also call on managed care organizations, pharmacists and wholesale drug distribution customers. Our sales professionals have had an average of 15 years of sales experience prior to joining us. We plan to expand our specialty sales force to approximately 30 sales professionals in the first quarter of 2006.

Contract Sales Force for Primary Care Physicians. Cardinal Health provides approximately 160 sales representatives who market Zanaflex Capsules to primary care physicians who prescribe Zanaflex tablets or generic tizanidine tablets. Cardinal Health's compensation is based upon the achievement of specific sales targets.

Contract Pharmaceutical Telesales Organization. We have retained Access Worldwide Communications to provide a small, dedicated sales force of telesales professionals to contact primary care and specialty physicians to provide information regarding Zanaflex Capsules and determine their interest in receiving samples of Zanaflex Capsules or a visit from one of our sales representatives. To date, over 90% of prescribers contacted have requested samples and over 50% have requested a visit from one of our sales representatives.

We focus our sales and marketing efforts on physicians and other prescribers who treat spasticity in the United States. Approximately 9,200 physicians generated roughly 78% of the prescriptions for Zanaflex and generic tizanidine tablets in the United States in 2004. Most of these physicians are located at major medical centers. We have existing relationships with the majority of these centers through our Fampridine-SR clinical trial process.

We believe that, in general, people with MS and SCI are knowledgeable about their conditions, actively seek new treatments, and directly influence their prescriber's evaluation of treatment options. We have existing relationships with the major advocacy groups that focus on MS and SCI. We provide regular updates regarding our development programs and we sponsor or support several educational initiatives. We have implemented a comprehensive series of educational and promotional programs to support Zanaflex Capsules. These include educational materials, a peer-to-peer speakers' program, samples, medical information and drug safety monitoring 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 and patients that Zanaflex tablets or generic tizanidine 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 formulations at the pharmacy.

We believe that the expertise we are developing through commercializing Zanaflex Capsules will provide a strong foundation for our marketing of Fampridine-SR, if approved, as well as for additional potential treatments in CNS conditions. As a result, we plan to market Fampridine-SR ourselves in the United States and possibly in Canada, if it is approved in both countries. We expect that the sales force for Zanaflex Capsules would also promote Fampridine-SR in the United States since both products would have many of the same prescribers. We do not currently intend to build commercial capabilities outside North America but intend to secure those capabilities through one or more partners.

Similar to other phamaceutical companies, our principal customers are wholesale pharmaceutical distributors. We currently depend on three key customers. For the nine months ended September 30, 2005, Cardinal Health, McKesson Corporation and AmerisourceBergen Corporation accounted for approximately 51.4%, 27.3% and 13.2% of our shipments, respectively.

Scientific and Medical Network

We have an established advisory team and network of well-recognized scientists, clinicians and opinion leaders in the fields of MS and SCI. Depending on their expertise, these advisors provide assistance in trial design, conduct clinical trials, keep us apprised of the latest scientific advances and help us identify and evaluate business development opportunities. A number of the members of this network form our Scientific Advisory Board. The members of our Scientific Advisory Board are highlighted below:

Name	Affilation
Michael S. Beattie, Ph.D.	Brumbaugh Professor and Chair of the Department of Neuroscience, Ohio State University.
Jacqueline C. Breshnahan, Ph.D.	Professor of Neuroscience, Ohio State University.
Mary B. Bunge, Ph.D.	Professer of Cell Biology and Anatomy, Neurological Surgery and Neurology, University of Miami School of Medicine.
Carl W. Cotman, Ph.D.	Professor of Psychobiology and Neurology, University of California, Irvine.
James W. Fawcett, Ph.D.	Merck Company Professor of Experimental Neurology, Cambridge University, and Chairman of the MRC Cambridge Centre for Brain Repair.
Martin Grumet, Ph.D.	Professor of Cell Biology and Neuroscience, Rutgers University Director, W. M. Keck Center for Collaborative Neuroscience.
Eugene Johnson, Jr., Ph.D.	Norman J. Stupp Professor of Neurology, and Professor of Molecular Biology and Pharmacology at Washington University School of Medicine, St. Louis.
Mark D. Noble, Ph.D.	Professor of Genetics at the Center for Cancer Biology, University of Rochester Medical Center.
Melitta Schachner, Ph.D.	Professor and Director of the Institute for Synthesis of Neural Structures, University of Hamburg, Germany.

Jerry Silver, Ph.D.	Professor of Neurosciences, Case Western Reserve University.
Patrick A. Tresco, Ph.D.	Professor of Bioengineering, Director Keck Center for Bioengineering, University of Utah.
Mark H. Tuszynski, M.D., Ph.D.	Professor of Neurosciences, Director of the Center for Neural Repair, and Attending Neurologist at the University of California, San Diego.
Stephen G. Waxman, M.D., Ph.D.	Chairman of the Department of Neurology, Yale University School of Medicine.
Wise Young, Ph.D., M.D.	Professor II and Director of the W. M. Keck Center for Collaborative Neuroscience, Rutgers University.

In addition, we have recruited over 35 MS centers and 80 SCI rehabilitation centers in the United States and Canada to conduct our clinical trials. Our clinical management team has extensive experience in the areas of MS and SCI and works closely with this network.

Collaborations, Alliances and License Agreements

Elan Corporation plc

Zanaflex

In July 2004, we 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 Zanaflex Capsules and Zanaflex tablets in the United States. The assets acquired include the products' FDA registrations and FDA dossiers, proprietary product know-how, a patent and two related patent applications, certain inventory of Zanaflex tablets and certain product books and records. Elan has granted us a license that allows us to use the Zanaflex trademarks in the United States and has given us the right to buy the Zanaflex trademark for a nominal sum once specified milestone and royalty payments have been made. Elan also granted us an exclusive, perpetual and royalty-free license to certain intellectual property relating to 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 of Zanaflex Capsules and Zanaflex tablets in the United States. We also acquired the right to develop new indications, formulations, dosage forms, delivery systems and process improvements of Zanaflex. Under the agreement, Elan agreed not to directly or indirectly market, 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 royalties to Elan or valid termination of our supply agreement with Elan. In addition, we agreed not to directly or indirectly market, distribute or sell any products containing tizanidine as its active pharmaceutical ingredient in the United Kingdom or Ireland until July 2007.

Our agreement with Elan obligates us to pay a combination of sales-based milestone payments of up to $19.5 million and royalties on future sales of Zanaflex Capsules and Zanaflex tablets. We have made or accrued an aggregate of $3.5 million in payments under this agreement through September 30, 2005. Our obligation to pay royalties to Elan for Zanaflex tablets and Zanaflex Capsules ends on the later of July 2014 or when the last patent included in the acquisition expires. We also agreed to use commercially reasonable efforts to commercialize Zanaflex Capsules.

As part of the 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 obligations arise subsequent to our acquisition of Zanaflex. Under this agreement we obtained certain rights to market and sell tizanidine products and rights to product improvements developed by Novartis. We are obligated to pay Novartis royalties based on net sales of Zanaflex Capsules and Zanaflex tablets until

the agreement expires in February 2007, after which time we will have a fully paid-up license from Novartis to these rights.

Elan and Novartis manufacture Zanaflex Capsules and tablets for us, respectively. See "−Manufacturing." In December 2005, we entered into a financing arrangement with PRF pursuant to which we assigned PRF the right to receive a portion of our net revenues from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The arrangement covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, unless the arrangement is terminated earlier. See "Business−Liquidity and Capital Resources−Financing Activities."

Fampridine-SR

In January 1997, 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, we formed MS Research & Development Corporation, 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 Elan exclusive worldwide rights to Fampridine-SR for the treatment of MS.

In September 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 from Elan for Fampridine-SR for MS. We paid MSRD approximately $11.5 million for all the assets and assumed liabilities of MSRD. MSRD distributed the purchase price to its shareholders according to their equity ownership interest. We received a distribution of approximately $9.5 million as a result of this distribution. 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.

In September 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. Under this agreement, Elan granted us exclusive worldwide 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 royalties based on net sales of the product, if approved. We have not made any payments under this agreement through September 30, 2005.

Elan is responsible for completing the chemistry, manufacturing and controls section of our NDA for Fampridine-SR and equivalent regulatory applications outside the United States. Elan is also supplying us with product for our clinical trials under this agreement.

Elan may terminate 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 after completion and receipt of positive data from all 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 a product in such countries within 180 days of NDA or 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 entitled to license from us our patent rights and know-how relating to the product and to market the product in the applicable country, subject to royalty payments to us.

We have the right 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 breach of any term or provision by the other party. The Elan license may also be terminated by either party following notice and a cure period with respect to an uncured breach by either party.

Subject to the 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 expiration of the last to expire Elan patent or the existence of competition in that country.

Cardinal Health PTS, LLC

In August 2005, we entered into a sales force agreement with Cardinal Health. Under this agreement, approximately 160 of Cardinal Health's sales representatives market Zanaflex Capsules to approximately 4,000 high prescribing primary care physicians identified by us throughout the United States. Although these sales representatives do not exclusively represent Acorda, our agreement with Cardinal Health provides that they will not market any other products during their sales calls related to Zanaflex Capsules. We are responsible for providing training to the Cardinal Health sales representatives regarding the medical and technical aspects of Zanaflex Capsules and on our specific sales strategies and policies. We also provide all samples and promotional materials for use by these sales representatives. Cardinal Health is responsible for general supervision and management of the sales force, including ensuring legal and regulatory compliance, including maintaining procedures relating to the handling of drugs by their sales representatives in compliance with applicable laws and prudent management practices.

We have agreed to pay Cardinal Health service fees based on the achievement of targeted sales levels and to reimburse Cardinal Health for certain costs. The agreement has a term of two years and cannot be terminated without cause prior to December 31, 2005.

Rush-Presbyterian St. Luke's Medical Center

In 1990, Elan 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-how from Elan. In September 2003, we entered into 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 which Rush granted us an exclusive worldwide license to its know-how relating to fampridine for the treatment of MS. Rush has also assigned to us its Orphan Drug Designation for fampridine for the relief of symptoms of MS.

We agreed to pay Rush a license fee, milestone payments of up to $1.15 million and royalties based on net sales of the product for neurological indications. We have made an aggregate of $200,000 in payments under this agreement through September 30, 2005.

The Rush license may be terminated by either party following an uncured material breach by the other party and notice. The Rush license may also be terminated upon the filing or institution 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 other party. We also entered into an agreement with Elan 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 license terminates upon expiration of the royalty obligations, which expire fifteen years from the date of the agreement.

Canadian Spinal Research Organization

In August 2003, we entered into an Amended and Restated License Agreement with the Canadian Spinal Research Organization, CSRO. Under this agreement we were granted an exclusive and worldwide license under certain patent 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.

We are required 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 any indication.

We have the right 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 material breach by the other party. The CSRO agreement may also be terminated by either party upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of assets, by the other party. Subject to the early termination 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 longer than the earlier of the expiration of the last to expire licensed patent in such country or ten years from the date of the first commercial sale of the product in such country.

Cornell Research Foundation, Inc.

In February 2003, we entered into a license agreement with Cornell Research Foundation, Inc., pursuant to which we were granted an exclusive license under a patent for the use of fampridine in the treatment of anterior 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 achievement of certain milestones relating to the successful 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. We have made an aggregate of $50,000 in payments under this agreement through September 30, 2005. We are also obligated to pay Cornell an annual royalty on net sales of Fampridine-SR in any and all indications, subject to a minimum annual royalty requirement of $25,000.

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

We have the right 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 material breach by the other party. Subject to the early termination provisions, the term of the Cornell agreement will continue until the expiration of the last to expire valid claim under the licensed patent.

Cambridge University Technical Services Limited and King's College London

In December 2003, we entered into a license agreement with Cambridge University Technical Services Limited and King's College London, pursuant to which we were granted an exclusive worldwide license, including the right to sublicense, under a U.S. patent application and its foreign counterpart to develop and commercialize products related to enzymatic methods, including chondroitinase, of treating CNS disorders. We were also granted a non-exclusive worldwide license, including the right to sublicense, under the same U.S. and foreign patent applications to develop and commercialize products related to small molecule inhibitors for use in treating CNS disorders.

In consideration 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 made an aggregate of $45,000 in payments under this agreement through September 30, 2005. We are also obligated to pay royalties on net sales and on any sublicense royalties that we receive.

The King's College 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 party if any other party ceases to carry on business, is declared 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 College license agreement will continue until the expiration of the last to expire valid claim under the licensed patent applications, at which time the licenses granted under the license agreement will automatically become non-exclusive, worldwide, fully paid-up and irrevocable.

Mayo Foundation for Medical Education and Research

In September 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 worldwide license to its patents and other intellectual property on remyelinating antibodies. Under this agreement, we have the right to develop, make, use and sell the remyelinating antibody products for the prevention, mitigation and treatment of CNS disorders. We have 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

antibodies, specifically myelination and remyelination in 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 are outside of the scope of our current license, but 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.

Under the Mayo 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 payments under this agreement through September 30, 2005. The Mayo Clinic agreement may be terminated by either party following an uncured material breach by the other party. We may terminate the Mayo Clinic agreement at will upon prior written notice to Mayo. 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, or the assignment of assets to the benefit of creditors 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.

We have also 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 received a $2 million grant to develop and manufacture clinical-grade material and progress the program towards clinical development. A subsequent letter agreement between Mayo Clinic and us acknowledges that the work under this grant is being performed subject to and pursuant to the Mayo Clinic agreement.

CeNeS Pharmaceuticals plc

In November 2002, we entered into two license agreements with CeNeS Pharmaceuticals plc. The first agreement relates to an exclusive worldwide sublicense under certain patents, patent applications and know-how to make, have made, use, import, offer for sale and sell protein products composed of GGF-2 and non-protein products developed through the use of material covered by a valid claim in the patents. The license to these patents and the right to sub-license these patents were granted to CeNeS by the Ludwig Institute for Cancer Research.

Our payment 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 upon achieving certain milestones in connection with the development, testing and regulatory approval of any protein products. We have not made any payments under this agreement through September 30, 2005. We are obligated to make minimum royalty payments commencing 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 convert our license or any sublicense to a non-exclusive license. 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 terminate this agreement at will upon prior written 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 terminated under that provision, we may retain the exclusive worldwide sublicense granted to us under this agreement, provided that we continue to pay royalties.

The second agreement 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, offer for sale, have sold and import protein products composed 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 the patents. The license to this patent and the right to sub-license this patent was granted to CeNeS by the President and Fellows of Harvard College ("Harvard").

We have agreed 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 are also required to make milestone payments of up to $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 milestone up to one year. We are obligated to pay CeNeS 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 not made any payments under this agreement through September 30, 2005.

This second agreement may be terminated by either party following an unremedied default of a material obligation by the other party. CeNeS may terminate this agreement upon our failure to cure a default in our obligations relating to maintenance of insurance liability or our failure meet certain milestones. Harvard may terminate the underlying Harvard license if CeNeS becomes insolvent, makes an assignment of assets for the benefit of creditors, 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 terms as those set forth in the agreement. We have the right to terminate this agreement 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 the termination of this agreement, depending upon the circumstances under which this agreement is terminated.

Subject to early termination provisions, this agreement remains effective until the last patent, patent application or claim included in the licensed patents has expired, been abandoned or been held finally rejected or invalid.

Teva Pharmaceuticals Industries Ltd.

In September 2003, we entered into a collaboration agreement with Teva Pharmaceuticals Industries Ltd. ("Teva") under which we were granted a co-exclusive license with Teva to jointly develop and promote in the United States products containing valrocemide.

We made an initial payment to Teva of $2 million that was charged as research and development expenses for the year ended December 31, 2003, upon execution of the collaboration agreement, and were obligated to make payments to Teva relating to the development of valrocemide.

We and Teva amicably terminated the collaboration agreement as of June 27, 2005 and in connection with the termination we paid Teva approximately $3.1 million. We and Teva have no further obligations to each other under the collaboration agreement.

Manufacturing

Zanaflex

We currently rely on Elan, Novartis and other third parties to supply us with Zanaflex Capsules and Zanaflex tablets. Zanaflex Capsules are manufactured using Elan's proprietary SODAS (spheroidal oral drug absorption system) multiparticulate drug delivery technology. We agreed to provide 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 months following the submission of our 18-month forecast 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 in excess of our forecast requirements, but will 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. Either party may terminate the agreement by notifying 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 party commits a material breach that remains uncured. 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 reasonable efforts to assist us in transferring production 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 production, Elan has agreed to grant us a royalty-free, fully paid-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 technology for specified purposes. We have the right to 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 supply agreement due to a force majeure event that 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 transferring manufacturing of Zanaflex Capsules to us or a third party manufacturer. Elan obtains tizanidine, the active ingredient in Zanaflex Capsules, from Novartis.

We currently rely on Novartis for our supply of Zanaflex tablets. Novartis currently produces tizanidine, but has arranged with another party to formulate tablets. We have arranged with another company, Sharp, to bottle and package Zanaflex tablets. Under a supply agreement we assumed from Elan, Novartis is responsible for manufacturing Zanaflex tablets and tizanidine, the API in both Zanaflex Capsules and Zanaflex tablets, for us through February 2007.

Novartis has informed us that it intends to discontinue tizanidine production by the end of 2005. It is our understanding that Novartis is currently in the process of qualifying an alternative tizanidine manufacturer. We have established relationships with the companies that currently formulate, bottle and package the tablets, however, we do not have an agreement with an alternative tizanidine manufacturer. It is the responsibility of each of Novartis and Elan to procure the API required to meet its contractual obligations to supply us with product. We do not anticipate an interruption in API supply. Novartis is currently transferring the methods of manufacturing tizanidine to Rohner, an API manufacturer in Pratteln, Switzerland. We have verified this transfer and plan to audit Rohner's manufacturing site towards the end of the first quarter of 2006, following the commencement of Rohner's manufacture of tizanidine. We have also identified an alternate source for tizanidine in collaboration with Elan. We do not anticipate entering into supply agreement for API with either party. Any cost associated with validating API suppliers would be incurred by Novartis or Elan. The costs of our audit of Rohner or any other supplier are not material and are considered part of our normal course of business.

Fampridine-SR

In September 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 requirements of Fampridine-SR from Elan unless Elan is unable 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 requirements from Elan.

As permitted by our agreement with Elan, we have designated Patheon, Inc. as a qualified second manufacturing source of Fampridine-SR. In connection with that designation, Elan assisted us in transferring manufacturing technology to Patheon. We and Elan have agreed that we may purchase up to 25% of our annual requirements from Patheon without making compensatory payments to Elan. In addition, Patheon may supply us with Fampridine-SR if Elan is unable or unwilling to meet our requirements.

Preclinical Products

We have established the internal capability to manufacture research quantities of antibody and protein product candidates and have contracted for testing and manufacturing development activities for GGF-2 to be performed by an outside contractor.

Intellectual Property

We have in-licensed, or are the assignee of, over 25 U.S. patents, over 60 foreign patents and over 65 patent applications pending in the United States or abroad. There are five major families of patents in our portfolio.

Zanaflex

As part of our 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 certain methods of reducing somnolence and reducing peak plasma concentrations in patients receiving tizanidine therapy. This issued patent expires in 2021. Our two pending U.S. patent applications are directed to multiparticulate formulations of tizanidine and certain other methods of using tizanidine. The process of seeking patent protection can be time consuming and we cannot assure you that patents will be issued from these pending applications or that, if patents are issued, they will be of sufficient scope to provide meaningful protection of our products.

In addition, we 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 technology and proprietary information. This proprietary 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 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 technology for specified purposes. We have the right to sublicense this know-how to a third party manufacturer, so long as this third party is not a technological competitor of Elan.

Elan has granted us a license that allows us to use the Zanaflex trademark in the United States and gave us the right to buy the Zanaflex trademark for a nominal sum once specified milestone and royalty payments have been made.

Fampridine-SR

We hold an exclusive, worldwide license from CSRO for a U.S. patent and its foreign counterparts for the use of fampridine in the treatment of spasticity and neuropathic pain in chronic SCI. The U.S. patent expires in 2013.

We hold an exclusive, worldwide license from Elan to three U.S. patents, with corresponding issued patents and pending applications in a number of foreign countries, relating to timed delivery formulations of a family of aminopyridine compounds, including fampridine, which also claim methods of administration and treatment for relevant neurological conditions. One of the three U.S. patents expires in 2011 and the other two U.S. patents expire in 2013.

We hold an exclusive license from Cornell University for an issued patent that relates to the use of aminopyridine compositions, including fampridine, for the treatment of diseases of anterior horn cells, including amyotrophic lateral sclerosis, which is also known as Lou Gehrig's disease. This patent expires in 2016.

We also have a pending U.S. patent application and its foreign equivalent directed to methods of using aminopyridines and a pending U.S. patent directed to aminopyridine formulations.

Chondroitinase

We have a license to a U.S. application and its foreign counterpart from King's College, University of Cambridge directed to treatment of CNS damage. We have recently filed a number of U.S. patent applications and their foreign counterparts directed to chondroitinase enzymes and methods of use and preparation. In particular, we have filed seven U.S. applications, with foreign equivalents to four of them, directed to fusion proteins of chondroitinase, chimeric proteins including chondroitinase, deletion mutants, and certain methods relating to chondroitinase.

Neuregulins

We are the exclusive licensee under a license agreement with CeNeS Pharmaceuticals, plc, of a worldwide portfolio of patents and patent applications related to products of neuregulin genes,

including GGF-2. These patents claim the use of particular neuregulins to treat various pathophysiological conditions, particularly stimulating myelinating cells in order to treat demyelinating conditions of the central and peripheral nervous system. These patents also claim a number of additional potential applications of neuregulins, including stimulation of growth in mammalian muscle cells and treating cardiac failure, peripheral neuropathy and nerve injury.

Remyelinating Antibodies

We are the exclusive licensee of a portfolio of patents and patent applications related to a series of remyelinating antibodies discovered in the laboratory of Dr. Moses Rodriguez at the Mayo Clinic in Rochester, Minnesota for the treatment of CNS disorders. One U.S. patent has been issued and foreign counterparts of this patent have also issued in Australia, Mexico, New Zealand and South Korea, as well as in Europe, where patents have been validated in Germany, Spain, France, Great Britain and Italy. Applications are pending elsewhere, including Canada and Japan.

Competition

The market for developing and marketing pharmaceutical products is highly competitive. We are aware of many biotechnology and pharmaceutical companies that are engaged in development and/or marketing of therapeutics for a broad range of CNS conditions. Many of our competitors have substantially greater financial, research and development, human and other resources than we do. Furthermore, many of these companies have significantly more experience than we do in preclinical testing, human clinical trials, regulatory approval procedures and sales and marketing.

Spasticity

Tizanidine, the active pharmaceutical ingredient in Zanaflex Capsules, Zanaflex tablets and generic tizanidine tablets, is one of the two leading FDA-approved treatments for spasticity, a symptom suffered by both MS and SCI patients. Zanaflex tablets were approved by the FDA in 1996 and lost compound patent protection in 2002. Eleven generic manufacturers of tizanidine are distributing their own tablet formulations. Baclofen, which is also available generically, is the other leading drug for the treatment of spasticity. The mechanism of action and associated effects of baclofen are different from those of tizanidine. Due to the different pharmacokinetic profile of Zanaflex Capsules, Zanaflex tablets and generic tizanidine tablets are not AB-rated with Zanaflex Capsules. To our knowledge there are currently no other treatments for spasticity in clinical development.

MS and SCI

Current disease management approaches to MS are classified either as relapse management or disease course management approaches. For relapse management, the majority of neurologists treat sudden and severe relapses with a four-day course of intravenous high-dose corticosteroids. Many of these corticosteroids are available generically. For disease course management, there are a number of FDA-approved MS therapies that seek to modify the immune system. These treatments attempt to reduce the frequency and severity of exacerbations or slow the accumulation of physical disability for people with certain types of MS, though their precise mechanisms of action are not known. These products include Avonex from Biogen-IDEC, Betaseron from Schering AG, Copaxone from Teva and Rebif from Serono.

Several biotechnology and pharmaceutical companies, as well as academic laboratories, are involved in research and/or product development for various neurological diseases, including MS and SCI. We are aware that Aventis 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 for SCI and any resulting product could compete with Fampridine-SR. Neurorecovery Inc. has publicly disclosed that it has an immediate release form of fampridine for peripheral nervous system conditions in Phase 2 trials and any resulting product might compete with Fampridine-SR. In certain

circumstances, pharmacists are not prohibited from formulating certain drug compounds to fill prescriptions on an individual patient basis. We are aware that at present compounded fampridine is used by some people with MS or SCI. Although we expect this use to decrease substantially if Fampridine-SR is approved, it is possible that some people will continue to use this formulation of fampridine. Several companies are engaged in developing products that include novel immune system approaches and cell transplant approaches to remyelination for the treatment of people with MS. These programs are in early stages of development and may compete with Fampridine-SR or our preclinical candidates in the future.

Our lead product candidate, Fampridine-SR, is the first product to our knowledge that acts to improve neurological function in subjects with MS. We are not aware of other companies in clinical development with products that specifically address walking ability in subjects with MS. As a result of its focus on improving function, we believe that Fampridine-SR may be complementary to both the relapse management and disease course management therapies that are commercially available. Nonetheless, Fampridine-SR will compete for market acceptance with these current treatments because they have been accepted and regularly prescribed to people with MS by physicians.

Government Regulation

FDA Regulation and Product Approval

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

In the United States, Zanaflex tablets, Zanaflex Capsules, and some of our product candidates are regulated by the FDA as drugs. Other of our product candidates are potentially regulated both as drugs and as 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, and local statutes and regulations. Biologics are also regulated under the Public Health Service Act, as amended. Violations of regulatory requirements at any stage may result in various adverse consequences, including FDA's and other health authorities' delay in approving or refusal to approve a product. Violations of regulatory requirements also may result in enforcement actions, including withdrawal of approval, labeling restrictions, seizure of products, fines, injunctions and/or civil or criminal penalties.

The process required 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 quality; and

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 preclinical and clinical data, proposed labeling and information to demonstrate that the product will be manufactured to appropriate standards of identity, purity and quality.

The research, 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 commercially viable basis, if at all.

Preclinical studies include laboratory evaluation of the product candidate, its chemistry, formulation and stability, as well as animal studies to assess its potential safety and efficacy. We then submit the results of the preclinical studies, 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 effective before we may begin human clinical trials. The IND becomes effective 30 days after the FDA acknowledges that the filing is complete, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the preclinical trials or the design of the proposed clinical trials as outlined in the IND. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can begin. Further, an independent Institutional Review Board charged with protecting the welfare of human subjects involved in research at each medical center proposing to conduct the clinical trials must review and approve any clinical trial and study subjects must provide informed consent for their participation in the research.

Human clinical 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, metabolism, distribution and excretion.

Phase 2. The drug is administered to a limited subject population to identify possible adverse effects and safety risks, to determine the efficacy of the product for specific targeted diseases and to 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 undertaken to further evaluate dosage and clinical efficacy and to further test for safety in an expanded population at geographically dispersed clinical trial sites.

In the case of product candidates for severe or life-threatening diseases such as MS, the initial human testing is often conducted in affected subjects rather than in healthy volunteers. Since these subjects already have the target condition, 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 Phase 1b clinical trials.

Before proceeding 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 types of studies are eligible for SPAs: (1) animal carcinogenicity studies, (2) final product stability studies, and (3) clinical studies for pivotal trials whose data will form the primary basis to establish a product's efficacy. 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 appropriately senior FDA official determines that a substantial scientific issue essential to determining the safety or effectiveness of the product was identified after the testing began. SPAs thus help establish up front agreement with the FDA about the adequacy of the design 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 the trial meets its endpoints with statistical significance, 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 a narrow set of uses or approval with restricted distribution or other burdensome post-approval requirements or limitations. There is thus no guarantee that a study will ultimately be adequate to support an approval even if the study is subject to an SPA.

U.S. law requires 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 already approved for the

treatment of the disease or condition under study must be used as a reference control. Studies must also be conducted in compliance with good clinical practice, or GCP, requirements.

We cannot be 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 FDA or the Institutional Review Boards or the sponsor 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 that study subjects are being exposed to an unacceptable health risk.

In the U.S., the results of product development, preclinical studies and clinical trials must be submitted to the FDA for review and approval prior to marketing and commercial shipment of the product candidate. If the product is regulated as a drug, a New Drug Application, or NDA, must be submitted and approved before commercial marketing may begin. If the product, such as an antibody, is regulated as a biologic, a Biologic License Application, or BLA, must be submitted and approved before commercial marketing may begin. The NDA or BLA must include a substantial amount of data and other information concerning the safety and effectiveness (and, in the case of a biologic, purity and potency) of the compound from laboratory, animal and clinical testing, as well as data and information on manufacturing, product stability, and proposed product labeling.

Each domestic 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 the FDA. The application will generally not be approved until the FDA conducts a manufacturing inspection, approves the applicable manufacturing process for the drug or biological product, and determines that the facility is in compliance with current good manufacturing practice, or cGMP, requirements. If the manufacturing facilities and processes fail to pass the FDA inspection, we will not receive approval to market these products.

Under the Prescription 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 manufacturing establishments and for approved products. These fees can be significant. The NDA or BLA review fee alone can exceed $700,000, although certain limited deferrals, waivers and reductions may be available.

Under applicable laws and FDA regulations, each NDA or BLA submitted for FDA approval is usually reviewed for administrative completeness and reviewability within 45 to 60 days following submission of the application. If deemed 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 deems incomplete or not properly reviewable. If the FDA 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 BLAs−six months for priority applications and 10 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 time. Moreover, the outcome of the review, even if 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. The FDA's review of an application may involve review and recommendations by an independent FDA advisory committee.

The FDA may 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 ultimately decide that the NDA or BLA does not satisfy the 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 contraindications, warning statements or precautions be included in the product labeling, require that additional studies be conducted following approval as a condition of the approval, impose restrictions and conditions on product distribution, prescribing or dispensing in the form of a risk management plan, or otherwise limit the scope of any approval or post-approval, or limit labeling. Once issued, the FDA may withdraw product approval if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market. In addition, the FDA may require testing and

surveillance programs to monitor the effect of 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 post-marketing programs.

Satisfaction of 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 may vary substantially, based upon the type, complexity and novelty of the pharmaceutical product candidate. Government regulation may delay or prevent marketing of potential products for a considerable period of time or permanently and impose costly procedures upon 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 commercially viable basis, if at all. Success in preclinical 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 and may be susceptible to varying interpretations which could delay, limit or prevent regulatory approval. Even if a product candidate receives regulatory approval, the approval may be significantly limited to specific indications. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. Delays in obtaining, or failures to obtain regulatory approvals would have a material adverse effect on our business. Marketing our product candidates abroad will require similar regulatory approvals and is subject to similar risks. In addition, we cannot predict what adverse governmental regulations may arise from future U.S. or foreign governmental action.

Any products manufactured or distributed by us pursuant to FDA clearances or approvals are subject to pervasive and continuing regulation by the FDA, including record-keeping requirements, reporting of adverse experiences with the drug, other reporting, advertising and promotion restrictions. The FDA's rules for advertising and promotion require in particular that we not promote our products for unapproved uses, and that our promotion be fairly balanced and adequately substantiated. We must also submit appropriate new and supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling or manufacturing process. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with current Good Manufacturing Practices, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. We cannot be certain that we or our present or future suppliers will be able to comply with the current Good Manufacturing Practices and other FDA regulatory requirements. The FDA also enforces the requirements of the Prescription Drug Marketing Act, or PDMA, which, among other things, imposes various requirements in connection with the distribution of product samples to physicians.

We and our product 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 regulations may hinder our ability to market our product candidates in those states or localities.

The FDA's policies may change and additional government regulations may be enacted which could prevent or delay regulatory approval of our potential products. Moreover, increased attention to the containment of health care costs 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 cannot predict the likelihood, nature or extent of adverse governmental regulation which might arise from future legislative or administrative action, either in the United States or abroad.

Orphan Drugs

Under the Orphan 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 affect fewer than 200,000 people in the U.S. Sponsors may request that FDA grant a drug orphan designation prior to

approval. We have received Orphan Drug designation for Fampridine-SR for the treatment of both MS and incomplete SCI.

Products designated as orphan drugs are eligible for special grant funding for research and development, FDA assistance with the review of clinical trial protocols, potential tax credits for research, reduced filing fees for marketing applications, and a special seven-year period of market exclusivity after marketing approval. Orphan drug exclusivity prevents FDA approval of applications by others for the same drug and the designated orphan disease or condition. FDA may approve a subsequent application 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 superior, or that the holder of the initial orphan drug approval cannot assure the availability of sufficient quantities of the drug to meet the public's need. In addition, even when a drug has orphan exclusivity, the FDA may approve a competing drug for the same orphan use. The FDA may also approve someone else's application for the same drug that has orphan exclusivity, but for a different use, in which case the 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 orphan designation is not a guarantee that a product 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 receiving approval for the same or a similar drug for the same or other uses.

Generic Drugs, AB Ratings and Pharmacy Substitution

Generic drugs are approved through an abbreviated process, which differs in important ways from the process followed for innovative products. Generally an abbreviated new drug application, or ANDA, is filed with the FDA. The ANDA must seek approval of a drug product that has the same active ingredient(s), dosage form, strength, route of administration, and conditions of use (labeling) as a so-called "reference listed drug" approved under an NDA with full supporting data to establish safety and effectiveness. Only limited exceptions exist to this ANDA sameness requirement, including certain limited variations approved by the FDA through a special suitability 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 rate and to the same extent as the reference listed drug. This is known as bioequivalence. In addition, the ANDA must contain information regarding the manufacturing processes and facilities that will be used to ensure product quality, and must contain certifications to patents listed with the FDA for the reference listed drug.

Every state has a law permitting or requiring pharmacists to substitute generic equivalents for brand-name prescriptions unless the physician has prohibited substitution. Managed care organizations often urge physicians to prescribe drugs with generic equivalents, and to authorize substitution, as a means of controlling costs. They also may require lower copayments as an incentive to patients to ask for and accept generics.

While the question 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 publication often referred to as the Orange Book. In general, a generic drug that is listed in the Orange Book as therapeutically 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 considered therapeutically equivalent, a generic 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 concentration and route of administration as the brand-name drug. Tablets and capsules are presently considered different dosage forms that are pharmaceutical alternatives and not substitutable pharmaceutical equivalents.

In addition to being pharmaceutical equivalents, therapeutic equivalents must be bioequivalent to their branded counterparts. Bioequivalence for this purpose is defined in the same manner as for

ANDA approvals, and usually requires a showing of comparable rate and extent of absorption in a small human study.

Solid oral dosage form drug products generally are rated AB in the Orange Book if they are considered therapeutic equivalents. If bioequivalence has been adequately demonstrated, the products will be rated "AB."

Foreign Regulation and Product Approval

Outside the United States, our ability to market a product candidate is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Community, or EC, registration procedures are available to companies wishing to market a product in more than one EC member state. If the regulatory authority is satisfied that adequate evidence of safety, quality and efficacy has been presented, a marketing authorization will be granted. This foreign regulatory approval process involves all of the risks associated with FDA clearance discussed above.

Other Regulations

In the U.S., the research, manufacturing, distribution, sale, and promotion of drug and biological products are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration), other divisions of the U.S. Department of Health and Human Services (e.g., the Office of Inspector General), the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments. For example, sales, marketing and scientific/educational grant programs must comply with the 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 Insurance Portability and Accountability Act, or HIPAA, and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements 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 authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with such laws and regulations now or in the future.

Reimbursement and Pricing Controls

In many of the markets where we or our collaborative partners would commercialize a product following regulatory approval, the prices of pharmaceutical products are subject to direct price controls (by law) and to drug reimbursement programs with varying price control mechanisms.

In the United 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 purchases in the United States, federal legislation requires pharmaceutical manufacturers to pay prescribed rebates on certain drugs to enable them to be eligible for reimbursement under certain public health care programs such as Medicaid. Various states have adopted further mechanisms under Medicaid and otherwise that seek to control drug prices, including by disfavoring certain higher priced drugs and by seeking supplemental rebates from manufacturers. Managed care has also become a potent force in the market place that increases downward pressure on the prices of pharmaceutical products. Federal legislation, enacted in

December 2003, has altered the way in which physician-administered drugs covered by Medicare are reimbursed. Under the new reimbursement methodology, physicians are reimbursed based on a product's "average sales price," or ASP. This new reimbursement methodology has generally led to lower reimbursement levels. The new federal legislation also has added an outpatient prescription drug benefit to Medicare, effective January 2006. In the interim, Congress has established a discount drug card program for Medicare beneficiaries. Both benefits will be provided primarily through private entities, which will attempt to negotiate price concessions from pharmaceutical manufacturers.

Public and private health care payors control costs and influence drug pricing through a variety of mechanisms, including through negotiating discounts with the manufacturers and through the use of tiered formularies and other 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 will be deemed medically appropriate and therefore reimbursed or otherwise covered. In particular, many public and private health care payors limit reimbursement and coverage to the uses of a drug that are either approved by the FDA or that are supported by other appropriate evidence (for example, published medical literature) and appear in a recognized drug compendium. Drug compendia are publications that summarize the available medical evidence for particular drug products and identify which uses of a drug are supported or not supported by the available evidence, 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 Omnibus Budget Reconciliation Act of 1993, or OBRA '93, with certain exceptions, prohibits Medicare carriers from refusing to cover unapproved uses of an FDA-approved drug if the unapproved use is supported by one or more citations in the American Hospital Formulary Service Drug Information, the American Medical Association Drug Evaluations, or the U.S. Pharmacopoeia Drug Information. Another commonly cited compendium, for example under Medicaid, is the DRUGDEX Information System.

Different pricing and reimbursement schemes exist in other countries. For example, in the European Union, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national 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 jurisdictions operate positive and/or negative list systems 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 medicines, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products, as exemplified by the National Institute for Clinical Excellence in the UK which evaluates the data supporting new medicines and passes reimbursement recommendations to the government. In addition, in some countries cross-border imports from low-priced markets (parallel imports) exert a commercial pressure on pricing within a country.

Employees

As of January 3, 2006, we had 67 employees. Of the 67 employees, 24 perform research and development activities, including both preclinical programs and clinical trials, 29 work in sales, marketing, business development and communications and 14 perform general and administrative tasks.

Facilities

Our principal executive offices are located in an approximately 30,000 square foot facility in Hawthorne, NY, which houses offices and laboratory space. The current annual rent for this facility is $642,000. We believe that our facility is currently adequate for our purposes and that it will continue to be so for the foreseeable future. The lease for this facility expires in January 2008.

Legal Proceedings

We are not currently a party to any material legal proceedings.

Executive Officers and Directors

The following table sets forth, as of December 31, 2005, information about our executive officers and directors.

Name	Age	Position(s)
Ron Cohen, M.D.	49	President, Chief Executive Officer and Director
Andrew R. Blight, Ph.D.	55	Chief Scientific Officer
Mary Fisher	44	Chief Operating Officer
David Lawrence, M.B.A.	48	Chief Financial Officer
Jane Wasman	49	Executive Vice President, General Counsel and Secretary
Standish M. Fleming(2)	58	Director
John Friedman	52	Director
Sandra Panem, Ph.D.(1)	59	Director
Barclay A. Phillips(2)	43	Director
Mark R.E. Pinney, M.B.A., C.F.A., M.S.	51	Director
Steven M. Rauscher(1)	52	Director
Michael Steinmetz, Ph.D.(2)	58	Director
Wise Young, Ph.D., M.D.(1)	55	Director

(1) Member of the executive compensation committee

(2) Member of the audit committee

Ron Cohen, M.D., has served as our President and Chief Executive Officer since he founded Acorda in 1995. Dr. Cohen previously was a principal in the startup of Advanced Tissue Sciences, Inc., a biotechnology company engaged in the growth of human organ tissues for transplantation uses. Dr. Cohen received his B.A. degree with honors in Psychology from Princeton University, and his M.D. from the Columbia College of Physicians & Surgeons. He completed a residency in Internal Medicine at the University of Virginia Medical Center, and is Board Certified in Internal Medicine. Dr. Cohen serves on the Board of Directors of Zymenex A/S, a Danish pharmaceutical company, and on the Emerging Company Section of the Board of the Biotechnology Industry Organization (BIO). He is Chairman Emeritus and a Director of the Board of the New York Biotechnology Association and also serves as on the Scientific Advisory Board of the Daniel Heumann Fund and as a member of the Columbia-Presbyterian Health Sciences Advisory Council.

Andrew R. Blight, Ph.D., has been our Chief Scientific Officer since January 2004 and previously served as our Executive Vice President, Research and Development from 2000 to 2004, and Vice President, Research and Development, from 1998 to 2000. Prior to joining Acorda, Dr. Blight spent approximately six years as Professor and Director of the Neurosurgery Research Laboratory at the University of North Carolina at Chapel Hill. Dr. Blight held prior academic positions at Purdue University and New York University. Dr. Blight is a leader in SCI pathophysiology research and has made several important contributions to the field, particularly on the role of demyelination in SCI. He also pioneered the therapeutic application of 4-AP in SCI animal models and in human clinical trials. Dr. Blight is a member of the editorial board of the Journal of Neurotrauma and has served as a member of the NIH NSDA review committee. He was previously Secretary, Treasurer and Vice President of the National Neurotrauma Society. Dr. Blight received his B.S. in Zoology and his Ph.D. in Zoology/ Neurobiology from the University of Bristol, U.K.

Mary Fisher has been our Chief Operating Officer since January 2005 and previously served as our Vice President, Commercial Operations from 2003 through 2004 and Vice President, Marketing

and Strategic Planning from 2000 to 2003. From 1999 to 2000, Ms. Fisher was an independent consultant to various pharmaceutical companies. From 1994 to 1999, Ms. Fisher was Vice President, Strategic Healthcare and Commercial Operations for Cephalon, Inc. In that capacity she was responsible for the company's corporate sales, managed care marketing, pricing, reimbursement, health economics, patient support programs, product planning, commercial manufacturing, distribution and customer service. From 1990 until joining Cephalon, Ms. Fisher was Corporate Communications Manager for Immunex Corporation.

David Lawrence, M.B.A., has been our Chief Financial Officer since January 2005. He previously served as our Vice President, Finance from January 2001 through 2004, and Director, Finance from 1999 to 2001. From 1991 to 1999, Mr. Lawrence held several positions for Tel-Air Communications, Inc. including Vice President and Controller. Prior to Tel-Air, he held financial management positions of Controller and Finance Manager for Southwestern Bell and Metromedia Telecommunications respectively. Mr. Lawrence received his undergraduate degree in Accounting from Roger Williams College, and an M.B.A in Finance from Iona College. Mr. Lawrence is a founding member and currently serves on the Board of Directors as Treasurer of The Brian Ahearn Children's Fund.

Jane Wasman, J.D., has been our Executive Vice President, General Counsel and Corporate Secretary since May 2004. From 1995 to 2004, Ms. Wasman held various leadership positions at Schering-Plough Corporation, including Staff Vice President and Associate General Counsel responsible for legal support for U.S. Pharmaceuticals operations, including sales, marketing and compliance; FDA regulatory matters; global research and development; and, corporate licensing and business development. She served as Staff Vice President, International in 2001 and as Staff Vice President, European Operations−Legal from 1998 to 2000. Previously, Ms. Wasman specialized in litigation at Fried, Frank, Harris, Shriver & Jacobson. She also served as Associate General Counsel to the U.S. Senate Committee on Veteran's Affairs. Ms. Wasman graduated Magna Cum Laude from Princeton University and earned her J.D. from Harvard Law School.

Standish M. Fleming has been a member of our Board of Directors since 2004. He is a 19-year veteran of life sciences venture capital investing. Mr. Fleming co-founded Forward Ventures in 1993. Before establishing Forward Ventures II in 1993, Mr. Fleming served as start-up chairman, president and CEO of GeneSys Therapeutics (now part of Cell Genesys). He has served as founding director and acting president of Triangle Pharmaceuticals (now part of Gilead Sciences, Inc.), CombiChem (now part of Bristol-Myers Squibb) and Corixa and GenQuest (now both part of GlaxoSmithKline). Mr. Fleming was a founding board member of Ciphergen Biosystems and Gryphon Sciences. He is a former president of the Biotechnology Venture Investors Group. Mr. Fleming began his venture career with Ventana Growth Funds in San Diego in 1986. Mr. Fleming earned his B.A. from Amherst College and his M.B.A. from the UCLA Graduate School of Management. Mr. Fleming has served on the boards of 19 venture-backed companies and is also currently a director of Ambit and Sanarus Medical, and a founding director of Arizeke Pharmaceuticals and Nereus Pharmaceuticals.

John Friedman has been a member of our Board of Directors since 2003. Mr. Friedman is the Managing Partner of Easton Hunt Capital Partners, L.P., a private investment firm that he founded in 1999. Since 1991, Mr. Friedman has also been the President of Easton Capital Corp., a private investment firm. He also helped manage Atrium Capital Corporation, an investment firm, from 1991 to 1993. From 1989 to 1991, Mr. Friedman was the founder and Managing General Partner of Security Pacific Capital Investors, a private investment firm. Prior to joining Security Pacific, Mr. Friedman was a Managing Director and Partner at E.M. Warburg, Pincus & Co., Inc., where he was employed from 1981 to 1989. From 1978 to 1980, Mr. Friedman was an attorney with Sullivan & Cromwell LLP and during 1980 he was employed at Shearson Loeb Rhoades. Mr. Friedman received a B.A. in History from Yale College and a J.D. degree from Yale Law School. Mr. Friedman is a member of the board of directors of Comverse Technology, Inc., a telecommunications equipment company, YM BioSciences, Inc., a

biotechnology company, Renovis, a biotechnology company, Conor Medsystems, Inc., a drug delivery technology company, as well as several private companies. Mr. Friedman is also co-chairman of the President's Council of the Cold Spring Harbor Laboratory.

Sandra Panem, Ph.D., has been a member of our Board of Directors since 1998. She is currently a partner at Cross Atlantic Partners, which she joined in 2000. From 1994 to 1999, Dr. Panem was President of Vector Fund Management, the then asset management affiliate of Vector Securities International. Prior thereto, Dr. Panem served as Vice President and Portfolio Manager for the Oppenheimer Global BioTech Fund, a mutual fund that invested in public and private biotechnology companies. Previously, she was Vice President at Salomon Brothers Venture Capital, a fund focused on early and later-stage life sciences and technology investments. Dr. Panem was also a Science and Public Policy Fellow in economic studies at the Brookings Institution, and an Assistant Professor of Pathology at the University of Chicago. She received a B.S. in biochemistry and Ph.D. in microbiology from the University of Chicago. Dr. Panem currently serves on the boards of directors of Martek Biosciences Corp., Bioject Medical Technologies, Inc., Labcyte, Inc. and Confluent Surgical, Inc.

Barclay A. Phillips has been a member of our Board of Directors since September 2004. Mr. Phillips has been a Managing Director of Vector Fund Management, a venture capital firm focused on investments in the life sciences and healthcare industry, since 1999. From 1991 to 1999, Mr. Phillips served in various roles including Director of Private Placements and Biotechnology Analyst for INVESCO Funds Group, Inc. From 1985 to 1990, Mr. Phillips held positions in sales and trading with Paine Webber, Inc. and Shearson Lehman Hutton, Inc. Over the last twelve years, Mr. Phillips has served on the boards of a number of private companies and currently serves as a Director of CancerVax Corp. Mr. Phillips received a B.A. in economics from the University of Colorado.

Mark R. E. Pinney, M.B.A., C.F.A., M.S., joined our Board of Directors at our founding. He was also our Chief Financial Officer from 2001 to 2004. Since 2004, he has served as Chief Financial Officer and Chief Privacy Officer of Tacoda Systems, Inc. From 2000 to 2001, Mr. Pinney was Chairman of CanDo, Inc., an Internet company that offered product and service solutions to people with disabilities. In 1998, he co-founded and was Chief Executive Officer of LifeWire, Inc., a company developing community-based destination web sites for the disability population. LifeWire merged with CanDo in 2000. Mr. Pinney also co-founded Real Media, Inc., an Internet advertising software and services firm, in 1996. From 1984 to 1988, he was Vice President, Corporate Finance for Merrill Lynch Capital Markets and from 1988 to 1992, he was Vice President, Private Transactions at Dillon Read & Co., Inc. Mr. Pinney also serves on the Advisory Board of United Spinal Association. He received an undergraduate degree in engineering at the University of Exeter, England, an M.B.A. from the University of Chicago Graduate School of Business and a masters degree in engineering from Columbia University. He is a Chartered Financial Analyst.

Steven M. Rauscher has served on our Board of Directors since 2005. He is President and CEO of Oscient Pharmaceuticals Corporation, a commercial stage biopharmaceutical company. He joined Oscient in 2000 having served as a member of the Board of Directors since 1993. Previously, Mr. Rauscher was CEO of AmericasDoctor, a company providing clinical research services to the pharmaceutical industry. Prior to AmericasDoctor, he held a number of leadership positions at Abbott Laboratories, including Vice President of Corporate Licensing, Vice President of Business Development, International Division and Vice President of Sales, U.S. Pharmaceuticals. Mr. Rauscher received a B.S. from Indiana University and an M.B.A. from the University of Chicago.

Michael Steinmetz, Ph.D., has been a member of our Board of Directors since 1999. Dr. Steinmetz is a Managing Director at Clarus Ventures LLC, a company he co-founded in 2005. From 1999 to June 2005, he was a General Partner of MPM's BioVentures' Funds. Prior to MPM, he held positions at various academic institutions, including the California Institute of Technology and the Basel Institute for Immunology where he was a permanent member. In 1986, he joined Hoffmann-La Roche and held

various leadership positions in R&D, initially in Switzerland and subsequently in the United States where, as Vice President of Preclinical Research and Development, he was responsible for Roche's drug discovery activities in the United States and Roche's global biotechnology efforts. Dr. Steinmetz received a degree in chemistry from the University of Hamburg, Germany and holds a Ph.D. from the University of Munich, Germany. He has done academic research in the areas of Biochemistry, Molecular Biology and Immunology and has published over 130 manuscripts in leading scientific journals.

Wise Young, Ph.D., M.D., has been a member of the board of directors and of our scientific advisory board since the founding of the company in 1995. Dr. Young has been at Rutgers University since 1997, where he serves as Professor and Chair of the Department of Cell Biology and Neuroscience, Professor II and Director of the Neuroscience Center and founder of the W.M. Keck Center for Neuroscience. Dr. Young is one of the preeminent scientists in the fields of spinal cord injury and neurotrauma, SCI animal models, and the pharmacological therapy of SCI. He was the Principal Investigator for the Multicenter Animal Spinal Cord Injury Study, funded by the National Institutes of Health; is editor-in-chief of *Current Concepts in Critical Care and Trauma*; and serves on numerous editorial boards, including those of *Experimental Neurology, Journal of Neurotrauma, Brain Research* and *Stroke*. Dr. Young has received the Wakeman Award for Research in Neurosciences, and a Jacob Javits Neuroscience Award from the National Institute of Neurological Disorder and Stroke. He is also a member of the Scientific Advisory Council of the American Paralysis Association and of the National Acute Spinal Cord Injury Study executive committee. Dr. Young received a B.A. in biology and chemistry from Reed College, a Ph.D. in physiology and biophysics from the University of Iowa and an M.D. from Stanford University.

Board Composition

Our board of directors currently has nine members. Upon completion of this offering, our board of directors will consist of nine directors divided into three classes, with each class serving for a term of three years:

- the class I directors will be Mr. Pinney, Dr. Steinmetz and Mr. Fleming; their terms will expire at the annual meeting of stockholders to be held in 2006;

- the class II directors will be Dr. Panem, Dr. Young and Mr. Friedman; their terms will expire at the annual meeting of stockholders to be held in 2007; and

- the class III directors will be Dr. Cohen, Mr. Rauscher and Mr. Phillips; their terms will expire at the annual meeting of stockholders to be held in 2008.

At each annual meeting of stockholders, the successors to directors whose terms will then expire will be elected for three-year terms. This classification of the board of directors may have the effect of delaying or preventing changes in control or management. See "Risk Factors−Certain provisions of Delaware law, our certificate of incorporation and our by-laws may delay or prevent an acquisition of us that stockholders may consider favorable or may prevent efforts by our stockholders to change our directors or our management, which could decrease the value of your shares."

We believe that a majority of the members of our Board of Directors will be independent under the current independence requirements of the Nasdaq National Market and the Securities and Exchange Commission, or the SEC. The authorized number of directors may be changed by resolution adopted by a majority of the board of directors.

Board Observation Rights

In connection with our Revenue Interests Assignment Agreement with PRF, we granted PRF the right to appoint a representative to receive all notices and materials provided to our board of directors

and to attend as an observer all meetings of our board of directors, subject to certain exceptions. Mr. Gregory B. Brown, M.D. is the initial representative designated by PRF for such purpose. This right will terminate on the earlier to occur of the fourth anniversary of the completion of an initial public offering of shares of our common stock or termination of our agreement with PRF.

Director Compensation

Our outside directors compensation policy provides that new outside directors on our board receive an initial grant of stock options in the amount of 0.2% of the fully diluted shares of our common stock, or a comparable adjusted number of stock appreciation rights or shares of restricted stock, with a fair market value exercise price and a three-year quarterly vesting schedule commencing on the date of the award, unless they hold at least an equivalent amount of common stock through prior ownership. On an annual basis, at the discretion of the board of directors upon the recommendation of the compensation committee, outside directors can receive stock options in the amount of up to 0.02% of the fully diluted shares of our common stock, or a comparable adjusted number of stock appreciation rights or shares of restricted stock, with a fair market value exercise price and a one-year quarterly vesting schedule. Upon consummation of this offering, this compensation policy will be extended to all of the outside directors on our board of directors. Directors are also reimbursed for reasonable expenses related to their service on our board of directors.

Board Committees

Our board of directors has an audit committee, a compensation committee and a nominations committee.

Audit Committee

Our audit committee consists of Mr. Phillips, Mr. Fleming and Dr. Steinmetz. Mr. Phillips serves as chair of our audit committee. Our board of directors has determined that Mr. Fleming qualifies as an "audit committee financial expert" as that term is defined in Item 401(h) of Regulation S-K of the Securities Act. We believe that the composition of our audit committee meets, and the functioning of our audit committee will comply with, the applicable requirements of the Sarbanes-Oxley Act of 2002, the Nasdaq National Market and SEC rules and regulations.

Our audit committee is responsible for:

approving and retaining the independent auditors to conduct the annual audit of our books and records;

reviewing the proposed scope and results of the audit;

reviewing and pre-approving the independent auditors' audit and non-audit services rendered;

approving the audit fees to be paid;

reviewing accounting and financial controls with the independent auditors and our financial and accounting staff;

reviewing and approving transactions between us and our directors, officers and affiliates;

recognizing and preventing prohibited non-audit services;

establishing procedures for complaints received by us regarding accounting matters;

overseeing internal audit functions; and

overseeing non-financial compliance.

We have adopted a written audit committee charter that we will make available on our website.

Compensation Committee

Our compensation committee consists of Dr. Panem, Mr. Rauscher and Dr. Young. Dr. Panem serves as chair of our compensation committee. We believe that the composition of our compensation committee meets, and the functioning of our compensation committee will comply with, the applicable requirements of the Nasdaq National Market and SEC rules and regulations. Our compensation committee is responsible for:

- reviewing and recommending the compensation arrangements for executives, including the compensation for our president and chief executive officer;
- establishing and reviewing general compensation policies with the objective to attract and retain superior talent, to reward individual performance and to achieve our financial goals; and
- administering our stock incentive plan and annual bonus pool.

We have adopted a written compensation committee charter that we will make available on our website.

Nominations Committee

Effective upon the closing of this offering, our nominations committee will consist of Mr. Friedman, Dr. Panem and Dr. Steinmetz. Mr. Friedman will serve as chair of the committee. The nominations committee will be responsible for identifying potential candidates to serve on our board. We have approved a written nominations committee charter that also will be effective upon the closing of this offering and that sets forth procedures for the consideration of director nominees and other related matters.

Code of Ethics

Our board of directors has adopted a code of ethics for all directors, officers and employees. We will make this code available on our website upon completion of this offering.

Compensation Committee Interlocks and Insider Participation

The compensation of our executive officers is currently determined by our compensation committee, as described above. None of our executive officers has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Dr. Panem is affiliated with Cross Atlantic Partners, which participated in the sale of our Series J preferred stock in a private placement consummated in May 2003. Pursuant to an amended and restated registration rights agreement among us and certain of our stockholders, including entities affiliated with Dr. Panem, the parties to the registration rights agreement have demand and piggy-back registration rights. See "Certain Relationships and Related Transactions."

Executive Compensation

The following summary compensation table sets forth the aggregate compensation awarded to, earned by or paid to the following individuals during the fiscal year ended December 31, 2005:

- our chief executive officer; and
- our four other most highly compensated executive officers who were serving as executive officers as of December 31, 2005.

We refer to these individuals as our "named executive officers."

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation Salary	Bonus(2)	Long-Term Compensation Securities Underlying Restricted Stock Award(3)	Options(4)
Ron Cohen, M.D. President and Chief Executive Officer	2005	$ 305,000	$ 0	260,385	51,265
Andrew R. Blight, Ph.D. Chief Scientific Officer	2005	$ 215,000	$ 0	97,385	52,338
Mary Fisher Chief Operating Officer	2005	$ 225,000	$ 0	157,231	132,323
Jane Wasman Executive VP & General Counsel	2005	$ 225,000	$ –	77,615	44,769
David Lawrence M.B.A. Chief Financial Officer	2005	$ 180,000	$ 0	64,231	70,109
				835,847(1)	350,804

(1) The total aggregate restricted stock holdings as of December 31, 2005.

(2) Bonuses were earned in 2005 and will be paid in 2006. The amounts have not yet been determined.

(3) These restricted stock awards are subject to vesting over a four-year period as follows: the first installment will vest on the last to occur of (a) the expiration of the lock-up period following our initial public offering, and (b) the third day after public announcement of data regarding either the primary outcome measure of our Fampridine-SR Phase 3 trial in MS or suspension or termination of the trial, whichever comes first, and (c) in the case of Ron Cohen, June 30, 2007; except that if the vesting date under (a) or (b) or (c) would occur during a "blackout" period under our insider trading policy, the vesting date will be the first day following termination of the blackout period. The first vested installment under each restricted stock award will be calculated as the total number of shares covered by the award multiplied by a fraction, the numerator of which is the number of months from the vesting commencement date to the date on which the first installment of restricted shares vest, or the "initial vesting date," and the denominator is 48. All remaining restricted shares will vest in equal quarterly installments, measured from the vesting commencement date, except that for any partial quarter in which the initial vesting date occurs, the unvested portion of shares remaining for that quarter will vest at the end of such quarter. The vesting commencement date for each of these individuals was March 9, 2004, with the exception of Ms. Wasman, whose vesting commencement date was May 10, 2004.

(4) Stock options were granted in 2005 with a four-year vesting schedule vesting in equal quarterly installments.

Stock Options

Aggregate Exercise of Stock Options and Year-end Option Values

The following table contains information regarding the number of shares of common stock subject to both exercisable and unexercisable stock options, as well as the value of unexercisable in-the-money options as of December 31, 2005 for the named executive officers. There was no public market for our common stock as of December 31, 2005. Accordingly, the value of unexercised in-the-money options as of such date has been calculated by determining the difference between the exercise price per share

and an assumed offering price of $ per share, which is the midpoint of the estimated price range shown on the cover of this prospectus.

Name	Shares Acquired on Exercise	Value Realized ($)	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the-Money Options at December 31, 2005	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ron Cohen	0	0	665,721	38,452	$	$
Andrew Blight	0	0	108,205	39,255		
Mary Fisher	0	0	69,965	99,245		
Jane Wasman	0	0	11,193	33,576		
David Lawrence	0	0	46,415	52,584		

The following table sets forth the number of shares underlying options that have been issued to each of the named executive officers in calendar year 2005. No stock appreciation rights have been granted to these individuals. The potential realizable value set forth in the last column of the table is calculated based on the term of the option at the time of grant, which is ten years. This value is based on assumed rates of stock price appreciation of 0%, 5% and 10% compounded annually from the date of grant until their expiration date, assuming a fair market value equal to the mid-point of the estimated price range of an offering, minus the applicable exercise price. These numbers are calculated based on the requirements of the SEC and do not reflect our estimate of future stock price growth. Actual gains, if any, on stock option exercises will depend on future performance of the common stock on the date on which the options are exercised.

Name	Number of Shares Underlying Stock Options Granted in Calendar Year 2005(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/share)	Market Price on Date of Grant ($/ share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
						5%	10%
Ron Cohen	51,265	8.8%	$ 8.14		1/1/2015		
Andrew Blight	52,338	9.0%	$ 8.14		1/1/2015		
Mary Fisher	132,323	22.7%	$ 8.14		1/1/2015		
Jane Wasman	44,769	7.7%	$ 8.14		1/1/2015		
David Lawrence	70,109	12.0%	$ 8.14		1/1/2015		

(1) The stock options are granted with a four-year vesting schedule, vesting in equal quarterly installments.

(2) Amounts represent hypothetical gains that could be achieved for stock options if exercised at the end of the option term. The potential realizable values at 5% and 10% appreciation are calculated by (i) multiplying the number of common shares of common stock subject to a given stock option by a fair market value of $ price per share; (ii) assuming that the aggregate stock value derived from that calculation compounds at the annual rate of 5% or 10% shown in the table from September 30, 2005 until the expiration of the option; (iii) subtracting from that result the aggregate option exercise price.

Stock Incentive Plans

Our board of directors has adopted two equity incentive plans: our 2006 Stock Incentive Plan (the 2006 Plan) and our 1999 Employee Stock Option Plan (the 1999 Plan and, together with the 2006 Plan, the Plans). A total of 3,723,736 shares of our common stock will be available for issuance under the Plans, including 700,522 shares remaining eligible for the grant of awards. Following the effective date of the 2006 Plan, no additional awards will be made under the 1999 Plan.

The 2006 Plan, adopted on January 3, 2006, will become effective on the date as of which it is approved by our stockholders. The 1999 Plan was adopted by our board of directors in June 1999. The Plans allow us to issue incentive and nonstatutory stock options, restricted stock awards and stock

appreciation rights for shares of our common stock. The 2006 Plan will terminate ten years after the effective date of the plan.

There are a total of 3,723,736 shares of common stock that will be available for issuance under the 2006 Plan (including an amount to be added under the "evergreen" provision described below on the day the plan is approved by the shareholders), which includes the shares issuable upon the exercise of outstanding awards under the 1999 Plan and a number of shares equal to the remaining shares reserved for awards under the 1999 Plan. In addition, the 2006 Plan contains an "evergreen" provision which provides for automatic annual increases to the share reserve under the 2006 Plan on the first day of each fiscal year by a number of shares equal to the lesser of:

4% of our then outstanding shares of common stock; or

a number of shares determined by our board of directors.

Although a similar evergreen provision is contained in our 1999 Plan, this provision has been amended, effective upon the adoption of the 2006 Plan by our board of directors, so as not to increase the reserved shares under the 1999 Plan.

Our compensation committee administers the Plans, selects those persons who are to be granted awards under the 2006 Plan and determines the terms and conditions of those awards. Our directors, key employees, independent contractors, agents and consultants are eligible to receive awards under our Plans, but only employees and officers may receive incentive stock options.

The exercise price per share of the incentive stock options awarded under the Plans must be at least equal to the fair market value of a share of our common stock on the date of grant. The exercise price per share of nonstatutory stock options awarded under the Plans must be equal to the fair market value of a share of our common stock on the date of grant, or such other price that the compensation committee may determine is appropriate. The compensation committee determines the exercise period of the stock options, but in no event will the stock options expire later than ten years from the date of grant. Except as the compensation committee may otherwise determine, upon the voluntary termination or involuntary termination without cause of the option holder, the stock options may be exercised for a period of three months after such termination. In the case of termination of the option holder by reason of retirement or due to disability, the stock options may be exercised at any time to the extent that such stock option was vested, but only within one year of termination in the case of incentive stock options. In the case of termination by death, the option holder's estate, or any person who acquires the stock option by reason of the option holder's death, may exercise the stock option within a period of three years after the option holder's death.

An award under our Plans will become vested only if the vesting conditions set forth in the award agreement, as determined by the compensation committee, are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance objectives or a combination of the two types of criteria. Performance objectives may be based on financial or operating measures. In granting performance-based awards under the 2006 Plan, which are regulated by Section 162(m) of the Internal Revenue Code, the compensation committee is bound to follow the criteria established under the 2006 Plan.

Under the 2006 Plan, upon a reorganization event, as defined, each outstanding award under the 2006 Plan, with certain exceptions, must either be assumed or an equivalent award substituted by the successor entity in the reorganization. If an award is assumed and, within 18 months after the reorganization event the recipient's employment is terminated without cause or he or she terminates employment for good reason, the award will become exercisable in full. If the successor entity does not assume outstanding awards at the time of a reorganization event, the compensation committee must provide that either (i) all or some portion of outstanding awards will be accelerated immediately prior to the reorganization event, or (ii) all outstanding awards will terminate upon consummation of the reorganization event and each recipient of an award will receive, in exchange for the award, a cash

payment equal to the value of the award, or (iii) if our common stock remains publicly traded, the awards will remain in place unchanged.

Under the 1999 Plan, in the event of a tender offer by a person or persons other than us, for all or any part of the outstanding stock which, following consummation of the tender offer would result in the offeror's or offerors' owning, beneficially or of record, an aggregate of more than 25% of our outstanding common stock, or in the event of a change of control as defined, stock options under the 1999 Plan will become immediately exercisable to the extent of the total number of shares subject to the stock options. The compensation committee may authorize payment of cash upon exercise of a stock appreciation right in the event of a tender offer as described above, or a change of control.

In September 2003, we repriced 115,578 stock options issued to employees, which had an exercise price per option of more than $7.64, with a new exercise price of $7.64. In March 2004, we repriced 1,227,648 stock options issued to employees, which had an exercise price per option of more than $2.60, with a new exercise price per option of $2.60. We recognized additional compensation charges for these repricings (see Note 9 to our consolidated financial statements included in this prospectus).

401(k) Plan

Effective September 1, 1999, we adopted a defined contribution 401(k) savings plan covering all of our employees. Participants may elect to defer a percentage of their annual pre-tax compensation to the 401(k) plan, subject to defined limitations. Our board of directors has discretion to match contributions made by our employees. We did not make any matching contributions to the plan in fiscal years 2000, 2001, 2002 or in calendar years 2003 and 2004.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

We are a party to an employment agreement with Dr. Cohen that governs the terms and conditions of his employment as our President and Chief Executive Officer. The employment agreement provides for a base annual salary of $280,000, subject to annual increases and bonuses at the discretion of the board of directors. His current salary is $305,000. Dr. Cohen is eligible to receive annual performance-based stock options to purchase common stock in an amount determined by the board of directors based on Dr. Cohen's individual performance and the achievement of our goals and objectives. Dr. Cohen's employment agreement would have expired in January 2004, but is subject to automatic successive one-year renewal periods unless either Dr. Cohen or we give the other written notice at least 60 days prior to the expiration date that Dr. Cohen or we do not intend to renew the contract. Dr. Cohen's employment agreement has been renewed effective January 2005 for a one-year period. In the event we terminate the agreement with Dr. Cohen without cause, or if Dr. Cohen voluntarily terminates the agreement with good reason, we are obligated to make severance payments equal to one year's base annual salary and COBRA premium payments for the severance period plus a bonus equal to his prior year's bonus pro rated for the number of days worked prior to termination. In such event, all of Dr. Cohen's options will become immediately exercisable and will remain exercisable for 48 months following termination. If Dr. Cohen's employment terminates for death or disability, we are obligated to pay his base salary for three months and COBRA premiums for the COBRA coverage period and 65% of his outstanding options will become immediately vested and remain exercisable for 48 months following such termination. In the event of a change in control, the vesting of Dr. Cohen's options will be governed by the terms of our stock option plan and his stock option agreement, but in no event will less than 65% of Dr. Cohen's then unvested stock options become immediately vested and exercisable. If Dr. Cohen voluntarily terminates his employment without good reason following a change in control, he is entitled to receive the same severance and bonus package described above, however, only 65% of his outstanding options will become immediately vested and remain exercisable for 48 months following termination. Following his termination of employment, Dr. Cohen will remain subject to confidentiality, non-competition and non-solicitation covenants for one year in the case of non-competition and non-solicitation and five years in the case of confidentiality.

On September 26, 2004, we entered into an amendment to Dr. Cohen's employment agreement to increase the amount of severance to which he would be entitled in the event of a termination of his employment by us without cause or by Dr. Cohen with good reason from one year to 15 months and to make such severance, together with his prorated bonus, payable in one lump sum within 30 days after such termination.

We are party to an employment agreement with Dr. Blight that governs the terms and conditions of his employment as our Chief Scientific Officer. The employment agreement provides for a base annual salary of $215,000, subject to annual review by Dr. Cohen and by the compensation committee of the Board of Directors. His current salary is $215,000.

We are party to an employment agreement with Ms. Fisher that governs the terms and conditions of her employment as our Chief Operating Officer. The employment agreement provides for a base annual salary of $225,000, subject to annual review by Dr. Cohen and by the compensation committee of the Board of Directors. Her current salary is $225,000.

We are party to an employment agreement with Mr. Lawrence that governs the terms and conditions of his employment as our Chief Financial Officer. The employment agreement provides for a base annual salary of $180,000, subject to annual review by Dr. Cohen and by the compensation committee of the Board of Directors. His current salary is $180,000.

We are party to an employment agreement with Ms. Wasman that governs the terms and conditions of her employment as our Executive Vice President, General Counsel and Corporate Secretary. The employment agreement provides for a base annual salary of $225,000, subject to annual review by Dr. Cohen and by the compensation committee of the Board of Directors. Her current salary is $225,000.

Pursuant to their employment agreements, Dr. Blight, Ms. Fisher, Mr. Lawrence and Ms. Wasman are eligible to receive an annual bonus and to receive annual performance-based stock options to purchase common stock, stock appreciation rights awards and/or restricted stock awards of common stock in an amount to be recommended by the compensation committee and approved by the board of directors based on their respective performances and upon the achievement of our goals and objectives. Each of their employment agreements expires on December 19, 2006 but is subject to extension by the mutual agreement of both parties.

In the event we terminate our employment agreement with Dr. Blight, Ms. Fisher, Mr. Lawrence or Ms. Wasman without cause, or if one of them voluntarily terminates his or her agreements with good reason, we are obligated to make severance payments equal to nine months base annual salary, in the case of Dr. Blight and Ms. Fisher, and seven months base annual salary, in the case of Mr. Lawrence and Ms. Wasman, as well as COBRA premium 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 shall remain exercisable for 90 days following such date. All unvested options, stock appreciation rights awards and stock awards will be cancelled on the date of termination. If Dr. Blight, Ms. Fisher, Mr. Lawrence or Ms. Wasman voluntarily terminates his or her employment without 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 equal to one year's base annual salary, in the case of Dr. Blight and Ms. Fisher, 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 COBRA premium payments for the severance period plus a bonus equal to a 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, vacation and sick leave days that have accrued, and reimbursable business expenses incurred through the date of termination. In such event, not less than 50% of the unvested options, stock appreciation rights and restricted or other stock awards shall become immediately 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 90 days following such date. All unvested options, stock appreciation rights awards and stock awards will be cancelled on the date of termination.

Indemnification of Directors and Executive Officers and Limitation on Liability

Our certificate of incorporation currently provides and, upon the closing of this offering, our amended and restated certificate of incorporation will provide, that we shall indemnify our directors and officers to the fullest extent permitted by Delaware law. Upon the closing of this offering, our amended and restated certificate of incorporation will also provide that, with respect to proceedings initiated by our officers and directors, we are only required to indemnify these persons if the proceeding was authorized by our board of directors. Our amended bylaws permit us, by action of our board of directors, to indemnify our other employees and agents to the same extent as we are required to indemnify our officers and directors.

In addition, our certificate of incorporation provides, and upon the closing of this offering our amended and restated certificate of incorporation will provide, that our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability:

for any breach of the director's duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the Delaware General Corporation Law; or

for any transaction from which the director derives an improper personal benefit.

There is no pending litigation or proceeding involving any of our directors or officers for which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Sale of Securities

In March 2001, we consummated a private placement of 10,204,047 shares of Series I preferred stock for an aggregate purchase price of approximately $39,694,000. Except for Michael Steinmetz, Standish Fleming and Barclay Phillips, who are affiliated with MPM/BB Bioventure, Forward Ventures and Vector Fund Management, respectively, none of our executive officers or directors purchased any shares of the Series I preferred stock.

The following table sets forth, with respect to the Series I preferred stock transaction, the purchase price per share, the aggregate shares purchased and the total investment for MPM/BB Bioventure Group, Forward Ventures and Vector Fund Management:

Investor	Purchase Price per Share of Series I Preferred	Aggregate Shares of Series I Preferred Purchased	Total Investment in Series I Preferred
MPM/BB Bioventure Group	$3.89	639,359	$2,487,107
Forward Ventures	$3.89	1,542,417	$6,000,002
Vector Fund Management	$3.89	398,547	$1,550,348

In May 2003, we consummated a private placement of 112,790,233 shares of Series J preferred stock for an aggregate purchase price of approximately $55,267,000. Except for Michael Steinmetz, John Friedman, Sandra Panem, Standish Fleming and Barclay Phillips, who are affiliated with MPM/BB Bioventure Group, Easton Hunt Capital Partners, Cross Atlantic Partners, Forward Ventures and Vector Fund Management, respectively, none of our executive officers or directors purchased any shares of the Series J preferred stock.

The following table sets forth, with respect to the Series J preferred stock transaction, the purchase price per share, the aggregate shares purchased and the total investment for each of MPM/BB Bioventure Group, Easton Hunt Capital Partners, Cross Atlantic Partners, Forward Ventures and Vector Fund Management:

Investor	Purchase Price per Share of Series J Preferred	Aggregate Shares of Series J Preferred Purchased	Total Investment in Series J Preferred
MPM/BB Bioventure group	$ 0.49	15,306,121	$ 7,500,000
Easton Hunt Capital Partners	$ 0.49	11,224,490	$ 5,500,000
Cross Atlantic Partners	$ 0.49	8,506,256	$ 4,168,065
Forward Ventures	$ 0.49	8,163,264	$ 4,000,000
Vector Fund Management	$ 0.49	2,040,816	$ 1,000,000

In March 2004, we consummated a private placement of 1,533,330 shares of Series K preferred stock for an aggregate purchase price of approximately $11,499,958. Except for John Friedman and Sandra Panem, who are affiliated with Easton Hunt Capital Partners and Cross Atlantic Partners, respectively, none of our executive officers or directors purchased any shares of the Series K preferred stock.

The following table sets forth, with respect to the Series K preferred stock transaction, the purchase price per share, the aggregate shares purchased and the total investment for each of Easton Hunt Capital Partners, Easton Hunt New York and Cross Atlantic Partners:

Investor	Purchase Price per Share of Series K Preferred	Aggregate Shares of Series K Preferred Purchased	Total Investment in Series K Preferred
Easton Hunt Capital Partners	$ 7.50	100,000	$ 750,000
Easton Hunt New York	$ 7.50	100,000	$ 750,000
Cross Atlantic Partners	$ 7.50	55,574	$ 416,805

Board Representation and Registration Rights

Pursuant to an amended and restated registration rights agreement dated as of March 3, 2004, the holders of our Series I Preferred, Series J Preferred and Series K preferred stock have demand and piggy-back registration rights. Pursuant to the terms of this agreement, holders of at least 30% of outstanding "registrable securities" have the right to initiate a demand registration, subject to our ability to delay registration under certain circumstances.

In addition, if we propose to register any of our securities under the Securities Act, including in this offering, certain of our other stockholders are entitled to notice of the registration and to include their registrable shares in the offering. If the managing underwriter determines that marketing factors require a limitation on the number of shares to be underwritten, the managing underwriters may limit or exclude from such underwriting the registrable securities and other securities of these stockholders. If we are so advised by the managing underwriter, then all securities other than registrable securities shall first be excluded from the registration. In no event, however, will the amount of stockholders' securities to be included in the offering be reduced below 30% of the total securities in the offering. We are required to bear substantially all costs incurred in these registrations, other than underwriting discounts and commissions.

Pursuant to the lock-up agreements with the underwriters, holders of greater than 70% of the "registrable securities" under our registration rights agreement have waived their rights to demand registration and participation in this offering under the registration rights agreement until the later of October 30, 2006 or expiration of the lock-up agreements.

Agreements with Former Director

In November, 2004, we entered into an agreement with Mark Pinney, under which we agreed to extend the last date by which Mr. Pinney is entitled to exercise vested stock options previously granted to him to 90 days after he is no longer a director or consultant to us. In addition, he will be entitled to retain certain shares of restricted stock if the vesting requirements for these shares are met within the extended time period. On September 26, 2005, Mr. Pinney was issued 5,000 shares of restricted stock for services rendered as a member of our board of directors from November 1, 2004 through December 31, 2005. Mr. Pinney's shares of restricted stock are otherwise subject to the vesting in the manner described in footnote 3 to the Summary Compensation Table found on page 92.

Agreements with Elan

In September 2003, we entered into the following agreements with Elan, which holds more than 5% of our outstanding common stock:

We entered into a termination and assignment agreement with Elan. Pursuant to the terms of this agreement, we purchased all of the assets of MSRD, our jointly owned subsidiary.

We entered into an amended and restated license agreement with Elan. Pursuant to the terms of the license agreement we were granted an exclusive worldwide license to develop, use and sell

Fampridine-SR. We are obligated under the license to make milestone and royalty payments to Elan.

We entered into a supply agreement with Elan. Subject to certain exceptions in the supply agreement, Elan will be our exclusive supplier of Fampridine-SR.

In July 2004, we entered into the following agreements with Elan, which holds more than 5% of our outstanding common stock:

We entered into an asset purchase agreement with Elan. Pursuant to the terms of the asset purchase agreement we acquired certain of Elan's rights to Zanaflex Capsules and tablets in the United States.

We entered into a supply agreement with Elan. Subject to certain exceptions in the supply agreement, Elan will be our exclusive supplier of Zanaflex Capsules.

For a more detailed description of these agreements with Elan see "Business−Collaborations and License Agreements".

PRINCIPAL STOCKHOLDERS

The following table contains information as of December 31, 2005 about the beneficial ownership of our common stock before and after the consummation of this offering for:

each person, or group of persons, who beneficially owns more than 5% of our capital stock;

each of our directors;

each executive officer named in the summary compensation table; and

all directors and executive officers as a group.

Unless otherwise indicated, the address for each person or entity named below is c/o Acorda Therapeutics, Inc., 15 Skyline Drive, Hawthorne, New York 10532.

Beneficial ownership is determined on the basis of the rules and regulations of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of the date hereof are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. For the purpose of calculating the amounts set forth in the following table, all outstanding shares of preferred stock have been deemed to have been converted into shares of common stock, which conversion will occur upon the closing of this offering. Except as indicated in the footnotes to the following table or pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. The percentage of beneficial ownership is based on 13,547,022 shares of common stock outstanding on December 31, 2005.

		Percentage of Common Stock Outstanding	
Beneficial Owner	**Number of Shares(1)**	**Before Offering**	**After Offering(2)**
Five Percent Stockholders:			
MPM/BB Bioventure group(3)	1,640,137	12.1%	%
Elan group(4)	997,775	7.4	
Forward Ventures group(5)	873,890	6.5	
Easton Hunt(6)	873,364	6.4	
Cross Atlantic Partners(7)	705,388	5.2	
TVM Life Sciences(8)	705,388	5.2	
MDS/Neuroscience Partners Healthcare(9)	674,295	5.0	
Directors and Executive Officers:			
Ron Cohen, M.D.(10)	887,229	6.5	
Andrew R. Blight, Ph.D.(11)	152,411	1.1	
Mary Fisher(12)	138,749	1.0	
David Lawrence, M.B.A.(13)	74,514	*	
Jane Wasman, J.D.(14)	45,147	*	
John Friedman(15)	873,364	6.4	
Sandra Panem, Ph.D.(16)	711,102	5.2	
Michael Steinmetz, Ph.D.(17)	1,640,137	12.1	

Wise Young, Ph.D., M.D.(18)	22,434	*	
Standish Fleming(19)	873,890	6.5	
Mark Pinney, M.B.A., C.F.A.(20)	174,497	1.3	
Barclay Phillips(21)	543,803	4.0	
Steven Rauscher(22)	8,173	*	
All directors and executive officers as a group (13 persons)(23)	6,145,450	45.4%	%

* Represents beneficial ownership of less than one percent of the outstanding shares of our common stock.

(1) Reflects preferred stock on an as converted basis.

(2) Assumes no shares are purchased in this offering by the listed persons.

(3) Includes 1,466,195 shares beneficially owned by BB Bioventures, LP, 155,082 shares beneficially owned by MPM Bioventures Parallel Fund, LP, and 18,860 shares beneficially owned by MPM Asset Management Investors 1998 LLC. The address of MPM/BB BioVentures group is c/o MPM Asset Management, 200 Clarendon St., 54th Floor, Boston, Massachusetts 02116. Dr. Michael Steinmetz is a director of Acorda Therapeutics, Inc. Dr. Steinmetz is a managing member of MPM BioVentures I LLC and MPM Asset Management Investors 1998 LLC and exercises investment and voting power over the shares held by BB BioVentures LP, MPM BioVentures Parallel Fund LP and MPM Asset Management Investors 1998 LLC. MPM BioVentures I LLC is the general partner of MPM BioVentures I LP, which is the general partner of MPM BioVentures Parallel Fund, LP. MPM BioVentures I LLC is a shareholder of BAB BioVentures NV, which is the general partner of BAB BioVentures LP, the General Partner of BB BioVentures LP. Dr. Steinmetz disclaims beneficial ownership of all such shares except to the extent of their respective proportionate pecuniary interests therein.

(4) Includes 278,339 shares of common stock issuable to EIS, upon conversion of convertible promissory notes and 16,868 shares of common stock issuable upon exercise of a warrant to purchase common stock. The address of Elan group is c/o Elan Pharmaceuticals, 875 Third Avenue, 3rd Floor, New York, NY 10022.

(5) Includes 805,597 shares beneficially owned by Forward Ventures IV, L.P. and 68,293 shares beneficially owned by Forward Ventures IV B. L.P. The address of Forward Ventures group is c/o Forward Ventures, 9393 Towne Center Drive, Suite 200, San Diego, California 92121. Mr. Fleming is a co-founder and partner of Forward Ventures and exercises investment and voting power over these shares. Mr. Fleming disclaims beneficial ownership of these shares.

(6) Includes 796,441 shares beneficially owned by Easton Hunt Capital Partners, L.P. and 76,923 shares beneficially owned by Easton Hunt New York. The address of Easton Hunt Capital Partners, L.P. is 767 Third Avenue, New York, New York 10017. Mr. Friedman is a founder and principal of Easton Hunt Capital Partners, L.P. and Easton Hunt New York and exercises investment and voting power over these shares. Mr. Friedman disclaims beneficial ownership of these shares.

(7) Includes 588,021 shares beneficially owned by Cross Atlantic Partners IV, K/S and 117,367 shares beneficially owned by Nordea Bank Danmark A/S. The address of Cross Atlantic is c/o Cross Atlantic Partners, Inc., 551 Madison Ave., New York, NY 10022. Cross Atlantic Partners has voting and dispository authority over the shares owned by Nordea Bank. Dr. Panem is a partner of Cross Atlantic Partners IV, K/S and exercises investment and voting power over these shares. Dr. Panem disclaims beneficial ownership of these shares.

(8) Includes 705,388 shares beneficially owned by TVM V Life Science Ventures GmbH & Co. KG. The address of TVM V Life Science Ventures GmbH & Co. KG is c/o TVM Management Corporation, 101 Arch Street, Boston, MA 02110. Mr. Hoffman is a Managing Limited Partner in TVM V Life Science Ventures GmbH & Co. KG and exercises investment and voting power over these shares. Mr. Hoffman disclaims beneficial ownership of these shares.

(9) Includes (i) 162,307 shares beneficially owned by MDS Life Sciences Technology Fund Limited Partnership, (ii) 38,375 shares beneficially owned by MDS Life Sciences Technology Fund USA, L.P., (iii) 28,165 shares beneficially owned by MDS Life Sciences Technology Barbados Investment Trust, (iv) 364,312 shares beneficially owned by Neuroscience Partners Limited Partnership, (v) 36,223 shares beneficially owned by MDS Capital Corp. and (vi) 44,915 shares beneficially owned by SC Biotechnology Development Fund. MDS Life Sciences Technology Fund (GP) Inc. is the general partner of MDS Life Sciences Technology Fund Limited Partnership. MDS Capital USA (GP) Inc. has voting and dispositive control over the shares held by MDS Life Sciences Technology Fund USA, L.P. The board of directors of MDS Capital USA (GP) Inc. is composed of Gregory Gubitz, Lori Hoberman, James McClurg and Thomas Willett. John Beale, Gillian Jordan and Gina Staffner, the three trustees of MDS Life Sciences Technology Barbados Investment Trust, may be deemed to share voting and dispositive control over the shares held by MDS Life Sciences Technology Barbados Investment Trust. MDS Neuroscience Partners Inc. has voting and dispositive control over the shares held by Neuroscience Partners Limited Partnership; Maurice Forget, Gregory Gubitz, Michel Laguex, Rand Lomas and Reginald MacDonald are the directors of MDS Neuroscience Partners Inc. The board of directors of MDS Capital Corp., which is composed of Peter Brent, Michael Burns, Peter de Auer, James Garner, Richard Johnston, James Oborne, Anthony Pullen and Peter van der Velden, exercise voting and dispositive control over the shares held by MDS Capital Corp. The address of MDS Life Sciences Technology Fund Limited Partnership is 100 International Blvd., Toronto, Ontario M9W 6J6. The address of MDS Life Sciences Technology Fund USA, L.P. is c/o MDS Capital USA (GP) Inc., 621 Rose Street, Lincoln, Nebraska 68502. The address of MDS Life Sciences Technology Barbados Investment Trust is 2nd Floor, CGI Tower, Warrens, St. Michael, Barbados. The address of Neuroscience Partners Limited Partnership is 100 International Blvd., Toronto, Ontario M9W 6J6. The address of MDS Capital Corp. is 100

International Blvd., Toronto, Ontario M9W 6J6. The address of SC Biotechnology Development Fund is One Capital Place, P.O. Box 897, GT Grand Cayman, Cayman Islands.

(10) Includes 96,153 shares of common stock, 11,440 shares of preferred stock, 665,720 shares of common stock issuable upon exercise of stock options and 113,916 restricted shares.

(11) Includes 1,602 shares of common stock, 108,203 shares of common stock issuable upon exercise of stock options and 42,606 restricted shares.

(12) Includes 69,963 shares of common stock issuable upon exercise of stock options and 68,786 restricted shares.

(13) Includes 46,414 shares of common stock issuable upon exercise of stock options and 28,100 restricted shares.

(14) Includes 11,193 shares of common stock issuable upon exercise of stock options and 33,954 restricted shares.

(15) Includes 796,442 shares beneficially owned by Easton Hunt Capital Partners, L.P. and 76,923 shares beneficially owned by Easton Hunt New York. Mr. Friedman is a founder and principal of Easton Hunt Capital Partners, L.P. and Easton Hunt New York and exercises investment and voting power over these shares. Mr. Friedman disclaims beneficial ownership of these shares.

(16) Includes 4,084 shares of common stock issuable upon exercise of stock options, 1,630 shares of Series H Preferred, and 588,021 shares beneficially owned by Cross Atlantic Partners IV, K/S and 117,367 shares beneficially owned by Nordea Bank Danmark A/S. Cross Atlantic Partners has voting and dispository authority over the shares owned by Nordea Bank. Dr. Panem is a partner of Cross Atlantic Partners and exercises investment and voting power over these shares. Dr. Panem disclaims beneficial ownership of these shares.

(17) Includes 1,466,195 shares beneficially owned by BB Bioventures, LP, 155,082 shares beneficially owned by MPM Bioventures Parallel Fund, LP, and 18,860 shares beneficially owned by MPM Asset Management Investors 1998 LLC. The address of MPM/BB BioVentures group is c/o MPM Asset Management, 200 Clarendon St., 54th Floor, Boston, Massachusetts 02116. Dr. Michael Steinmetz is a director of Acorda Therapeutics, Inc. Dr. Steinmetz is a managing member of MPM BioVentures I LLC and MPM Asset Management Investors 1998 LLC and exercises investment and voting power over the shares held by BB BioVentures LP, MPM BioVentures Parallel Fund LP and MPM Asset Management Investors 1998 LLC. MPM BioVentures I LLC is the general partner of MPM BioVentures I LP, which is the general partner of MPM BioVentures Parallel Fund, LP. MPM BioVentures I LLC is a shareholder of BAB BioVentures NV, which is the general partner of BAB BioVentures LP, the General Partner of BB BioVentures LP. Dr. Steinmetz disclaims beneficial ownership of all such shares except to the extent of their respective proportionate pecuniary interests therein.

(18) Includes 5,768 shares of common stock issuable upon exercise of stock options, 3,846 restricted shares and 12,820 shares of common stock.

(19) Includes 805,597 shares beneficially owned by Forward Ventures IV, L.P. and 68,293 shares beneficially owned by Forward Ventures IV B. L.P. The address of Forward Ventures group is c/o Forward Ventures, 9393 Towne Center Drive, Suite 200, San Diego, California 92121. Mr. Fleming is a co-founder and partner of Forward Ventures and exercises investment and voting power over these shares. Mr. Fleming disclaims beneficial ownership of these shares.

(20) Includes 144,810 shares of common stock issuable upon exercise of stock options, 15,714 restricted shares and 13,973 shares of common stock.

(21) Includes 135,947 shares beneficially owned by Vector Later-Stage Equity Fund II, L.P. and 407,856 shares beneficially owned by Vector Later-Stage Equity Fund II (QP), L.P. Mr. Phillips is a Managing Director of Vector Fund Management and exercises investment and voting power over these shares. Mr. Phillips disclaims beneficial ownership of these shares. The address of Vector Fund Management is 1751 Lake Cook Road, Suite 350, Deerfield, IL 60015.

(22) Includes 8,173 shares of common stock issuable upon exercise of stock options.

(23) Includes 1,064,328 shares of common stock issuable upon exercise of stock options.

DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our amended and restated certificate of incorporation and bylaws as each is anticipated to be in effect immediately following the closing of this offering and the filing of our amended and restated certificate of incorporation. We refer you to our amended and restated certificate of incorporation and bylaws, copies of which will be filed as exhibits to the registration statement of which this prospectus forms a part.

Authorized Capitalization

On September 18, 2005, our Board of Directors approved a 1-for-1.3 reverse stock split, which will become effective prior to the effective date of this registration statement. All references to common stock, common shares outstanding, average number of common shares outstanding, per share amounts, options and warrants and Elan notes payable in this registration statement have been restated to reflect the 1-for-1.3 common stock reverse split on a retroactive basis.

As of September 30, 2005, our authorized capital stock consisted of (i) 260,000,000 shares of common stock, with a par value of $0.001 per share, of which 208,743 shares were issued and outstanding, and (ii) 141,754,865 shares of preferred stock, with a par value of $0.001 per share, of which 106,472,984 shares are issued and outstanding. Immediately following the closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 80,000,000 shares of common stock, with a par value of $0.001 per share and 20,000,000 shares of preferred stock, with a par value of $0.001 per share. As of the consummation of this offering, all of the outstanding shares of preferred stock will automatically convert into 13,338,279 shares of common stock. After giving effect to this conversion, we expect there to be shares of common stock issued and outstanding (or shares of common stock if the underwriter exercises its over-allotment option in full), and no shares of preferred stock issued and outstanding.

Common Stock

Voting Rights

Holders of common stock are entitled to one vote per share on all matters submitted for action by the stockholders. The holders of common stock do not have cumulative voting rights in the election of directors. Accordingly, the holders of more than 50% of the shares of common stock can, if they choose to do so, elect all the directors. In such event, the holders of the remaining shares of common stock will not be able to elect any directors.

Dividend Rights

Holders of common stock are entitled to receive ratably dividends if, as and when dividends are declared from time to time by our board of directors out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any. Our secured term loan imposes restrictions on our ability to declare dividends on our common stock.

Liquidation Rights

Upon our liquidation, dissolution or winding up, any business combination or a sale or disposition of all or substantially all of our assets, the holders of common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and accumulated and unpaid dividends and liquidation preferences on outstanding preferred stock, if any.

Other Matters

Holders of common stock have no preemptive rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our common stock, including the shares of common stock offered in this offering, are fully paid and non-assessable.

Preferred Stock

Our amended and restated certificate of incorporation authorizes our board of directors to establish one or more series of up to 20,000,000 shares of preferred stock. Unless required by law or by any stock exchange on which our common stock is listed, the authorized shares of preferred stock will be available for issuance without further action by our stockholders. Our board of directors is able to determine, with respect to any series of preferred stock, the terms and rights of that series including:

the designation of the series;

the number of shares of the series, which our board may, except where otherwise provided in the preferred stock designation, increase or decrease, but not below the number of shares then outstanding;

whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;

the dates at which dividends, if any, will be payable;

the redemption rights and price or prices, if any, for shares of the series;

the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our company;

whether the shares of the series will be convertible into shares of any other class or series, or any other security, of our company or any other corporation, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;

any other preferences and relative participating, optional or other special rights, and any qualifications, limitations or restrictions on such rights; and

the voting rights, if any, of the holders of the series.

Restricted Stock

As of December 31, 2005, we had 755,083 shares of restricted stock outstanding.

Warrants

As of December 31, 2005, we had outstanding warrants to purchase 50,200 shares of common stock at a weighted average exercise price of $16.54 per share.

Stock Options

As of December 31, 2005, 1,767,904 shares of common stock are issuable upon the exercise of outstanding stock options to purchase our common stock. After this offering, we intend to file a registration statement on Form S-8 to register the shares of common stock reserved for issuance upon exercise of outstanding options. The registration statement is expected to be filed and become effective approximately six months after the closing of this offering. Accordingly, shares registered under the

registration statement will be available for sale in the open market without restriction, except with respect to Rule 144 volume limitations that apply to our affiliates.

Convertible Promissory Notes

In January 1997, EIS loaned us an aggregate of $7.5 million pursuant to two promissory notes that are convertible into 278,339 shares of our common stock.

Registration Rights

Pursuant to an amended and restated registration rights agreement between us and certain of our stockholders dated as of March 3, 2004, holders of an aggregate of 13,338,279 shares of our common stock have demand and piggy-back registration rights. The demand rights may be exercised by holders of 30% of the registrable securities at any time after completion of this offering. Additionally, if at any time we propose to register our common stock under the Securities Act for our own account or the account of any of our stockholders or both, the stockholders party to the registration rights agreement are entitled to notice of the registration and to include registrable shares in the offering, provided that the underwriters of that offering do not limit the number of shares included in the registration. In no event, however, will the amount of stockholders' securities to be included in the offering be reduced below 30% of the total securities in the offering. We are required to bear substantially all costs incurred in these registrations, other than underwriting discounts and commissions. The registration rights described above could result in substantial future expenses for us and adversely affect any future equity offering. Pursuant to the lock-up agreements with the underwriters, holders of greater than 70% of the "registrable securities" under our registration rights agreement have waived their rights to demand registration and participation in this offering under the registration rights agreement until the later of October 30, 2006 and expiration of the lock-up agreements. In addition, holders of the requisite amount of registrable securities have waived their rights to registration through the completion of this offering.

Authorized but Unissued Capital Stock

The Delaware General Corporation Law does not require stockholder approval for any issuance of authorized shares. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law. Subject to specific exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the "business combination," or the transaction in which the stockholder became an "interested stockholder" is approved by the board of directors prior to the date the "interested stockholder" attained that status;

upon closing of the transaction that resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding and not outstanding, voting stock owned by the interested stockholder, those shares owned by persons who are directors and also officers, and employee stock plans in which employee participants do not have the right to determine confidentiality whether shares held subject to the plan will be tendered in a tender or exchange offer); or

on or subsequent to the date a person became an "interested stockholder," the "business combination" is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the "interested stockholder."

"Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions could prohibit or delay the accomplishment of mergers or other takeover or change in control attempts with respect to us and, therefore, may discourage attempts to acquire us.

Transfer Agent and Registrar

is the transfer agent and registrar for our common stock.

Listing

We will apply to list our common stock on The Nasdaq National Market, subject to official notice of issuance, under the symbol "ACOR."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Upon completion of this offering, we will have outstanding an aggregate of million shares of common stock, and if the underwriters exercise their over-allotment option in full, we will have outstanding an aggregate of million shares of common stock. All of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares purchased in the offering by our affiliates, as that term is defined in Rule 144 of the Securities Act, may generally only be sold in compliance with the limitations of Rule 144 described below. The remaining 913,155 million shares of our common stock outstanding will be "restricted securities," as that term is defined under Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 144(k) under the Securities Act, which are summarized below.

Sales of substantial amounts of our common stock in the public market could put downward pressure on the market price of our common stock. We cannot estimate the number of shares of common stock that may be sold by third parties in the future because such sales will depend on market prices, the circumstances of sellers and other factors.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person or persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year, including persons who may be deemed to be our "affiliates," would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

1% of the then outstanding shares of common stock, which is approximately shares as of the date of this prospectus; and

the average weekly trading volume on The Nasdaq National Market during the four calendar weeks preceding each such sale, subject to restrictions.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k)

In addition, under Rule 144(k), a person who is not and has not been our affiliate at any time during the 90 days preceding a sale and at least two years have elapsed since the shares were acquired from us or any affiliate of ours, is entitled to sell those shares immediately after the consummation of this offering without regard to the manner of sale, public information, volume limitation or notice requirements of Rule 144.

Rule 701

Generally, an employee, officer, director or consultant who purchased shares of our common stock before the effective date of the registration statement of which this prospectus is a part, or who holds options as of that date, pursuant to a written compensatory plan or contract, may rely on the resale provisions of Rule 701 under the Securities Act. Under Rule 701, these persons who are not our affiliates may generally sell their eligible securities, commencing 90 days after the effective date of the registration statement of which this prospectus is a part, without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144.

Sale of Restricted Shares

Based on the number of shares outstanding as of December 31, 2005, 20,611,259 shares of our common stock will become eligible for sale pursuant to Rule 144 or Rule 701 without registration approximately as follows, assuming conversion of our preferred stock upon consummation of this offering and no exercise of outstanding options and warrants, and assuming no shares are released from the lock-up agreements described below prior to 180 days after the date of this prospectus:

19,698,104 shares of common stock will be eligible for sale in the public market under Rule 144, 144(k) or 701, immediately upon expiration of the 180-day lock-up period described below, subject to the volume, manner of sale and other limitations under those rules; and

the remaining 913,155 shares of common stock will become eligible under Rule 144 for sale in the public market from time to time after the 180-day lock-up period described below upon the expiration of their respective holding periods.

Rules 144, 144(k) and Rule 701 do not supersede the contractual obligations of our security holders set forth in the lock-up agreements described below.

Lock-up Agreements

We, our directors and executive officers and substantially all of our stockholders and option holders have entered into lock-up agreements with the underwriters. Under these agreements, subject to exceptions, we may not issue any new shares of common stock, and those holders of stock and options may not, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or otherwise dispose of or hedge any common securities convertible into or exchangeable for shares of common stock, or publicly announce the intention to do any of the foregoing, without the prior written consent of Banc of America Securities LLC, for a period of 180 days from the date of this prospectus related to this offering, subject to a potential extension of up to an additional 34 days under certain circumstances. This consent may be given at any time without public notice. In addition, during this period, we have also agreed not to file any registration statement for any shares of our common stock without the prior written consent of Banc of America Securities LLC. Pursuant to the lock-up agreements holders of greater than 70% of the "registrable securities" under our registration rights agreement have also agreed not to make any demand for, or exercise any right to registration of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, without the prior written consent of Banc of America Securities LLC.

Registration Rights

Following the completion of this offering, holders of an aggregate of 13,338,279 shares of our common stock will be entitled to certain rights with respect to the registration of their shares under the Securities Act. See "Description of Capital Stock−Registration Rights." Registration of their shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of certain U.S. federal income and estate tax consequences of the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset by a non-U.S. holder.

A "non-U.S. holder" means a beneficial owner of our common stock (other than a partnership) that is not, for U.S. federal income tax purposes, any of the following:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is based upon provisions of the Code and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their personal circumstances. In addition, it does not represent a description of the U.S. federal income and estate tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws (including if you are a U.S. expatriate, "controlled foreign corporation," "passive foreign investment company," corporation that accumulates earnings to avoid U.S. federal income tax, a tax exempt organization, a bank, an insurance company, a dealer in securities, a person that holds our common stock as part of a "straddle," "hedge," "conversion transaction," or other integrated transaction, a pass through entity or an investor in a pass-through entity). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisors. In this summary, "partnership" includes any entity treated as a partnership and "partner" includes any person treated as a partner for U.S. federal income tax purposes.

If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular U.S. federal income and estate tax consequences to you of the ownership of our common stock, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Dividends

We do not currently anticipate paying dividends on our common stock. See "Dividend Policy" above. If we were to pay dividends in the future, dividends paid to a non-U.S. holder of our common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the

conduct of a trade or business by the non-U.S. holder within the United States (and, where a tax treaty applies, are attributable to a U.S. permanent establishment of the non-U.S.

holder) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. holder were a U.S. person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate for dividends will be required to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalty of perjury that such holder is eligible for benefits under the applicable treaty. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals. In addition, Treasury regulations provide special procedures for payments of dividends through certain intermediaries.

A non-U.S. holder of our common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Gain on Disposition of Common Stock

Any gain realized on the disposition of our common stock generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the non-U.S. holder);

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

- we are or have been a "United States real property holding corporation" or USRPHC for U.S. federal income tax purposes and certain other conditions are met.

An individual non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a U.S. person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

We believe we are not and do not anticipate becoming a USRPHC for U.S. federal income tax purposes, however no assurances can be provided that we will not be a USRPHC in the future.

U.S. Federal Estate Tax

Common stock owned or treated as owned by an individual who is not a citizen or resident of the United States, as specifically defined for U.S. estate tax purposes, at the time of death will be included in such holder's gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain U.S.-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person as defined under the Code) or such owner otherwise establishes an exemption. Certain shareholders, including all corporations, are exempt from the backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. Banc of America Securities LLC, Lazard Capital Markets LLC, Piper Jaffray & Co. and SG Cowen & Co., LLC, are the representatives of the underwriters. We have entered into a firm commitment underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has agreed to purchase, the number of shares of common stock listed next to its name in the following table:

Underwriter	Number of Shares
Banc of America Securities LLC	
Lazard Capital Markets LLC	
Piper Jaffray & Co.	
SG Cowen & Co., LLC	
Total	

The underwriting agreement is subject to a number of terms and conditions and provides that the underwriters must buy all of the shares if they buy any of them. The underwriters will sell the shares to the public when and if the underwriters buy the shares from us.

The underwriters initially will offer the shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow a concession of not more than $ per share to selected dealers. The underwriters may also allow, and those dealers may reallow, a concession of not more than $ per share to some other dealers. If all the shares are not sold at the public offering price, the underwriters may change the public offering price and the other selling terms. Our common stock is offered subject to a number of conditions, including:

receipt and acceptance of the common stock by the underwriters; and

the underwriters' right to reject orders in whole or in part.

Over-Allotment Options. We have granted the underwriters an over-allotment option to buy up to additional shares of our common stock at the same price per share as they are paying for the shares shown in the table below. These additional shares would cover sales of shares by the underwriters that exceed the total number of shares shown in the table above. The underwriters may exercise this option at any time within 30 days after the date of this prospectus. To the extent that the underwriters exercise this option, each underwriter will purchase additional shares from us in approximately the same proportion as it purchased the shares shown in the table above. If purchased, the additional shares will be sold by the underwriters on the same terms as those on which the other shares are sold.

Discount and Commissions. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. These amounts are shown assuming no exercise and full exercise of the underwriters' option to purchase additional shares.

We estimate that the expenses of the offering to be paid by us, not including the underwriting discounts and commissions, will be approximately $.

	Paid by Us	
	No Exercise	Full Exercise
Per share	$	$
Total	$	$

Listing. We will apply to have our common stock included for quotation on the NASDAQ National Market under the symbol "ACOR."

Stabilization. In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

stabilizing transactions;

short sales;

syndicate covering transactions;

imposition of penalty bids; and

purchases to cover positions created by short sales.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Stabilizing transactions may include making short sales of our common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock from us or in the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. Syndicate covering transactions involve purchases of our common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares pursuant to the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The representatives also may impose a penalty bid on underwriters and dealers participating in the offering. This means that the representatives may reclaim from any syndicate members or other dealers participating in the offering the underwriting discounts on shares sold by them and purchased by the representatives in stabilizing or short covering transactions.

These activities may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any

time. The underwriters may carry out these transactions on the Nasdaq National Market, in the over-the-counter market or otherwise.

The underwriters have informed us that they do not expect to make sales to accounts over which they exercise discretionary authority in excess of 5% of the shares of common stock being offered.

IPO Pricing. Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between us and the representatives of the underwriters. Among the factors to be considered in these negotiations are:

the history of, and prospects for, our company and the industry in which we compete;

our past and present financial performance;

an assessment of our management;

the present state of our development;

the prospects for our future earnings;

the prevailing conditions of the applicable United States securities market at the time of this offering;

market valuations of publicly traded companies that we and the representatives of the underwriters believe to be comparable to us; and

other factors deemed relevant.

Lock-up Agreement. We, our executive officers and directors and substantially all of our stockholders have entered into or will, prior to the completion of this offering, enter into lock-up agreements with the underwriters. Under these agreements, subject to exceptions, we may not issue any new shares of common stock, and those holders of stock and options may not, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or otherwise dispose of or hedge any common securities convertible into or exchangeable for shares of common stock, or publicly announce the intention to do any of the foregoing, without the prior written consent of Banc of America Securities LLC for a period of 180 days from the date of this prospectus related to this offering, subject to a potential extension of up to an additional 34 days under certain circumstances. This consent may be given at any time without public notice. In addition, during this period, we have also agreed not to file any registration statement for any shares of our common stock without the prior written consent of Banc of America Securities LLC. Pursuant to the lock-up agreements holders of greater than 70% of the "registrable securities" under our registration rights agreement have also agreed not to make any demand for, or exercise any right to registration of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, without the prior written consent of Banc of America Securities LLC.

Indemnification. We will indemnify the underwriters against some liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters and their affiliates have provided, and may in the future provide, various investment banking, commercial banking and other financial services for us.

Compliance with Non-U.S. Laws and Regulations

Each underwriter intends to comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers shares of our common stock or has in its possession or distributes the prospectus.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) an offer of shares to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the shares that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no shares have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in Article 1 of Decree N^{o} 2004-1019 of September 28, 2004 and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2 of the French *Code Monétaire et Financier* and applicable regulations thereunder; none of the prospectus supplement, the accompanying prospectus, or any other materials related to the offering or information contained therein relating to the shares has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any shares acquired by any Permitted Investors may be made only as provided by articles L. 412-1 and L. 621-8 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

United Kingdom

Each underwriter acknowledges and agrees that:

it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any shares other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the shares would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the issuer;

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Italy

Each underwriter acknowledges and agrees that the offering of the shares has not been cleared by the Italian Securities Exchange Commission (Commissione Nazionale per le Società e la Borsa, the "CONSOB") pursuant to Italian securities legislation and, accordingly, acknowledges and agrees that the shares may not and will not be offered, sold or delivered, nor may or will copies of the prospectus or any other documents relating to the shares or the prospectus be distributed in Italy other than to professional investors (*investitori professionali*), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended ("Regulation No. 11522") or pursuant to another exemption from the requirements of Articles 94 and seq. of Legislative Decree No. 58 of February 24, 1998 (the "Italian Finance Law") and CONSOB Regulation No. 11971 of May 14, 1999 ("Regulation No. 11971").

Each underwriter acknowledges and agrees that any offer, sale or delivery of the shares or distribution of copies of the prospectus or any other document relating to the shares or the prospectus in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be:

made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended (the "Italian Banking Law"), Legislative Decree No. 58 of February 24, 1998, as amended, CONSOB Regulation No. 11522 of July 1, 1998, and any other applicable laws and regulations;

in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and

in compliance with any other applicable notification requirement or limitation which may be imposed upon the offer of shares by CONSOB or the Bank of Italy.

Any investor purchasing the shares in this offering is solely responsible for ensuring that any offer or resale of the shares it purchased in this offering occurs in compliance with applicable laws and regulations.

This prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospectus Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, acknowledgments and agreements set out under the heading "European Economic Area" above shall apply to Italy.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered hereby will be passed upon for us by Covington & Burling, New York, New York. Shearman & Sterling LLP, New York, New York, will pass upon certain legal matters in connection with this offering for the underwriters.

EXPERTS

Our consolidated financial statements as of December 31, 2004 and 2003 and for the year ended December 31, 2004, the six month period ended December 31, 2003, and years ended June 30, 2003 and 2002 have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, which is a part of the registration statement, does not include all of the information included in the registration statement. For further information with respect to us and our common stock, reference is made to the registration statement.

We are not currently subject to the informational requirements of the Securities Exchange Act of 1934, or the Exchange Act. As a result of this offering, we will become subject to the informational requirements of the Exchange Act, and, in accordance therewith, will file reports and other information with the SEC. The registration statement, such reports and other information can be inspected and copied at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC's home page on the Internet (*www.sec.gov*).

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

THE ACCOMPANYING FINANCIAL STATEMENTS INCLUDE THE EFFECTS OF A REVERSE STOCK SPLIT OF THE COMPANY'S COMMON STOCK APPROVED BY THE COMPANY'S BOARD OF DIRECTORS WHICH WILL BECOME EFFECTIVE PRIOR TO THE EFFECTIVE DATE OF THE FORM S-1 REGISTRATION STATEMENT FILED IN CONNECTION WITH THE COMPANY'S INITIAL PUBLIC OFFERING. THE ABOVE OPINION IS THE FORM WHICH WILL BE SIGNED BY KPMG LLP UPON CONSUMMATION OF THE REVERSE STOCK SPLIT, WHICH IS DESCRIBED IN NOTE (16) OF THE NOTES TO THE FINANCIAL STATEMENTS, AND ASSUMING THAT, FROM OCTOBER 3, 2005 TO THE DATE OF SUCH REVERSE STOCK SPLIT, NO OTHER EVENTS HAVE OCCURRED THAT WOULD AFFECT THE ACCOMPANYING FINANCIAL STATEMENTS AND NOTES THERETO, EXCEPT AS DISCLOSED IN NOTES TO THE FINANCIAL STATEMENTS.

/s/ KPMG LLP

October 3, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Acorda Therapeutics, Inc.:

We have audited the accompanying consolidated balance sheets of Acorda Therapeutics, Inc. and subsidiary (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' (deficit), and cash flows for the year ended December 31, 2004, the six-month period ended December 31, 2003, and years ended June 30, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the year ended December 31, 2004, the six-month period ended December 31, 2003, and years ended June 30, 2003 and 2002, in conformity with U.S. generally accepted accounting principles.

Short Hills, New Jersey
October 3, 2005, except for note 16
(as to the effects of a reverse stock split
which is as of January , 2006)

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Balance Sheets

	December 31, 2003	December 31, 2004	September 30, 2005 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 8,965,173	$ 11,729,112	$ 3,580,613
Restricted cash	254,078	256,568	261,037
Short-term investments	32,250,263	9,396,677	5,160,275
Trade accounts receivable, net	–	1,922,838	729,811
Grant receivable	171,181	141,815	90,530
Prepaid expenses	920,084	827,891	1,460,959
Finished goods inventory held by the Company	–	192,452	3,852,435
Finished goods inventory held by others	–	230,748	1,101,183
Other current assets	194,962	241,251	1,154,966
Total current assets	42,755,741	24,939,352	17,391,809
Property and equipment, net of accumulated depreciation	3,093,154	2,547,014	1,905,063
Intangible Assets, net of accumulated amortization	–	3,386,050	6,137,023
Other assets	111,516	109,234	109,235
Total assets	$ 45,960,411	$ 30,981,650	$ 25,543,130
Liabilities, Mandatorily Redeemable Convertible Preferred Stock and Stockholders' (Deficit)			
Current liabilities:			
Accounts payable	$ 2,354,131	$ 1,929,394	1,810,123
Accounts payable to related party	305,088	–	–
Accrued expenses and other current liabilities	4,349,828	2,890,218	7,825,869
Accrued product returns	–	4,081,910	1,966,343
Deferred grant revenue	48,043	–	–
Deferred product revenue–Zanaflex tablets	–	6,668,491	10,685,860
Deferred product revenue–Zanaflex Capsules	–	–	4,959,993
Current portion of notes payable	323,971	301,938	2,346,985
Total current liabilities	7,381,061	15,871,951	29,595,173
Long-term portion of notes payable	446,592	144,654	3,533,601
Other long-term liabilities	–	750,000	–
Warrant liability	–	–	388,135
Long-term convertible notes payable–principal amount, plus accrued interest less unamortized debt discount of $329,374, $175,312 and $82,818 as of December 31, 2003 and 2004 and September 30, 2005 (unaudited) respectively	8,091,412	8,421,996	8,694,877
Mandatorily Redeemable Convertible Preferred Stock:			
Series E convertible preferred stock–$0.001 par value. Authorized, issued, and outstanding 7,472,612 shares at December 31, 2003 and 2004 and September 30,	2,449,656	6,396,021	9,347,741

2005 (unaudited) (Redemption and liquidation value of $20,176,052 as of December 31, 2004)			
Series I convertible preferred stock–$0.001 par value. Authorized, issued and outstanding, 10,204,047 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited) (Redemption and liquidation value of $39,693,743 as of December 31, 2004)	4,897,447	12,644,040	18,438,141
Series J convertible preferred stock–$0.001 par value. Authorized, 112,790,246 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited); issued, and outstanding 112,790,233 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited) (Redemption and liquidation value of $64,109,973 as of December 31, 2004)	22,824,094	35,100,482	44,291,812

Series K convertible preferred stock–$0.001 par value. Authorized, 1,533,330 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited); issued and outstanding 1,533,327 shares at December 31, 2004 and September 30, 2005 (unaudited) (Redemption and liquidation value of $12,720,513 at December 31, 2004)	–	12,223,211	12,922,497
Commitments and contingencies			
Stockholders' (deficit):			
Series A convertible preferred stock, $0.001 par value. Authorized 1,646,068 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited); issued and outstanding 1,306,068 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited) (liquidation value of $1,306,068 as of December 31, 2004)	1,306	1,306	1,306
Series B convertible preferred stock, $0.001 par value. Authorized 2,250,000 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited); issued and outstanding 900,000 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited) (liquidation value of $1,800,000 as of December 31, 2004)	900	900	900
Series C convertible preferred stock, $0.001 par value. Authorized, issued, and outstanding 333,333 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited) (liquidation value of $999,999 as of December 31, 2004)	333	333	333
Series D convertible preferred stock, $0.001 par value. Authorized 400,000 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited); issued and outstanding–none	–	–	–
Series F convertible preferred stock, $0.001 par value. Authorized, issued, and outstanding 2,300,000 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited) (liquidation value of $11,999,100 as of December 31, 2004)	2,300	2,300	2,300
Series G convertible preferred stock, $0.001 par value. Authorized 1,250,000 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited); issued and outstanding–none	–	–	–
Series H convertible preferred stock, $0.001 par value. Authorized, issued, and outstanding 1,575,229 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited) (liquidation value of $5,119,494 as of December 31, 2004)	1,575	1,575	1,575
Common stock, $0.001 par value. Authorized 260,000,000 shares at December 31, 2003 and 2004 and September 30, 2005 (unaudited); issued and outstanding 195,209, 197,569 and 208,743 shares as of December 31, 2003 and 2004 and September 30, 2005 (unaudited), respectively	195	198	209
Additional paid-in capital	127,631,942	111,957,403	96,806,331
Accumulated deficit	(127,770,920)	(172,511,684)	(198,475,470)
Other comprehensive income (loss)	2,518	(23,036)	(6,331)
Total stockholders' (deficit)	(129,851)	(60,570,705)	(101,668,847)
Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' (deficit)	$ 45,960,411	$ 30,981,650	$ 25,543,130

See accompanying Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Operations

	Year ended June 30,		Six-month period ended December 31, 2003	Year ended December 31, 2004	Nine-month period ended September 30,	
	2002	2003			2004	2005
					(unaudited)	(unaudited)
Gross sales–Zanaflex	$ –	$ –	$ –	$ –	$ –	$ 3,239,091
Less: discounts and allowances	–	–	–	(4,416,691)	(144,338)	(991,560)
Net sales	–	–	–	(4,416,691)	(144,338)	2,247,531
Grant revenue	131,592	473,588	382,094	479,495	444,920	184,195
Total net revenue	131,592	473,588	382,094	(3,937,196)	300,582	2,431,726
Less: cost of sales	–	–	–	(885,450)	(362,695)	(2,273,970)
Gross profit	131,592	473,588	382,094	(4,822,646)	(62,113)	157,756
Operating expenses:						
Research and development	11,146,415	17,526,656	16,743,098	21,999,091	18,620,938	9,652,543
Research and development–related party	4,686,671	2,265,233	3,343,681	–	–	–
Sales and marketing	–	–	–	4,661,643	2,792,962	9,657,233
General and administrative	6,636,306	6,387,999	17,068,746	13,283,506	11,033,820	6,338,716
Total operating expenses	22,469,392	26,179,888	37,155,525	39,944,240	32,447,720	25,648,492
Operating loss	(22,337,800)	(25,706,300)	(36,773,431)	(44,766,886)	(32,509,833)	(25,490,736)
Other income (expense):						
Interest and amortization of debt discount expense	–	(77,712)	(37,646)	(385,419)	(297,419)	(824,196)
Interest and amortization of debt discount expense–related party	(407,686)	(368,935)	(184,226)	–	–	–
Interest income	983,876	392,742	276,334	409,118	329,263	347,352
Other income	–	25,903	6,998	2,423	2,423	989

Total other income (expense)	576,190	(28,002)	61,460	26,122	34,267	(475,855)
Minority interest−related party	580,467	–	–	–	–	–
Cumulative effect of change in accounting principle	–	–	–	–	–	2,805
Net loss	(21,181,143)	(25,734,302)	(36,711,971)	(44,740,764)	(32,475,566)	(25,963,786)
Beneficial conversion feature, accretion of issuance costs, preferred dividends, and fair value of warrants issued to convertible preferred stockholders	(54,973)	(24,320,031)	(11,984,669)	(24,746,337)	(18,496,128)	(18,636,443)
Net loss allocable to common stockholders	$ (21,236,116)	$ (50,054,333)	$ (48,696,640)	$ (69,487,101)	$ (50,971,694)	$ (44,600,229)
Net loss per share allocable to common stockholders−basic and diluted	$(111.90)	$(261.38)	$(252.87)	$(351.76)	$(259.22)	$(221.17)
Weighted average common shares outstanding used in computing net loss per share allocable to common stockholders−basic and diluted	189,786	191,497	192,573	197,541	196,636	201,656

See accompanying Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' (Deficit)

	Stockholders' (deficit)														
	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		Common 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	Number of shares	Par value	Additional paid-in capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total stockholders' (deficit)
Balance at June 30, 2001	**1,255,000**	**$1,255**	**750,000**	**$ 750**	**–**	**$ –**	**2,300,000**	**$2,300**	**1,575,229**	**$1,575**	**188,120**	**$ 188**	**$ 25,096,201**	**$ (44,143,504)**	**$ –**	**$ (19,041,235)**
Issuance of Series A convertible preferred stock in May 2002, $1.00 per share	51,068	51	–	–	–	–	–	–	–	–	–	–	22,749	–	–	22,800
Issuance of Series B convertible preferred stock in January 2002, $2.00 per share	–	–	150,000	150	–	–	–	–	–	–	–	–	299,850	–	–	300,000
Issuance of Series C convertible preferred stock in February 2002, $3.00 per share	–	–	–	–	333,333	333	–	–	–	–	–	–	999,666	–	–	999,999
Issuance of common stock in September and October 2001 and February 2002, $4.68 per share	–	–	–	–	–	–	–	–	–	–	3,381	4	20,615	–	–	20,619
Research and development expense for issuance of	–	–	–	–	–	–	–	–	–	–	–	–	74,624	–	–	74,624

stock options to nonemployees																
Compensation expense for issuance of stock options to employees	–	–	–	–	–	–	–	–	–	–	–	–	1,331,911	–	–	1,331,911
Accretion of issuance costs related to Series F mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(27,337)	–	–	(27,337)
Accretion of issuance costs related to Series I mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(27,636)	–	–	(27,636)
Research and development expense for issuance of warrants and Series C preferred stock on obtaining Phase II clinical trial approval	–	–	–	–	–	–	–	–	–	–	–	–	617,666	–	–	617,666
Net loss	–	–	–	–	–	–	–	–	–	–	–	–	–	(21,181,143)	–	(21,181,143)
Balance at June 30, 2002	**1,306,068**	**$1,306**	**900,000**	**$ 900**	**333,333**	**$ 333**	**2,300,000**	**$2,300**	**1,575,229**	**$1,575**	**191,501**	**$ 192**	**$ 28,408,309**	**$ (65,324,647)**	**$**	**- $ (36,909,732)**

See accompanying Notes to Consolidated Financial Statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' (Deficit) (continued)

	Stockholders' (deficit)														
	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		Common 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	Number of shares	Par value	Additional paid-in capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total stockholders' (deficit)
Research and development expense for issuance of stock options to nonemployees	–	–	–	–	–	–	–	–	–	–	–	–	(6,539)	–	–	(6,539)
Compensation expense for issuance of stock options to employees	–	–	–	–	–	–	–	–	–	–	–	–	1,580,054	–	–	1,580,054
Accretion of issuance costs related to Series E, I and J mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(27,337)	–	–	(27,337)
Accretion of issuance costs related to Series I mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(27,636)	–	–	(27,636)
Accretion of issuance costs related to Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(10,990)	–	–	(10,990)
Accrual of preferred dividends of	–	–	–	–	–	–	–	–	–	–	–	–	(629,895)	–	–	(629,895)

Series J mandatorily redeemable convertible preferred stock																
Beneficial conversion feature for reduction in conversion price	–	–	–	–	–	–	–	–	–	–	–	–	80,730,286	–	–	80,730,286
Deemed dividends on preferred stock for reduction in conversion price, Series A, B, C, F and H	–	–	–	–	–	–	–	–	–	–	–	–	(20,860,491)	–	–	(20,860,491)
Deemed dividends on preferred stock for reduction in conversion price, Series E and I	–	–	–	–	–	–	–	–	–	–	–	–	(1,656,854)	–	–	(1,656,854)
Issuance of preferred stock with beneficial conversion feature, Series J	–	–	–	–	–	–	–	–	–	–	–	–	39,994,812	–	–	39,994,812
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature, Series J	–	–	–	–	–	–	–	–	–	–	–	–	(1,106,828)	–	–	(1,106,828)
Comprehensive loss - Unrealized loss on investment securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,078)	(6,078)
Net loss	–	–	–	–	–	–	–	–	–	–	–	–	–	(25,734,302)	–	(25,734,302)
Total Comprehensive loss																(25,740,380)

Balance at June 30, 2003	**1,306,068**	**$1,306**	**900,000**	**$ 900**	**333,333**	**$ 333**	**2,300,000**	**$2,300**	**1,575,229**	**$1,575**	**191,501**	**$ 192**	**$ 126,386,891**	**$ (91,058,949)**	**$ (6,078)**	**$ 35,328,470**

See accompanying Notes to Consolidated Financial Statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' (Deficit) (continued)

	Stockholders' (deficit)														
	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		Common 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	Number of shares	Par value	Additional paid-in capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total stockholders' (deficit)
Research and development expense for issuance of stock options to nonemployees	–	–	–	–	–	–	–	–	–	–	–	–	8,488	–	–	8,488
Compensation expense for issuance of stock options to employees	–	–	–	–	–	–	–	–	–	–	–	–	13,198,080	–	–	13,198,080
Exercise of stock options	–	–	–	–	–	–	–	–	–	–	3,687	3	23,232	–	–	23,235
Accretion of issuance costs related to Series E, I and mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(8,188)	–	–	(8,188)
Accretion of issuance costs related to Series I mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(7,434)	–	–	(7,434)
Accretion of issuance costs related to Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(32,323)	–	–	(32,323)

Deemed dividends on preferred stock for reduction in conversion price, Series E and I	–	–	–	–	–	–	–	–	–	–	–	–	(5,830,852)	–	–	(5,830,852)
Accrual of preferred dividends on Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(2,210,688)	–	–	(2,210,688)
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature, Series J	–	–	–	–	–	–	–	–	–	–	–	–	(3,895,184)	–	–	(3,895,184)
Fractional share reimbursement liability due to reverse stock split	–	–	–	–	–	–	–	–	–	–	–	–	(80)	–	–	(80)
Comprehensive loss																
Unrealized gain on investment securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,596	8,596
Net loss	–	–	–	–	–	–	–	–	–	–	–	–	–	(36,711,971)	–	(36,711,971)
Total Comprehensive loss																(36,703,375)
Balance at December 31, 2003	**1,306,068**	**$1,306**	**900,000**	**$ 900**	**333,333**	**$ 333**	**2,300,000**	**$2,300**	**1,575,229**	**$1,575**	**195,188**	**$ 195**	**$ 127,631,942**	**$ (127,770,920)**	**$ 2,518**	**$(129,851)**

See accompanying Notes to Consolidated Financial Statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' (Deficit) (continued)

	Stockholders' (deficit)														
	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		Common 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	Number of shares	Par value	Additional paid-in capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total stockholders' equity (deficit)
Research and development expense for issuance of stock options to nonemployees	–	–	–	–	–	–	–	–	–	–	–	–	15,458	–	–	15,458
Compensation expense for issuance of stock options to employees	–	–	–	–	–	–	–	–	–	–	–	–	6,812,795	–	–	6,812,795
Compensation expense for issuance of restricted stock to employees	–	–	–	–	–	–	–	–	–	–	–	–	2,235,263	–	–	2,235,263
Exercise of stock options	–	–	–	–	–	–	–	–	–	–	2,360	3	8,282	–	–	8,285
Accretion of issuance costs related to Series E, I, J and K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(16,376)	–	–	(16,376)
Accretion of issuance costs related to Series I mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(14,869)	–	–	(14,869)
Accretion of issuance costs related to	–	–	–	–	–	–	–	–	–	–	–	–	(64,646)	–	–	(64,646)

Series J mandatorily redeemable convertible preferred stock																
Accretion of issuance costs related to Series K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(10,332)	–	–	(10,332)
Accrual of preferred dividends of Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(4,421,377)	–	–	(4,421,377)
Accrual of preferred dividends of Series K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(766,664)	–	–	(766,664)
Deemed dividends on preferred stock for reduction in conversion price, Series E and I	–	–	–	–	–	–	–	–	–	–	–	–	(11,661,705)	–	–	(11,661,705)
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature, Series J	–	–	–	–	–	–	–	–	–	–	–	–	(7,790,368)	–	–	(7,790,368)
Comprehensive loss																
Unrealized loss on investment securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(25,554)	(25,554)
Net loss	–	–	–	–	–	–	–	–	–	–	–	–	–	(44,740,764)	–	(44,740,764)

Total Comprehensive loss															(44,766,318)
Balance at December 31, 2004	**1,306,068**	**$1,306**	**900,000**	**$ 900**	**333,333**	**$ 333**	**2,300,000**	**$2,300**	**1,575,229**	**$1,575**	**197,548**	**$ 198**	**$ 111,957,403**	**$ (172,511,684)**	**$ (23,036)**	**$ (60,570,705)**

See accompanying Notes to Consolidated Financial Statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' (Deficit) (continued)

	Stockholders' (deficit)														
	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		Common Stock				
(Unaudited)	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	Number of shares	Par value	Additional paid-in capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total stockholders' (deficit)
Research and development expense for issuance of stock options to nonemployees	–	–	–	–	–	–	–	–	–	–	–	–	47,246	–	–	47,246
Compensation expense for issuance of stock options to employees	–	–	–	–	–	–	–	–	–	–	–	–	1,991,827	–	–	1,991,827
Compensation expense for issuance of restricted stock to employees	–	–	–	–	–	–	–	–	–	–	–	–	1,425,861	–	–	1,425,861
Exercise of stock options	–	–	–	–	–						11,195	15	20,433	–	–	20,448
One for one point three reverse stock split	–	–	–	–	–	–	–	–	–	–	–	(4)	4	–	–	–
Accretion of issuance costs related to Series E, I, J and K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(12,282)	–	–	(12,282)
Accretion of issuance costs related to Series I mandatorily redeemable	–	–	–	–	–	–	–	–	–	–	–	–	(11,152)	–	–	(11,152)

convertible preferred stock																
Accretion of issuance costs related to Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(48,485)	–	–	(48,485)
Accretion of issuance costs related to Series K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(9,300)	–	–	(9,300)
Accrual of preferred dividends of Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(3,316,033)	–	–	(3,316,033)
Accrual of preferred dividends of Series K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	–	–	–	–	–	(689,997)	–	–	(689,997)
Deemed dividends on preferred stock for reduction in conversion price, Series E and I	–	–	–	–	–	–	–	–	–	–	–	–	(8,722,382)	–	–	(8,722,382)
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature, Series J	–	–	–	–	–	–	–	–	–	–	–	–	(5,826,812)	–	–	(5,826,812)

Comprehensive loss																
Unrealized gain on investment securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16,705	16,705
Net loss	–	–	–	–	–	–	–	–	–	–	–	–	–	(25,963,786)	–	(25,963,786)
Total Comprehensive loss																(25,947,081)
Balance at September 30, 2005 (unaudited)	**1,306,068**	**$1,306**	**900,000**	**$ 900**	**333,333**	**$ 333**	**2,300,000**	**$2,300**	**1,575,229**	**$1,575**	**208,743**	**$ 209**	**$ 96,806,331**	**$ (198,475,470)**	**$ (6,331)**	**$ (101,668,847)**

See accompanying Notes to Consolidated Financial Statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year ended June 30,		Six months ended December 31,	Year ended December 31,	Nine months ended September 30,	
	2002	2003	2003	2004	2004 (unaudited)	2005 (unaudited)
Cash flows from operating activities:						
Net loss	$ (21,181,143)	$ (25,734,302)	$ (36,711,971)	$ (44,740,764)	$ (32,475,566)	$ (25,963,786)
Adjustments to reconcile net loss to net cash used in operating activities:						
Stock compensation expense	1,406,535	1,573,514	13,206,567	9,063,517	7,307,146	3,464,928
Expensing of warrants and beneficial conversion	617,666	–	–	–	–	–
Amortization of note discount	257,686	218,935	88,440	154,062	116,244	92,495
Amortization of discount on short-term investments	–	264,519	160,735	1,723,827	563,108	193,930
Accretion of note payable	–	–	–	–	–	251,373
Depreciation and amortization expense	417,479	740,201	445,260	1,191,860	886,862	1,033,130
Minority interest–Related party	(580,467)	–	–	–	–	–
Changes in assets and liabilities:						
Increase in accounts receivable	–	–	–	(1,922,838)	(1,576,380)	1,193,027
Decrease (increase) in grant receivables	50,993	(213,886)	190,426	29,366	(11,493)	51,285
Decrease (increase) in prepaid expenses and other current assets	84,917	(401,706)	(551,888)	45,904	1,313	(1,546,783)
Increase in inventory held by the Company	–	–	–	(192,452)	(610,672)	(3,659,983)
Increase in inventory held by others	–	–	–	(230,748)	–	(870,435)
Decrease in other assets	23,639	28,300	–	2,282	2,281	–
Increase (decrease) in accounts payable, accrued expenses, other current liabilities	223,984	(200,072)	4,624,205	(3,384,347)	(2,425,393)	2,746,766
Increase (decrease) in returns liability	–	–	–	4,081,910	–	(2,115,567)
Increase (decrease) in amounts due to related party	579,983	(592,901)	113,946	(128,566)	(305,088)	–
Increase (decrease) in deferred grant revenue	–	95,462	(47,419)	(48,043)	(38,502)	–
Increase in deferred product revenue–tablets	–	–	–	6,668,491	2,764,881	4,959,993
Increase in deferred product revenue–capsules	–	–	–	–	–	4,017,369
Increase (decrease) in royalty payable	–	–	–	750,000	–	(750,000)
Restricted cash	(6,015)	(3,495)	(1,081)	(2,490)	(1,754)	(4,470)
Net cash used in operating activities	(18,104,743)	(24,225,431)	(18,482,780)	(26,939,029)	(25,803,013)	(16,906,728)
Cash flows from investing activities:						
Purchases of property and equipment	(2,230,916)	(747,981)	(590,666)	(531,770)	(462,822)	(142,154)
Purchases of intangible assets	–	–	–	(2,000,000)	(2,000,000)	(750,000)
Purchases of short-term investments	(2,835,526)	(18,940,520)	(39,763,681)	(19,179,583)	(19,179,583)	(11,520,820)

Proceeds from maturities of short-term investments	–	9,255,000	19,611,727	40,283,788	32,188,787	15,580,000
Net cash (used in) provided by investing activities	(5,066,442)	(10,433,501)	(20,742,620)	18,572,435	10,546,382	3,167,026
Cash flows from financing activities:						
Proceeds from issuance of preferred stock, net of issuance costs	1,322,799	54,933,001	–	11,446,219	11,446,219	–
Funding received from minority owner	757,566	110,374	–	–	–	–
Proceeds from issuance of common stock	20,619	–	23,235	8,285	8,285	20,448
Proceeds from issuance of notes payable	–	1,163,511	–	–	–	5,785,215
Proceeds from issuance of warrants	–	–	–	–	–	214,785
Repayments of notes payable	–	(241,191)	(151,757)	(323,971)	(240,327)	(429,245)
Reverse stock split fractional share liability	–	–	(80)	–	–	–
Net cash provided by (used in) financing activities	2,100,984	55,965,695	(128,602)	11,130,533	11,214,177	5,591,203
Net increase (decrease) in cash and cash equivalents	(21,070,201)	21,306,763	(39,354,002)	2,763,939	(4,112,454)	(8,148,499)
Cash and cash equivalents at beginning of period	48,082,613	27,012,412	48,319,175	8,965,173	8,965,173	11,729,112
Cash and cash equivalents at end of period	$ 27,012,412	$ 48,319,175	$ 8,965,173	$ 11,729,112	$ 4,852,719	3,580,613
Supplemental disclosure:						
Cash paid for interest	–	77,293	37,646	54,835	43,777	374,535
Non-cash charges related to convertible preferred stock:						
Beneficial conversion feature	–	23,624,173	9,726,036	19,452,073	14,564,279	14,549,194
Accretion of issuance costs	54,973	65,963	47,945	106,223	79,151	81,219
Preferred dividend	–	629,895	2,210,688	5,188,041	3,852,697	4,006,030
Accrual for milestone payments	–	–	–	1,500,000	–	2,250,000

See accompanying Notes to Consolidated Financial Statements.

(1) Organization and Business Activities

Acorda Therapeutics, Inc. ("Acorda" or the "Company") was incorporated in Delaware on March 17, 1995. The Company is a commercial stage biopharmaceutical company dedicated to the identification, development and commercialization of novel therapies that improve neurological function in people with multiple sclerosis, spinal cord injury and other disorders of the central nervous system. Prior to the fiscal year ended December 31, 2004, the Company was a development stage enterprise.

On February 24, 2004, the Board of Directors of Acorda adopted a resolution to change the Company's fiscal year end from June 30 to December 31, effective for the six-month period ended December 31, 2003. For the six-month period ended December 31, 2002 (unaudited) grant revenue and gross profit were $25,494, net loss was $7,215,511, beneficial conversion feature accretion of issuance costs was $27,487 and the net loss applicable to common stockholders was $7,188,024.

The Company acquired all of Elan Corporation plc's ("Elan") U.S. sales, marketing and distribution rights to Zanaflex Capsules and Zanaflex tablets in July 2004. These products are approved for the management of spasticity. Zanaflex tablets were approved by the FDA in 1996 and lost patent protection in 2002. There are currently 11 generic versions of Zanaflex tablets on the market. Zanaflex Capsules were approved by the FDA in 2002, but were never marketed by Elan. The Company began marketing Zanaflex Capsules in April 2005. The Company made an initial payment to Elan of $2 million and is obligated to make royalty payments as well as additional contingent payments upon achieving certain cumulative sales milestones.

The Company is devoting substantially all of its efforts to promoting sales of Zanaflex Capsules, conducting clinical trials, pursuing regulatory approval for products under development, and engaging in preclinical development. The Company has begun to generate product revenues but has not achieved profitable operations or positive cash flows from operations. There is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis. The Company's accumulated deficit since inception through September 30, 2005 was $198.5 million (unaudited) and the Company expects to continue to incur losses for the foreseeable future. Further, the Company's future operations are dependent on the success of the Company in commercializing Zanaflex Capsules, completing the clinical development of Fampridine-SR in MS and obtaining regulatory approval and market acceptance of this product candidate and advancing its preclinical programs.

The Company plans to finance its operations through a combination of issuance of equity securities, revenues from Zanaflex Capsules, loans and, to a lesser extent, grants. There are no assurances that the Company will be successful in obtaining an adequate level of financing needed to fund its development and commercialization efforts. The Company believes that its current financial resources and sources of liquidity should be adequate to fund operations at least through January 1, 2006 based on the Company's current projected spending levels.

(2) Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying consolidated balance sheet as of September 30, 2005, the consolidated statements of operations and cash flow for the nine months ended September 30, 2004 and 2005, and the statement of Stockholders' (deficit) for the nine months ended September 30, 2005 are unaudited. The unaudited interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In the opinion of the Company's management, the unaudited interim

financial statements have been prepared on the same basis as the audited financial statements and include all adjustments consisting of normal recurring adjustments and accruals necessary for the fair presentation of the Company's financial position, results of operations and its cash flows for the nine months ended September 30, 2004 and 2005. The results for the nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the year ended December 31, 2005.

Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the results of operations of the Company and its majority owned subsidiary (see Notes 7 and 11). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include research and development (clinical trial accrual), beneficial conversion charges, stock warrants and option accounting, which are all dependent on the fair value of the Company's equity security. In addition, the Company recognizes revenue based on estimated prescriptions filled. The Company adjusts its inventory value based on an estimate of inventory that may expire. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. All cash and cash equivalents are held in United States financial institutions and money market funds, which are unrestricted as to withdrawal or use. To date, the Company has not experienced any losses on its cash and cash equivalents. The carrying amount of cash and cash equivalents approximates its fair value due to its short-term and liquid nature.

Restricted Cash

Restricted cash 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.

Short-Term Investments

Short-term investments consist of corporate debt securities with original maturities greater than three months. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 ("SFAS 115"), *Accounting for Certain Investments in Debt and Equity Securities*, the Company classifies its short-term investments as available-for-sale. Available-for-sale securities are recorded at fair value of the investments based on quoted market prices. The Company considers all of these investments to be available-for-sale.

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

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

Inventory

Inventory is stated at the lower of cost or market value and includes amounts for both Zanaflex tablet and Zanaflex capsule inventories. All inventories consist of finished goods. Cost is determined using the first-in, first-out method (FIFO) for all inventories. The Company adjusts its inventory value based on an estimate of inventory that may expire.

Property and Equipment

Property and equipment 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 range from three to seven years. Leasehold improvements are recorded at cost, less accumulated amortization, which is computed on the straight-line basis over the shorter of the useful lives of the asset or the remaining lease term. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible Assets

The Company 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 expects to receive economic benefit and are reviewed 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 dependent upon the use and underlying characteristics 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 product line. If the carrying value is not recoverable, impairment 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 other valuation techniques.

Impairment of Long-Lived Assets

In accordance with the Financial Accounting Standards Board ("FASB") SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company continually evaluates whether events or circumstances have 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. The Company evaluates the realizability of its long-lived assets based on profitability and cash flow expectations for the related asset. Any write-downs are treated as permanent reductions in the carrying amount of the assets. Based on this evaluation, the Company believes that, as of each of the balance sheet dates presented, none of the Company's long-lived assets was impaired.

Warrants

In January 2005, the Company issued warrants that provide the holder with the right to purchase $300,000 (unaudited) worth of shares of preferred stock in the Company's next qualifying equity round or 40,000 shares of Series K mandatorily redeemable preferred stock if no such round is completed

prior to December 31, 2005. Beginning July 1, 2005, these warrants are subject to FASB Staff Position No. 150-5 ("FSP 150-5"), which addresses whether freestanding warrants and other similar instruments on shares that are either puttable or mandatorily redeemable would be subject to the requirements of FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, regardless of the timing of the redemption feature or the redemption price. Upon adoption of FSP 150-5 on July 1, 2005, the Company reclassified the warrants from additional paid in capital to a liability based on its fair value on July 1, 2005. The warrant will be marked to market each reporting period thereafter with the change in fair value recorded to earnings. The adoption of this statement resulted in gain from a net effect of change in accounting principle of $2,805, as a result of the change in fair value of the warrant from January 2005 to July 1, 2005.

In November 2005, the Company modified the terms of this warrant to provide the holder with the right to purchase $300,000 (unaudited) worth of (i) shares of preferred stock in the Company's next Qualifying Equity Round or, (ii) to the extent the Company has consummated an IPO on or before February 28, 2006, shares of Common Stock at the lower of (A) the per share price of the Common Stock sold in the IPO and (B) $7.50 per share, or (iii) to the extent the Company has not consummated either a qualifying equity round or an IPO on or before February 28, 2006, then Series K mandatorily redeemable preferred stock at $7.50 per share.

Patent Costs

Patent application and maintenance costs are expensed as incurred.

Research and Development

Research and development expenses include the clinical development costs associated with the Company's product candidates and research and development costs associated with the Company's preclinical programs. These expenses include internal research and developments costs and the costs of research and development conducted on behalf of the Company by third parties, including sponsored university-based research agreements, and clinical study vendors. All research and development costs are expensed as incurred. Costs incurred in obtaining technology licenses are charged immediately to research and development expense if the technology licensed has not reached technological feasibility and has no alternative future uses.

Accounting for Income Taxes

Income 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 between the financial statement carrying amounts of 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 income in the years in which those temporary differences 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 the enactment date. Deferred tax assets are reduced by a valuation allowance for the amounts of any tax benefits which, more likely than not, will not be realized.

Revenue Recognition

The Company applies the revenue recognition guidance in SFAS No. 48, *Revenue Recognition When the Right of Return Exists*, which amongst other criteria requires that future returns can be reasonably

estimated in order to recognize revenue. The amount of future tablet returns is uncertain due to generic competition and customer conversion to Zanaflex Capsules. Zanaflex Capsules are a new product with no historical return data. Due to the uncertainty of returns for both products, the Company is accounting for these product shipments using a deferred revenue recognition model. Under the deferred revenue model, the Company does not recognize revenue upon product shipment. For these product shipments, the Company invoices the wholesaler, records deferred revenue at gross invoice sales price, and classifies the cost basis of the product held by the wholesaler as a component of inventory. The Company recognizes revenue when prescribed to the end-user, on a first-in first-out (FIFO) basis. The Company's revenue to be recognized is based on (1) the estimated prescription demand-based on pharmacy sales for its products, (2) the Company's analysis of third-party information, including third-party market research data, (3) the Company's internal product sales information and (4) wholesaler inventory levels and re-order information. The Company's estimates are subject to the inherent limitations of estimates that rely on 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 reflects the Company's estimates of actual product prescribed to the end-user.

When the Company acquired Zanaflex from Elan, it also acquired Elan's inventory of Zanaflex tablets, which included both partial lots with expiration dating of less than 12 months and full lots with expiration dating greater than 12 months. The Zanaflex tablet inventory the Company acquired from Elan was labeled with a code identifying the inventory as Elan's.

For partial tablet lots acquired, the Company has deferred recognition of revenue until the product return period expires in June 2006, since it is unable to determine whether the prescriptions filled for Zanaflex tablet with Elan's code relate to product sold by Elan or sold by the Company. After the product return period expires in June 2006, the Company will recognize revenue only to the extent of unreturned product.

With regards to the full tablet lots acquired, the Company began recognizing revenue in July 2005 for prescriptions filled for Zanaflex tablets with Elan's code. All of the Zanaflex tablet inventory sold by Elan prior to the acquisition reached its expiration date in June 2005, therefore any prescriptions filled for Zanaflex tablets subsequent to June 2005 can only be from the full inventory lots acquired by the Company and sold by the Company.

Inventory manufactured after the Company's acquisition of Zanaflex is labeled with a code that enables it to identify the inventory as the Company's. These codes are contained on end-user prescription data that the Company uses to recognize revenue.

The Company began receiving end-user prescription data containing its code, which enabled it to begin recognizing revenue from Zanaflex tablet sales in March 2005. The Company began marketing Zanaflex Capsules in April 2005 and began recognizing revenue in the same month.

At December 31, 2004 and September 30, 2005 the Company had deferred revenue from Zanaflex tablets of $6.7 million and $10.7 million (unaudited), respectively, of which $3.6 million and $2.5 million (unaudited), respectively, was related to product acquired from Elan that had an expiration date of less than 12 months at the time the Company sold it during 2004. The Company believes there is a high likelihood that this product will be returned which would result in its inability to recognize related revenue. If such product is returned the deferred revenue liability upon a return would offset the associated receivable or any credit we may issue if the wholesaler previously paid the invoice.

The Company's net revenues represent total revenues less allowances for customer credits, including estimated discounts, rebates, and chargebacks. Product shipping and handling costs are included in cost of sales. These reserves are recorded in accordance with Emerging Issues Task Force (EITF) Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer*, which states that cash consideration given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement. At the time product is shipped to wholesalers, an adjustment is recorded for estimated chargebacks, rebates, and discounts. These reserves are established by management as its best estimate based on available information and is adjusted to reflect known changes in the factors that impact such reserves. Reserves for chargebacks, rebates and discounts are established based on the contractual terms with customers, analysis of historical levels of discounts, chargebacks and rebates, communications with customers and the levels of inventory remaining in the distribution channel, as well as expectations about the market for each product and anticipated introduction of competitive products. In addition, the Company records a charge to cost of goods sold for the cost basis of the estimated product returns the Company believes may ultimately be realized at the time of product shipment to wholesalers. The Company has recognized this charge at the date of shipment since it is probable that it will receive a level of returned products; upon the return of such product it will be unable to resell the product considering its expiration dating; and it can reasonably estimate a range of returns. This charge represents the cost basis for the low end of the range of the Company's estimated returns.

As part of the acquisition of Zanaflex, the Company agreed to accept any returns of Zanaflex tablets that were returned subsequent to January 17, 2005, including returns of product that was originally sold by Elan. Product returns prior to that date were the responsibility of Elan. The Company has recorded a charge to discounts and allowances of $4.1 million in 2004 for the estimated liability for product originally sold by Elan that will ultimately be returned to the Company for a refund under its returned product policy of Zanaflex tablets sold by Elan. This obligation to accept returns for product sold by Elan expires in June 2006.

Revenue Recognition–Grants

Revenue related to research and development grants is recognized when the related research expenses are incurred and the Company's specific performance obligations under the terms of the respective contract are satisfied. To the extent 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 contract. Revenue recognized in the accompanying consolidated financial statements is not subject to repayment. Payments, if any, received in advance of performance under the contract are deferred and recognized as revenue when earned.

Planned Initial Public Offering Costs

The Company originally deferred the planned initial public offering costs incurred in 2003 in accordance with SEC Staff Accounting Bulletin ("SAB") Topic 5A*, Expenses of Offering*. In December 2003, the Company deferred its plan for an initial public offering. As a result, the related costs of approximately $1.3 million were expensed and included in the Company's consolidated statements of operations for the six month period ended December 31, 2003.

Concentration of Risk

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

The Company is substantially dependent upon Elan for several activities related to the development and commercialization of Fampridine-SR. The Company will rely on Elan to complete the chemistry, manufacturing and controls section of the New Drug Application ("NDA") for Fampridine-SR in multiple sclerosis. If Elan fails to provide these parts of the NDA in a complete and timely manner the Company could incur delays in filing of its NDA for Fampridine-SR in multiple sclerosis.

The Company relies on a single manufacturer, Elan, for the supply of Zanaflex Capsules and on another single manufacturer, Novartis, for the supply of tizanadine. If either Elan or Novartis experiences any disruption in their operations, a delay or interruption in the supply of the Company's products could result until the affected supplier cures the problem or the Company locates an alternative source of supply. The 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 required to qualify under applicable regulatory requirements. The Company could experience substantial delays before it is able to qualify any new supplier and transfer the required manufacturing technology to that supplier. Novartis has informed us that they intend to discontinue tizanidine production by the end of 2005. We have established relationships with the companies that currently formulate the tablets and bottles and package Zanaflex tablets, however, we do not have an agreement with an alternative manufacturer of tizanidine. It is the responsibility of each of Novartis and Elan to procure the API required to meet its contractual obligations to supply the Company with product. The Company does not anticipate an interruption in API supply. Novartis is currently transferring the methods of manufacturing tizanidine to Rohner, an API manufacturer in Pratteln, Switzerland. The Company has verified this transfer and plans to audit Rohner's manufacturing site towards the end of first quarter 2006, following the commencement of Rohner's manufacture of tizanidine. The Company has also identified an alternate source for tizanidine in collaboration with Elan. The Company does not anticipate entering into a supply agreement for API with either party. Any cost associated with validating API suppliers would be incurred by Novartis or Elan. The costs of the Company's audit of Rohner or any other supplier are not material and are considered part of its normal course of business.

The Company has agreed to purchase at least 75% of its Fampridine-SR product requirements from Elan, and must make compensatory payments if it does not purchase 100% of its requirements from Elan. The Company and Elan have agreed that the Company may purchase up to 25% of its annual Fampridine-SR requirements from Patheon, Inc., a qualified manufacturing source of Fampridine-SR, without making compensatory payments to Elan. In addition, the Company does not have direct contractual relationships with the suppliers of fampridine, the active pharmaceutical ingredient in Fampridine-SR, referred to as API. Currently, the Company is relying on Elan's contracts with third parties to supply API. If Elan or an alternative manufacturer is unable to obtain API from these suppliers for any reason, a new supplier would have to be identified by the Company. Although

there are other potential sources of API available, any new supplier would be required to qualify under applicable regulatory requirements. Any delays in obtaining API to manufacture Fampridine-SR could delay the clinical trials of Fampridine-SR.

Similar to other pharmaceutical companies, the Company's principal customers are wholesale pharmaceutical distributors. The Company periodically assesses the financial strength of these customers and establishes allowances for anticipated losses, if necessary. To date, such losses have been minimal.

% of total trade accounts receivable

	As of December 31, 2004	As of September 30, 2005 (unaudited)
Major customers:		
Cardinal	27%	11%
McKesson	52	60
Amerisource	13	11
Total	92%	82%

Allowance for Doubtful Accounts

A portion of the Company's accounts receivable may not be collected due principally to customer disputes and sales returns. The Company provides reserves for these situations based on the evaluation of the aging of its trade receivable portfolio and an analysis of high-risk customers. The Company has not recognized an allowance as of December 31, 2004 or September 30, 2005 (unaudited) as management believes all outstanding accounts receivable are fully collectible.

Fair Value of Financial Instruments

The fair value 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 sale or liquidation. Significant differences can arise between the fair value and carrying amounts of financial instruments that are recognized at historical cost amounts.

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

(a) Cash and cash equivalents, grant receivables, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments;

(b) Available-for-sale securities are recorded based on quoted market prices;

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

It is not practical for the Company to estimate the fair value of the convertible notes payable to Elan due to the specific provisions of these notes including the uncertainty of the timing of repayment which is dependent upon regulatory approval of certain products. The terms of these notes are disclosed at Note 11.

Earnings per Share

Net loss per share 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 of shares of common stock outstanding. The Company has certain options, warrants, convertible preferred stock and mandatorily redeemable convertible preferred stock (see Notes 3 and 8), which have not been used in the calculation of diluted net loss per share because to do so would be anti-dilutive. Anti- dilutive shares totaled 24,091,289 as of June 30, 2002, 136,881,522 as of June 30, 2003 and December 31, 2003, and 138,414,849 as of December 31, 2004 and September 30, 2005 (unaudited). As such, the numerator and the denominator used in computing both basic and diluted net loss per share allocable to common stockholders for each year are equal. The Company 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 dividend for Series J and Series K in the net loss allocable to common stockholders as set forth below.

	Beneficial conversion feature	Accretion of issuance costs	Preferred dividend
For the year ended December 31, 2004	$ 19,452,073	$ 106,223	$ 5,188,041
For the six month period ended December 31, 2003	9,726,036	47,945	2,210,688
For the year ended June 30, 2003	23,624,173	65,963	629,895
For the year ended June 30, 2002	–	54,973	–
For the nine month period ended September 30, 2005 (unaudited)	14,549,194	81,219	4,006,030
For the nine month period ended September 30, 2004 (unaudited)	14,564,279	79,151	3,852,697

Stock-Based Compensation

The Company has various stock-based employee and non-employee compensation plans, which are described more fully in Note 9. The Company accounts for options and restricted stock granted to employees and directors in accordance with the fair value method of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FASB Statement No. 123* and related interpretations. As such, compensation expense is recorded on stock option and restricted stock grants based on the fair value of the options or restricted stock granted, which is estimated on the date of grant using the Black-Scholes option-pricing model for stock options granted, and is recognized on a straight-line basis over the vesting period. The Company 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 Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services,* and FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans an Interpretation of APB Opinion No. 15 and 25*. As a result, the non-cash charge to operations for non-employee options with vesting or other performance criteria is affected each reporting period by changes in the estimated fair value of the Company's common stock. The two factors which most affect charges or credits to operations related to stock-based compensation are the fair value of the common stock underlying stock options for which stock-based compensation is

recorded and the volatility of such fair value. If the Company's estimates of the fair value of these equity instruments changes, it would have the effect of changing compensation expense. Because shares of the Company's common stock have not been publicly traded, the Company generally estimates the fair value of its common stock based on the most recent previous sale of convertible preferred stock (convertible on a one-for-one basis into common stock). The Company does not discount the issuance price of its preferred stock in estimating the fair value of its common stock.

Segment Information

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

Comprehensive Income (Loss)

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

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R. This statement is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. This statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The full impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS 123R in prior periods, management believes the impact of that standard would have approximated the impact of SFAS 123.

(3) Beneficial Conversion Feature

In May 2003, the Company completed a private placement of 112,790,233 shares of Series J mandatorily redeemable convertible preferred stock at $0.49 per share for an aggregate purchase price of approximately $55,267,000. The terms of the preferred stock are more fully described in Note 8.

As part of this financing, the original conversion price of the Series A through Series I preferred stock was reduced as a result of anti-dilution adjustments, which resulted in a beneficial conversion amounting to $80,730,286 in accordance with EITF No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios* and EITF No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*. The beneficial conversion charge of $20,860,491 relating to Series A, Series B, Series C, Series F and Series H convertible preferred stock, which are not mandatorily redeemable and may be converted at any time at the option of the holders to common stock, has been recorded as an immediate charge to additional paid-in capital. The remaining beneficial conversion amount of $59,869,795 related to Series E and Series I convertible preferred stock, which are mandatorily redeemable at any time on or after June 30, 2008, is being accreted ratably over the mandatory redemption period. Such accretion amounted to $1,656,854, $5,830,852, $11,661,705 and $8,722,382 (unaudited) for the year ended June 30, 2003, the six month period ended December 31, 2003, the year ended December 31, 2004 and the nine-month period ended September 30, 2005, respectively, and is charged to additional paid-in capital.

In addition, the issuance of Series J mandatorily redeemable convertible preferred stock resulted in a beneficial conversion amounting to $39,994,812 in accordance with EITF No. 98-5. The beneficial conversion is calculated based on the estimated fair value of the Company's common stock price per share at the date of issuance of Series J preferred stock of approximately $10.14 per share of common stock, which was calculated based on the estimated projected midpoint of the range of the Company's initial public offering price per common share, which was planned in the fourth calendar quarter of 2003, and the stock price appreciation in comparable public companies from May 2003 to August 2003. The beneficial conversion feature is being accreted ratably over the mandatory redemption period, with a charge to additional paid-in capital of $1,106,828, $3,895,184, $7,790,368 and $5,826,812 (unaudited) for the year ended June 30, 2003, the six month period ended December 31, 2003, the year ended December 31, 2004 and the nine-month period ended September 30, 2005 (unaudited), respectively.

(4) Short-Term Investments

The Company has accounted for its investments in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and determined that all of its short-term investments are classified as available-for-sale. Available-for-sale securities are carried at fair value with interest on these securities included in interest income. Available-for-sale securities consisted of the following:

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities				
As of December 31, 2003	$ 32,247,745	$ 25,690	$ (23,172)	$ 32,250,263
As of December 31, 2004	9,419,713	–	(23,036)	9,396,677
As of September 30, 2005 (unaudited)	5,166,606	–	(6,331)	5,160,275

The contractual maturities of available-for-sale debt securities at December 31, 2004 and September 30, 2005 are within one year.

Investments are considered impaired when a decline in fair value is determined to be other-than-temporary. The Company employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments in accordance with EITF Issue No. 03-1, *The*

Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments ("EITF 03-01"). In the event that the cost of an investment exceeds its fair value, the Company evaluates, among other factors, the duration and extent to which the fair value is less than cost; the financial health of and business outlook for the investment or investee; and the Company's intent and ability to hold the investment. The Company has determined that there were no other-than-temporary declines in the fair values of its short term investments as of December 31, 2004.

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2004 (in thousands):

	Less than 12 months		12 Months or Greater	
Description of Securities	**Fair value**	**Unrealized loss**	**Fair value**	**Unrealized loss**
Corporate debt securities(1)	$ 9,397	$ (23)	$ –	$ –
Total	$ 9,397	$ (23)	$ –	$ –

(1) The unrealized losses of $23,000 on the corporate debt securities were attributable to increases in interest rates, as well as bond pricing. The Company invests in bonds that are rated A1 or better, as dictated by its approved investment policy. Since the changes in the market value of these investments are due to changes in interest rates and not credit quality, and the Company has the ability and intent to hold these investments until recovery of the fair value, the Company does not consider its investments in corporate debt securities to be other-than-temporarily impaired at December 31, 2004.

Short-term investments with original maturity of three months or less have been classified as cash and cash equivalents, and amounted to $7,551,356, $7,878,024 and $2,277,746 (unaudited) as of December 31, 2003, December 31, 2004 and September 30, 2005, respectively.

(5) Property and Equipment

Property and equipment consisted of the following:

	December 31, 2003	December 31, 2004	September 30, 2005 (unaudited)	Estimated useful lives
Laboratory equipment	$ 2,068,502	$ 2,113,093	$ 2,099,396	5 years
Furniture and fixtures	535,200	537,473	514,181	5 years
Computer equipment	585,244	759,949	680,008	3 years
Leasehold improvements	1,727,813	2,023,033	2,052,309	5 to 7 years
	4,916,759	5,433,548	5,345,894	
Less accumulated depreciation	1,823,605	2,886,534	3,440,831	
	$ 3,093,154	$ 2,547,014	$ 1,905,063	

Depreciation and amortization expense on property and equipment was $417,479 and $740,201 for the fiscal year ended June 30, 2002 and 2003, $445,260 for the six-month period ended December 31, 2003, $1,077,910 for the year ended December 31, 2004 and $788,572 (unaudited) for the nine-month period ended September 30, 2005.

(6) Accrued Expenses and Other Current Liabilities

Accrued expense and other current liabilities consisted of the following:

	December 31, 2003	December 31, 2004	September 30, 2005 (unaudited)
Bonus payable	$ 1,106,698	$ –	$ 514,002
Milestone payable to Elan	–	750,000	3,750,000
Royalties payable	–	519,531	223,493
Accrued research and development expenses	2,649,368	825,166	859,812
Return credits payable to customers	–	–	1,278,801
Other accrued expenses	593,762	795,521	1,199,761
	$ 4,349,828	$ 2,890,218	$ 7,825,869

Accrued research and development expenses include amounts relating to the clinical trials as well as preclinical operating costs. Other accrued expenses include legal and business development accruals, payroll liabilities, vacation and commission accruals and other operating expense accruals.

(7) Notes Payable

In 2003, the Company entered into two financing agreements with General Electric Capital Corporation in the aggregate amount of $1,153,511, bearing annual fixed interest rates of 8.57% and 8.88%, to finance the purchase of certain property and equipment. Borrowings are secured by a security interest in certain property and equipment of the Company and the agreements do not include any debt covenants. The Company is required to pay monthly installments until October 2006. The aggregate principal payments required subsequent to December 31, 2004 are: $301,938 in 2005, and $144,654 in 2006. The related interest payments required subsequent to December 31, 2004 are: $26,001 in 2005, and $5,109 in 2006.

In 2005 (unaudited), the Company entered into a $6 million senior secured term loan with General Electric Capital Corporation ("GE"), that bears an annual fixed interest rate of 9.93%. The Company is required to pay monthly installments until February 2008, with interest-only payments for the first six months followed by principal and interest payments for the remaining 29 months. The loan is secured by all of the Company's personal property and fixtures owned at closing or subsequently acquired. The aggregate principal payments required subsequent to December 31, 2004 are: $899,887 in 2005, $2,317,217 in 2006, $2,558,084 in 2007 and $224,813 in 2008. The related interest payments required subsequent to December 31, 2004 are: $283,130 in 2005, $402,862 in 2006, $161,995 in 2007 and $1,860 in 2008. See Note 8.

For long-term convertible notes payable to related party see Note 11.

(8) Mandatorily Redeemable Convertible Preferred Stock and Convertible Preferred Stock

The board of directors of the Company has authorized 141,754,865 shares of convertible preferred stock, designated as Series A, B, C, D, E, F, G, H, I, J and K preferred stock (Series A, Series B, Series C, Series D, Series E, Series F, Series G, Series H, Series I, Series J and Series K; collectively, the Preferred Stock). Series E, Series I, Series J and Series K are mandatorily redeemable convertible preferred stock (Redeemable Preferred Stock). Upon an initial public offering, the preferred stock will automatically convert into common stock.

The terms of the Preferred Stock are as follows:

(a) Dividends

The Preferred Stock (except Series J and Series K) is entitled to noncumulative dividends prior to and in preference to dividends declared or paid on the common stock, at the rate of $0.10 per share per annum for Series A through Series H and at the rate of $0.39 per share per annum for Series I when and if declared by the board of directors. Dividends on Series J and Series K are cumulative and accrue on each share of Series J Preferred Stock and Series K Preferred Stock commencing on the date of issuance, whether or not earned or declared at the rate of $0.0392 per share per annum for Series J and at the rate of $0.60 per share per annum for Series K, based on the original issue price of Series J Preferred Stock and Series K Preferred Stock, prior and in preference to any declaration or payment of any dividend on any other Series of Preferred Stock holders (Series A through Series I). Series J and Series K dividends are payable when declared by the Board of Directors or upon liquidation, as defined or upon redemption, provided, however, that the amount of any dividend payable shall not exceed the original issue price of such series of preferred stock. Accrued dividends for Series J and K were $6.6 million and $761,000 as of December 31, 2004 and $9.9 million and $1.5 million (unaudited) as of September 30, 2005, respectively.

(b) Liquidation

The preferred stockholders have liquidation preferences over common stockholders based on the series of Preferred Stock held. In the event of liquidation, dissolution, or winding up of the Company, each holder of shares of Series J Preferred Stock and Series K Preferred Stock is entitled to be paid in preference to common stockholders and any other Series of Preferred Stock holders (Series A through Series I) an amount equal to the original issue price per share of $0.49 for Series J and $7.50 for Series K, plus all accrued or declared but unpaid dividends. After payment has been made to Series J and Series K Preferred Stock, the Series I, Series E-1, Series E-2, Series F and Series H shall be entitled to receive out of the available assets, on a pro rata basis, an amount per share of $3.89, $1.31, $1.07, $1.09 and $1.36, respectively, plus all declared but unpaid dividends on each such share issued. After payment of the above mentioned preferential amounts the holders of Series E, Series F and Series H Preferred Stock shall be entitled to be paid out of the remaining available assets an amount per share equal to $0.26, $0.21 and $0.27, respectively, plus all declared but unpaid dividends. After payment of the above mentioned preferential amounts, the holders of Series A through Series H Preferred Stock shall be entitled to be paid out of remaining available assets an amount per share up to and including such amounts paid in accordance with as mentioned above, equal to $1.00, $2.00, $3.00, $12.50, $3.13, $5.22, the greater of $2.00 and 80% of the closing price per share of the Institutional Financing, as defined, most recently completed by the Company prior to the issuance of the Series G Preferred Stock and $3.25, respectively.

(c) Conversion

The Preferred Stock will be automatically converted into common stock upon an initial public offering of the Company's common stock or upon either the approval by written consent of the holders of a majority of the then outstanding shares of Series A, Series B, Series C, Series D, Series E, Series F, Series G, Series H and Series I voting together as a single class and upon approval by written consent of the holders of a majority of the then outstanding shares of Series J and Series K.

Preferred stock	Shares outstanding at December 31, 2004	Conversion Price	Shares of Common Stock
Series A	1,306,068	$ 9.06	144,074
Series B	900,000	11.86	151,820
Series C	333,333	14.64	68,339
Series D	–	11.86	–
Series E	7,472,612	13.81	1,461,363
Series F	2,300,000	13.81	449,803
Series G	–	(1)	–
Series H	1,575,229	15.34	333,827
Series I	10,204,047	17.11	2,319,457
Series J	112,790,233	7.64	7,230,118
Series K	1,533,327	9.75	1,179,478

(1) The product of (x) the number of Series G Preferred Stock surrendered and (y) the number determined by dividing (i) the greater of $31.20 or 80% of the closing price per share of the most recently completed bona fide equity financing of the Company prior to the issuance of Series G Preferred Stock by (ii) the Series G conversion price in effect.

In the event the convertible promissory notes payable to Elan are converted into common stock, the per share conversion price on the Series I and Series J preferred stock would be adjusted to $16.37 and $7.12, respectively. Other than in an initial public offering or certain other specified instances, in the event the Company issues common stock (or securities convertible into common stock) at an effective common stock issuance price of less than a specified amount the conversion price on all preferred stock will be reduced based on anti-dilution provisions.

(d) Redemption

Holders of Series E, Series I, Series J and Series K Preferred Stock may at any time on or after June 30, 2008, require the Company to redeem all or any portion of such holders' redeemable preferred stock at a redemption price, as specified below, provided, however, that no holder of redeemable preferred stock may so require such redemption unless and until (i) the holders of not less than a majority of the redeemable preferred stock then issued and outstanding make such election and (ii) the holders of a majority of the Series J and Series K preferred stock then issued and outstanding make such election prior to September 30, 2008 (these terms collectively, the Redemption Date). The redemption price for each share of redeemable preferred stock shall be the original issue price plus accrued but unpaid dividends. One half of such aggregate redemption price for all redeemable preferred stock shall be payable in cash on the Redemption Date, as defined and the second half of such aggregate redemption price shall be payable in cash on the first anniversary of the Redemption Date, as defined.

(e) Voting

Each holder of outstanding Preferred Stock (other than Series F) shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Preferred Stock so held could be converted. The holders of Series F Preferred Stock shall have no voting rights except as required by Delaware General Corporation Law. The board of directors consists of nine directors: (i) two directors elected by the holders of Series A, Series E and Series H Preferred Stock, voting as a single class; (ii) one director elected by Series I Preferred Stock; (iii) two directors elected by Series J Preferred Stock; (iv) one director elected by holders of common stock; and (v) three directors elected by the holders of common stock and Preferred Stock, voting as a single class. The Company's certificate of incorporation includes provisions which restrict the Company from certain actions without the approval of a defined percentage of the preferred stockholders.

Convertible Preferred Stock

Series A

In May 1995, the Company issued 610,000 shares of Series A, at a per share price of $1.00, for aggregate proceeds of $610,000, and granted each purchaser a warrant to purchase one additional share of Series A for every ten Series A shares purchased, at an exercise price of $1.00 per share. The Company estimated the fair value of warrants at approximately $44,971. The fair value was determined by the Black-Scholes valuation method, using a risk free interest rate of 6.5%, the warrants' contractual life of seven years, an annual volatility of 73% and no expected dividends. Such amount was credited to additional paid-in capital and charged immediately to additional paid-in capital, as the warrants were exercisable at any time at the option of the holder. Each warrant was exercised for one share of Series A. During fiscal 2002, 22,800 of these warrants were exercised on a cash basis and 28,268 were exercised in a cashless exercise resulting in total proceeds of $22,800. The remaining 9,932 of these warrants were not exercised and have expired.

In fiscal 1996 and 1997, the Company issued 450,000 and 195,000 shares of Series A, at a per share price of $1.00, for aggregate proceeds of $450,000 and $195,000, respectively. In August 1996 and January 1997, the Company granted 340,000 warrants to purchase shares of Series A at an exercise price of $1.00. These warrants expired in August 2003 and January 2004, respectively. None of these warrants were exercised. The Company estimated the fair value of warrants at approximately $254,110. Such value was determined by the Black-Scholes valuation method, using a risk free interest rate of 6.5%, the warrant's contractual life of seven years, an annual volatility of 75% and no expected dividends. Such amount was credited to additional paid-in capital and charged immediately to additional paid-in capital as the warrants were exercisable at any time at the option of the holder.

Series B

In January 1997, the Company issued 750,000 shares of Series B, at a per share price of $2.00, for aggregate proceeds of $1,500,000. In January 2002, the Company issued 150,000 shares of Series B, at a per share price of $2.00, for aggregate proceeds of $300,000 (see Note 11).

As of September 30, 2005 (unaudited), 100,000 Series B warrants were outstanding with an exercise price per share of $2.00. The warrants to acquire Series B Preferred Stock enable the holder to acquire 21,929 shares of common stock.

Series C

In February 2002, the Company issued to Elan and affiliates 333,333 shares of Series C, at a per share price of $3.00, for aggregate proceeds of $999,999.

Series F

In April 1998, the Company issued to Elan 2,300,000 shares of Series F, at a per share price of approximately $5.22, for aggregate proceeds of approximately $12 million. Also, in April 1998, the Company entered into a joint venture agreement with Elan. The $12 million proceeds from the sale of the shares of Series F was then transferred to MS Research and Development Corp. ("MSRD"), a joint venture company of which the Company owned approximately 80% and Elan owned 20%. To purchase its approximate 20% interest, Elan invested an additional $3 million into MSRD. The combined $15 million was subsequently used to license research and development technology from Elan to develop Elan's proprietary oral sustained release formulation of fampridine for the treatment of multiple sclerosis. For the years ended June 30, 2002 and 2003 and for six-month period ended December 31, 2003, MSRD incurred approximately $2.9 million, $3.2 million and $3.3 million, respectively, in research and development expenses, which is included as research and development expense in the accompanying statements of operations, of which the Company funded 80% and Elan funded 20% until June 30, 2002, in accordance with the terms of the original development agreement. Elan's ownership interest in MSRD is reflected as minority interest in the accompanying statement of operations. The minority interest share of the MSRD losses were being funded by Elan, and through June 30, 2002 the Company received $1,279,361 as a reimbursement of this funding. In fiscal 2003, Elan ceased funding its approximately 20% share of the operating expenses of MSRD and the Company ceased recognizing the related minority interest benefit resulting in an increase in the Company's ownership interest to 83% pursuant to the original agreement (see Note 11 for discussion on license and research agreement.) In September 2003, the Company entered into a termination and assignment agreement with Elan, EIS and MSRD, pursuant to which MSRD assigned to the Company its assets, including the license from Elan for Fampridine-SR for MS. The Company paid MSRD approximately $11.5 million for all of the assets and assumed all of the liabilities of MSRD, and MSRD distributed to the Company approximately $9.5 million as pro rata portion of the purchase price. From the time of establishment of MSRD until the sale of MSRD's assets to the Company, Elan was considered to be a related party under generally accepted accounting principles.

Series H

In August 1999, the Company completed a private placement of 1,575,229 shares of Series H at $3.25 per share, resulting in net proceeds to the Company of $5,119,494 after payment of legal and certain other fees.

Mandatorily Redeemable Convertible Preferred Stock

The following convertible preferred stock are based on the redemption rights and conversion option as discussed above under terms of the Preferred Stock.

Series E

In July and November 1998, the Company issued 7,472,612 shares of Series E, that are mandatorily redeemable at $2.70 per share for an aggregate purchase price of approximately

$20,176,000. The Company incurred issuance costs of $209,270. Such costs are netted against the proceeds of the Series E, and are being amortized over the mandatory redemption period.

Series I

In March 2001, the Company issued 10,204,047 shares of Series I that are mandatorily redeemable at $3.89 per share for an aggregate purchase price of approximately $39,694,000. The Company incurred issuance costs of $138,179. Such costs are netted against the proceeds of the Series I, and are being amortized over the mandatory redemption period.

Series J

In May 2003, the Company issued 112,790,233 shares of Series J that are mandatorily redeemable at $0.49 per share for an aggregate purchase price of approximately $55,267,000. The Company incurred issuance costs of $334,219. Such costs are netted against the proceeds of the Series J, and are being amortized over the mandatory redemption period.

In September 2003, the Company obtained approval by the written consent from the holders of Series J preferred stock voting together as a single class and the holders of the Preferred Stock, voting separately as a single class on an as if converted basis for a reduction in the price per share of common stock offered to the public in an initial public offering which would trigger automatic conversion of the preferred stock into common stock from an offering price of not less than $14.76 per share to an offering price of not less than $12.00 per share.

Series K

In March 2004, the Company issued 1,533,327 shares of Series K which are mandatorily redeemable at $7.50 per share for an aggregate purchase price of $11,499,943. The Company incurred issuance costs of $53,728. Such costs are netted against the proceeds of the Series K, and will be amortized over the mandatory redemption period.

In January 2005, the Company granted warrants to purchase $300,000 (unaudited) worth of shares of Preferred Stock in the Company's next qualifying equity round, or Series K if no such round is issued prior to December 31, 2005. The number of Series K shares to be received upon exercise is 40,000 at the Series K issue price of $7.50 per share, which converts to 30,769 common shares. The Company estimated the fair value of warrants at approximately $214,785. Such value was determined by the Black-Scholes valuation method, using a risk free interest rate of 3.5%, the warrant's contractual life of ten years, an annual volatility of 90% and no expected dividends. These warrants were issued to GE in conjunction with the $6 million senior secured term loan (see Note 7). The discount of the note related to the warrants is being accreted over the life of the notes and resulted in a $78,023 (unaudited) charge to interest expense for the nine-month period ended September 30, 2005.

The changes in mandatorily redeemable convertible preferred stock are as follows:

	Mandatorily Redeemable Convertible Preferred Stock (in thousands)							
	Series E		Series I		Series J		Series K	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Balance at June 30, 2001	7,473	$ 20,040	10,204	$ 39,564	–	–	–	–
Accretion of issuance costs	–	27	–	28	–	–	–	–
Balance at June 30, 2002	7,473	20,067	10,204	39,592	–	–	–	–
Issuance of Series J mandatorily redeemable convertible preferred stock	–	–	–	–	112,790	54,933	–	–
Accretion of issuance costs	–	27	–	28	–	11	–	–
Accrual of preferred dividend on Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	630	–	–
Beneficial conversion feature for reduction in conversion price	–	(20,176)	–	(39,694)	–	–	–	–
Beneficial conversion feature on issuance	–	–	–	–	–	(39,995)	–	–
Deemed dividends on preferred stock for reduction in conversion price	–	558	–	1,098	–	–	–	–
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature	–	–	–	–	–	1,107	–	–

	Mandatorily Redeemable Convertible Preferred Stock (in thousands)							
	Series E		Series I		Series J		Series K	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Balance at June 30, 2003	7,473	$ 476	10,204	$ 1,024	112,790	$ 16,686	–	–
Accretion of issuance costs	–	8	–	7	–	32	–	–
Accrual of preferred dividend on Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	2,211	–	–
Deemed dividends on preferred stock for reduction in conversion price	–	1,965	–	3,866	–	–	–	–
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature	–	–	–	–	–	3,895	–	–
Balance at December 31, 2003	7,473	$ 2,450	10,204	$ 4,897	112,790	$ 22,824	–	–
Issuance of Series K mandatorily redeemable convertible preferred stock							1,533	$ 11,446
Accretion of issuance costs	–	16	–	15	–	65	–	10
Accrual of preferred dividend on Series K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	767
Accrual of preferred dividend on Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	4,421	–	–
Deemed dividends on preferred stock for reduction in conversion price	–	3,930	–	7,732	–	–	–	–
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature	–	–	–	–	–	7,790	–	–

Balance at December 31, 2004	7,473	$ 6,396	10,204	$ 12,644	112,790	$ 35,100	1,533	$ 12,223
Accretion of issuance costs	–	12	–	11	–	48	–	9
Accrual of preferred dividend on Series K mandatorily redeemable convertible preferred stock	–	–	–	–	–	–	–	690
Accrual of preferred dividend on Series J mandatorily redeemable convertible preferred stock	–	–	–	–	–	3,316	–	–
Deemed dividends on preferred stock for reduction in conversion price	–	2,939	–	5,783	–	–	–	–
Deemed dividends on preferred stock for issuance of preferred stock with beneficial conversion feature	–	–	–	–	–	5,827	–	–
Balance at September 30, 2005 (unaudited)	7,473	$ 9,347	10,204	$ 18,438	112,790	$ 44,291	1,533	$ 12,922

(9) Common Stock Options, Warrants and Restricted Stock

Upon inception of the Company in March 1995, the founders, directors, and certain employees purchased 166,827 shares of restricted common stock at a per share price of $0.16.

On June 18, 1999, the Company's board of directors approved the adoption of the Acorda Therapeutics, Inc. 1999 Employee Stock Option Plan (the "Plan"). All employees of the Company are eligible to participate in the Plan, including executive officers, as well as directors, independent contractors, and agents of the Company. The Plan is administered by the Compensation Committee of the board of directors, which selects the individuals to be granted options and stock appreciation rights, determines the time or times at which options and stock appreciation rights shall be granted under the Plan, determines the number of shares to be granted subject to any option or stock appreciation right under the Plan and the duration of each option and stock appreciation right, and makes any other determinations necessary, advisable, and/or appropriate to administer the Plan. Under the Plan, each option granted expires no later than the tenth anniversary of the date of its grant. Options vest over a four year period on a quarterly basis commencing with the date of award. Compensation expense is calculated using a Black-Scholes calculation with the expense being recognized over the vesting period. No option may be granted pursuant to the Plan more than ten years after the date on which the Plan was adopted by the board of directors and any option granted under the Plan shall, by its terms, not be exercisable more than ten years after the date of grant. In March 2004, the number of shares authorized for issuance under the Plan was increased from 1,275,641 shares to 2,451,088 shares. In

September 2005, the number of shares authorized for issuance under the Plan was increased from 2,451,088 to 3,186,856.

The effects of applying SFAS No. 123 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 granted is estimated on the date of grant using an option-pricing model with the following weighted average assumptions:

	Year ended June 30,		Six-month period ended December 31, 2003	Year ended December 31, 2004	Nine-month period ended September 30, 2004	Nine-month period ended September 30, 2005
	2002	2003			(unaudited)	(unaudited)
Employees and directors:						
Estimated volatility	97.7%	94.0%	89.8%	90.0%	88.42%	78.4%
Expected life in years	5	5	5	5	5	5
Risk free interest rate	4.41%	3.04%	3.28%	3.41%	2.78%	4.1%
Dividend yield	–	–	–	–	–	–

The Company estimated volatility for purposes of computing compensation expense on its employee and non-employee options using the volatility of public companies that the Company considered comparable. The expected life used to estimate the fair value of non-employee options is equal to the contractual life of the option granted, which is 10 years.

The weighted average fair value per share of options granted to employees for the years ended June 30, 2002 and 2003, the six month period ended December 31, 2003, the year ended December 31, 2004 and the nine month period ended September 30, 2005 amounted to approximately $51.95, $52.73, $16.22, $6.95, and $5.41 (unaudited) respectively. The weighted average fair value per share of options granted to non-employees for the six month period ended December 31, 2003 amounted to approximately $7.64. No options were granted to non-employees for the years ended June 30, 2002, and 2003, and December 31, 2004, and the nine month period ended September 30, 2005 (unaudited).

Common stock option and warrant activity from June 30, 2001 to September 30, 2005 is as follows (this table does not include warrants to acquire Series B and Series K Preferred stock, which are discussed in Note 8):

	Shares	Exercise Price per share
Balance at June 30, 2001	147,532	
Granted	43,631	$23.40 - $31.20
Forfeited	(3,050)	5.46 - 23.40
Exercised	(3,381)	5.46 - 23.40
Balance at June 30, 2002	184,732	
Granted	11,170	12.48 - 31.20
Forfeited	(4,588)	5.46 - 31.20
Balance at June 30, 2003	191,314	
Granted (original price $7.64, repriced to $2.60)	1,112,082	2.60
Forfeited	(14,114)	7.64 - 31.20
Exercised	(3,687)	1.56 - 12.48
Balance at December 31, 2003	1,285,595	
Granted	67,488	2.60 - 9.75
Forfeited	(61,588)	2.60 - 7.64
Exercised	(2,360)	1.56 - 7.64
Balance at December 31, 2004	1,289,135	
Granted	615,798	8.14
Forfeited	(124,737)	2.60
Exercised	(11,195)	2.60
Balance at September 30, 2005 (unaudited)	1,769,001	

Options available to grant at December 31, 2004 were 70,570.

	Options and Warrants outstanding			Options and Warrants exercisable	
Range of exercise prices	Outstanding as of December 31, 2004	Weighted average remaining contractual life	Weighted average exercise price	Exercisable as of December 31, 2004	Weighted average exercise price
$.16 - $3.12	42,628	1.67	$ 1.52	42,628	$ 1.52
$2.60	1,177,815	8.40	2.60	1,102,774	2.60
$9.75 - $12.48	64,619	9.69	9.80	5,072	10.44
$23.40	4,071	6.69	23.40	3,451	23.40
	1,289,135	8.24	2.99	1,153,926	2.66

This table represents the equity instruments issued since January 1, 2004 through September 30, 2005.

Transaction Date	Options Granted	Restricted Shares Granted	Fair Market Value at Grant Date	Exercise Price Per Share	Intrinsic Value	Recipient	Compensation Expense Recognized Thru September 2005
Jan-04(1)	1,912	–	$ 7.64	$ 2.60	$ 9,636	Employees	$ 5,796
Mar-04	17,192	–	9.75	9.75	–	Employees	40,618
Mar-04	–	1,134,423	9.75	n/a	–	Employees	3,581,830
Aug-04	3,769	–	9.75	9.75	–	Employees	3,129
Aug-04	–	5,077	9.75	n/a	–	Employees	2,149
Nov-04	44,615	–	9.75	9.75	–	Employees	67,462
Total 2004	67,488	1,139,500					
Jan-05 (unaudited)	34,615	–		9.75		Employees	41,021
Aug-05 (unaudited)	548,484	–		8.14		Employees	720,092
Aug-05 (unaudited)	32,699	–		8.14		Director	46,458
Sep-05 (unaudited)	–	7,692		n/a		Directors	77,140
Total 2005 (unaudited)	615,798	7,692					

(1) Options with a transaction date of January 2004 were originally granted with an exercise price of $7.64 per share. In March 2004 these options were re-priced to $2.60 per share.

In January 2005, the Company issued warrants that provide the holder with the right to purchase $300,000 (unaudited) worth of shares of preferred stock in the Company's next qualifying equity round or 40,000 shares of Series K mandatorily redeemable preferred stock if no such round is issued prior to December 31, 2005. In November 2005, the Company modified the terms of this warrant to provide the holder with the right to purchase $300,000 worth of shares of preferred stock in the Company's next qualifying equity round or; to the extent the Company has consummated an IPO on or before February 28, 2006, shares of Common Stock at the lower of (A) the per share price of the Common Stock sold in the IPO and (B) $9.75 per share or; to the extent the Company has not consummated either a qualifying equity round or an IPO on or before February 28, 2006, then $9.75 per share.

In September 2003, the Company re-priced 118,142 stock options issued to employees, which had an exercise price per option of more than $7.64, with a new exercise price per share of $7.64. As a result of this repricing, the Company has recognized an additional compensation charge based on the estimated fair value of the repriced options of $575,563, of which $449,585, $92,054 and $15,737 (unaudited) was recognized during the six-month period ended December 31, 2003, the year ended December 31, 2004 and the nine-month period ended September 30, 2005, respectively, with the balance to be recognized over the remaining respective vesting periods of the repriced options. Such compensation expense was calculated based on the estimated fair value based upon the Black-Scholes model of the repriced options compared to the value of the options immediately prior to the date of the repricing based on the original terms.

In September 2003, the Company granted 1,062,081 stock options, that had been authorized for issuance under the Plan in May 2003, to employees under the Plan at an exercise price of $7.64 per share, which was below the estimated fair value of the Company's common stock at the date of grant. Compensation expense of approximately $11.0 million, attributable to the fair value of the options granted, was recognized for the six-month period ended December 31, 2003 as certain of the options issued to employees vested immediately and the balance of $6.1 million will be recognized over the remaining respective vesting periods of the options. Such compensation expense was calculated based on the estimated projected midpoint of the range of the Company's initial public offering price per common share, which

was planned in the fourth calendar quarter of 2003, and the stock price appreciation in comparable public companies from May 2003 to August 2003 (the estimated fair value of the Company's common stock on the date of grant.) In December 2003, the Company deferred its plan for an initial public offering.

In October 2003, the Company granted 38,462 stock options to its chief executive officer and 9,615 stock options to its executive director-marketing and commercialization at exercise prices of $7.64 per share, which was below the estimated fair value of the Company's common stock at the date of grant. Compensation expense of approximately $425,000 attributable to the fair value of the options granted was recognized for the six-month period ended December 31, 2003, as certain of the options issued to employees vested immediately and the balance of $355,000 will be recognized over the remaining respective vesting periods of the options.

In March 2004, the Company repriced 1,250,853 stock options issued to employees, which had an exercise price per share of more than $2.60, with a new exercise price per share of $2.60. Most of these options were originally issued in September 2003. As a result of this repricing, the Company has recognized an additional compensation charge of $2,200,330, of which $1,869,872 and $89,198 was recognized during the year ended December 31, 2004 and the nine-month period ended September 30, 2005 (unaudited), respectively, with the balance to be recognized over the remaining respective vesting periods of the repriced options. Such compensation expense was calculated based on the estimated fair value of the repriced options compared to the value of the options immediately prior to the date of the repricing based on the original terms.

In March 2004, the Company granted 1,134,423 restricted shares and 17,192 stock options to employees under the Plan. The stock options were issued with an exercise price of $9.75 per share which was the fair value of the Company's common stock at the date of grant. The restricted shares were granted for no cash consideration. The option grants are exercisable based on a four-year quarterly vesting schedule, commencing with the date of award March 9, 2004. The restricted stock awards are subject to vesting over a four-year period as follows: the first installment will vest on the last to occur of (a) the expiration of the lock-up period following our initial public offering, and (b) the third day after public announcement of data regarding either the primary outcome measure of our Fampridine-SR Phase 3 trial in MS or suspension or termination of the trial, whichever comes first, and (c) in the case of Ron Cohen, June 30, 2007; except that if the vesting date under (a) or (b) or (c) would occur during a "blackout" period under our insider trading policy, the vesting date will be the first day following termination of the blackout period. The first vested installment under each restricted stock award will be calculated as the total number of shares covered by the award multiplied by a fraction, the numerator of which is the number of months from the vesting commencement date to the date on which the first installment of restricted shares vest, or the "initial vesting date," and the denominator is 48. All remaining restricted shares will vest in equal quarterly installments, measured from the vesting commencement date, except that for any partial quarter in which the initial vesting date occurs, the unvested portion of shares remaining for that quarter will vest at the end of such quarter. As a result of these grants, the total compensation charge is approximately $11,177,540, of which compensation expense of $2,256,103 and $1,366,345 (unaudited) was recognized during the year ended December 31, 2004 and the nine months ended September 30, 2005, with the balance to be recognized over the remaining respective vesting periods of the options and restricted shares. The Company recognized compensation expense ratably over four years.

In August and November 2004, the Company granted 48,384 options to employees under the plan. The stock options were issued with an exercise price of $9.75 per share. The options will vest over a four-year vesting schedule. As a result of these grants the total compensation charge is $325,109 of which $14,053 and $56,538 (unaudited) was recognized during the year ended December 31, 2004 and the nine months ended September 30, 2005.

In January 2005, the Company granted 34,615 options to employees under the plan. The stock options were issued with an exercise price of $9.75 per share. The options will vest over a four-year vesting schedule. As a result of these grants the total compensation charge is $228,495 (unaudited) of which $41,021 (unaudited) was recognized during the nine months ended September 30, 2005.

In August 2005, the Company granted 548,484 and 32,699 stock options to employees and non-employees, respectively, under the Plan. The stock options were issued with an exercise price of $8.14 per share. 87,624 and 6,122 of the employee and non-employee grants, respectively, vested immediately upon the grant date of the award. The balance will be vested based on a four-year quarterly vesting schedule for employee grants and a three-year quarterly vesting schedule for non-employee grants. $4,538,220 (unaudited), of which compensation expense of $766,550 (unaudited) was recognized during the nine months ended September 30, 2005, with the balance to be recognized over the remaining respective vesting periods of the options.

In August 2005, the Company granted 7,692 restricted shares to non-employees. 5,769 of these grants vested immediately upon the date of award of August 3, 2005, and the balance will be vested based on a one-year quarterly vesting schedule, contingent upon certain restrictions defined in the restricted stock agreement. As a result of these grants, the total compensation charge is approximately $84,612 (unaudited), of which compensation expense of $77,140 (unaudited) was recognized through September 30, 2005, with the balance to be recognized over the remaining respective vesting periods of the restricted shares. As of December 31, 2004 and September 30, 2005 1,127,808 and 756,620 (unaudited) restricted shares remain outstanding.

Compensation expense for options and restricted stock granted to employees amounted to $1,331,911, $1,580,054, $13,198,079, $9,049,858 and $3,417,684 (unaudited) for the years ended June 30, 2002 and 2003, the six-month period ended December 31, 2003, the year ended December 31, 2004 and the nine-month period ended September 30, 2005, respectively. Compensation expense for options and restricted stock granted to employees are classified between research and development and general and administrative expense based on employee job function.

Options granted to non-employees vest immediately or over a one to four year period based upon future service requirements. Compensation expense for options granted to non-employees amounted to $74,624, ($6,539), $8,488, $15,458 and $47,246 (unaudited) for the years ended June 30, 2002 and 2003, the six-month period ended December 31, 2003, the year ended December 31, 2004 and the nine-month period ended September 30, 2005, respectively. The amount of compensation expense to be recorded in the future for options granted to non-employees is subject to change each reporting period based upon changes in the estimated fair value of the Company's common stock, estimated volatility and risk free interest rate until the non-employee completed performance under the option agreement. As of December 31, 2004 and September 30, 2005, respectively, 1,756 and 27,619 (unaudited) options subject to this treatment remain unvested.

With the exception of options to purchase 1,912 shares of common stock made in January 2004, the Company granted all of its 2004 common stock options and warrants at an exercise price of $9.75, which was equal to the price of its March 2004 financing transaction of Series K Preferred Stock. Although the preferred shares have certain preferential rights such as liquidation preferences, convertibility features, dividend rights and anti-dilution protections that would result in differences between the fair value of its preferred and common stock, the Company estimated the fair value of its common stock at $9.75 per share during 2004 and recorded compensation expense based on the $9.75 fair market value.

(10) Income Taxes

The Company had available net operating loss carry-forwards ("NOL") of approximately $131,843,113 and $154,641,684 as of December 31, 2004 and September 30, 2005 (unaudited), for federal and state income tax purposes, which are available to offset future federal and state taxable income, if any, and expire between 2010 and 2025. The Company also has research and development tax credit carryforwards of approximately $1,254,000 and $1,515,641 as of December 31, 2004 and September 30, 2005 (unaudited), for federal income tax reporting purposes that are available to reduce federal income taxes, if any, and expire in future years beginning in 2018.

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2003 and 2004 and September 30, 2005, are presented below:

	December 31, 2003	December 31, 2004	September 30, 2005 (unaudited)
Net operating loss carryforwards	$ 39,167,783	$ 54,055,676	$ 63,403,090
Research and development tax credit	783,500	1,254,426	1,515,641
Property and equipment	(298,728)	110,266	219,207
Intellectual property	5,398,333	5,310,070	4,970,111
Stock options and warrants	5,413,596	9,130,376	11,360,515
Other temporary differences	43,302	124,141	136,465
	59,507,786	69,984,955	81,605,030
Less valuation allowance	(59,507,786)	(69,984,955)	(81,605,030)
Net deferred tax assets	$ –	$ –	$ –

Changes in the valuation allowance for the six-month period ended December 31, 2003, for the year ended December 31, 2004, and for the nine-month period ended September 30, 2005 (unaudited) amounted to approximately $11,580,075, $19,477,170 and $11,620,075, respectively. Since inception, the Company has incurred substantial losses and expects to 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 tax credit carryforwards (following certain ownership changes, as defined by the Act) that could significantly limit the Company's ability to utilize these carryforwards. The Company has experienced various ownership changes, as a result of past financings. Accordingly, the Company's

ability to utilize the aforementioned carryforwards may be limited. Additionally, because U.S. tax laws limit the time during which these carryforwards may be applied against future taxes, the Company may not be able to take full advantage of these attributes for federal income tax purposes. Because of the above mentioned factors, the Company has not recognized its net deferred tax assets as of and for all periods presented. Accordingly, the Company has provided a full valuation allowance against its net deferred tax assets and no tax benefit has been recognized relative to its pretax losses.

(11) License and Research Agreements

Elan

In January 1997, the Company entered into several agreements with Elan, including a License and Supply Agreement to develop Elan's, sustained-release formulation of Fampridine-SR for treatment of spinal cord injury. In return for this exclusive license granted by Elan, the Company paid a license fee of $5 million which was expensed in fiscal 1997. The term of the agreement is equal to the greater of 20 years or the duration of relevant Fampridine-SR patent rights. Any mutually agreed to research conducted by Elan will be paid by the Company at cost plus 45%. The Company will be responsible for all clinical trials and regulatory approvals. Elan will have the right to manufacture, 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 does not manufacture the products, it is entitled to a royalty as a stated percentage of the products' net selling price.

Series B and C Preferred Stock Purchase

Concurrent with the License and Supply Agreement, the Company entered into a Preferred Stock, Convertible Note and Warrant Purchase Agreement (the "Agreement") with Elan. Under this Agreement, Elan purchased 750,000 shares of the Company's Series B at a per share price of $2.00 and also agreed to purchase 333,333 shares of the Company's Series C at a per share price of $3.00 within 30 days of the completion of Phase 2 clinical trials relating to products to be developed under the License and Supply Agreement. Concurrent with the purchase of Series B, the Company issued to Elan a warrant to purchase an additional 150,000 shares of Series B at a per share exercise price of $2.00 for a period of five years. The Company estimated the fair value of warrants at approximately $198,031. Such value was determined by the Black-Scholes valuation method, using a risk free interest rate of 6.4%, the warrant's contractual life of five years, an annual volatility of 75% and no expected dividends. Such amount was credited to additional paid-in capital and charged immediately to additional paid-in capital as the Series B was convertible at any time at the option of the holder.

Phase 2 clinical trials relating to products to be developed under the License and Supply Agreement were completed in February 2002 and Elan purchased 333,333 shares of Series C at a per share price of $3.00 resulting in total proceeds of $999,999. Elan also exercised its Series B warrant and the Company issued 150,000 shares of Series B at a per share price of $2.00 resulting in total proceeds of $300,000. The Company also issued an additional five-year warrant to purchase 100,000 shares of Series B at a per share exercise price of $2.00 for a period of five years from the date of issuance on January 4, 2002. The Company estimated the fair value of the five-year warrant to purchase 100,000 shares of Series B at approximately $321,000. Such value was determined by the Black-Scholes valuation method, using a risk free interest rate of 4.3%, the warrant's contractual life of five years, an annual volatility of 102% and no expected dividends. Such amount was credited to additional paid-in

capital and charged immediately to research and development expenses as these warrants were issued in connection with the Company completing Phase 2 clinical trials. In addition, the Company recognized $296,666 as a beneficial conversion feature on issuance of Series C convertible preferred stock and charged this amount to research and development expenses as these shares were issued upon the Company completing Phase II clinical trials pursuant to a previous arrangement.

Convertible Note

Under the Agreement, Elan also loaned to the Company an aggregate of $7.5 million pursuant to two convertible promissory notes. 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 is convertible into shares of the Company's Series D at a conversion price of $12.50 per share. Principal 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 products to be developed, subject to limitations related to gross margin on product sales. If it is determined by both parties that regulatory approval will not likely occur, all principal and interest will not be repayable and the note will be cancellable after a defined notice period, if not earlier converted. If the License and Supply Agreement is otherwise terminated, the principal and interest is repayable ratably over 15 years. Both promissory notes restrict our ability to incur indebtedness that is senior to the notes, subject to certain exceptions, including for our revenue interests assignment arrangement with PRF (See Note 17).

The second promissory note in the amount of $2.5 million is non-interest bearing. This promissory note is convertible after January 22, 1999 into either shares of Series B at a conversion price of $2.00 per share or into an undesignated series (currently authorized as Series D) of Preferred Stock at a conversion price equal to 80% of the-then most recently completed equity financing, whichever conversion price is greater. This promissory note is repayable by the Company, if not converted by Elan, ratably over a seven-year period beginning one year after the Company receives certain regulatory approval for the products to be developed. If it is determined by both parties that regulatory approval will not likely occur or if the License and Supply Agreement is otherwise terminated, the note is repayable ratably over 15 years from the date of determination. Interest on these convertible promissory notes has been imputed using 9% on 50% of the $5 million note and 8% on the $2.5 million note. In case of the $5 million note, the Company did not impute interest on 50% of the $5 million 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 upon regulatory approval of the product. If regulatory approval of the product is received, the convertible note would be repayable and the Company would have been entitled to recovery of up to $2.5 million based on the aforementioned provision. If the parties determine that 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. The $2,173,127 difference between the $7.5 million principal amount of the notes and the discounted balance is being accreted to interest expense over the estimated term of the notes. Elan was considered to be a related party based on its ownership interest in the Company, significant license agreements entered into and involvement with research and development activities of the Company. In addition, Elan had a right to appoint a representative on the board of directors from January 22, 1997 through May 8, 2003. Elan ceased to be a related party in September 2003 upon termination of the jointly owned corporation as described below. The aggregate amount of the $7.5 million convertible notes payable are convertible into 278,339 shares of common stock.

In April 1998, the Company entered into an agreement with Elan to develop Elan's proprietary oral sustained release formulation of fampridine for the treatment of multiple sclerosis. Upon approval of an NDA for the product by the FDA in the United States, the Company is obligated to pay Elan $2.5 million. In addition, the Company is obligated to pay an additional $2.5 million to Elan, upon the earlier occurrence of the following: (a) first anniversary from the date of approval of NDA approval in the United States, or (b) upon approval of the product by a regulatory authority in Japan, the United Kingdom, Germany, France or Italy. Also, in April 1998, the Company formed MS Research & Development Corporation ("MSRD,") with Elan and one of its affiliates to develop Fampridine-SR for treatment of multiple sclerosis. At that time, MSRD licensed from Elan exclusive worldwide rights to Fampridine-SR for the treatment of multiple sclerosis.

Termination and Assignment Agreement. In September 2003, the Company entered into a termination and assignment agreement with Elan, Elan's affiliate, and MSRD pursuant to which MSRD (83% owned by Acorda immediately prior to entering into the agreement) assigned to the Company its assets, including the license from Elan for Fampridine-SR for treatment of multiple sclerosis. The Company paid MSRD approximately $11.5 million for all the assets and liabilities of MSRD. MSRD distributed the purchase price to its shareholders according to their equity ownership interest. The Company has received a distribution of approximately $9.5 million as a result of this distribution and the remaining distribution of $2 million was expensed in September 30, 2003 as acquired in-process research and development and classified under Research and Development-related party. The Company also purchased Elan's affiliate shares at par value and now owns approximately 88% of MSRD, which now has no assets or liabilities and is inactive.

Amended and Restated License. In September 2003, the Company entered into an amended and restated license with Elan, which replaced the two prior licenses for Fampridine-SR. Under this agreement, Elan granted the Company exclusive worldwide 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 sclerosis. The Company agreed to pay Elan milestone payments and royalties based on net sales of the product if and when approved.

Elan may terminate the Company's license in the United States, the major European markets or Japan if the Company does not file to obtain regulatory approval or launch the product after regulatory approval in the applicable country within specified periods. If Elan terminates the Company's license in any applicable country, Elan is entitled to license from the Company patents rights and know-how relating to the product and to market the product in the applicable country, subject to royalty payments.

Elan is responsible for completing the chemistry, manufacturing and controls section of the NDA for Fampridine-SR and equivalent regulatory applications outside the United States. Elan is also responsible for supplying the product for clinical trials under this agreement.

Subject to early 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 of the last to expire Elan patent or the existence of competition in that country.

Supply Agreement. In September 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 least 75% of its annual requirements of product 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 circumstances, where the Company elects to purchase less than 100% of its requirements from Elan, the Company agreed to make certain compensatory payments to Elan. Elan agreed to assist the Company in qualifying a second manufacturer to manufacture and supply the Company with Fampridine-SR subject to its obligations to Elan.

Securities Amendment Agreement. In September 2003, the Company entered into a securities amendment agreement with Elan to modify certain provisions in some existing agreements between Elan and the Company. These included:

The modification of certain transfer restrictions.

The automatic conversion of the $5 million limited recourse notes into the underlying common shares, if the board of directors of the Company determines that regulatory approval of Fampridine-SR is unlikely to be obtained, subject to Elan's consent.

Repayment of the $2.5 million full recourse note will start no later than September 30, 2008, either on a seven year schedule or a 15 year schedule depending on whether the Company deems the market opportunity to be economically significant, unless the Company extends the date because regulatory approval is considered likely in a timely manner, or unless the note had been already converted into common stock.

Teva Collaboration Agreement. In September 2003, the Company entered into a collaboration agreement with Teva Pharmaceuticals Industries Ltd. ("Teva") under which the Company was granted a co-exclusive license with Teva to jointly develop and promote in the United States products containing valrocemide.

The Company made an initial payment to Teva of $2.0 million that was charged as research and development expenses for the year ended December 31, 2003, upon execution of the collaboration agreement, and was obligated to make payments to Teva relating to the development of valrocemide.

The Company and Teva amicably terminated the Collaboration Agreement as of June 27, 2005, and in connection with the termination the Company paid Teva approximately $3.1 million. The Company and Teva have no further obligations to each other under the Collaboration Agreement.

(12) Employee Benefit Plan

Effective September 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 defer a percentage of their annual pretax compensation to the 401(k) plan, subject to defined limitations. No contributions were made by the Company for the years ended June 30, 2002 and 2003, the six-month period ended December 31, 2003, the year ended December 31, 2004 and the nine-month period ended September 30, 2005, respectively.

(13) Commitments and Contingencies

During 1998, the Company entered into a lease agreement for its facility. During November 2000 and May 2001, the Company entered into amendments of the lease for its facility. Under the amendments, the Company increased the total leased space and extended the lease term for its original

leased space. Future minimum commitments under all non-cancelable leases required subsequent to December 31, 2004 are as follows:

2005	$ 641,808
2006	641,808
2007	641,808
2008	53,484
	$ 1,978,908

Rent expense under these operating leases during the years ended June 30, 2002 and 2003, the six-month period ended December 31, 2003, the year ended December 31, 2004 and the nine-month period ended September 30, 2005 was $468,309, $652,339, $334,348, $670,413 and $501,395 (unaudited) respectively.

Under the terms of the employment agreement with the Company's chief executive officer, the Company is obligated to pay severance under certain circumstances. If the employment agreement is terminated by the Company or by the 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 have received during the fifteen month period immediately following the date of termination, plus (ii) bonus equal to last annual bonus received by chief executive officer multiplied by a fraction, the numerator 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.

The Company is not a party to any material legal proceedings. It is the Company's policy to accrue for amounts related to legal matters if it is probable that a liability has been incurred and the amount is reasonably estimable.

(14) Product Returns

As part of the 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, such returns became a liability of the Company. Through September 30, 2005, the Company has accepted $4.0 million (unaudited) in total product returns, of which $2.1 million (unaudited) was for product not sold by the Company. As the Company will accept product returned up to twelve months subsequent to its expiration date, the Company expects to continue to receive returns of Zanaflex tablets sold by Elan through June 2006. The Company has recorded a change to cost of sales of $4.1 million in the year ending December 31, 2004 to record an estimated liability for these returns, of which $1,966,343 (unaudited) remains as of September 30, 2005.

As part of the Zanaflex acquisition, the Company purchased certain tablet from Elan that expires within one year. The majority of this product was sold by the Company during July 2004 though March 2005. The Company has deferred revenue for this product due to the uncertainty of future returns. Included in deferred product revenue-tablets is $3.7 million and $2.5 million (unaudited) as of December 31, 2004 and September 30, 2005, respectively related to the sale of short dated product. The Company recorded a charge of $177,000 during 2004 to write-off the cost of the short dated product.

(15) Zanaflex Asset Purchase Agreement

The Company 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 goods inventory. The Company is also responsible for up to $19.5 million in future contingent milestone payments based on cumulative gross sales of Zanaflex tablets and Zanaflex Capsules. These products are approved for the management of spasticity. Zanaflex tablets were approved by the FDA in 1996 and lost patent protection in 2002. There are currently 11 generic versions of Zanaflex tablets on the market. Zanaflex Capsules were approved by the FDA in 2002, but were never marketed by Elan. The Company began marketing Zanaflex Capsules in April 2005.

The Company is responsible for royalty payments to Elan and Novartis, based upon Net Sales of Zanaflex Capsules and tablets beginning on the closing date.

In connection 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, and the remaining tablet inventory on hand 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 manufacture Zanaflex Capsules. The Company separately launched Zanaflex Capsules in April 2005. The Company did not acquire any receivables, employees, facilities or fixed assets. The Company has allocated, on a relative fair value basis, the initial consideration paid to Elan to the assets acquired, principally the Zanaflex tradename $200,000 and the capsulation patent $1.8 million. The Company has allocated $150,000 and $1,350,000 of the first milestone payment owed to the tradename and patent, respectively, upon achievement of that milestone's criteria in October 2004, and has allocated $300,000 (unaudited) and $2,700,000 (unaudited) of the second milestone payment owed to the tradename and patent, respectively, upon achievement of that milestone's criteria in September 2005. There is no expected residual value of these intangible assets. As future milestone payments are made to Elan, such amounts will be allocated, on a relative fair value basis, to the assets acquired. The Company will amortize the allocated fair value of the tradename and patent over their estimated economic benefit to be achieved of approximately 2.5 years and 17 years, respectively.

Intangible Assets consisted of the following:

	December 31, 2004	September 30, 2005 (unaudited)	Estimated useful lives
Zanaflex patent	$ 3,150,000	$ 5,850,000	17 years
Zanaflex tradename	350,000	650,000	2.5 years
	3,500,000	6,500,000	
Less accumulated amortization	113,950	362,977	
	$ 3,386,050	$ 6,137,023	

The Company recorded $114,000 and $249,000 (unaudited) in amortization expense related to these intangible assets in the year ending December 31, 2004 and the nine-month period ending September 30, 2005, respectively.

Estimated future amortization expense for these intangible assets subsequent to December 31, 2004 is as follows:

2005	$	433,789
2006		739,047
2007		349,489
2008		349,489
	$	1,871,814

(16) Reverse Stock Split

On September 18, 2005, the Company's Board of Directors approved a 1-for-1.3 reverse stock split, which will become effective prior to the effective date of the Form S-1 registration statement filed in connection with the Company's initial public offering. All references to common stock, common shares outstanding, average number of common shares outstanding, per share amounts, options and warrants and Elan notes payable in these financial statements and notes to financial statements have been restated to reflect the one-for-one point three common stock reverse split on a retroactive basis.

(17) Subsequent Events (unaudited)

On December 23, 2005, the Company entered into an agreement with an affiliate of Paul Royalty Fund, or PRF, under which the Company received $15.0 million in cash. In exchange the Company has assigned PRF revenue interests in Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The agreement covers all Zanaflex net revenues (as defined in the agreement) generated from October 1, 2005 through and including December 31, 2015, unless the agreement terminates earlier. Under 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% of such net revenues; and

with respect to Zanaflex net revenues in excess of $60.0 million for each fiscal year during the term of the agreement, 1% of such net revenues.

Notwithstanding the foregoing, once PRF has received and retained payments under the agreement that are at least twice the aggregate amount PRF has paid us under the agreement, PRF will only be entitled to 1% 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 PRF on a daily basis, with a quarterly reconciliation and settlement.

The Company also has the option to receive two additional payments:

an additional $5.0 million if our Zanaflex net revenues in 2005 equal or exceed $11.0 million and our Zanaflex net revenues in the first six months of 2006 equal or exceed $16.0 million

an additional $5.0 million if our Zanaflex net revenues in 2006 equal or exceed $33.5 million.

If the Company meets these milestones and decides to borrow these additional funds, they would be required to repay PRF $5.0 million on December 1, 2009 in the case of the first additional payment and $5.0 million on December 1, 2010 in the case of the second additional payment.

Under the terms of the agreement the Company used $3.0 million of the $15.0 million in proceeds to partially repay its $6 million senior secured term loan with GE (see Note 7). The Company also incurred approximately $200,000 of expenses associated with the repayment of the GE term loan and approximately $500,000 of other transaction-related expenses that will be capitalized and amortized over the life of the arrangement. Under the terms of the prepayment GE relinquished its rights to the Company's personal property owned at closing or subsequently acquired that relates to the interests in Zanaflex acquired by PRF. This payment changed the aggregate principal payments to GE required subsequent to December 31, 2004 to: $3,858,654 in 2005; $890,521 in 2006; $1,062,180 in 2007; and $187,645 in 2008. The related interest payments required subsequent to December 31, 2004 are: $524,687 in 2005; $163,196 in 2006; $76,683 in 2007; and $2,332 in 2008.

The agreement also contains put and call options whereby the Company may repurchase the revenue interest, either at the option of the Company or the option of PRF, contingent upon certain events. If the Company experiences a change of control, undergoes certain bankruptcy events, transfers any of their interests in Zanaflex (other than pursuant to a license agreement, development, commercialization, co-promotion, collaboration, partnering or similar agreement), transfers all or substantially all of their assets, or breaches certain of the covenants, representations or warranties made under the agreement, PRF can 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 Company experiences a change of control or completes an initial public offering of shares of their common stock that results in the Company having a total market capitalization in excess of $150.0 million, they have the right to repurchase the rights sold to PRF at the "put/call price" in effect on the date such right is exercised. The put/call price on a given date is the greater of (i) 150% of all payments 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% on all payments made by PRF as of such date, taking into account the amount and timing of all payments received by PRF as of such date.

Shares

Common Stock

Prospectus
, 2006

Banc of America Securities LLC

Lazard Capital Markets

Piper Jaffray

SG Cowen & Co.

Until , 2006, all dealers that buy, sell or trade the common stock may be required to deliver a prospectus, regardless of whether they are participating in this offering. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth our estimated costs and expenses (other than underwriting discounts) payable in connection with this offering.

SEC Registration Fee	$	10,152.00
NASD Filing Fee	$	9,125.00
Printing and Engraving Expenses		*
Legal Fees and Expenses		*
Accounting Fees and Expenses		*
Blue Sky Qualification Fees and Expenses		*
Transfer Agent and Registrar Fees and Expenses		*
Miscellaneous		*
Total	$	*

* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Acorda Therapeutics, Inc., or the Registrant, is a Delaware corporation. Section 145 of the Delaware General Corporation Law, or the DGCL, grants each corporation organized thereunder the power to "indemnify any person who is or was a director, officer, employee or agent of a corporation or enterprise, against expenses, attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of being or having been in any such capacity if he acted in good faith in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful."

Section 102(b)(7) of the DGCL enables a corporation in its certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for violations or the directors' fiduciary duty of care, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section l74 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit.

Article Six of the Registrant's Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1) provides that except as otherwise provided by the DGCL, no director of the Registrant shall be personally liable to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director.

Article Six of the Registrant's Amended and Restated Certificate of Incorporation and Article Six of the Registrant's Amended Bylaws provide that, to the fullest extent permitted by the DGCL, the Registrant shall indemnify any current or former director or officer of the Registrant and may, at the discretion of the Board of Directors, indemnify any current or former employee or agent of the Registrant against all expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed

action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Registrant, or is or was serving as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Article Six of the Registrant's Amended and Restated Certificate of Incorporation also provides that the Registrant shall advance expenses incurred by a director or officer of the Registrant in defending any civil, criminal, administrative or investigative such action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such advances if it shall ultimately be determined that he is not entitled to be indemnified by the Registrant as authorized by the Registrant's By-laws. In addition, upon the closing of this offering, our amended and restated certificate of incorporation (filed as exhibit 3.2) will provide that if a claim under the Registrant's By-laws is not paid in full by the Registrant within thirty days after a written claim has been received by the Registrant, the claimant may at any time thereafter bring suit against the Registrant to recover the unpaid amount of the claim, and if successful in whole or in part on the merits or otherwise in establishing his or her right to indemnification or to the advancement of expenses, the claimant shall be paid also the expense of prosecuting such claim.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Within the past three years, the Registrant has issued securities in the following transactions, each of which was exempt from the registration requirements of the Securities Act of 1933, as amended, as transactions by an issuer not involving any public offering thereunder. All of the below-referenced securities are deemed restricted securities for the purpose of the Securities Act.

In May 2003, we consummated a private placement of 112,790,233 shares of our Series J Convertible Preferred Stock to a group of accredited investors at a purchase price of $0.49 per share for aggregate consideration of approximately $55,267,000.

In March 2004, we consummated a private placement of 1,533,330 shares of our Series K Convertible Preferred Stock to a group of accredited investors at a purchase price of $7.50 per share for aggregate consideration of approximately $11,499,958.

Stock Options

In the fourth quarter of 2002, we issued options to purchase 2,218 shares of our common stock with a fair market value price of $2.60 to a number of our employees.

In the first quarter of 2003, we issued options to purchase 5,465 shares of our common stock with a fair market value price of $2.60 to a number of our employees. We also issued 1,282 options to purchase our common stock with a fair market value price of $2.60 to a non-employee director.

In the second quarter of 2003, we issued options to purchase 288 shares of our common stock with a fair market value price of $2.60 to a number of our employees.

In the third quarter of 2003, we issued options to purchase 1,062,081 shares of our common stock with a fair market value price of $2.60 to a number of our employees.

In the fourth quarter of 2003, we issued options to purchase 48,077 shares of our common stock with a fair market value price of $2.60 to a number of our employees. We also issued 1,924 options to purchase our common stock with a fair market value price of $2.60 to a number of non-employees.

In the first quarter of 2004, we issued options to purchase 17,192 shares of our common stock with a fair market value price of $9.75 to a number of our employees. We also issued 1,912 options to purchase our common stock with a fair market value price of $7.64 to a number of employees.

In the third quarter of 2004, we issued options to purchase 3,769 shares of our common stock with a fair market value price of $9.75 to a number of our employees.

In the fourth quarter of 2004, we issued options to purchase 44,615 shares of our common stock with a fair market value price of $9.75 to a number of our employees.

In the first quarter of 2005, we issued options to purchase 34,615 shares of our common stock with a exercise price of $8.14 to a number of our employees.

In the third quarter of 2005, we issued options to purchase 548,484 shares of our common stock with a exercise price of $8.14 to a number of our employees. We also issued 32,699 options to purchase our common stock with a exercise price of $8.14 to a non-employee director.

In the fourth quarter of 2005, we issued options to purchase 3,461 shares of our common stock with an exercise price of $8.14 to a number of our employees.

Restricted Shares

On March 9, 2004, and August 6, 2004, we issued 1,134,393 and 5,077 restricted shares, respectively, to a number of our employees.

On August 3, 2005, we issued 7,692 restricted shares to two of our non-employee directors.

Warrants

On January 28, 2005, in connection with entering into our senior secured term loan with GE Capital, we issued to GE Capital a warrant to purchase up to $300,000 worth of shares of our preferred stock (or, if we have consummated our initial public offering, shares of our common stock) in an amount and at a price to be determined pursuant to the terms thereof.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibit Index

A list of exhibits filed with this registration statement on Form S-1 is set forth on the Exhibit Index and is incorporated in this Item 16(a) by reference.

(b) Financial Statement Schedules

None

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(1) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(2) The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offering therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on January 5, 2006

/s/ RON COHEN

By: Ron Cohen,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment to Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ RON COHEN Ron Cohen, M.D.	President, Chief Executive Officer and Director (Principal Executive Officer)	January 5, 2006
/s/ DAVID LAWRENCE David Lawrence, M.B.A.	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	January 5, 2006
* Standish M. Fleming, M.B.A.	Director	January 5, 2006
* John H. Friedman, J.D.	Director	January 5, 2006
* Sandra Panem, Ph.D.	Director	January 5, 2006
* Barclay A. Phillips	Director	January 5, 2006
* Mark R.E. Pinney, M.B.A., C.F.A., M.Sc.	Director	January 5, 2006
* Steven M. Rauscher, M.B.A.	Director	January 5, 2006

*		
Michael Steinmetz, Ph.D.	Director	January 5, 2006
*		
Wise Young, Ph.D., M.D.	Director	January 5, 2006

/s/ RON COHEN

*By: Ron Cohen
Attorney-in-fact

EXHIBIT INDEX

Exhibit No.	Description
1.1**	Form of Underwriting Agreement
3.1*	Amended and Restated Certificate of Incorporation
3.2*	Amended Bylaws
3.3*	Form of Post-IPO Amended and Restated Certificate of Incorporation
3.4*	Form of Post-IPO Amended Bylaws
4.1*	Specimen Stock Certificate
4.2*	Warrant to purchase 100,000 shares of Series B Preferred Stock, $2.00 par value per share, dated February 4, 2002, issued by the Registrant to Elan International Services, Ltd.
4.3	Warrant to purchase 40,000 shares of common stock, $0.10 par value per share, dated May 1, 1996, issued by the Registrant to Mark Noble and Margo Meyer
4.4	Warrant to purchase $300,000 worth of Warrant Shares, dated January 28, 2005, issued by the Registrant to General Electric Capital Corporation
5.1**	Opinion of Covington & Burling
10.1*	Acorda Therapeutics 1999 Employee Stock Option Plan
10.2*	Amendment to 1999 Employee Stock Option Plan
10.3*	Amendment No. 2 to 1999 Employee Stock Option Plan
10.4	Acorda Therapeutics 2006 Employee Incentive Plan
10.5*	Sixth Amended and Restated Registration Rights Agreement, dated March 3, 2004, by and among the Registrant and certain stockholders named therein
10.6*	Employment Agreement, dated August 11, 2002, by and between the Registrant and Ron Cohen
10.7*	Amendment to August 11, 2002 Employment Agreement, dated September 26, 2005, by and between the Registrant and Ron Cohen
10.8*	Letter Agreement, dated November 30, 2004, by and between the Registrant and Mark Pinney
10.9	Employment Agreement, dated as of December 19, 2005, by and between the Registrant and Andrew R. Blight
10.10	Employment Agreement, dated as of December 19, 2005, by and between the Registrant and Mary Fisher
10.11	Employment Agreement, dated as of December 19, 2005, by and between the Registrant and David Lawrence

10.12	Employment Agreement, dated as of December 19, 2005, by and between the Registrant and Jane Wasman
10.13†*	Amended and Restated License Agreement, dated September 26, 2003, by and between the Registrant and Elan Corporation, plc.
10.14†*	Supply Agreement, dated September 26, 2003, by and between the Registrant and Elan Corporation, plc.

10.15†*	License Agreement, dated September 26, 2003, by and between the Registrant and Rush-Presbyterian-St. Luke's Medical Center
10.16*	Side Agreement, dated September 26, 2003, by and among the Registrant, Rush-Presbyterian-St. Luke's Medical Center, and Elan Corporation, plc.
10.17†*	Payment Agreement, dated September 26, 2003, by and among the Registrant, Rush-Presbyterian-St. Luke's Medical Center, and Elan Corporation, plc.
10.18†*	Amendment No. 1 to the Payment Agreement, dated as of October 27, 2003, by and between the Registrant and Elan Corporation, plc.
10.19†*	Amended and Restated License Agreement, dated August 1, 2003, by and between the Registrant and Canadian Spinal Research Organization
10.20†*	License Agreement, dated February 3, 2003, by and between the Registrant and Cornell Research Foundation, Inc.
10.21†*	License Agreement, dated November 12, 2002, by and between the Registrant and CeNeS Pharmaceuticals, plc
10.22†*	License Agreement, dated November 12, 2002, by and between the Registrant and CeNeS Pharmaceuticals, plc
10.23†*	License Agreement, dated September 8, 2000, by and between the Registrant and Mayo Foundation for Medical Education and Research
10.24†*	Side Letter Agreement, dated June 21, 2005, by and between the Registrant and Mayo Foundation for Medical Education and Research
10.25†*	Asset Purchase Agreement, dated as of July 21, 2004, by and between the Registrant and Elan Pharmaceuticals, Inc.
10.26†*	Zanaflex Supply Agreement, dated as of July 21, 2004, by and between the Registrant and Elan Pharma International Limited
10.27†*	Assignment and Assumption Agreement, dated as of July 21, 2004, by and among the Registrant, Elan Pharmaceuticals, Inc., and Novartis Pharma AG
10.28†*	License Agreement, dated April 17, 1991, by and between Sandoz Pharma, now Novartis Pharma AG and Athena Neurosciences, Inc., now Elan Pharmaceuticals, Inc.
10.29*	Patent Assignment Agreement, dated as of July 21, 2004, by and between the Registrant and Elan Pharmaceuticals, Inc.
10.30*	Trademark License Agreement, dated as of July 21, 2004, by and between the Registrant and Elan Pharmaceuticals, Inc.
10.31†*	Agreement Relating to Additional Trademark, dated as of July 2005, by and between the Registrant and Elan Pharmaceuticals, Inc.
10.32*	Domain Name Assignment Agreement, dated as of July 21, 2004, by and between the Registrant and Elan Pharmaceuticals, Inc.
10.33*	Bill of Sale and Assignment and Assumption Agreement, dated as of July 21, 2004, by and between the Registrant and Elan Pharmaceuticals, Inc.

10.34*	Limited Recourse Convertible Promissory Note issued to Elan International Services, Ltd.
10.35*	Full Recourse Convertible Promissory Note issued to Elan International Services, Ltd.
10.36	Note Modification and Amendment, dated as of December 23, 2005, by and between the Registrant and Elan Pharma International Limited

10.37*	Securities Amendment Agreement, dated September 26, 2003, by and among the Registrant, Elan Corporation plc and Elan International Services, Ltd.
10.38†*	Syndicated Sales Force Agreement, dated as of August 1, 2005, between the Registrant and Cardinal Health PTS, LLC
10.39†*	License Agreement, dated as of December 19, 2003, by and among the Registrant, Cambridge University Technical Services Limited, and King's College London
10.40*	Promissory Note issued to General Electric Capital Corporation
10.41	Revenue Interests Assignment Agreement, dated as of December 23, 2005, between the Registrant and King George Holdings Luxembourg IIA S.à.r.l., an affiliate of Paul Royalty Fund II, L.P.
21.1*	List of Subsidiaries of the Registrant
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
23.2**	Consent of Covington & Burling (included in Exhibit 5.1).
24.1*	Power of Attorney (included on signature page).

* Previously filed.

** To be filed by amendment.

† Confidential treatment has been requested for portions of this Exhibit, which portions are omitted and filed separately with the Securities and Exchange Commission.

QuickLinks

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SALE OF THESE SECURITIES HAS NOT BEEN QUALIFIED WITH ANY STATE SECURITIES AUTHORITIES. THE RIGHTS OF ALL PARTIES TO THIS WARRANT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED UNLESS THE SALE IS SO EXEMPT.

THIS WARRANT MAY NOT BE EXERCISED EXCEPT IN COMPLIANCE WITH ALL APPLICABLE FEDERAL AND STATE SECURITIES LAWS TO THE REASONABLE SATISFACTION OF THE COMPANY AND LEGAL COUNSEL FOR THE COMPANY.

STOCK WARRANT AGREEMENT

To Purchase 40,000 Shares of the Common Stock of

ACORDA THERAPEUTICS, INC.

Dated effective as of May 1, 1996

1. GRANT OF THE RIGHT TO PURCHASE COMMON STOCK.

For value received, Acorda Therapeutics, Inc., a Delaware corporation (the "Company"), hereby grants, jointly and not severally, to Mark D. Noble and Margot Mayer (collectively, the "Warrantholder"), and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe for and purchase from the Company up to 40,000 fully paid and non-assessable shares of the Company' s Common Stock ("Common Stock"). This Warrant Agreement is entered between the parties and the rights to purchase Common Stock are granted pursuant to Section 3.1 of the License Agreement effective of even date herewith between the Company and the Warrantholder (the "License Agreement"). The purchase rights set forth in this Warrant Agreement shall only become exercisable upon the grant of regulatory clearance for marketing by any United States federal agency of any Licensed Product (as defined in the License Agreement). The grant date of such clearance is referred to herein as the "Clearance Date". The exercise price ("Exercise Price") shall be equal to $0.10 per share. The number and purchase price of such shares are subject to adjustment as provided in Section 8 hereof.

2. TERM OF THE WARRANT AGREEMENT.

Except as otherwise provided for herein, the term of this Warrant Agreement and the right to purchase Common Stock as granted herein shall commence on the Clearance Date and shall expire upon the first to occur of (i) the expiration of the License Agreement in accordance with its terms, or (ii) the expiration of ten (10) years from the Clearance Date.

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3. EXERCISE OF THE PURCHASE RIGHTS.

Subject to Section 1 above, the purchase rights set forth in this Warrant Agreement are exercisable by the Warrantholder, in whole or in part, at any time or from time to time after the Clearance Date, prior to the expiration of the term set forth in Section 2 above, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit I (the "Notice of Exercise"), duly completed and executed. Upon receipt of the Notice of Exercise and the payment of the purchase price in accordance with

the terms set forth below, the Company shall issue to the Warrantholder a certificate for the number of shares of Common Stock purchased and shall execute the Notice of Exercise indicating the number of shares which remain subject to future purchases, if any.

The Warrantholder may either (i) exercise all or any portion of the outstanding warrants by paying to the Company, by cash or check, an amount equal to the aggregate Exercise Price of the shares being purchased or (ii) receive shares equal to the value (as determined below) of this Warrant by surrender of the Warrant at the principal office of the Company together with notice of such election in which event the Company shall issue to the Warrantholder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where; X = The number of shares of Common to be issued to the Warrantholder.

Y = The number of shares of Common to be exercised under this Warrant.

A = The fair market value of one share of Common.

B = The Exercise Price.

As used herein, current fair market value of Common Stock shall mean with respect to each share of Common Stock the average of the closing prices of the Company' s Common Stock sold on all securities exchanges on which the Common Stock may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day the Common Stock is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 p.m., New York City time, or, of on any day the Common Stock is not quoted in the NASDAQ System, the average of the highest bid and lowest asked price on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of ten days consisting of the day as of which the current fair market value of Common Stock is being determined and the nine consecutive business days prior to such day. If at any time the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the current fair market value of Common Stock shall be the highest price per share which the Company could obtain from a willing buyer (not a current employee or director) for shares of Common Stock sold by the Company, from authorized but unissued shares, as determined in

good faith by the Board of Directors of the Company, unless (i) the Company shall become subject to a merger, acquisition, or other consolidation pursuant to which the Company is not the surviving party, in which case the current fair market value of the Common Stock shall be deemed to be the value received by the holders of the Company' s stock for each share of stock pursuant to the Company' s acquisition or (ii) the Warrantholder shall purchase such shares in conjunction with the initial underwritten public offering of the Company' s Common Stock pursuant to a registration statement filed under the Securities Act, in which case, the fair market value of the shares of stock subject to this Warrant shall be the price at which all registered shares are sold to the public in such offering.

4. RESERVATION OF SHARES.

During the term of this Warrant Agreement, the Company will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the exercise of the rights to purchase Common Stock as provided for herein.

5. NO FRACTIONAL SHARES OR SCRIP.

No fractional share or scrip representing fractional shares shall be issued upon the exercise of the Warrantholder' s right to purchase Common Stock, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

6. NO RIGHTS AS STOCKHOLDERS.

The Warrant Agreement does not entitle the Warrantholder to any voting right or other rights as a stockholder of the Company prior to the exercise of the Warrantholder' s rights to purchase Common Stock as provided for herein.

7. WARRANTHOLDER REGISTRY.

The Company shall maintain a registry showing the name and address of the registered holder of this Warrant Agreement.

8. ADJUSTMENT RIGHTS.

The purchase price per share and the number of shares of Common Stock purchasable hereunder are subject to adjustment from time to time, as follows:

(a) Merger. If at any time there shall be a capital reorganization of the shares of the Company' s stock (other than a combination, reclassification, exchange, or subdivision of shares otherwise provided for herein), or a merger or consolidation of the Company with or into another corporation when the Company is not the surviving corporation (but its stockholders nevertheless control not less than a majority-in-interest of the voting equity of any successor corporation), then, as a part of such reorganization, merger, or consolidation, lawful provision shall be made so that the Warrantholder shall thereafter be entitled to receive upon exercise of its rights to purchase Common Stock, the number of

shares of common stock or other securities of the successor corporation resulting from such reorganization, merger or consolidation, to which a holder of the Common Stock deliverable upon exercise of the right to purchase Common Stock hereunder would have been entitled in such reorganization, merger or consolidation if the right to purchase such Common Stock hereunder had been exercised immediately prior to such reorganization, merger or consolidation. In any such case, appropriate adjustment (as determined in good faith by the Company' s Board of Directors) shall be made in the application of the provisions of this Warrant Agreement with respect to the rights and interests of the Warrantholder after the reorganization, merger, or consolidation to the end that the provisions of this Warrant Agreement (including adjustments of the Exercise Price and number of shares of Common Stock purchasable pursuant to the terms and conditions of this Warrant Agreement) shall be applicable after the event, as near as reasonably may be, in relation to any shares deliverable after that event upon the exercise of the Warrantholder' s rights to purchase Common Stock pursuant to this Warrant Agreement.

(b) Reclassification of Shares. If the Company at any time shall, by combination, reclassification, exchange, or subdivision of securities or otherwise, change any of the securities as to which purchase rights under this Warrant Agreement exist into the same or a different number of securities of any other class or classes, this Warrant Agreement shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant Agreement immediately prior to such combination, reclassification, exchange, subdivision, or other change.

(c) Subdivision or Combination of Shares. If the Company at any time shall combine or subdivide its Common Stock, the Exercise Price shall be proportionately decreased in the case of a subdivision, or proportionately increased in the case of a combination.

(d) Notice of Adjustments. In the event that (i) the Company shall declare any dividend or distribution upon its stock, whether in cash, property, stock, or other securities; (ii) the Company shall offer for subscription pro rata to the holders of any class of its Common or other convertible stock any additional shares of stock of any class or other rights; (iii) there shall be any capital reorganization, reclassification, consolidation, merger or sale of all or substantially all of the Company' s assets; or (iv) there shall be any

voluntary or involuntary dissolution, liquidation, or winding up of the Company, then, in connection with each such event, the Company shall send to the Warrantholder:

(i) At least 20 days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, subscription rights (specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote in respect of such capital reorganization, reclassification, consolidation, merger, dissolution, liquidation, or winding up; and

(ii) In the case of any such capital reorganization, reclassification, consolidation, merger or sale of all or substantially all of the Company' s assets, dissolution, liquidation or winding up, at least 20 days' prior written notice of the date when the same shall take place and specifying the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such capital

reorganization, reclassification, consolidation, merger, or sale of all or substantially all of the Company' s assets, dissolution, liquidation, or winding up).

Each such written notice shall set forth, as applicable and in reasonable detail, (i) the event requiring the adjustment, (ii) the amount of the adjustment, (iii) the method by which such adjustment was calculated, (iv) the Exercise Price, and (v) the number of shares subject to purchase hereunder after giving effect to such adjustment, and shall be given by first class mail, postage prepaid, addressed to the Warrantholder, at the address as shown on the books of the Company.

9. REPRESENTATIONS AND COVENANTS OF THE WARRANTHOLDER.

This Warrant Agreement has been entered into by the Company in reliance upon the following representations and covenants of the Warrantholder, which by its execution hereof the Warrantholder hereby confirms:

(a) Investment Purpose. The Common Stock issuable upon exercise of the Warrantholder' s rights contained herein will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption.

(b) Private Issue. The Warrantholder understands (i) that the Common Stock issuable upon exercise of the Warrantholder' s rights contained herein is not registered under the Securities Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant Agreement will be exempt from the registration and qualifications requirements thereof and (ii) that the Company' s reliance on such exemption is predicated on the representations set forth in this Section 9.

(c) Disposition of Warrantholder' s Rights. In no event will the Warrantholder make a disposition of any of its rights to acquire Common Stock issuable upon exercise of such rights unless and until (i) it shall have notified the Company of the proposed disposition and (ii) if requested by the Company, it shall have furnished the Company with an opinion of counsel (which counsel may either be inside or outside counsel to the Warrantholder) satisfactory to the Company and its counsel to the effect that (A) appropriate action necessary for compliance with the Securities Act has been taken, or (B) an exemption from the registration requirements of the Securities Act is available. Notwithstanding the foregoing, the restrictions imposed upon the transferability of any of its rights to acquire Common Stock issuable on the exercise of such rights do not apply to transfers from the beneficial owner of any of the aforementioned securities to its nominee or from such nominee to its beneficial owner, and shall terminate as to any particular share of Common Stock when (1) such security shall have been effectively registered under the Securities Act and sold by the holder thereof in accordance with such registration or (2) such security shall have been sold without registration in compliance with Rule 144 under the Securities Act, or (3) a letter shall have been issued to the Warrantholder at its request by the staff of the United States Securities and Exchange Commission or a ruling shall have been issued to the Warrantholder at its request by such Commission stating that no action shall be recommended by such staff or taken by such Commission, as the case may be, if such security is transferred without registration under the Securities

Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer are required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Warrantholder or holder of a share of Common Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Common Stock not bearing any restrictive legend.

(d) Financial Risk. The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment and has the ability to bear the economic risks of its investment.

(e) Risk of No Registration. The Warrantholder understands that if the Company does not register with the Securities and Exchange Commission pursuant to Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"), or file reports pursuant to Section 15(d) of the Exchange Act, or if a registration statement covering the securities under the Securities Act is not in effect when it desires to sell the Common Stock issuable upon exercise of the right to purchase, it may be required to hold such securities for an indefinite period. The Warrantholder also understands that any sale of its Common Stock which might be made by it in reliance upon Rule 144 under the Securities Act may be made only in accordance with the terms and conditions of that Rule.

10. TRANSFERS.

This Warrant may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised only by the Warrantholder or his permitted assignee. Any transfer of this Warrant must comply with the requirements of this Section 10, and any assignee or transferee of this Warrant ("permitted assignee") shall be required to accept this Warrant subject to all rights and obligations of the Warrantholder as set forth herein. Any securities to be issued upon exercise of this Warrant may not be sold, assigned, transferred or otherwise disposed of unless the securities are registered under the Securities Act or unless the person seeking to effect such disposition shall have requested and the Company shall have received an opinion of the Company' s counsel that the proposed disposition may be effected without registration of such securities under the Securities Act or any applicable state securities laws. Unless a registration statement with respect to such shares of Common Stock is effective at the time, any shares of Common Stock issued upon the exercise of this Warrant shall bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED THE ("ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED.

11. MARKET STANDOFF AGREEMENT.

The Warrantholder hereby agrees, if so requested by the managing underwriters in an initial public offering by the Company of its Common Stock, that, without the prior written consent of such managing underwriters, the Warrantholder will not offer, sell, contract to sell, grant any option to purchase, make any short sale, or otherwise dispose of or make a distribution of any capital stock of the Company held by or on behalf of the Warrantholder or beneficially owned by the Warrantholder in accordance with the rules and regulations of the United States Securities and Exchange Commission for a period of up to 180 days after the date of the final prospectus relating to the Company' s initial public offering.

12. MISCELLANEOUS.

(a) Effective Date. The provisions of this Warrant Agreement shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Warrant Agreement shall be binding upon any successors or assigns of the Company.

(b) Attorneys' Fees. In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Warrant Agreement.

(c) Governing Law. This Warrant Agreement shall be governed by and construed for all purposes under and in accordance with the laws of the State of Delaware as applied to agreements between Delaware residents entered and to be performed entirely within Delaware.

(d) Counterparts. This Warrant Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(e) Titles and Subtitles. The titles of the paragraphs and subparagraphs of this Warrant Agreement are for convenience and are not to be considered in construing this Agreement.

(f) Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail, by registered or certified mail, addressed (i) to the Warrantholder at the address set forth on the signature page hereof and (ii) to the Company at its principal executive offices to the attention of its president or at such other address as any such party may subsequently designate by written notice to the other party.

(g) Survival. The representations, warranties, covenants and conditions of the respective parties contained herein or made pursuant to this Warrant Agreement shall survive the execution and delivery of this Warrant Agreement.

(h) Amendments. Any provision of this Warrant Agreement may be amended by a written instrument signed by the Company and by the Warrantholder.

IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be executed by its officers thereunto duly authorized.

Company:

ACORDA THERAPEUTICS, INC.

Dated effective as of May 1, 1996

By: _____

Ron Cohen, M.D., President

Warrantholder:

_____

Mark D. Noble

Address: 1270 East Siesta Drive
Sandy, Utah 84093

_____

Margot Mayer

Address: 12619 Hidden Valley Drive
Sandy, Utah 84092

EXHIBIT I

NOTICE OF EXERCISE

To:

(1) The undersigned Warrantholder hereby elects to purchase shares of the Common Stock of ACORDA THERAPEUTICS, INC., pursuant to the terms of the Warrant Agreement dated effective as of May 1, 1996 (the "Warrant Agreement") between ACORDA THERAPEUTICS, INC. and the Warrantholder, and tenders herewith payment of the purchase price for such shares in full, together with all applicable transfer taxes, if any.

(2) In exercising its rights to purchase the Common Stock of ACORDA THERAPEUTICS, INC., the undersigned hereby confirms and acknowledges the investment representations and warranties made in Section 9 of the Warrant Agreement.

(3) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below.

_____

(Name)

_____

(Address)

Warrantholder: _____

_____

Date:

Exhibit 4.4

NEITHER THIS WARRANT NOR THE SECURITIES 1SSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.

WARRANT

January 28, 2005

THIS CERTIFIES THAT, for value received, **General Electric Capital Corporation** ("Holder") is entitled to subscribe for and purchase at the Warrant Price (as hereinafter defined) the number of Warrant Shares (as hereinafter defined) of Acorda Therapeutics, Inc., a Delaware corporation (the ***"Company"),*** equal to Three Hundred Thousand and 00/100 Dollars ($300,000) divided by the Warrant Price, subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, the term ***"Warrant Shares"*** shall mean (i) to the extent the Company has consummated a Qualifying Equity Round (as defined below), but has not consummated its IPO (as defined below), on or before February 28, 2006, shares of the series of the Company' s Preferred Stock, $.001 par value (the ***"Preferred Stock"***) issued and sold in the Qualifying Equity Round; (ii) to the extent the Company has consummated its IPO (as defined below) on or before February 28, 2006, shares of Common Stock (as hereinafter defined); and (iii) to the extent the Company has not consummated either a Qualifying Equity Round or an IPO on or before February 28, 2006, or if prior to February *28,* 2006, neither a Qualifying Equity Round nor an IPO has been consummated but the Company consummates an Acquisition Event (as defined in Section 7(a) below), shares of Series K Preferred Stock of the Company (the ***"Series K Preferred"***). ***"Warrant Shares Determination Date"*** shall mean the date on which the type of Warrant Shares to be delivered upon exercise of this Warrant, under clause (i), (ii) or (iii) of the preceding sentence, shall have been determined. ***"Qualifying Equity Round"*** shall mean an equity financing of greater than $5,000,000, primarily from institutional venture investors, but shall not include the Company' s IPO. "***IPO***" shall mean the issuance and sale of shares of the Company' s Common Stock pursuant to a registration statement filed under the Securities Act of 1933, as amended. ***"Common Stock"*** shall mean (except where the context otherwise indicates) the Common Stock of the Company, par value $.001 per share, as constituted on the date hereof, and any capital stock into which such Common Stock may thereafter be changed, and shall also include (i) capital stock of the Company of any other class (regardless of how denominated) that is not preferred as to dividends or liquidation over any other class of stock of the Company and that is not subject to redemption and (ii) shares of common stock of any successor or acquiring corporation (as described in Section 7(a)) received by or distributed to the holders of Common Stock of the Company in the circumstances contemplated by Section 7(a) hereof.

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1. Warrant Price. The ***"Warrant Price"*** shall be (a) in the case of Warrant Shares issued pursuant to clause (i) above, the price per share of the Preferred Stock issued in the Qualifying Equity Round; (b) in the case of Warrant Shares issued pursuant to clause (ii) above, the lower of (A) the per share price of the Common Stock sold in the IPO and (B) $7.50 per share; and (c) in the case of Warrant Shares issued pursuant to clause (iii) above, $7.50 per share; provided, that the Warrant Price determined in accordance with this Section 1 shall be subject to adjustment as provided in Section 7 below.

2. Conditions to Exercise. The purchase right represented by this Warrant may be exercised at any time, or from time to time, in whole or in part during the term commencing on the Warrant Shares Determination Date and ending at 5:00 P.M. (New York City time) on the tenth anniversary of the date of this Warrant.

3. Method of Exercise; Payment; Issuance of Shares; Issuance of New Warrant.

(a) Cash Exercise. Subject to Section 2 hereof, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this Warrant (with a duly executed Notice of Exercise in the form attached hereto) at the principal office of the Company (as set forth in Section 18 below) and by payment to the Company, by check, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Warrant Shares then being purchased. In the event of any exercise of the rights represented by this Warrant, certificates for the Warrant Shares so purchased shall be in the name of, and delivered to, the Holder hereof, or as

such Holder may direct (subject to the terms of transfer contained herein and upon payment by such Holder hereof of any applicable transfer taxes). Such delivery shall be made within 30 days after exercise of the Warrant and at the Company' s expense and, unless this Warrant has been fully exercised or expired, a new Warrant having terms and conditions substantially identical to this Warrant and representing the portion of the Warrant Shares, if any, with respect to which this Warrant shall not have been exercised, shall also be issued to the Holder hereof within 30 days after exercise of the Warrant.

(b) Net Issue Exercise. Holder may also elect to receive shares equal to the value of this Warrant (or of any portion thereof remaining unexercised) by surrender of this Warrant at the principal office of the Company together with notice of such election, in which event the Company shall issue to Holder the number of Warrant Shares computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X = the number of Warrant Shares to be issued to Holder.
Y = the number of Warrant Shares purchasable under this Warrant (at the date of such calculation).
A = the Fair Market Value of one Warrant Share (at the date of such calculation).
B = Warrant Price (at the date of such calculation).

(c) Fair Market Value. For purposes of this Section 3, Fair Market Value of a Warrant Share shall mean:

(i) In the event that the Company' s Common Stock is listed on the Nasdaq National Market or on any other exchange, the last reported sales price on such exchange, as published in The Wall Street Journal, for the ten (10) trading days prior to the date of determination of Fair Market Value or, if the Common Stock has been subject to trading on the Nasdaq National Market or such other exchange for less than ten (10) days, at the price at which a share of Common Stock was sold in the IPO; or

(ii) In the event of an exercise in connection with a merger, acquisition or other consolidation in which the Company is not the surviving entity, the per share Fair Market Value of a Warrant Share shall be the value to be received per Warrant Share by all holders of the class and series of capital stock represented by the Warrant Shares in such transaction as determined in good faith by the Board of Directors; or

(iii) In any other instance, the per share Fair Market Value for the Warrant Shares shall be as determined in good faith by the Company' s Board of Directors.

In the event of 3(c)(ii) or 3(c)(iii), above, the Company' s Board of Directors shall prepare a certificate, to be signed by an authorized officer of the Company, setting forth in reasonable detail the basis for and method of determination of the per share Fair Market Value of the Warrant Shares. The Board will also certify to the Holder that this per share Fair Market Value will be applicable to all holders of the class and series of capital stock of the Company represented by the Warrant Shares. Such certification must be made to Holder at least twenty (20) days prior to the proposed effective date of the merger, consolidation, sale, or other triggering event as defined in 3(c)(ii) or 3(c)(iii).

(d) Automatic Exercise. To the extent this Warrant is not previously exercised, it shall be automatically exercised in accordance with Sections 3(b) and 3(c) hereof (even if not surrendered) immediately before its expiration, involuntary termination or cancellation.

4. Representations and Warranties of Holder and the Company

(a) Representations and Warranties by Holder. The Holder represents and warrants to the Company with respect to this purchase as follows:

(i) The Holder has substantial experience in evaluating and investing in private placement transactions of securities of companies similar to the Company so that the Holder is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its interests.

(ii) Except for transfers to a Holder affiliate, the Holder is acquiring the Warrant and the Warrant Shares issuable upon exercise of the Warrant (collectively the "Securities") for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof. The Holder understands that the Securities have not been registered under the Securities Act of 1933, as amended (the "Act") by reason of a specific exemption from the registration provisions of the Act which depends upon, among other things, the bona fide nature of the investment intent as expressed herein.

(iii) The Holder acknowledges that the Securities must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Holder is aware of the provisions of Rule 144 promulgated under the Act.

(iv) The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

(v) The Holder has had an opportunity to discuss the Company' s business, management and financial affairs with its management and an opportunity to review the Company' s facilities. The Holder understands that such discussions, as well as the written information issued by the Company, were intended to describe the aspects of the Company' s business and prospects which the Company believes to be material but were not necessarily a thorough or exhaustive description.

(b) The Company hereby represents and warrants to Holder that the statements in the following paragraphs of this Section 4(b) are true and correct (a) as of the date hereof and (b) except where any such representation and warranty relates specifically to an earlier date, as of the date of any exercise of this Warrant.

(i) Corporate Organization and Authority. Company (a) is a corporation duly organized, validly existing, and in good standing in its jurisdiction of incorporation; (b) has the corporate power and authority to own and operate its properties and to carry on its business as now conducted and as proposed to be conducted; and (c) is qualified as a foreign corporation in all jurisdictions where failure to so qualify would have a material adverse affect on the business, operations or financial condition of the Company.

(ii) Corporate Power. Company has all requisite legal and corporate power and authority to execute, issue and deliver the Warrant, to issue the Warrant Shares and any shares of capital stock issuable upon conversion of the Warrant Shares, and to carry out and perform its obligations under the Warrant and any related agreements.

(iii) Authorization; Enforceability. All corporate action on the part of Company, its officers, directors and shareholders necessary for the authorization, execution, delivery and performance of its obligations under this Warrant and for the authorization, issuance and delivery of the Warrant and the Warrant Shares issuable upon exercise of the Warrant has been taken and this Warrant constitutes the legally binding and valid obligation of Company enforceable in accordance with its terms.

(iv) Valid Issuance of Warrant and Preferred Stock The Warrant has been validly issued and is free of restrictions on transfer other than restrictions on transfer set forth herein and under applicable state and federal securities laws. The Warrant Shares issuable upon conversion of this Warrant, and the shares of capital stock, if any, issuable upon conversion of Warrant Shares, when issued, sold and delivered in accordance with the terms of this Warrant or the Warrant Shares, as the case may be, for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable, and will be free of restrictions on transfer other than restrictions on transfer under this Warrant and under applicable state and federal securities laws.

Subject to applicable restrictions on transfer, the issuance and delivery of the Warrant and the Warrant Shares issuable upon conversion of the Warrant are not subject to any preemptive or other similar rights or any liens or encumbrances, except as specifically set forth in Company' s Certificate of Incorporation or this Warrant.

(v) No Conflict with Other Instruments. The execution, delivery, and performance of this Warrant will not result in any violation of, be in conflict with, or constitute a default under, with or without the passage of time or the giving of notice (a) any provision of Company' s Certificate of Incorporation or by-laws; (b) any provision of any judgment, decree, or order to which Company is a party or by which it is bound; (c) any contract, obligation or commitment to which Company is a party or by which it is bound; or (d) any statute, rule, or governmental regulation applicable to Company.

(vi) Capitalization. As of the date hereof, the authorized capital stock of Company consists of 260,000,000 shares of Common Stock, of which 256,842 are issued and outstanding, and 141,754,865 shares of Preferred Stock, of which (A) 1,646,068 have been designated Series A Preferred Stock and 1,306,068 are outstanding, (B) 2,250,000 have been designated Series B Preferred Stock, and 900,000 are outstanding, (C) 333,333 have been designated Series C Preferred Stock, all of which are outstanding, (D) 400,000 have been designated Series D Preferred Stock, none of which are outstanding, (E) 1,844,289 have been designated Series E-l Preferred Stock, all of which are outstanding, (F) 5,628,323 have been designated Series E-2 Preferred Stock, all of which are outstanding, (G) 2,300,000 have been designated Series F Preferred Stock, all of which are outstanding, (H) 1,250,000 have been designated Series G Preferred Stock, none of which are outstanding, (I) 1,575,229 have been designated Series H Preferred Stock, all of which are outstanding, (J) 10,204,047 have been designated Series I Preferred Stock, all of which are outstanding, (K) 112,790,246 have been designated Series J Preferred Stock, all of which are outstanding, and (L) 1,533,330 have been designated Series K Preferred Stock and 1,533,327 are outstanding. The Company has currently reserved 40,000 shares of Common Stock for issuance upon exercise of this Warrant, in the event that this Warrant is exercised for Common Stock.

(vii) Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of Company is required in connection with the offer, sale or issuance of the Warrant (and the Warrant Shares issuable upon exercise of the Warrant), or the consummation of any other transaction contemplated hereby. The offer, sale and issuance of the Warrant and the shares of Warrant Shares in conformity with the terms of this Warrant are exempt from the registration requirements of the Act and any applicable state laws.

5 Legends.

(a) Each certificate representing the Securities shall be endorsed with the following legend;

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED UNLESS COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT, A "NO ACTION" LETTER FROM THE SECURITIES AND

EXCHANGE COMMISSION WITH RESPECT TO SUCH TRANSFER, A TRANSFER MEETING THE REQUIREMENTS OF RULE 144 OF THE SECURITIES AND EXCHANGE COMMISSION, OR (IF REASONABLY REQUIRED BY THE COMPANY) AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY SUCH TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

The Company need not enter into its stock records a transfer of Securities unless the conditions specified in the foregoing legend are satisfied. The Company may also instruct its transfer agent not to allow the transfer of any of the Shares unless the conditions specified in the foregoing legend are satisfied.

(b) Removal of Legend and Transfer Restrictions. The legend relating to the Act endorsed on a certificate pursuant to paragraph 5(a) of this Warrant shall be removed and the Company shall issue a certificate without such legend to the Holder of the Securities if (i) the Securities

are registered under the Act and a prospectus meeting the requirements of Section 10 of the Act is available or (ii) the Holder provides to the Company an opinion of counsel for the Holder reasonably satisfactory to the Company, a no-action letter or interpretive opinion of the staff of the SEC reasonably satisfactory to the Company, or other evidence reasonably satisfactory to the Company, to the effect that public sale, transfer or assignment of the Securities may be made without registration and without compliance with any restriction such as Rule 144.

6. Condition of Transfer or Exercise of Warrant. It shall be a condition to any transfer or exercise of this Warrant that at the time of such transfer or exercise, the Holder shall provide the Company with a representation in writing that the Holder or transferee is acquiring this Warrant and the Warrant Shares to be issued upon exercise for investment purposes only and not with a view to any sale or distribution, or will provide the Company with a statement of pertinent facts covering any proposed distribution. As a further condition to any transfer of this Warrant or any or all of the Warrant Shares issuable upon exercise of this Warrant, other than a transfer registered under the Act, the Company may request a legal opinion, in form and substance satisfactory to the Company and its counsel, reciting the pertinent circumstances surrounding the proposed transfer and stating that such transfer is exempt from the registration and prospectus delivery requirements of the Act. The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder. Each certificate evidencing the Warrant Shares issued upon exercise of the Warrant or upon any transfer of such Warrant Shares (other than a transfer registered under the Act or any subsequent transfer of shares so registered) shall, at the Company' s option, if the Warrant Shares are not freely saleable under Rule 144(k) under the Act, contain a legend in form and substance satisfactory to the Company and its counsel, restricting the transfer of the shares to sales or other dispositions exempt from the requirements of the Act. As further condition to each transfer, at the request of the Company, the Holder shall surrender this Warrant to the Company and the transferee shall receive and accept a Warrant, of like tenor and date, executed by the Company.

7. Adjustment for Certain Events. The number and kind of securities purchasable upon the exercise of this Warrant and the applicable Warrant Price shall be subject to adjustment from time to time upon the occurrence of any of the following events, provided that such event occurs after the Warrant Shares Determination Date:

(a) Reclassification or Merger. In case of any (i) reclassification or change of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or (ii) merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant) or sale of all or substantially all of the assets of the Company (the transactions referred to in this clause (i) ar referred to as an ***"Acquisition Event"),*** the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to the Holder a new Warrant (in form and substance satisfactory to the Holder of this Warrant), or the Company shall make appropriate provision without the issuance of a new Warrant, so that the Holder shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the Warrant Shares theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change, merger or sale by a Holder of the number of Warrant Shares then purchasable under this Warrant, or in the case of such a merger or sale in which the consideration paid consists all or in part of assets other than securities of the successor or purchasing corporation, at the option of the Holder, the securities of the successor or purchasing corporation having a value at the time of the transaction equivalent to the value of the Warrant Shares purchasable upon exercise of this Warrant at the time of the transaction. Any new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. The provisions of this subparagraph (a) shall similarly apply to successive reclassifications, changes, mergers and transfers.

(b) Subdivision or Combination of Shares. If the Company, at any time while this Warrant remains outstanding and unexpired, shall subdivide or combine the outstanding shares of any class or series of capital stock that is the same as the class and series represented by the Warrant Shares, the Warrant Price shall be proportionately decreased and the number of Warrant Shares issuable hereunder shall be proportionately increased in the case of a subdivision and the Warrant Price shall be proportionately increased and the number of Warrant Shares issuable hereunder shall be proportionately decreased in the case of a combination.

(c) Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend on shares of its capital stock of the same class and series as the Warrant Shares, payable in the same class and series of capital stock, then the Warrant Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of such class and series of capital stock outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of such class and series outstanding immediately after such dividend or distribution; or (ii) make any other distribution with respect to such class and series of capital stock (except any distribution specifically provided for in Sections 7(a) and 7(b)), then, in each such case, provision shall be made by the Company such that the Holder of this Warrant shall receive upon exercise of this Warrant a proportionate share of any such dividend or

distribution as though it were the Holder of such class and series of capital stock as of the record date fixed for the determination of the shareholders of the Company entitled to receive such dividend or distribution.

(d) Adjustment of Number of Shares. Upon each adjustment in the Warrant Price, the number of Warrant Shares purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

8. Notice of Adjustments. Whenever any Warrant Price or the kind or number of securities issuable under this Warrant shall be adjusted pursuant to Section 7 hereof, the Company shall prepare a certificate signed by an officer of the Company setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and number or kind of shares issuable upon exercise of the Warrant after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (by certified or registered mail, return receipt required, postage prepaid) within thirty (30) days of such adjustment to the Holder of this Warrant as set forth in Section 18 hereof.

9. Transferability of Warrant. This Warrant shall not be transferable by the Holder, unless to an affiliate of Holder, without the prior written consent of the Company, except in connection with a merger or consolidation of the Company with or into another entity, or a sale of all or substantially all of the assets of the Holder to another entity, or a liquidation of the Holder. Any transfer permitted by this Section 9 shall be made on the books of the Company at its principal office by the registered Holder hereof upon surrender of this Warrant properly endorsed, subject to compliance with Section 6 and applicable federal and state securities laws. In the event of a permitted transfer, the Company shall issue and deliver to the transferee a new Warrant representing the Warrant so transferred. Upon any partial transfer that is permitted, the Company will issue and deliver to Holder a new Warrant with respect to the Warrant not so transferred. In no event shall Holder have any right to transfer any portion of this Warrant to any direct competitor of the Company.

10. Registration Rights. The Company hereby agrees that the Holder shall have the right, and hereby grants to the Holder the right, (a) to include the Warrant Shares (or, if the Warrant Shares are not Common Stock, the shares of Common Stock issuable upon conversion of the Warrant Shares) in any registration by the Company of its Common Stock pursuant to Section 6 of the Sixth Amended and Restated Registration Rights Agreement, dated as of March 3, 2004 among the Company and the Holders (as defined in such agreement) (the "RRA"), a copy of which is attached to this Warrant as Exhibit A, including the right to have the Registration Expenses (as defined in the RRA) paid under Section 8 of the RRA with respect to any registration under Section 6 of the RRA, and (b) to have such shares treated as "Registrable Securities" thereunder; provided, however, that (x) the Holder shall not have the right to include any shares in the Company' s IPO; (y) in the event that the number of shares to be included in a registration under Section 6 of the RRA is limited in accordance with Section 6(b) of the RRA, the Holder' s Registrable Securities will be subject to exclusion on a pro rata basis with any "Registrable

Securities" as defined in the RRA; and (z) as a condition to any rights set forth in this Section 10 of this Warrant, the Holder agrees to, and shall, be bound by the terms of Sections 10 and 14 of the RRA.

11. No Fractional Shares. No fractional share of Preferred Stock or Common Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional share the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

12. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares upon the exercise of this Warrant shall be made without charge to the Holder for any United States or state of the United States documentary stamp tax or other incidental expense with respect to the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

13. No Shareholder Rights Until Exercise. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof.

14. Registry of Warrant. The Company shall maintain a registry showing the name and address of the registered Holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at such office or agency of the Company, and the Company and Holder shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

15. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft, or destruction, of indemnity reasonably satisfactory to it, and, if mutilated, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant, having terms and conditions substantially identical to this Warrant, in lieu hereof.

16. Miscellaneous.

(a) Issue Date. The provisions of this Warrant shall be construed and shall be given effect in all respect as if it had been issued and delivered by the Company on the date hereof.

(b) Successors. This Warrant shall be binding upon any successors or assigns of the Company.

(c) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware.

(d) Headings. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

(e) Saturdays, Sundays, Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a

Sunday or shall be a legal holiday in the State of Connecticut, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

(f) Waiver of Jury Trial. Each of the parties hereto hereby waives to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Warrant or the Warrant Shares.

(g) Attorney' s Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney' s fees.

17. No Impairment. The Company will not, by amendment of its Certificate of Incorporation or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder hereof against impairment.

18. Addresses. Any notice required or permitted hereunder shall be in writing and shall be mailed by overnight courier, registered or certified mail, return receipt required, and postage prepaid, or otherwise delivered by hand or by messenger, addressed as set forth below, or at such other address as the Company or the Holder hereof shall have furnished to the other party.

If to the Company: **Acorda Therapeutics, Inc.**
15 Skyline Drive
Hawthorne, NY 10532
Attn: Mr. David Lawrence

If to the Holder: **General Electric Capital Corporation**

83 Wooster Heights Road
Danbury, CT 06810
Attn: Credit Manager-Life Science Finance

IN WITNESS WHEREOF, **Acorda Therapeutics, Inc.** has caused this Warrant to be executed by its officers thereunto duly authorized.

Dated as of Nov 17, 2005.

By: /s/ David Lawrence
Name: David Lawrence
Title: Chief Financial Officer

NOTICE OF EXERCISE

TO:

1. The undersigned Warrantholder ("Holder") elects to acquire _____ shares of the _____ Stock (the "Stock") of Acorda Therapeutics, Inc. (the "Company"), pursuant to the terms of the Stock Purchase Warrant dated January 28, 2005 (the "Warrant").

2. The Holder exercises its rights under the Warrant as set forth below:

( ) The Holder elects to purchase _____ shares of _____ Stock as provided in Section 3(a) and tenders herewith a check in the amount of $_____ as payment of the purchase price.

( ) The Holder elects to convert the purchase rights into shares of _____ Stock as provided in Section 3(b) of the Warrant.

3. The Holder surrenders the Warrant with this Notice of Exercise.

The Holder represents that it is acquiring the aforesaid Warrant Shares (as defined in the Warrant) for investment and not with a view to or for resale in connection with distribution and that the Holder has no present intention of distributing or reselling the shares.

Please issue a certificate representing the Warrant Shares exercised in the name of the Holder or in such other name as is specified below:

Name:
Address:

Taxpayer I.D.:

_____
(Holder)

By: _____

Title: _____

Date: _____

Exhibit 10.4

ACORDA THERAPEUTICS, INC.

2006 EMPLOYEE INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the Acorda Therapeutics, Inc. 2006 Employee Incentive Plan (the "Plan") is to provide an additional incentive to directors, key employees, independent contractors, agents and consultants of Acorda Therapeutics, Inc. (the "Company") and its subsidiaries, to aid in attracting and retaining directors, employees, independent contractors, agents and consultants of outstanding ability, and to align their interests with those of shareholders.

This Plan shall serve as the successor to the Company' s 1999 Employee Stock Option Plan, as amended (the "Prior Plan"), and no further option grants or stock issuances shall be made under the Prior Plan after the Effective Date, as determined under Section 14 of this Plan (the "Effective Date"). The adoption of this Plan as of the Effective Date shall not affect the terms of any option or restricted stock award under the Prior Plan that was outstanding prior to the Effective Date and all such options and restricted stock awards shall continue to be governed by the terms of the Prior Plan.

SECTION 2. DEFINITIONS

Unless the context clearly indicates otherwise, the following terms, when used in this Plan, shall have the meanings set forth in this Section 2.

(a) "**Award**" means any Stock Option, Stock Appreciation Right or Restricted Stock.

(b) "**Board**" shall mean the Board of Directors of the Company.

(c) "**Cause**" means (i) willful misconduct; (ii) willful or gross neglect; (iii) failure to materially perform one' s job duties; (iv) insubordination; (v) willful failure to materially comply with the Company' s policies and practices; (vi) acts of moral turpitude, theft or dishonesty; (vii) a felony conviction, or (viii) acts that are (or could be expected to be) damaging or detrimental to the Company. Notwithstanding the foregoing, if a Grantee or Participant is a party to an employment or similar agreement with the Company (or any parent corporation or Subsidiary) and such agreement contains a definition of "Cause" or similar term, such definition shall constitute the definition of "Cause" under the Plan.

(d) "**Code**" shall mean the Internal Revenue Code of 1986 and the rules and regulations thereunder, as it or they may be amended from time to time.

(e) "**Committee**" shall mean the full Board, Compensation Committee of the Board or such other committee as may be designated by the Board. If and when the Common Stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Act"), to the extent necessary to comply with Rule 16b-3 under the Act with respect to Option grants to officers and directors, each member of the Committee shall be a "non-employee director" within the meaning of Rule 16b-3 and, to the extent necessary to exclude Options granted under the Plan from the calculation of the income tax deduction limit under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), each member of the Committee shall be an "outside director" within the meaning of Code Section 162(m). A majority of the Committee shall constitute a quorum, and acts of the majority of members present at any meeting at which a quorum is present shall be deemed the acts of the Committee. The Committee may also act by instrument signed by all members of the Committee.

(f) "**Date of Exercise**" shall mean the earlier of the date on which written notice of exercise, together with payment in full, is received at the office of the Secretary of the Company or the date on which such notice and payment are mailed to the Secretary of the Company at its principal office by certified or registered mail.

(g) "**Director**" shall mean a member of the Board of Directors.

(h) "**Disability**" or "**Disabled**" shall mean incapacity of a Grantee or Participant as a result of demonstrable illness (including mental illness), injury, or disease that prevents the Grantee or Participant from engaging in any occupation or performing any work for remuneration or profit for which the Grantee or Participant is reasonably qualified (or may reasonably become qualified) by reason of education, work, or experience. However, the term "Disability" shall not include any illness, injury, or disease that resulted from or consists of incapacity resulting from illegal drug use; was contracted, suffered, or incurred while the Grantee or Participant was engaged in criminal conduct; or was intentionally self-inflicted total and permanent disability as defined in Section 22(e)(3) of the Code.

(i) "**Employee**" shall mean any employee or any officer of the Company or any of its Subsidiaries, or any other person and excluding any director of the Company who is not otherwise an employee of the Company. For the purposes of any provision of this Plan relating to Incentive Stock Options, the term "Employee" shall be limited to mean any employee (as that term is defined under Code Section 3401(c)) or officer of the Company or any of its Subsidiaries, but not any person who is merely an independent contractor, agent or consultant of the Company or any of its subsidiaries.

(j) "**Executive Officer**" means an individual who is an "executive officer" of the Company (as defined by Rule 3b-7 under the Exchange Act) or a "covered employee" under Section 162(m) of the Code.

(k) "**Fair Market Value**" of the Stock means, for all purposes of the Plan unless otherwise provided (i) the mean between the high and low sales prices of the Stock as reported on the NASDAQ Stock Market or any similar system of automated dissemination of quotations of securities prices then in common use, if so quoted, or (ii) if not quoted as described in clause (i) or listed as described in clause (iii), the mean between the high bid and low asked quotations for the Stock as reported by a the National Quotation Bureau Incorporated or such other source as the Committee shall determine, or (iii) if the Stock is listed or admitted for trading on any national securities exchange, the mean between the high and low sales price, or the closing bid price if no sale occurred, of the Stock on the principal securities exchange on which the Stock is listed, or (iv) if so approved by the Committee for Awards with a Granting Date taking effective as of the date on which the Company' s stock is first publicly traded, the price at which the Company' s stock opened for trading on that date. In the event that the method for determining the Fair Market Value of the Stock provided for above shall either be not applicable or not be practical, in the opinion of the Committee, then the Fair Market Value shall be determined by such other reasonable method as the Committee, in its discretion, shall select and apply.

(l) "**Good Reason**" shall mean the Participant' s title, position or job responsibilities have been materially reduced or the Participant has been assigned duties that are materially inconsistent with his or her duties prior to the Reorganization Event or which materially impair his or her ability to perform his or her duties as required prior to the Reorganization Event. Notwithstanding the foregoing, if a Grantee or Participant is a party to an employment or similar agreement with the Company (or any parent corporation or Subsidiary) and such agreement contains a definition of "Good Reason" or similar term, such definition shall constitute the definition of "Good Reason" under the Plan.

(m) "**Grantee**" shall mean a Participant granted a Stock Option.

(n) "**Granting Date**" shall mean the date on which the Committee authorizes the issuance of a Stock Option for a specified number of shares of Stock to a specified Participant.

(o) "**Incentive Stock Option**" shall mean a Stock Option granted under the Plan which is properly qualified under the provisions of Section 422 of the Code.

(p) "**Nonstatutory Stock Option**" shall mean a Stock Option granted within the Plan which is not an Incentive Stock Option or otherwise qualified under similar tax provisions.

(q) "**Participant**" shall mean a person selected by the Committee or its delegee to receive an Award under the Plan.

(r) "**Performance Objective**" means a performance objective or goal that must be achieved before an Award, or a feature of an Award, becomes nonforfeitable.

(s) "**Progressive Stock Options**" shall mean either Incentive Stock Options or Nonstatutory Stock Options granted pursuant to Section 5(i) of this Plan.

(t) "**Reorganization Event**" means: (i) any merger or consolidation of the Company with or into another entity as a result of which all of the capital stock of the Company is converted into or exchanged for the right to receive cash, securities or other property; or, if there is any other merger or consolidation, after such merger or consolidation shareholders of the Company immediately prior to such event hold less than 50% of the voting stock of the surviving entity; (ii) any exchange of all of the capital stock of the Company for cash, securities or other property pursuant to a share exchange transaction; (iii) a sale or transfer of all or substantially all of the assets of the Company in one or a series of transactions or there is a complete liquidation or dissolution of the Company, or (iv) any individual or entity or group acting in concert and affiliates thereof, acquires, directly or indirectly, more than 50% of the outstanding shares of voting stock of the Company; provided that this subsection (iv) shall not apply to an underwritten public offering of the Company' s securities or to a private transaction resulting in new investors owning more than 50% of the Company' s stock if those investors purchased that stock at a lower valuation of the Company than in the preceding round of financing.

(u) "**Restricted Period**" shall mean the period of time selected by the Committee during which shares subject to a Restricted Stock Award may be repurchased by or forfeited to the Company.

(v) "**Restricted Stock**" shall mean shares of Common Stock awarded to a Participant under Section 15.

(w) "**Retired**" or "**Retirement**" shall mean a Grantee' s or Participant' s voluntary termination of employment with the Company after having attained (i) age 65 or (ii) age 55 with ten or more years of service with the Company.

(x) "**Rule 16b-3**" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or any rule in replacement thereof.

(y) "**Stock**" shall mean the Common Stock, par value $0.001 per share, of the Company.

(z) "**Stock Appreciation Right**" shall mean a right granted pursuant to the Plan to receive Stock, cash, or a combination thereof, upon the surrender of the right to purchase all or part of the shares of Stock covered by a Stock Option.

(aa) "**Stock Option**" shall mean an Incentive Stock Option or Nonstatutory Stock Option granted pursuant to the Plan to purchase shares of Stock.

(bb) "**Subsidiary**" shall mean any subsidiary corporation as defined in Section 424(f) of the Code.

SECTION 3. SHARES OF STOCK SUBJECT TO THE PLAN

(a) Subject to increase under Section 3(b) of the Plan and adjustment under Section 10 of the Plan, the number of shares of Common Stock reserved for issuance pursuant to Awards made under the Plan shall not exceed 3,723,736 shares of Stock.

(b) The total number of shares of Stock available for issuance under this Plan, including shares of Stock subject to then outstanding Awards, shall automatically increase on January 1 of each year during the term of this Plan, beginning 2006, by a number of shares of Stock equal to 4% of the outstanding shares of Stock on that date, unless otherwise determined by the Board; except that, for 2006, such increase shall be equal to the amount of outstanding shares of Stock and shares of Stock issuable upon conversion of the outstanding preferred stock of the Company on, and shall be made on, the Effective Date. Shares delivered under the Plan may be authorized and unissued shares or issued shares held by the Company in its treasury. If any Awards expire or terminate without having been exercised, the shares of Stock covered by such Award shall become available again for the grant of Awards hereunder. Similarly, if any Awards are surrendered for cash pursuant to the provisions of Section 7, the shares of Stock covered by such Awards shall also become available again for the grant of Awards hereunder. Shares of Stock covered by Awards surrendered for Stock pursuant to Section 7, however, shall not become available again for the grant of Awards hereunder.

(c) Notwithstanding anything to the contrary set forth in the Prior Plan, the total number of shares of Stock available for issuance under the Prior Plan shall not be increased, automatically or otherwise, on or after January 1, 2006 by the 4% increase set forth in Amendment No. 2 to the Prior Plan and, to the extent necessary to effect such limitation, this Section 3(c) shall constitute an amendment to the Prior Plan.

(d) In any year, no individual Grantee or Participant shall be granted Options or SARs with respect to more than five million (5,000,000) shares.

SECTION 4. ADMINISTRATION OF THE PLAN

(a) The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of Award grants, and to make all other determinations necessary or advisable for the administration of the Plan. Neither the Committee nor any Director or Executive Officer shall be liable for any act, omission, interpretation, construction, or determination made in good faith in connection with the Plan or any Award Agreement.

(b) It is intended that the Plan and any transaction hereunder meet all of the requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission, as such rule is currently in effect or as hereafter modified or amended, and all other applicable laws. If any provision of the Plan or any transaction would disqualify the Plan or such transaction under, or would not comply with, Rule 16b-3 or other applicable laws, such provision or transaction shall be construed or deemed amended to conform to Rule 16b-3 or such other applicable laws or otherwise shall be deemed to be null and void, in each case to the extent permitted by law and deemed advisable by the Committee.

(c) To the extent permitted by Applicable Law, the Board may delegate to one or more Executive Officers of the Company the power to grant Awards to Participants and to exercise such other powers under the Plan as the Board may determine, provided that the Committee shall fix the terms of the Awards to be granted by such executive officers (including the exercise price of such Awards) and the maximum number of Shares subject to Awards that the Executive Officers may grant; provided, however, that no Executive Officer shall be authorized to grant Awards to any "executive officer" of the Company (as defined by Rule 3b-7 under the Exchange Act or to any "officer" of the Company (as defined by Rule 16a-1 under the Exchange Act).

(d) Any controversy or claim arising out of or related to this Plan shall be determined unilaterally by and at the sole discretion of the Committee.

SECTION 5. GRANTING OF STOCK OPTIONS

(a) Directors, Employees, independent contractors, agents and consultants to the Company shall be eligible to receive Stock Options under the Plan. Only Employees shall be eligible to receive Incentive Stock Options under the Plan.

(b) The exercise price of each share of Stock subject to an Incentive Stock Option shall be at least 100% of the Fair Market Value of a share of the Stock on the Granting Date.

(c) The exercise price of each share of Stock subject to a Nonstatutory Stock Option shall be 100% of the Fair Market Value of a share of the Stock on the Granting Date, or such other price either greater than or less than the Fair Market Value (but in no event less than the par value of the Stock) as the Committee shall determine, following consideration of potential tax implications, appropriate to the purposes of the Plan and to the Company' s total compensation program.

(d) The Committee shall determine and designate from time to time those persons who are to be granted Stock Options and whether the particular Stock Options are to be Incentive Stock Options or Nonstatutory Stock Options, and shall also specify the number of shares covered by and the option price per share of each Stock Option. Each Stock Option granted under the Plan shall be clearly identified as to its status as a Nonstatutory Stock Option or an Incentive Stock Option.

(e) The aggregate Fair Market Value (determined at the time the Stock Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the individual' s employer corporation and its parent and subsidiary corporations) shall not exceed $100,000.

(f) A Stock Option shall be exercisable during such period or periods and in such installments as shall be fixed by the Committee at the time the Stock Option is granted or in any amendment thereto; but each Stock Option shall expire not later than ten years from the Granting Date.

(g) The Committee shall have the authority to grant both transferable Stock Options and nontransferable Stock Options, and to amend outstanding nontransferable Stock Options to provide for transferability. Each nontransferable Stock Option intended to qualify under Rule 16b-3 or otherwise shall provide by its terms that it is not transferable otherwise than by will or the laws of descent and distribution or, except in the case of Incentive Stock Options, incident to a divorce (to the extent permitted by the applicable regulations governing Incentive Stock Options), and is exercisable, during the Grantee' s lifetime, only by the Grantee. Each transferable Stock Option may provide for such

limitations on transferability and exercisability as the Committee may designate at the time a Stock Option is granted or is otherwise amended to provide for transferability (e.g., by limiting transferability to family members).

(h) Stock Options may be granted to a Grantee who has previously received Stock Options or other options whether such prior Stock Options or other options are still outstanding, have previously been exercised or surrendered in whole or in part, or are canceled in connection with the issuance of new Stock Options.

(i) Without in any way limiting the authority of the Committee to make grants of Stock Options under the Plan, and in order to induce persons to retain ownership of Stock, the Committee shall have the authority (but not the obligation) to include within any agreement reflecting a Stock Option a provision entitling the Grantee of such a Stock Option to a further Stock Option (a "Progressive Stock Option") in the event the Grantee exercises such Stock

Option evidenced by such agreement, in whole or in part, by surrendering other shares of Stock in accordance with this Plan and the terms and conditions of such agreement. Any such Progressive Stock Option shall be for a number of shares of Stock equal to the number of surrendered shares, shall become exercisable no sooner than six months after the Granting Date of the Stock Option or such longer period as the Committee may establish, shall have an exercise price per share equal to one hundred percent (100%) of the Fair Market Value of a share of Stock on the Granting Date of the Progressive Stock Option, and shall be subject to such other terms and conditions as the Committee may determine.

(j) Notwithstanding the foregoing, the option price of an Incentive Stock Option in the case of a Grantee who owns more than ten percent of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, will not be less than one-hundred-ten percent (110%) of the Fair Market Value of the Stock at the Granting date and in the case of such a Grantee, the Incentive Stock Option may be exercised no more than five years after the Granting Date.

SECTION 6. EXERCISE OF STOCK OPTIONS

(a) Each option shall be exercisable as provided in the applicable option agreement.

(b) The Grantee shall pay the exercise price in full on the Date of Exercise of a Stock Option in cash, by check, or by delivery of full shares of Stock of the Company, duly endorsed for transfer to the Company with signature guaranteed, by any combination thereof or by such other mode of payment as the Committee may approve, including payment through a broker in accordance with procedures permitted by rules and regulations of the Federal Reserve Board. Stock will be accepted at its Fair Market Value on the Date of Exercise.

(c) With respect to non-Employee Participants, the Board shall determine and specify in the applicable option agreement the consequences, if any, of the termination of the Participant' s relationship with the Company.

(d) The exercise of options by Grantees is subject to the provisions of Section 9.

(e) If approved by the Committee, and except to the extent that the Option is an Option to purchase Restricted Stock, consideration may be paid by the Participant' s (i) irrevocable instructions to the Company to deliver the Shares issuable upon exercise of the Option promptly to a broker (acceptable to the Company) for the Participant' s account, and (ii) an irrevocable instructions letter to such broker to sell Shares sufficient to pay the exercise price and upon such sale to deliver the exercise price to the Company, provided that, at the time of such exercise, this form of exercise would not subject the Participant to liability under Section 16(b) of the Exchange Act or would be exempt pursuant to Rule 16b-3 promulgated under the Exchange Act or any other exemption from such liability. The Company shall deliver an acknowledgement to the broker upon receipt of instructions to deliver the Shares, and the Company shall deliver the Shares to such broker upon the settlement date. Upon receipt of the Shares from the Company, the broker shall deliver to the Company cash sale proceeds sufficient to cover the exercise price. Shares acquired by a cashless exercise shall be deemed to have a

Fair Market Value on the Option exercise date equal to the gross sales price at which the broker sold the Shares to pay the exercise price.

SECTION 7. STOCK APPRECIATION RIGHTS

(a) The Committee may grant to any Participant Stock Appreciation Rights in connection with any Stock Option.

(b) Stock Appreciation Rights shall be exercisable at such times and to the extent that the related Stock Option shall be exercisable and only to the extent the Stock Appreciation Right has a positive value, unless the Committee specifies a more restrictive period.

(c) Upon the exercise of a Stock Appreciation Right, the Grantee shall surrender the related Stock Option or a portion thereof and shall be entitled to receive payment of an amount determined by multiplying the number of shares as to which the Stock Option rights are surrendered by the difference obtained by subtracting the exercise price per share of the related Stock Option from the Fair Market Value of a share of Stock on the Date of Exercise of the Stock Appreciation Right.

(d) Payment of the amount determined under Section 7(c) shall be made in Stock, in cash, or partly in cash and partly in Stock as the Committee shall determine in its sole discretion.

(e) Except as provided in Section 10(b), the exercise of a Stock Appreciation Right for cash may be made only during the period beginning on the third business day following the release of quarterly or annual financial data and ending on the twelfth business day following such date.

SECTION 8. PERFORMANCE OBJECTIVES

(a) The Committee may make any Awards under this Plan contingent upon Performance Objectives. Any Performance Objective shall relate to the Participant' s performance for the Company or to the Company' s business activities or organizational goals, and shall be sufficiently specific that a third party having knowledge of the relevant facts could determine whether the Performance Objective is achieved. The Performance Objectives with respect to any Award may be one or more of the General Financial and/or Operational Objectives set forth on Schedule A of this Plan.

(b) (i) All Awards Stock that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code shall comply with the provisions of Section 8(b)(i) - (v), in addition to those of Section 8(a).

(ii) The list of possible Performance Objectives set forth in Schedule A and the other material terms of Awards of Restricted Stock that are intended to qualify as "performance-based

compensation" under Section 162(m) of the Code, shall be subject to reapproval by the Company' s stockholders at the first stockholder meeting that occurs in _____(1). No Award of Restricted Stock that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code shall be made after that meeting unless stockholders have reapproved the list of Performance Objectives and other material terms of such Awards, or unless the vesting of the Award is made contingent on stockholder approval of the Performance Objectives and other material terms of such Awards.

(iii) The Committee shall, at the time it establishes the Performance Objectives, specify the period over which the Performance Objectives relate. The establishment of the actual Performance Objectives and, if an Award of Restricted Stock is based on more than one Performance Objective, the relative weighting of such criteria, shall be at the sole discretion of the Committee; *provided*, *however*, that with respect to any Award, the Performance Objectives shall be set forth in writing no later than 90 days after commencement of the period to which the Performance Objective(s) relate(s) (or before 25% of such period has elapsed if the period to which the Performance Objectives relate is less than six months long) and at a time when achievement of the Performance Objectives is substantially uncertain. Such writing shall also include the period for measuring achievement of the Performance Objectives, which shall be no greater than five consecutive years, as established by the Committee. Once established by the Committee, the Performance Objective(s) may not be changed to accelerate the settlement of an Award or to accelerate the lapse or removal of restrictions on Restricted Stock that otherwise would be due upon the attainment of the Performance Objective(s).

(iv) Prior to settlement of any Award that is contingent on achievement of one or more Performance Objectives, the Committee shall certify in writing that the applicable Performance Objective(s) and any other material terms of the Award were in fact satisfied. For purposes of this Section 8(d), approved minutes of the Committee shall be adequate written certification.

(v) The Committee may reduce, but may not increase, the number of Shares deliverable or the amount payable under any Award after the applicable Performance Objectives are satisfied.

SECTION 9. TERMINATION OF EMPLOYMENT

Except as otherwise provided by the Committee at the time the Stock Option is granted or any amendment thereto, if a Grantee ceases to be an Employee then:

(a) except as provided in Sections 9(c) and (d) and subject to the provisions of Section 9(e), if termination of employment is voluntary or involuntary without Cause, the Grantee may exercise each Stock Option held by the Grantee within three months after such termination (but not after the expiration date of the Stock Option) to the extent of the number of

(1) The first meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the IPO occurs.

shares subject to the Stock Option which are purchasable pursuant to its terms at the date of termination;

(b) if termination is for Cause, all Stock Options held by the Grantee shall be canceled as of the date of termination;

(c) subject to the provisions of Section 9(d), if termination is (i) by reason of Retirement, or (ii) by reason of Disability, each Stock Option held by the Grantee may be exercised by the Grantee at any time (but not after the expiration date of the Stock Option and within one year of termination in the case of Incentive Stock Options) to the extent of the number of shares subject to the Stock Option which were purchasable pursuant to its terms at the date of termination;

(d) if termination is by reason of the death of the Grantee, or if the Grantee dies after Retirement or Disability as referred to in Section 9(c), each Stock Option held by the Grantee may be exercised by the Grantee' s estate, or by any person who acquires the right to exercise the Stock Option by reason of the Grantee' s death, at any time within a period of three years after death (but not after the expiration date of the Stock Option) to the extent of the total number of shares subject to the Stock Option which were purchasable pursuant to its terms at the date of termination; or

(e) if the Grantee should die within three months after voluntary termination of employment or involuntary termination without Cause, as contemplated in Section 9(a), each Stock Option held by the Grantee may be exercised by the Grantee' s estate, or by any person who acquires the right to exercise by reason of the Grantee' s death, at any time within a period of one year after death (but not after the expiration date of the Stock Option) to the extent of the number of shares subject to the Stock Option which were purchasable pursuant to its terms at the date of termination.

SECTION 10. ADJUSTMENTS

In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure or capitalization affecting the Stock, there shall be an appropriate adjustment made by the Committee in the number and kind of shares that may be granted in the aggregate and to Grantees under the Plan, the number and kind of shares subject to each outstanding Stock Option and Stock Appreciation Right and the option prices.

SECTION 11. TENDER OFFER; CHANGE IN CONTROL

(a) Upon the occurrence of a Reorganization Event, subject to subsection (b) below, each outstanding Award (excluding grants of Restricted Stock as to which the Participant has elected at the time of grant not to have acceleration upon a Reorganization Event) shall, upon consummation of such Reorganization Event, either be assumed or an equivalent exercisable or unrestricted award substituted by the successor corporation or a parent corporation or Subsidiary of the successor corporation. If any such Award is assumed in accordance with this subsection

(a) and, within eighteen (18) months after the Reorganization Event, the Participant is involuntarily terminated from employment with the Company without Cause or leaves the Company With Good Reason, than such assumed Award shall become exercisable in full (or free from restrictions) as of the date of such termination or diminution.

(b) In the event that the successor corporation does not assume the Award or an equivalent Award is not substituted, then the Committee shall, upon written or electronic notice to each Participant, provide that one of the following will occur with respect to each outstanding Award: (i) some or all Awards will become exercisable in full (or free from restrictions) as of a specified time prior to the Reorganization Event and will terminate immediately prior to the consummation of such Reorganization Event, except to the extent exercised or sold by the Participants prior to the consummation of the Reorganization Event; or (ii) all outstanding Awards will terminate upon consummation of such Reorganization Event and each Participant will receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the amount payable in the Reorganization Event with respect to a share of Stock multiplied by the number of shares of Stock subject to such outstanding Awards exceeds (y) the aggregate exercise price of such Awards, or (iii) if the Company' s stock is still publicly traded, the Awards shall remain in place unchanged.

(c) For the purposes of this Section 11, the Award shall be considered assumed if, following consummation of the Reorganization Event, the Award confers the right to purchase or receive, for each share of Stock subject to the Award immediately prior to the Reorganization Event, the consideration (whether stock, cash, or other securities or property) received in the Reorganization Event by holders of Stock for each share of Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock immediately prior to consummation of the Reorganization Event). If such consideration received in the Reorganization Event is not solely common stock of the successor corporation or a parent corporation or Subsidiary thereof, then the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award for each share of Stock subject to the Award to be solely common stock of the successor corporation or a parent corporation or Subsidiary thereof equal in fair market value to the per share consideration

received by holders of Stock in the Reorganization Event, and in such case such Awards shall be considered assumed for the purposes of this Section 11.

(d) The Committee shall also have full power and authority, exercisable either at the time the Award is granted or at any time while the Award remains outstanding, to structure such Award so that the shares subject to that Award that automatically vest and become free of all restrictions on an accelerated basis as provided in Section 11(a) shall, upon a Qualifying Termination of Employment remain exercisable until the earlier of (i) the expiration of the Award term or (ii) the expiration of up to a one (1)-year period measured from the effective date of the termination of employment of the Employee, at the Committee' s discretion. For this purpose, a Qualifying Termination of Employment shall mean an involuntary termination of the Employee' s employment by the successor corporation or a parent corporation or Subsidiary thereof, other than for Cause, within a designated period (not to exceed eighteen (18) months) following the effective date of any Reorganization Event.

SECTION 12. GENERAL PROVISIONS

(a) Each Award shall be evidenced by a written instrument containing such terms and conditions, not inconsistent with this Plan, as the Committee shall approve.

(b) The granting of an Award in any year shall not give the Participant any right to similar grants in future years or any right to be retained in the employ of the Company or any Subsidiary or interfere in any way with the right of the Company or such Subsidiary to terminate an Employee' s employment at any time.

(c) The Company shall have the right to deduct from any payment or distribution under the Plan any federal, state or local taxes of any kind required by law to be withheld with respect to such payments or to take such other action as may be necessary to satisfy all obligations for the payment of such taxes. In case distributions are made in shares of Stock, the Company shall have the right to retain the value of sufficient shares of Stock to equal the amount of tax to be withheld for such distributions or require a recipient to pay the Company for any such taxes required to be withheld on such terms and conditions prescribed by the Committee.

(d) No Grantee shall have any of the rights of a shareholder by reason of a Stock Option until it is exercised.

(e) This Plan shall be construed and enforced in accordance with the laws of the State of Delaware (without regard to the legislative or judicial conflict of laws rules of any state), except to the extent superseded by federal law.

SECTION 13. AMENDMENT AND TERMINATION

(a) The Plan shall terminate on the date that is ten (10) years after the date described in Section 14 **a**nd no Award shall be granted hereunder after that date, provided that the Board may terminate the Plan at any time prior thereto.

(b) The Board may amend the Plan at any time without notice, provided however, that the Board may not, without prior approval by the shareholders, (i) increase the maximum number of shares of Stock for which Awards may be granted (except as contemplated by the provisions of Sections 3 and 10), (ii) materially increase the benefits accruing to Participants under the Plan or (iii) materially modify the requirements as to eligibility for participation in the Plan.

(c) No termination or amendment of the Plan may, without the consent of a Participant to whom an Award shall theretofore have been granted, adversely affect the rights of such Participant under such Award.

SECTION 14. EFFECTIVE DATE

The Plan shall become effective as of the date it is approved by the Company' s stockholders.

SECTION 15. RESTRICTED STOCK

(a) The Committee may grant Restricted Stock Awards entitling recipients to acquire shares of Stock, subject to the right of the Company to repurchase all or part of such shares at their purchase price or at another price specified in the Award (or to require forfeiture of such shares if purchased at no cost) from the recipient in the event that conditions specified by the Committee in the applicable Award are not satisfied prior to the end of the applicable Restricted Period or Restricted Periods established by the Committee for such Award. Conditions for repurchase (or forfeiture) may be based on continuing employment or service or achievement of pre-established performance or other goals and objectives.

(b) Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered, except as permitted by the Committee during the applicable Restricted Period. Shares of Restricted Stock shall be evidenced in such manner as the Committee may determine. Any certificates issued in respect of shares of Restricted Stock shall be registered in the name of the Participant and, unless otherwise determined by the Committee, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the Restricted Period, the Company (or such designee) shall deliver such certificates to the Participant or if the Participant has died, to the Participants' designated beneficiary.

(c) Restricted Stock shall be issued for no cash consideration or such minimum consideration as may be required by applicable law.

(d) The Committee may at any time accelerate the expiration of the Restricted Period applicable to all, or any particular, outstanding shares of Restricted Stock.

(e) A Restricted Stock Award is subject to adjustment on the same terms set forth under Section 10 of the Plan.

(f) Grants of Restricted Stock shall accelerate upon a Reorganization Event unless the Participant elects at the time of grant that the grant not accelerate.

Schedule A

I. General Financial Criteria

Increasing the revenue of the Company, an affiliate or a business unit.

Achieving a target level of earnings (including gross earnings; earnings before certain deductions, such as interest, taxes, depreciation, or amortization; or earnings per share).

Achieving a target level of income (including net income or income before consideration of certain factors, such as overhead) or a target level of gross profits for the Company, an affiliate, or a business unit.

Achieving a target return on the Company' s (or an affiliate' s) capital, assets, or stockholders' equity.

Increasing the market share of the Company, an affiliate or a business unit to a specified target level.

Maintaining or achieving a target level of appreciation in the price of the Company' s shares.

Achieving or maintaining a share price that meets or exceeds the performance of specified stock market indices or other benchmarks over a specified period.

Achieving a level of share price, earnings, or income performance that meets or exceeds performance in comparable areas of peer companies over a specified period.

Achieving specified reductions in costs.

Achieving specified improvements in collection of outstanding accounts or specified reductions in non-performing debts.

II. Operational Criteria

Expanding one or more products into one or more new markets.

Acquiring a prescribed number of new customers in a line of business.

Achieving a prescribed level of productivity within a business unit.

Completing specified projects within or below the applicable budget.

Issuance of patents in U.S. and foreign countries.

Completion of a financing or collaboration transaction.

Key hires.

Resolution of legal issues.

Other strategic business criteria including goals relating to acquisitions or divestitures.

Exhibit 10.9

Employment Agreement

Andrew R. Blight, Ph.D.

Dear Andy:

We are delighted to present this letter agreement, setting out the terms of your continued employment with Acorda Therapeutics, Inc. (the "Company") as Chief Scientific Officer. If these terms are acceptable, please sign and date the copy of this letter provided herewith and return it to me at your first convenience. If you accept the terms offered herein, this Agreement shall be deemed to be effective as of December 19, 2005 (the "Effective Date").

1. **Employment.**

You will be employed by the Company as Chief Scientific Officer of the Company.

1. **Base Salary.**

In consideration for your services under this Agreement, you shall be paid an annual base salary of $215,000. to be paid in accordance with the Company' s standard payroll practices. Your base salary shall be reviewed annually by the President and Chief Executive Officer and the compensation committee of the Board of Directors.

2. **Annual Bonus.**

You shall be eligible to receive an annual bonus as part of any bonus program implemented by the Board of Directors in an amount determined based on your performance.

3. **Benefits; Perquisites; Reimbursement of Expenses.**

In addition to those payments set forth above, you shall be entitled to the following benefits and payments:

(a) *Employee Benefit Plans Generally.* You shall be entitled to participate in all employee benefit plans which the Company provides or may establish from time to time for the benefit of its senior executives.

(b) *Vacation.* You shall be entitled to paid vacation in accordance with the Company' s vacation policy as that policy may be amended from time to time.

(c) *Perquisites and Reimbursement of Expenses.* You shall be entitled to all perquisites offered to senior executives of the Company. In addition, you shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses which are incurred by you in furtherance of the Company' s business, in accordance with the policies adopted from time to time by the Company.

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PHONE: (914) 347-4300
FAX: (914) 347-4560

E-MAIL: ACORDA@ACORDA.COM
WEBSITE: WWW.ACORDA.COM

(d) *Insurance.* You shall be covered by a Directors and Officers Liability Insurance policy that generally covers the directors and officers of the Company, provided by the Company at its expense, for so long as the Company has such a policy in place.

4. **Stock Options, Stock Appreciation Rights and Restricted Stock Awards.**

You shall be eligible to receive annual performance-based stock option grants to purchase shares of the Company' s common stock ("Options"), stock appreciation rights awards ("SARs"), and/or restricted stock awards of the Company' s common stock ("Stock Awards"). The number of annual Options, SARs, and/or Stock Awards granted shall be determined based on the achievement of individual performance objectives as recommended by the compensation committee and approved by the Board of Directors and the Company' s achievement of its goals and objectives. All such Options, SARs, and/or Stock Awards shall be granted pursuant to and in accordance with the terms of the Acorda Therapeutics, Inc. 1999 Employee Stock Option Plan as amended and/or any additional or replacement plan adopted by the Board (the "Plan(s)") except as such terms may be specifically modified herein. Unless otherwise provided for in any Option, SARs or Stock Awards agreement, all Options, SARs and Stock Awards granted to you shall vest in 16 equal quarterly installments, beginning with the first day of the quarter next following the date the Option, SAR or Stock Award is granted.

5. **Termination.**

(a) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason other than pursuant to subsection (c) of this Section 5, the following shall apply:

(i) The Company shall pay to you an amount equal to 9 months of your base salary in the form of salary continuation (the "Severance Period"). The amount payable under this subsection (i) shall be reduced by 50% in the event that you obtain other employment during the Severance Period.

(ii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease.

(iii) The Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement that have vested (or, in the case of Restricted Stock Awards, solely for purposes of this provision, will be deemed to have vested based on a four year quarterly vesting schedule beginning with the date of award) as of the termination date shall remain exercisable for 90 days following such date (and, with respect to Restricted Stock Awards, have the restrictions removed). All unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(iv) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(v) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(b) *Termination of Your Employment by the Company With Cause or by You Without Good Reason.* The Company may terminate your employment with Cause or you may resign at any time. In such case, you shall be paid all amounts due for services rendered under this Agreement up until the termination date. Thereafter, no further payments shall be made to you under this Agreement. All Options granted to you hereunder or under any other agreement that are fully vested as of the date of your termination shall remain exercisable for ninety (90) days from the termination date. If you dispute the grounds for your termination, your vested Options will remain exercisable until ninety (90) day after the date the dispute is resolved. All unvested Options, SARs and Stock Awards shall be forfeited.

(c) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason Following a Change in Control.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason within the first 18 months after a Change in Control, the following shall apply:

(i) The Company shall pay to you an amount equal to 12 months of your base salary (the "CIC Severance Period") in a lump sum within 30 days after the date of termination. You shall be under no obligation to secure alternative employment during the Severance Period, and payment of your base salary shall be made without regard to any subsequent employment you may obtain.

(ii) The Company shall also pay you a bonus equal to the last annual bonus you received multiplied by a fraction, the numerator 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. Such payment shall be made at the time bonus payments are made by the Company to its other senior officers, but in no event later than one year following the termination date.

(iii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the CIC Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease

(iv) Not less than 50% of the unvested Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement shall become immediately and fully vested (and, with respect to Restricted Stock Awards, have the restrictions removed) as of the termination date, and such Options shall remain

exercisable for 18 months following such date. All remaining unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(v) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(vi) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(d) *Cause.* As used herein, "Cause" means that you have:

(i) committed gross negligence in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company,;

(ii) committed fraud in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company;

(iii) engaged in "willful misconduct" with respect to the business and affairs of the Company. For purposes of this Agreement, "willful misconduct" means misconduct committed with actual knowledge that your actions violate directions and instructions of the CEO, which directions and instructions are legal and consistent with the Agreement;

(iv) materially breached your duties under this Agreement or failed to materially comply with the Company' s policies and practices; or

(v) committed an act of moral turpitude, theft, dishonesty or insubordination.

"Cause" shall be found only by a majority of the full Board.

(e) *Good Reason.* As used herein, "Good Reason" means that:

(i) the Company has materially breached this Agreement;

(ii) the Company fails to achieve the assignment of this Agreement by an acquiring entity; or

(iii) your position have been materially reduced or you have been assigned duties that are materially inconsistent with your duties as set forth herein or which materially impair your ability to perform the services contemplated hereunder.

Termination for Good Reason may occur only after you have given the CEO notice and 30 days to cure, where cure is feasible.

(f) *Change in Control.* As used herein, "Change of Control" shall be deemed to have occurred if:

(i) there is a consolidation or merger of the Company in which the Company is not the continuing or surviving corporation; or there is any other merger or consolidation if, after such merger or consolidation shareholders of the Company immediately prior to such merger or consolidation hold less than 50% of the voting stock of the surviving entity;

(ii) there is a sale or transfer of ail or substantially all of the assets of the Company in one or a series of transactions or there is a complete liquidation or dissolution of the Company; or

(iii) any individual or entity or group acting in concert and affiliates thereof, acquires, directly or indirectly, more than 50% of the outstanding shares of voting stock of the Company; provided that this subsection (iii) shall not apply to an underwritten public offering of the Company' s securities.

6. **Confidentiality/Noncompetition.** As a condition of this Agreement, you agree to execute and be bound by the terms of the Company' s form of Confidentiality, Invention Assignment and Non-Competition Agreement(s).

7. **Term.** The term of this Agreement shall continue for a period of one year following the Effective Date, unless earlier terminated as provided herein, after which time your employment may continue on an at-will basis, pursuant to which either you or the Company may terminate your employment relationship with the Company at any time, with or without cause. This Agreement may be extended by the mutual agreement of the parties hereto.

8. **Miscellaneous Provisions.**

(a) *Notices.* All notices and other communications hereunder between you and the Company shall be in writing, shall be addressed to the receiving party' s address of record (or to such other address as a party may designate by notice hereunder), and shall be either (i) delivered by hand, (ii) made by telecopy, (iii) sent by overnight courier, or (iv) sent by certified mail, return receipt requested, postage prepaid.

(b) *Modifications and Amendments.* The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(c) *Waivers and Consents.* The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(d) *Assignment.* This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees. This Agreement may not be assigned or pledged by you. In the event of the merger or consolidation of the Company (whether or not the Company is the surviving or resulting corporation), the transfer of all or substantially all the assets of the Company, or the voluntary or involuntary dissolution of the Company, the

surviving or resulting corporation or the transferee or transferees of the Company' s assets shall be bound by this and the Company shall take all actions necessary to ensure that such corporation, transferee or transferees assume and are bound by its provisions.

(e) *Severability.* The parties intend this Agreement to be enforced as written. However, if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court of proper jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(f) *Choice of Law.* This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York, without giving effect to the conflict of law principles thereof.

(g) *Entire Agreement.* This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings of the parties hereto, oral or written, with respect to the subject matter hereof. Notwithstanding the preceding sentence, the provisions of the Acorda Therapeutics, Inc. Restricted Stock Purchase Agreements (dated March 1995 and February 1996) and all Option, SAR and Stock Award Agreements entered into between you and the Company shall remain in effect pursuant to their respective terms.

(h) *Arbitration.* Any dispute or controversy between you and the Company, arising out of or relating to this Agreement or the breach of this Agreement, shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Employment Disputes Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of you and the Company, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief, as required by law, or the party' s immediate family and legal and financial advisors, neither a party nor an arbitrator may disclose the existence, content or results of any

arbitration hereunder without the prior written consent of you and the Company. The Company shall pay all costs and fees associated with such arbitration, including all arbitration fees, the arbitrator' s fees, attorneys' fees and all costs.

If the terms of this Agreement are acceptable to you please sign where indicated below. It is understood and acknowledged that a fax signature will be considered to be valid as an original.

Very truly yours,

Acorda Therapeutics, Inc.

By: /s/ Ron Cohen

Its: President & CEO

Agreed to and accepted:

/s/ Andrew R. Blight, Ph.D.

Andrew R. Blight, Ph.D.

Date: 12/22/2005

Exhibit 10.10

Employment Agreement

Mary Fisher

Dear Mary:

We are delighted to present this letter agreement, setting out the terms of your continued employment with Acorda Therapeutics, Inc. (the "Company") as Chief Operating Officer. If these terms are acceptable, please sign and date the copy of this letter provided herewith and return it to me at your first convenience. If you accept the terms offered herein, this Agreement shall be deemed to be effective as of December 19, 2005 (the "Effective Date").

1. **Employment.**

You will be employed by the Company as Chief Operating Officer of the Company.

1. **Base Salary.**

In consideration for your services under this Agreement, you shall be paid an annual base salary of $225,000. to be paid in accordance with the Company' s standard payroll practices. Your base salary shall be reviewed annually by the President and Chief Executive Officer and the compensation committee of the Board of Directors.

2. **Annual Bonus.**

You shall be eligible to receive an annual bonus as part of any bonus program implemented by the Board of Directors in an amount determined based on your performance.

3. **Benefits; Perquisites; Reimbursement of Expenses**.

In addition to those payments set forth above, you shall be entitled to the following benefits and payments:

(a) *Employee Benefit Plans Generally.* You shall be entitled to participate in all employee benefit plans which the Company provides or may establish from time to time for the benefit of its senior executives.

(b) *Vacation.* You shall be entitled to paid vacation in accordance with the Company' s vacation policy as that policy may be amended from time to time.

(c) *Perquisites and Reimbursement of Expenses.* You shall be entitled to all perquisites offered to senior executives of the Company. In addition, you shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses which are incurred by you in furtherance of the Company' s business, in accordance with the policies adopted from time to time by the Company.

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15 SKYLINE DRIVE PHONE: (914) 347-4300 E-MAIL: ACORDA@ACORDA.COM

(d) *Insurance.* You shall be covered by a Directors and Officers Liability Insurance policy that generally covers the directors and officers of the Company, provided by the Company at its expense, for so long as the Company has such a policy in place.

4. **Stock Options, Stock Appreciation Rights and Restricted Stock Awards.**

You shall be eligible to receive annual performance-based stock option grants to purchase shares of the Company' s common stock ("Options"), stock appreciation rights awards ("SARs") ,and/or restricted stock awards of the Company' s common stock ("Stock Awards"). The number of annual Options, SARs, and/or Stock Awards granted shall be determined based on the achievement of individual performance objectives as recommended by the compensation committee and approved by the Board of Directors and the Company' s achievement of its goals and objectives. All such Options, SARs, and/or Stock Awards shall be granted pursuant to and in accordance with the terms of the Acorda Therapeutics, Inc. 1999 Employee Stock Option Plan as amended and/or any additional or replacement plan adopted by the Board (the "Plan(s)") except as such terms may be specifically modified herein. Unless otherwise provided for in any Option, SARs or Stock Awards agreement, all Options, SARs and Stock Awards granted to you shall vest in 16 equal quarterly installments, beginning with the first day of the quarter next following the date the Option, SAR or Stock Award is granted

5. **Termination.**

(a) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason other than pursuant to subsection (c) of this Section 5, the following shall apply:

(i) The Company shall pay to you an amount equal to 9 months of your base salary in the form of salary continuation (the "Severance Period"). The amount payable under this subsection (i) shall be reduced by 50% in the event that you obtain other employment during the Severance Period.

(ii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease.

(iii) The Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement that have vested (or, in the case of Restricted Stock Awards, solely for purposes of this provision, will be deemed to have vested based on a four year quarterly vesting schedule beginning with the date of award) as of the termination date shall remain exercisable for 90 days following such date (and, with respect to Restricted Stock Awards, have the restrictions removed). All unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(iv) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(v) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(b) *Termination of Your Employment by the Company With Cause or by You Without Good Reason.* The Company may terminate your employment with Cause or you may resign at any time. In such case, you shall be paid all amounts due for services rendered under this Agreement up until the termination date. Thereafter, no further payments shall be made to you under this Agreement, All Options granted to you hereunder or under any other agreement that are fully vested as of the date of your termination shall remain exercisable for ninety (90) days from the termination date. If you dispute the grounds for your termination, your vested Options will remain exercisable until ninety (90) day after the date the dispute is resolved. All unvested Options, SARs and Stock Awards shall be forfeited.

(c) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason Following a Change in Control.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason within the first 18 months after a Change in Control, the following shall apply:

(i) The Company shall pay to you an amount equal to 12 months of your base salary (the "CIC Severance Period") in a lump sum within 30 days after the date of termination. You shall be under no obligation to secure alternative employment during the Severance Period, and payment of your base salary shall be made without regard to any subsequent employment you may obtain.

(ii) The Company shall also pay you a bonus equal to the last annual bonus you received multiplied by a fraction, the numerator 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. Such payment shall be made at the time bonus payments are made by the Company to its other senior officers, but in no event later than one year following the termination date.

(iii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the CIC Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease

(iv) Not less than 50% of the unvested Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement shall become immediately and fully vested (and, with respect to Restricted Stock Awards, have the restrictions removed) as of the termination date, and such Options shall remain

exercisable for 18 months following such date. All remaining unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(v) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(vi) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(d) *Cause.* As used herein, "Cause" means that you have:

(i) committed gross negligence in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company,;

(ii) committed fraud in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company;

(iii) engaged in "willful misconduct" with respect to the business and affairs of the Company. For purposes of this Agreement, "willful misconduct" means misconduct committed with actual knowledge that your actions violate directions and instructions of the CEO, which directions and instructions are legal and consistent with the Agreement;

(iv) materially breached your duties under this Agreement or failed to materially comply with the Company' s policies and practices; or

(v) committed an act of moral turpitude, theft, dishonesty or insubordination.

"Cause" shall be found only by a majority of the full Board.

(e) *Good Reason.* As used herein, "Good Reason" means that:

(i) the Company has materially breached this Agreement;

(ii) the Company fails to achieve the assignment of this Agreement by an acquiring entity; or

(iii) your position have been materially reduced or you have been assigned duties that are materially inconsistent with your duties as set forth herein or which materially impair your ability to perform the services contemplated hereunder.

Termination for Good Reason may occur only after you have given the CEO notice and 30 days to cure, where cure is feasible.

(f) *Change in Control.* As used herein, "Change of Control" shall be deemed to have occurred if:

(i) there is a consolidation or merger of the Company in which the Company is not the continuing or surviving corporation; or there is any other merger or consolidation if, after such merger or consolidation shareholders of the Company immediately prior to such merger or consolidation hold less than 50% of the voting stock of the surviving entity;

(ii) there is a sale or transfer of all or substantially all of the assets of the Company in one or a series of transactions or there is a complete liquidation or dissolution of the Company; or

(iii) any individual or entity or group acting in concert and affiliates thereof, acquires, directly or indirectly, more than 50% of the outstanding shares of voting stock of the Company; provided that this subsection (iii) shall not apply to an underwritten public offering of the Company' s securities.

6. **Confidentiality/Noncompetition.** As a condition of this Agreement, you agree to execute and be bound by the terms of the Company' s form of Confidentiality, Invention Assignment and Non-Competition Agreement(s).

7. **Term.** The term of this Agreement shall continue for a period of one year following the Effective Date, unless earlier terminated as provided herein, after which time your employment may continue on an at-will basis, pursuant to which either you or the Company may terminate your employment relationship with the Company at any time, with or without cause. This Agreement may be extended by the mutual agreement of the parties hereto.

8. **Miscellaneous Provisions.**

(a) *Notices.* All notices and other communications hereunder between you and the Company shall be in writing, shall be addressed to the receiving party' s address of record (or to such other address as a party may designate by notice hereunder), and shall be either (i) delivered by hand, (ii) made by telecopy, (iii) sent by overnight courier, or (iv) sent by certified mail, return receipt requested, postage prepaid.

(b) *Modifications and Amendments.* The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(c) *Waivers and Consents.* The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(d) *Assignment.* This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees. This Agreement may not be assigned or pledged by you. In the event of the merger or consolidation of the Company (whether or not the Company is the surviving or resulting corporation), the transfer of all or substantially all the assets of the Company, or the voluntary or involuntary dissolution of the Company, the surviving or resulting corporation or the transferee or transferees of the Company' s assets shall be bound by this and the Company shall take all actions necessary to ensure that such corporation, transferee or transferees assume and are bound by its provisions.

(e) *Severability.* The parties intend this Agreement to be enforced as written. However, if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court of proper jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(f) *Choice of Law.* This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York, without giving effect to the conflict of law principles thereof.

(g) *Entire Agreement.* This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings of the parties hereto, oral or written, with respect to the subject matter hereof. Notwithstanding the preceding sentence, the provisions of the Acorda Therapeutics, Inc. Restricted Stock Purchase Agreements (dated March 1995 and February 1996) and all Option, SAR and Stock Award Agreements entered into between you and the Company shall remain in effect pursuant to their respective terms.

(h) *Arbitration.* Any dispute or controversy between you and the Company, arising out of or relating to this Agreement or the breach of this Agreement, shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Employment Disputes Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of you and the Company, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief, as required by law, or the party' s immediate family and legal and financial advisors, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of you and the Company. The Company

shall pay all costs and fees associated with such arbitration, including all arbitration fees, the arbitrator' s fees, attorneys' fees and all costs.

If the terms of this Agreement are acceptable to you please sign where indicated below. It is understood and acknowledged that a fax signature will be considered to be valid as an original.

Very truly yours,

Acorda Therapeutics, Inc.

By: /s/ Ron Cohen

Its: President & CEO

Agreed to and accepted:

/s/ Mary Fisher

Mary Fisher

Date: Dec 23, 2005

Exhibit 10.11

Employment Agreement

David Lawrence

Dear Dave:

We are delighted to present this letter agreement, setting out the terms of your continued employment with Acorda Therapeutics, Inc. (the "Company") as Chief Financial Officer. If these terms are acceptable, please sign and date the copy of this letter provided herewith and return it to me at your first convenience. If you accept the terms offered herein, this Agreement shall be deemed to be effective as of December 19, 2005 (the "Effective Date").

1. **Employment.**

You will be employed by the Company as Chief Financial Officer of the Company.

1. **Base Salary.**

In consideration for your services under this Agreement, you shall be paid an annual base salary of $180,000. to be paid in accordance with the Company' s standard payroll practices. Your base salary shall be reviewed annually by the President and Chief Executive Officer and the compensation committee of the Board of Directors.

2. **Annual Bonus.**

You shall be eligible to receive an annual bonus as part of any bonus program implemented by the Board of Directors in an amount determined based on your performance.

3. **Benefits; Perquisites; Reimbursement of Expenses.**

In addition to those payments set forth above, you shall be entitled to the following benefits and payments:

(a) *Employee Benefit Plans Generally.* You shall be entitled to participate in all employee benefit plans which the Company provides or may establish from time to time for the benefit of its senior executives.

(b) *Vacation.* You shall be entitled to paid vacation in accordance with the Company' s vacation policy as that policy may be amended from time to time.

(c) *Perquisites and Reimbursement of Expenses.* You shall be entitled to all perquisites offered to senior executives of the Company. In addition, you shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses which are incurred by you in furtherance of the Company' s business, in accordance with the policies adopted from time to time by the Company.

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15 SKYLINE DRIVE
HAWTHORNE, NY 10532
PHONE: (914) 347-4300
FAX: (914) 347-4560
E-MAIL: ACORDA@ACORDA.COM
WEBSITE: WWW.ACORDA.COM

(d) *Insurance.* You shall be covered by a Directors and Officers Liability Insurance policy that generally covers the directors and officers of the Company, provided by the Company at its expense, for so long as the Company has such a policy in place.

4. **Stock Options, Stock Appreciation Rights and Restricted Stock Awards.**

You shall be eligible to receive annual performance-based stock option grants to purchase shares of the Company' s common stock ("Options"), stock appreciation rights awards ("SARs"), and/or restricted stock awards of the Company' s common stock ("Stock Awards"). The number of annual Options, SARs, and/or Stock Awards granted shall be determined based on the achievement of individual performance objectives as recommended by the compensation committee and approved by the Board of Directors and the Company' s achievement of its goals and objectives. All such Options, SARs, and/or Stock Awards shall be granted pursuant to and in accordance with the terms of the Acorda Therapeutics, Inc. 1999 Employee Stock Option Plan as amended and/or any additional or replacement plan adopted by the Board (the "Plan(s)") except as such terms may be specifically modified herein. Unless otherwise provided for in any Option, SARs or Stock Awards agreement, all Options, SARs and Stock Awards granted to you shall vest in 16 equal quarterly installments, beginning with the first day of the quarter next following the date the Option, SAR or Stock Award is granted.

5. **Termination.**

(a) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason other than pursuant to subsection (c) of this Section 5, the following shall apply:

(i) The Company shall pay to you an amount equal to 7 months of your base salary in the form of salary continuation (the "Severance Period"). The amount payable under this subsection (i) shall be reduced by 50% in the event that you obtain other employment during the Severance Period.

(ii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease.

(iii) Not less than 50% of the unvested Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement that have vested (or, in the case of Restricted Stock Awards, solely for purposes of this provision, will be deemed to have vested based on a four year quarterly vesting schedule beginning with the date of award) as of the termination date shall remain exercisable for 90 days following such date (and, with respect to Restricted Stock Awards, have the restrictions removed). All unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(iv) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(v) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(b) *Termination of Your Employment by the Company With Cause or by You Without Good Reason.* The Company may terminate your employment with Cause or you may resign at any time. In such case, you shall be paid all amounts due for services rendered under this Agreement up until the termination date. Thereafter, no further payments shall be made to you under this Agreement. All Options granted to you hereunder or under any other agreement that are fully vested as of the date of your termination shall remain exercisable for ninety (90) days from the termination date. If you dispute the grounds for your termination, your vested Options will remain exercisable until ninety (90) day after the date the dispute is resolved. All unvested Options, SARs and Stock Awards shall be forfeited.

(c) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason Following a Change in Control.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason within the first 18 months after a Change in Control, the following shall apply:

(i) The Company shall pay to you an amount equal to 9 months of your base salary (the "CIC Severance Period") in a lump sum within 30 days after the date of termination. You shall be under no obligation to secure alternative employment during the Severance Period, and payment of your base salary shall be made without regard to any subsequent employment you may obtain.

(ii) The Company shall also pay you a bonus equal to the last annual bonus you received multiplied by a fraction, the numerator 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. Such payment shall be made at the time bonus payments are made by the Company to its other senior officers, but in no event later than one year following the termination date.

(iii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the CIC Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease

(iv) 50% of the Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement shall become immediately and fully vested (and, with respect to Restricted Stock Awards, have the restrictions removed) as of the termination date, and such Options shall remain exercisable for 18 months

following such date. All remaining unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(v) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(vi) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(d) *Cause.* As used herein, "Cause" means that you have:

(i) committed gross negligence in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company,;

(ii) committed fraud in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company;

(iii) engaged in "willful misconduct" with respect to the business and affairs of the Company. For purposes of this Agreement, "willful misconduct" means misconduct committed with actual knowledge that your actions violate directions and instructions of the CEO, which directions and instructions are legal and consistent with the Agreement;

(iv) materially breached your duties under this Agreement or failed to materially comply with the Company' s policies and practices; or

(v) committed an act of moral turpitude, theft, dishonesty or insubordination.

"Cause" shall be found only by a majority of the full Board.

(e) *Good Reason.* As used herein, "Good Reason" means that:

(i) the Company has materially breached this Agreement;

(ii) the Company fails to achieve the assignment of this Agreement by an acquiring entity; or

(iii) your position have been materially reduced or you have been assigned duties that are materially inconsistent with your duties as set forth herein or which materially impair your ability to perform the services contemplated hereunder.

Termination for Good Reason may occur only after you have given the CEO notice and 30 days to cure, where cure is feasible.

(f) *Change in Control.* As used herein, "Change of Control" shall be deemed to have occurred if:

(i) there is a consolidation or merger of the Company in which the Company is not the continuing or surviving corporation; or there is any other merger or consolidation if, after such merger or consolidation shareholders of the Company immediately prior to such merger or consolidation hold less than 50% of the voting stock of the surviving entity;

(ii) there is a sale or transfer of all or substantially all of the assets of the Company in one or a series of transactions or there is a complete liquidation or dissolution of the Company; or

(iii) any individual or entity or group acting in concert and affiliates thereof, acquires, directly or indirectly, more than 50% of the outstanding shares of voting stock of the Company; provided that this subsection (iii) shall not apply to an underwritten public offering of the Company' s securities.

6. **Confidentiality/Noncompetition.** As a condition of this Agreement, you agree to execute and be bound by the terms of the Company' s form of Confidentiality, Invention Assignment and Non-Competition Agreement(s).

7. **Term.** The term of this Agreement shall continue for a period of one year following the Effective Date, unless earlier terminated as provided herein, after which time your employment may continue on an at-will basis, pursuant to which either you or the Company may terminate your employment relationship with the Company at any time, with or without cause. This Agreement may be extended by the mutual agreement of the parties hereto.

8. **Miscellaneous Provisions.**

(a) *Notices.* All notices and other communications hereunder between you and the Company shall be in writing, shall be addressed to the receiving party' s address of record (or to such other address as a party may designate by notice hereunder), and shall be either (i) delivered by hand, (ii) made by telecopy, (iii) sent by overnight courier, or (iv) sent by certified mail, return receipt requested, postage prepaid.

(b) *Modifications and Amendments.* The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(c) *Waivers and Consents.* The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(d) *Assignment.* This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees. This Agreement may not be assigned or pledged by you. In the event of the merger or consolidation of the Company (whether or not the Company is the surviving or resulting corporation), the transfer of all or substantially all the assets of the Company, or the voluntary or involuntary dissolution of the Company, the surviving or resulting corporation or the transferee or transferees of the Company' s assets shall be bound by this and the Company shall take all actions necessary to ensure that such corporation, transferee or transferees assume and are bound by its provisions.

(e) *Severability.* The parties intend this Agreement to be enforced as written. However, if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court of proper jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(f) *Choice of Law.* This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York, without giving effect to the conflict of law principles thereof.

(g) *Entire Agreement.* This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings of the parties hereto, oral or written, with respect to the subject matter hereof. Notwithstanding the preceding sentence, the provisions of the Acorda Therapeutics, Inc. Restricted Stock Purchase Agreements (dated March 1995 and February 1996) and all Option, SAR and Stock Award Agreements entered into between you and the Company shall remain in effect pursuant to their respective terms.

(h) *Arbitration.* Any dispute or controversy between you and the Company, arising out of or relating to this Agreement or the breach of this Agreement, shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Employment Disputes Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of you and the Company, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief, as required by law, or the party' s immediate family and legal and financial advisors, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of you and the Company. The Company

shall pay all costs and fees associated with such arbitration, including all arbitration fees, the arbitrator' s fees, attorneys' fees and all costs.

If the terms of this Agreement are acceptable to you please sign where indicated below. It is understood and acknowledged that a fax signature will be considered to be valid as an original.

Very truly yours,

Acorda Therapeutics, Inc.

By: /s/ Ron Cohen

Its: President & CEO

Agreed to and accepted:

/s/ David Lawrence

David Lawrence

Date:

Employment Agreement

Jane Wasman, Esq.

Dear Jane:

We are delighted to present this letter agreement, setting out the terms of your continued employment with Acorda Therapeutics, Inc. (the "Company") as Executive Vice President, General Counsel and Corporate Secretary. If these terms are acceptable, please sign and date the copy of this letter provided herewith and return it to me at your first convenience. If you accept the terms offered herein, this Agreement shall he deemed to be effective as of December 19, 2005 (the "Effective Date").

1. **Employment.**

You will be employed by the Company as Executive Vice President, General Counsel and Corporate Secretary of the Company.

1. **Base Salary.**

In consideration for your services under this Agreement, you shall be paid an annual base salary of $225,000 to be paid in accordance with the Company' s standard payroll practices. Your base salary shall be reviewed annually by the President and Chief Executive Officer and the compensation committee of the Board of Directors.

2. **Annual Bonus.**

You shall be eligible to receive an annual bonus as part of any bonus program implemented by the Board of Directors in an amount determined based on your performance.

3. **Benefits; Perquisites; Reimbursement of Expenses.**

In addition to those payments set forth above, you shall be entitled to the following benefits and payments:

(a) *Employee Benefit Plans Generally.* You shall be entitled to participate in all employee benefit plans which the Company provides or may establish from time to time for the benefit of its senior executives.

(b) *Vacation.* You shall be entitled to paid vacation in accordance with the Company' s vacation policy as that policy may be amended from time to time.

(c) *Perquisites and Reimbursement of Expenses.* You shall be entitled to all perquisites offered to senior executives of the Company. In addition, you shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses which are

15 SKYLINE DRIVE PHONE: (914) 347-4300 E-MAIL: ACORDA@ACORDA.COM

incurred by you in furtherance of the Company' s business, in accordance with the policies adopted from time to time by the Company.

(d) *Insurance.* You shall be covered by a Directors and Officers Liability Insurance policy that generally covers the directors and officers of the Company, provided by the Company at its expense, for so long as the Company has such a policy in place.

4. **Stock Options, Stock Appreciation Rights and Restricted Stock Awards.**

You shall be eligible to receive annual performance-based stock option grants to purchase shares of the Company' s common stock ("Options"), stock appreciation rights awards ("SARs"), and/or restricted stock awards of the Company' s common stock ("Stock Awards"). The number of annual Options, SARs, and/or Stock Awards granted shall be determined based on the achievement of individual performance objectives as recommended by the compensation committee and approved by the Board of Directors and the Company' s achievement of its goals and objectives. All such Options, SARs, and/or Stock Awards shall be granted pursuant to and in accordance with the terms of the Acorda Therapeutics, Inc. 1999 Employee Stock Option Plan as amended and/or any additional or replacement plan adopted by the Board (the "Plan(s)") except as such terms may be specifically modified herein. Unless otherwise provided for in any Option, SARs or Stock Awards agreement, all Options, SARs and Stock Awards granted to you shall vest in 16 equal quarterly installments, beginning with the first day of the quarter next following the date the Option, SAR or Stock Award is granted.

5. **Termination.**

(a) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason other than pursuant to subsection (c) of this Section 5, the following shall apply:

(i) The Company shall pay to you an amount equal to 7 months of your base salary in the form of salary continuation (the "Severance Period"). The amount payable under this subsection (i) shall be reduced by 50% in the event that you obtain other employment during the Severance Period.

(ii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease.

(iii) The Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement that have vested (or, in the case of Restricted Stock Awards, solely for purposes of this provision, will be deemed to have vested based on a four year quarterly vesting schedule beginning with the date of award) as of the termination date shall remain exercisable for 90 days following such date (and,

with respect to Restricted Stock Awards, have the restrictions removed). All unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(iv) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(v) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(b) *Termination of Your Employment by the Company With Cause or by You Without Good Reason.* The Company may terminate your employment with Cause or you may resign at any time. In such case, you shall be paid all amounts due for services rendered under this Agreement up until the termination date. Thereafter, no further payments shall be made to you under this Agreement. All

Options granted to you hereunder or under any other agreement that are fully vested as of the date of your termination shall remain exercisable for ninety (90) days from the termination date. If you dispute the grounds for your termination, your vested Options will remain exercisable until ninety (90) day after the date the dispute is resolved. All unvested Options, SARs and Stock Awards shall be forfeited.

(c) *Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason Following a Change in Control.* If the Company terminates your employment without Cause or if you terminate your employment with Good Reason within the first 18 months after a Change in Control, the following shall apply:

(i) The Company shall pay to you an amount equal to 9 months of your base salary (the "CIC Severance Period") in a lump sum within 30 days after the date of termination. You shall be under no obligation to secure alternative employment during the Severance Period, and payment of your base salary shall be made without regard to any subsequent employment you may obtain.

(ii) The Company shall also pay you a bonus equal to the last annual bonus you received multiplied by a fraction, the numerator 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. Such payment shall be made at the time bonus payments are made by the Company to its other senior officers, but in no event later than one year following the termination date.

(iii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the CIC Severance Period; provided that, if you elect coverage under a subsequent employer' s group health insurance plan during the Severance Period, payment of such premiums shall cease

(iv) Not less than 50% of the unvested Options, SARs and Restricted or other Stock Awards granted to you hereunder or under any other agreement shall

become immediately and fully vested (and, with respect to Restricted Stock Awards, have the restrictions removed) as of the termination date, and such Options shall remain exercisable for 18 months following such date. All remaining unvested Options, SARs and Stock Awards will be cancelled on the date of termination.

(v) The Company shall pay you for all amounts due under this Agreement, including salary earned but not paid prior to termination and vacation and sick leave days that have accrued through the date of termination and have not been used.

(vi) The Company shall pay you for all reimbursable business expenses that you incur through the date of termination upon presentation of acceptable supporting documentation.

(d) *Cause.* As used herein, "Cause" means that you have:

(i) committed gross negligence in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company,;

(ii) committed fraud in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company;

(iii) engaged in "willful misconduct" with respect to the business and affairs of the Company. For purposes of this Agreement, "willful misconduct" means misconduct committed with actual knowledge that your actions violate directions and instructions of the CEO, which directions and instructions are legal and consistent with the Agreement;

(iv) materially breached your duties under this Agreement or failed to materially comply with the Company' s policies and practices; or

(v) committed an act of moral turpitude, theft, dishonesty or insubordination.

"Cause" shall be found only by a majority of the full Board.

(e) *Good Reason.* As used herein, "Good Reason" means that:

(i) the Company has materially breached this Agreement;

(ii) the Company fails to achieve the assignment of this Agreement by an acquiring entity; or

(iii) your position have been materially reduced or you have been assigned duties that are materially inconsistent with your duties as set forth herein or which materially impair your ability to perform the services contemplated hereunder.

Termination for Good Reason may occur only after you have given the CEO notice and 30 days to cure, where cure is feasible.

(f) *Change in Control.* As used herein, "Change of Control" shall be deemed to have occurred if:

(i) there is a consolidation or merger of the Company in which the Company is not the continuing or surviving corporation; or there is any other merger or consolidation if, after such merger or consolidation shareholders of the Company immediately prior to such merger or consolidation hold less than 50% of the voting stock of the surviving entity;

(ii) there is a sale or transfer of all or substantially all of the assets of the Company in one or a series of transactions or there is a complete liquidation or dissolution of the Company; or

(iii) any individual or entity or group acting in concert and affiliates thereof, acquires, directly or indirectly, more than 50% of the outstanding shares of voting stock of the Company; provided that this subsection (iii) shall not apply to an underwritten public offering of the Company' s securities.

6. **Confidentiality/Noncompetition.** As a condition of this Agreement, you agree to execute and be bound by the terms of the Company' s form of Confidentiality, Invention Assignment and Non-Competition Agreement(s).

7. **Term.** The term of this Agreement shall continue for a period of one year following the Effective Date, unless earlier terminated as provided herein, after which time your employment may continue on an at-will basis, pursuant to which either you or the Company may terminate your employment relationship with the Company at any time, with or without cause. This Agreement may be extended by the mutual agreement of the parties hereto.

8. **Miscellaneous Provisions.**

(a) *Notices.* All notices and other communications hereunder between you and the Company shall be in writing, shall be addressed to the receiving party' s address of record (or to such other address as a party may designate by notice hereunder), and shall be either (i) delivered by hand, (ii) made by telecopy, (iii) sent by overnight courier, or (iv) sent by certified mail, return receipt requested, postage prepaid.

(b) *Modifications and Amendments.* The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(c) *Waivers and Consents.* The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(d) *Assignment.* This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees. This Agreement may not be assigned or

pledged by you. In the event of the merger or consolidation of the Company (whether or not the Company is the surviving or resulting corporation), the transfer of all or substantially all the assets of the Company, or the voluntary or involuntary dissolution of the Company, the surviving or resulting corporation or the transferee or transferees of the Company' s assets shall be bound by this and the Company shall take all actions necessary to ensure that such corporation, transferee or transferees assume and are bound by its provisions.

(e) *Severability.* The parties intend this Agreement to be enforced as written. However, if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court of proper jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(f) *Choice of Law.* This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York, without giving effect to the conflict of law principles thereof.

(g) *Entire Agreement.* This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings of the parties hereto, oral or written, with respect to the subject matter hereof. Notwithstanding the preceding sentence, the provisions of the Acorda Therapeutics, Inc. Restricted Stock Purchase Agreements (dated March 1995 and February 1996) and all Option, SAR and Stock Award Agreements entered into between you and the Company shall remain in effect pursuant to their respective terms.

(h) *Arbitration.* Any dispute or controversy between you and the Company, arising out of or relating to this Agreement or the breach of this Agreement, shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Employment Disputes Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of you and the Company, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief, as required by law, or the party' s immediate family and legal and financial advisors, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of you and the Company. The Company

shall pay all costs and fees associated with such arbitration, including all arbitration fees, the arbitrator' s fees, attorneys' fees all costs.

If the terms of this Agreement are acceptable to you please sign where indicated below. It is understood and acknowledged that a fax signature will be considered to be valid as an original.

Very truly yours,

Acorda Therapeutics, Inc.

By: /s/ Ron Cohen

Its: President & CEO

Agreed to and accepted:

/s/ Jane Wasman

Jane Wasman

Date: Dec. 19, 2005

Exhibit 10.36

EXECUTION COPY

NOTE MODIFICATION AND AMENDMENT

This **NOTE MODIFICATION AND AMENDMENT** is made this ___ day of December, 2005, by and between Acorda Therapeutics, Inc., a Delaware corporation (the "Maker"), and Elan Pharma International Limited a private limited company incorporated under the laws of Ireland (the "Holder").

1. Reference is made to (i) that certain Limited Recourse Convertible Promissory Note, in the original principal amount of $5,000,000 made by the Maker in favor of the Holder, dated January 22, 1997 (as heretofore amended, supplemented or otherwise modified, the "Limited Recourse Note") and (ii) that certain Full Recourse Convertible Promissory Note, in the original principal amount of $2,500,000 made by the Maker in favor of the Holder, dated January 22, 1997 (as heretofore amended, supplemented or otherwise modified, the "Full Recourse Note"; and, together with the Limited Recourse Note, referred to herein as the "Notes"). Capitalized terms used herein without definition shall have the meanings provided therefor in the respective Notes.

2. The Maker has requested, and the Holder has agreed, that the terms of Section 4 of the Full Recourse Note be amended as follows:

(i) the text "; and" preceding "(iii)" therein shall be deleted and replaced by ","; and

(ii) immediately prior to the "." at the end of clause (iii) thereof, the following shall be inserted; ",and (iv) any obligations owing by the Company, including in respect of sales or other transfers by the Company of percentage interests in the gross or net revenues derived from the sale, licensing or other transfer of its products which relate to tizanidine hydrochloride, whether or not the same shall be reflected as debt on the Company' s financial statements or tax reporting, pursuant to the Revenue Interests Assignment Agreement between the Company and an affiliate of Paul Royalty Fund II, L.P. ("PRF") dated on or about December 20, 2005, provided that the amounts that may be received by the Company from PRF shall not exceed Twenty-Five Million Dollars ($25,000,000)."

3. The Maker has requested, and the Holder has agreed, that the terms of Section 4 of the Limited Recourse Note be amended as follows:

(i) the text "; and" preceding "(iii)" therein shall be deleted and replaced by ";"; and

(ii) immediately prior to the "." at the end of clause (iii) thereof, the following shall be inserted: "; and (iv) any obligations owing by the Company, including in respect of sales or other transfers by the Company of percentage interests in the gross or net revenues derived from the sale, licensing or other transfer of its products which relate to tizandine hydrochloride, whether or not the same shall be reflected as debt on the Company' s financial statements or tax reporting, pursuant to the Revenue Interests Assignment Agreement between the Company and an affiliate of Paul Royalty Fund II, L.P. ("PRF") dated on or about December 20, 2005,

provided that the amounts that may be received by the Company from PRF shall not exceed Twenty-Five Million Dollars ($25,000,000).”

4. The Holder hereby represents that it has not sold or otherwise transferred any interest in the Notes to any other person or entity (except that the Holder has agreed, pursuant to a Purchase Agreement dated October 26, 2005 to sell the Notes to Saints Capital IV, L.P. and Saints Capital V, L.P.) and the Holder hereby covenants and agrees to provide a copy of this Note Modification and Amendment to any such transferee in the future (prior to such transfer taking place).

5. Except as modified hereby, the terms and provisions of the Notes (as in effect prior to this Note Modification and Amendment) shall remain in full force and effect and the Holder, in agreeing to the terms hereof, reserves all of its rights in connection therewith.

6. This Note Modification and Amendment may be executed by the Holder and the Maker in two or more counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument. This Note Modification and Amendment shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto. Any counterpart may be executed by facsimile or pdf signature and such facsimile or pdf signature shall be deemed an original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed this Note Modification and Amendment as of the date first above written.

ACORDA THERAPEUTICS, INC

By: /s/ Ron Cohen
Name: Ron Cohen
Title:

ELAN PHARMA INTERNATIONAL LIMITED

By: /s/ Kevin Insley

Name: Kevin Insley

Title: Authorized Signatory

Exhibit 10.41

REVENUE INTERESTS ASSIGNMENT AGREEMENT

Dated as of December 23, 2005

between

ACORDA THERAPEUTICS, INC.

and

KING GEORGE HOLDINGS LUXEMBOURG IIA S.À R.L.

Page

EXHIBITS AND SCHEDULES

EXHIBITS

SCHEDULES

REVENUE INTERESTS ASSIGNMENT AGREEMENT

This **REVENUE INTERESTS ASSIGNMENT AGREEMENT** (as amended, supplemented or otherwise modified from time to time, this "Agreement") is made and entered into as of December 23, 2005 by and between Acorda Therapeutics, Inc., a Delaware corporation ("Acorda"), and King George Holdings Luxembourg IIA S.à r.l., a Luxembourg private limited company (together with its permitted successors and assigns, "PRF") and an Affiliate of Paul Royalty Fund II, L.P.

WHEREAS, Acorda wishes to sell, assign, convey and transfer to PRF, and PRF wishes to purchase from Acorda, the Assigned Interests (as hereinafter defined), upon and subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants, agreements representations and warranties set forth herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

The following terms, as used herein, shall have the following meanings:

"Acorda" shall have the meaning set forth in the first paragraph hereof.

"Acorda Concentration Account" shall mean a segregated account established and maintained at the Lockbox Bank pursuant to the terms of the Lockbox Agreement and this Agreement. The Acorda Concentration Account shall be the account into which the funds remaining in the Joint Concentration Account after payment therefrom of the amounts payable to PRF pursuant to Section 2.02(b) of this Agreement are swept in accordance with the terms of this Agreement and the Lockbox Agreement.

"Acorda Indemnified Party" shall have the meaning set forth in Section 8.05(b).

"Acorda Parties" shall have the meaning set forth in Section 3.12(a).

"Affiliate" shall mean any Person that controls, is controlled by, or is under common control with another Person. For purposes of this definition, "control" shall mean (i) in the case of corporate entities, direct or indirect ownership of at least fifty percent (50%) of the stock or shares having the right to vote for the election of directors, and (ii) in the case of non-corporate entities, direct or indirect ownership of at least fifty percent (50%) of the equity interest with the power to direct the management and policies of such non-corporate entities.

"Agreement" shall have the meaning set forth in the first paragraph hereof.

"Applicable Percentage" shall mean, as of any date of determination, on a Fiscal Year-by-Fiscal Year basis (or applicable portion thereof in the first and last Fiscal Years under this Agreement), during the period from October 1, 2005 through and including December 31, 2015:

(a) prior to the date that the payments received and retained (i.e., not refunded by PRF) by PRF under Sections 2.02(b) and 5.08 are less than twice the aggregate amount paid by PRF under Section 2.03, the following:

(i) with respect to Net Revenues of up to and including $30,000,000, fifteen percent (15%),

(ii) with respect to Net Revenues in excess of $30,000,000 but less than and including $60,000,000, six percent (6%), and

(iii) with respect to Net Revenues in excess of $60,000,000, one percent (1%), and

(b) from and after the date that the payments received and retained (i.e., not refunded by PRF) by PRF under Sections 2.02(b) and 5.08 are at least twice the aggregate amount paid by PRF under Section 2.03, one percent (1.0%).

"Assigned Interests" shall mean PRF' s right to receive amounts equal to the Applicable Percentage of the Net Revenues pursuant to the terms and conditions of this Agreement.

"Audit Costs" shall mean, with respect to any audit of the books and records of Acorda with respect to amounts payable or paid under this Agreement, the cost of such audit, including all reasonable fees, costs and expenses incurred in connection therewith.

"Bankruptcy Event" shall mean the occurrence of any of the following:

(i) Acorda shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, relief of debtors or the like, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its respective debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any portion of its assets, or Acorda shall make a general assignment for the benefit of its respective creditors;

(ii) there shall be commenced against Acorda any case, proceeding or other action of a nature referred to in clause (i) above which remains undismissed, undischarged or unbonded for a period of sixty (60) calendar days;

(iii) there shall be commenced against Acorda any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against the Product or any substantial portion of the Intellectual Property related to the Product, which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, satisfied or bonded pending appeal within sixty (60) calendar days from the entry thereof;

(iv) Acorda shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above;

(v) at any time after December 31, 2006, Acorda shall admit in writing its inability to pay its respective debts as they become due; or

(vi) at any time after December 31, 2006, Acorda shall be in a financial condition such that the sum of its debts, as they become due and mature, is greater than the fair value of its property, when taken together on a consolidated basis with its Subsidiaries.

"Bill of Sale" shall mean the Bill of Sale substantially in the form of Exhibit A.

"Board Observer Rights Agreement" shall mean the Board Observer Rights Agreement between Acorda and PRF, which Board Observer Rights Agreement shall be substantially in the form of Exhibit B.

"Business Day" shall mean any day other than a Saturday, a Sunday, any day which is a legal holiday under the laws of the State of New York, or any day on which banking institutions located in the State of New York are required by law or other governmental action to close.

"Call Option" shall have the meaning set forth in Section 5.07(a).

"Call Option Event" shall mean any one of the following events:

(i) the completion of an initial underwritten public offering of shares of common stock of Acorda pursuant to an effective registration statement filed with the SEC resulting in a total market capitalization in excess of $150,000,000 (with total market capitalization equaling the offering price of such common stock to the public multiplied by the total number of issued and outstanding shares of common stock after giving effect to the offering); or

(ii) any Change of Control.

"Change of Control" shall mean:

(i) the acquisition by any Person or group (within the meaning of Sections 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) of beneficial ownership of any capital stock of Acorda, if after such acquisition, such Person or group would be the

"beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of Acorda representing more than fifty percent (50%) of the combined voting power of Acorda' s then outstanding securities entitled to vote generally in the election of directors; or

(ii) the consummation after approval by Acorda' s stockholders of a merger or consolidation of Acorda, with any other Person, other than a merger or consolidation which would result in Acorda' s voting securities outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of Acorda' s voting

securities or such surviving entity' s voting securities outstanding immediately after such merger or consolidation.

"Closing" shall have the meaning set forth in Section 6.01.

"Closing Date" shall mean the date of this Agreement.

"Collateral" shall mean the property included in the definition of "Collateral" in the Security Agreement.

"Confidential Information" shall mean, as it relates to Acorda and its Affiliates and the Product, the Intellectual Property, confidential business information, financial data and other like information (including ideas, research and development, know-how, formulas, schematics, compositions, technical data, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), inventory, ideas, algorithms, processes, computer software programs or applications (in both source code and object code form), client lists and tangible or intangible proprietary information or material, or such other information that either party identifies to the other as confidential or the nature of which or the circumstances of the disclosure of which would reasonably indicate that such information is confidential.

"Daily Amount" shall have the meaning set forth in Section 2.02(b).

"Deposit Accounts" shall mean, collectively, the Lockbox Account, the Joint Concentration Account, the Acorda Concentration Account and the PRF Concentration Account, each established and maintained pursuant to the Lockbox Agreement.

"Disputes" shall have the meaning set forth in Section 3.12(i).

"Drug Approval Application" shall mean an application for Regulatory Approval required before commercial sale or use of the Product as a drug in a regulatory jurisdiction, including with respect to the United States a new drug application ("NDA") or supplemental new drug application, or a prior approval supplement to an NDA or any amendments thereto submitted to the FDA.

"Elan" shall mean Elan Pharmaceuticals, Inc. or Elan Pharma International Limited, as applicable.

"Elan Agreements" shall mean that certain Asset Purchase Agreement, dated as of July 21, 2004, by and between Acorda and Elan Pharmaceuticals, Inc. and that certain Zanaflex Supply Agreement, dated as of July 21, 2004, by and between Acorda and Elan Pharma International Limited.

"Excluded Assets" shall have the meaning set forth in Section 2.05.

"Excluded Liabilities and Obligations" shall have the meaning set forth in Section 2.04.

"FDA" shall mean the United States Food and Drug Administration or any successor federal agency thereto.

"Financial Statements" shall mean the consolidated balance sheets of Acorda and its Subsidiaries at December 31, 2003, December 31, 2004, and September 30, 2005 and the related consolidated statements of operations and cash flows and the consolidated statements of changes in stockholders' equity of Acorda and its Subsidiaries audited for the Fiscal Years ended June 30, 2002, June 30, 2003, the six month period ended December 31, 2003 and the year ended December 31, 2004, and unaudited for the nine month period ended September 30, 2005 and the accompanying footnotes thereto, as filed with Amendment No. 1 to Acorda' s Registration Statement on Form S-1 filed with the SEC on November 29, 2005.

"Fiscal Quarter" shall mean each calendar quarter.

"Fiscal Year" shall mean the calendar year.

"GAAP" shall mean generally accepted accounting principles in the United States in effect from time to time.

"GE Capital" shall mean General Electric Capital Corporation.

"Governmental Authority" shall mean any government, court, regulatory or administrative agency or commission, or other governmental authority, agency or instrumentality, whether foreign, federal, state or local (domestic or foreign), including the United States Patent and Trademark Office, the FDA, the United States National Institute of Health, or any other government authority in any country.

"Gross Product Revenues" means, for any period of determination, the sum of the following for such period: (i) the amounts invoiced by Acorda or any of its Affiliates to a Third Party with respect to the sale of Product in the United States by Acorda or any of its Affiliates, (ii) the amounts receivable by Acorda or any of its Affiliates from a Third Party with respect to the sale, distribution or other use of the Product in the United States by such Third Party (including any amounts receivable by Acorda or its Affiliates under License Agreements), and (iii) collections in respect of write-offs or allowances for bad debts in respect of items described in the preceding clauses (i) and (ii).

"Guarantor" means Paul Royalty Fund II, L.P.

"Guaranty" means the guaranty executed by the Guarantor in favor of Acorda, which shall be substantially in the form attached hereto as Exhibit I.

"Initial Contingent Payment" shall have the meaning set forth in Section 2.03.

"Intellectual Property" shall mean all proprietary information; trade secrets; know-how; confidential information; inventions (whether patentable or unpatentable and whether or not reduced to practice or claimed in a pending patent application) and improvements thereto; Patents; registered or unregistered trademarks, trade names, service marks, including all goodwill associated therewith; registered and unregistered copyrights and all applications thereof; in each

case that are owned, controlled by, issued to, licensed to, licensed by or hereafter acquired by or licensed by Acorda, in each case solely relating to, embodied by, covering or involving the Product.

"Joint Concentration Account" shall mean a segregated account, subject to a control agreement in favor of PRF, established for the benefit of Acorda and PRF and maintained at the Lockbox Bank pursuant to the terms of the Lockbox Agreement and this Agreement. The Joint Concentration Account shall be the account into which the Lockbox Bank sweeps the funds held in the Lockbox Account.

"Knowledge" shall mean the actual knowledge of any of the persons listed on Schedule 1.01 hereto (each a "Knowledge Person") relating to a particular matter. Notwithstanding the foregoing, the Knowledge Persons shall be deemed to have knowledge of a particular matter if, in the prudent exercise of his or her duties and responsibilities in the ordinary course of business, such Knowledge Person should have known of such matter.

"License Agreement" shall mean any existing or future license, development, commercialization, co-promotion, collaboration, manufacturing, distribution, marketing or partnering agreement entered into before or during the Revenue Interest Period by Acorda or any of its Affiliates relating to the Product and/or under the Intellectual Property.

"Licensees" shall mean, collectively, the licensees, sublicensees or distributors under the License Agreements; each a "Licensee".

"Liens" shall mean all liens, encumbrances, security interests, mortgages, rights to preferential payments or charges of any kind.

"Lockbox Account" shall mean collectively, any lockbox and segregated lockbox account established and maintained at the Lockbox Bank pursuant to a Lockbox Agreement and this Agreement. The Lockbox Account shall be the account into which all payments made to Acorda in respect of the sale of the Product are to be remitted.

"Lockbox Agreement" shall mean any agreement entered into by a Lockbox Bank, Acorda and PRF, substantially in the form of Exhibit C attached hereto, pursuant to which, among other things, the Lockbox Account, the Joint Concentration Account, the PRF Concentration Account and the Acorda Concentration Account shall be established and maintained.

"Lockbox Bank" shall mean Citibank, N.A. or such other bank or financial institution approved by each of PRF and Acorda and a party to any Lockbox Agreement.

"Losses" shall mean collectively, any and all claims, damages, losses, judgments, liabilities, costs and expenses (including reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding), giving effect to any tax benefit realized by the indemnified party which is attributable to the Losses to which an indemnity claim relates.

"Material Adverse Change" shall mean, with respect to Acorda, a material adverse change in the business, operations, assets or financial condition of Acorda and its Subsidiaries, taken as a whole.

"Material Adverse Effect" shall mean (i) the effect of a Material Adverse Change, (ii) a material adverse effect on the validity or enforceability of any of the Transaction Documents, (iii) a material adverse effect on the ability of Acorda to perform any of its material obligations under any of the Transaction Documents, (iv) a material adverse effect on the rights or remedies of PRF under any of the Transaction Documents, (v) a material adverse effect on the right of PRF to receive the Assigned Interests or any payment due to PRF hereunder, (vi) a material adverse effect on the Assigned Interests, including any material adverse effect on the Product or the ability of Acorda to distribute, market and/or sell the Product, or (vii) a right to terminate or receive material damages inuring to the benefit of a Third Party arising with respect to any Material Contract.

"Material Contract" shall mean any contract, agreement or other arrangement to which either Acorda or any of its Subsidiaries is a party or any of Acorda' s or its Subsidiaries' respective assets or properties are bound or committed (other than the Transaction Documents) related to the Product or the Intellectual Property (including, in all circumstances, the Elan Agreements, the Novartis Agreement and each License Agreement) for which breach, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect (without regard for clause (vii) of the definition thereof).

"NDA" shall mean a new drug application and all amendments and supplements thereto, submitted to the FDA with respect to the Product.

"Net Revenues" shall mean, for any period of determination, the difference of

(A) Gross Product Revenues for such period, less

(B) the sum, with respect to the items described in clauses (i) and (ii) of the definition of Gross Product Revenues, of

(i) cash, trade discounts and rebates actually granted or paid but only if and to the extent, on an annual basis, the same are in accordance with sound business practices or not in excess of customary industry standards with respect to products comparable to or at a similar stage in product life as the Product,

(ii) allowances and adjustments actually credited to customers for Product that is spoiled, damaged, outdated, obsolete, returned or otherwise recalled, but only if and to the extent, on an annual basis, the same are in accordance with sound business practices or not in excess of customary industry standards with respect to products comparable to or at a similar stage in product life as the Product,

(iii) charges for freight, postage, shipping, delivery, service and insurance charges, to the extent invoiced,

(iv) taxes, duties or other governmental charges to the extent invoiced, and

(v) write-offs or allowances for bad debts.

In calculating Net Revenues, any transfer from Acorda to an Affiliate shall be disregarded and the calculation shall instead be based on the first transfer to a Third Party.

"Novartis" shall mean Novartis Pharma AG.

"Novartis Agreement" shall mean that certain License Agreement, dated as of April 17, 1991, by and between Sandoz Pharma, predecessor to Novartis Pharma AG, and Athena Neurosciences, Inc., predecessor to Elan Pharmaceuticals, Inc., as assumed by Acorda pursuant to that certain Assignment and Assumption Agreement, dated as of July 21, 2004, by and among Acorda, Elan Pharmaceuticals, Inc. and Novartis Pharma AG.

"Obligations" shall mean any and all obligations of Acorda under the Transaction Documents.

"Patents" shall mean all patents, patent rights, patent applications, patent disclosures and invention disclosures issued or filed, together with all reissues, divisions, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof relating to the Product, composition of matter, formulation, or methods of manufacture or use thereof that are issued or filed as of the date hereof or during the Revenue Interest Period, including, without limitation, those identified in Schedule 3.12(a) in each case, which are owned, controlled by, issued to, licensed to or licensed by Acorda or any of its Affiliates.

"Patent Office" shall mean the respective patent office, including the United States Patent and Trademark Office and any comparable foreign patent office, for any Patents.

"Permitted Liens" shall mean (i) Liens created in favor of PRF pursuant to the Security Agreement and any other Transaction Document; (ii) liens for taxes or other governmental charges arising by operation of law in the ordinary course of business for sums which are not yet due and payable, and (iii) any Liens set forth on Schedule 3.04(b).

"Person" shall mean an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, but not including a government or political subdivision or any agency or instrumentality of such government or political subdivision.

"PRF" shall have the meaning set forth in the first paragraph hereof.

"PRF Concentration Account" shall mean a segregated account established for the benefit of PRF and maintained at the Lockbox Bank pursuant to the terms of the Lockbox Agreement and this Agreement. The PRF Concentration Account shall be the account into which the funds held in the Joint Concentration Account which are payable to PRF pursuant to Section 2.02(b) of this Agreement are swept by the Lockbox Bank in accordance with the terms of this Agreement and the Lockbox Agreement.

"PRF Indemnified Party" shall have the meaning set forth in Section 8.05(a).

"Product" shall mean (i) the products currently known and marketed in the United States under the trademark Zanaflex® as capsule and tablet formulations of tizanidine hydrochloride, also known as 5-chloro-4-(2-imidazolin-2-ylamino)-2,1,3-benzothiodiazole hydrochloride (Chemical Abstracts Registry No. 64461-82-1); and (ii) any formulation, reformulation or line extension containing tizanidine hydrochloride, or any derivative or closely related analogs thereof (including but not limited to any stereoisomers, either separated or combined, any hydrates, any polymorphs, any salts, any solvates and any crystal forms) as monotherapy or in combination with any other substance that is made, used, sold, offered for sale, imported, distributed, marketed or promoted in the United States by Acorda, its Affiliates or Licensees.

"Put/Call Price" shall mean the greater of (i) an amount equal to one hundred fifty percent (150%) of all payments made by PRF pursuant to Section 2.03 as of the date of exercise of the Call Option or Put Option, as the case may be, less an amount equal to the aggregate of (i) all amounts received by PRF pursuant to the Security Agreement and (ii) all payments made by Acorda to PRF (and retained by PRF) pursuant to Sections 2.02(b), 2.03(b), 2.03(c), 5.08 and 8.05, prior to and as of the date of payment of the Put/Call Price, or (ii) an amount that would generate an internal rate of return (utilizing the same methodology utilized by the IRR function in Microsoft Excel) to PRF of twenty-five percent (25%) on all payments made by PRF pursuant to Section 2.03 as of the date of exercise of the Call Option or Put Option, as the case may be, taking into account the amount and timing of all amounts received by PRF pursuant to the Security Agreement and all payments made by Acorda to PRF (and retained by PRF) pursuant to Sections 2.02(b), 2.03(b), 2.03(c), 5.08 and 8.05, prior to and as of the date of payment of the Put/Call Price.

"Put Option" shall have the meaning set forth in Section 5.07(b).

"Put Option Event" shall mean any one of the following events:

(i) any Change of Control;

(ii) any Bankruptcy Event;

(iii) any Transfer by Acorda of all or substantially all of its assets;

(iv) any Transfer by Acorda of any of its interests in the Product (other than pursuant to a License Agreement);

(v) any breach by Acorda in any material respect of any of its covenants in Section 2.02(b) (unless such breach results from any action or omission by any Person other than Acorda), Section 2.03(b) or (c), or Section 5.08(c) (unless such breach results from any action or omission by any Person other than Acorda) or Section 5.08(f), which breach is not cured within sixty (60) days following delivery by PRF to Acorda of written notice of such breach; or

(vi) any (A) breach by Acorda in any material respect of any of its covenants in Section 5.05, Section 5.08(d), Section 5.09(b), Section 5.10 and Section 5.15, or (B) representation made by Acorda in any of Sections 3.04, 3.12, 3.13(b) or (c) or 3.19 proves after the Closing Date, based on facts or circumstances which PRF was not aware of on or prior to the Closing Date, to have been false or incorrect in any material respect when made; in each case if

and only if such breach or falseness or incorrectness (x) is not cured (if such breach or falseness or incorrectness is capable of being cured) within seventy (70) days following delivery by PRF to Acorda of written notice thereof, and (y) results in a Put Option Material Adverse Effect.

"Put Option Material Adverse Effect" shall mean (i) a material adverse effect on the validity or enforceability of any of the Transaction Documents, (ii) a material adverse effect on the ability of Acorda to perform any of its material obligations under any of the Transaction Documents, (iii) a material adverse effect on the rights or remedies of PRF under any of the Transaction Documents, (iv) a material adverse effect on the right of PRF to receive the Assigned Interests or any payment due to PRF hereunder, and (v) a material adverse effect on the Assigned Interests, including any material adverse effect on the Product or the ability of Acorda to distribute, market and/or sell the Product.

"Quarterly Report" shall mean, with respect to the relevant Fiscal Quarter of Acorda, (i) a report showing all payments made by Acorda to PRF under this Agreement during such quarter and showing in detail the basis for the calculation of such payments, (ii) a reconciliation of such report referred to in clause (i) above to all information and data deliverable to Acorda, PRF or their Affiliates by the parties to any License Agreement, together with relevant supporting documentation, (iii) a description of Acorda' s use of the proceeds received from PRF and retained by Acorda pursuant to Section 2.03 hereof during such quarter and (iv) such additional information as PRF may reasonably request.

"Regulatory Agency" shall mean a Governmental Authority with responsibility for the approval of the marketing and sale of pharmaceuticals in the United States or other regulation of pharmaceuticals.

"Regulatory Approval" shall mean all approvals (including, without limitation, where applicable, pricing and reimbursement approval and schedule classifications), product and/or establishment licenses, registrations or authorizations of any Governmental Authority of a Drug Approval Application necessary for the manufacture, use, storage, import, export, transport, offer for sale, or sale of the Product in the United States.

"Revenue Interest Period" shall mean the period from and including October 1, 2005 through and including December 31, 2015, unless earlier terminated upon a repurchase of the Assigned Interests by Acorda pursuant to Section 5.07 or otherwise in accordance with the terms of this Agreement.

"Revenue Interests" shall mean (A) with respect to any License Agreement, all of Acorda' s rights under such License Agreement, including, without limitation, rights to receive payments in respect of sale of the Product and (B) otherwise, all of Acorda' s rights, however derived, to receive payments in respect of sales of the Product.

"SEC" shall mean the Securities and Exchange Commission.

"Secondary Contingent Payment" shall have the meaning set forth in Section 2.03.

"Security Agreement" shall mean the Security Agreement between Acorda and PRF providing for, among other things, the grant by Acorda in favor of PRF of a valid continuing,

perfected lien on and security interest in, the Assigned Interests and the other Collateral described therein, which Security Agreement shall be substantially in the form of Exhibit D.

"Subsidiary" or "Subsidiaries" shall mean with respect to any Person (i) any corporation of which the outstanding capital stock having at least a majority of votes entitled to be cast in the election of directors under ordinary circumstances shall at the time owned, directly or indirectly, by such Person or (ii) any other Person of which at least a majority voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

"Term" shall mean the term of this Agreement, as provided in Section 7.01 hereof.

"Term Sheet" shall mean the Term Sheet for Purchase of Revenue Interest from Acorda Therapeutics, Inc. dated October 27, 2005 between Paul Capital Advisors, LLC and Acorda as the same may be amended to the date hereof.

"Third Party" shall mean any Person other than Acorda or PRF or their respective Affiliates.

"Transaction Documents" shall mean, collectively, this Agreement, the Bill of Sale, the Security Agreement, the Lockbox Agreement and the Board Observer Rights Agreement.

"Transfer" or "Transferred" shall mean any sale, conveyance, assignment, disposition or transfer.

"True-Up Statement" shall have the meaning set forth in Section 5.08(f).

"UCC" shall mean the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

"United States" shall mean the United States of America.

"Year-to-Date Net Revenues" shall have the meaning set forth in Section 5.08(f).

ARTICLE II

PURCHASE AND SALE OF ASSIGNED INTERESTS

Section 2.01 Purchase and Sale.

Upon the terms and subject to the conditions set forth in this Agreement, Acorda agrees to sell, assign, transfer and convey to PRF, and PRF agrees to purchase from Acorda, free and clear of all Liens (except for Permitted Liens) and subject to the conditions set forth in Article VI, all of Acorda' s rights and interests in and to the Assigned Interests on the Closing Date. PRF' s ownership interest in each of the Assigned Interests so acquired shall vest immediately upon Acorda' s receipt of payment for such Assigned Interests pursuant to Section 2.03.

Section 2.02 Payments in Respect of the Assigned Interests.

(a) PRF shall be entitled to receive the Applicable Percentage in respect of Net Revenues made during the Revenue Interest Period.

(b) Commencing on the effective date of the Lockbox Agreement and continuing as long as the Applicable Percentage is fifteen percent (15%) in the applicable Fiscal Year, eight percent (8%) of the first $30,000,000 of Gross Product Revenues in each Fiscal Year

shall be swept from the Joint Concentration Account into the PRF Concentration Account on a daily basis (the "Daily Amount") pursuant to Section 5.08.

(c) Any additional payments to be made by Acorda to PRF hereunder or under any other Transaction Document shall be made by wire transfer of immediately available funds.

Section 2.03 Purchase Price.

(a) In full consideration for the assignment by Acorda of the Assigned Interests, and subject to the terms and conditions set forth herein, PRF shall pay to Acorda or its designees the following amounts:

(i) At the Closing, $15,000,000 (including (A) amounts which shall be paid by PRF on behalf of Acorda at the time of Closing to GE Capital as partial payment of the amounts owed by Acorda to GE Capital pursuant to that certain Promissory Note, dated as of January 28, 2004, issued by Acorda to GE Capital (not to exceed $3,500,000); and (B) $500,000 of which shall be retained by PRF for reimbursement of its expenses (with PRF to account for its expenses within ninety (90) days of the date of this Agreement and to refund any excess of the $500,000 over its actual expenses to Acorda);

(ii) an additional $5,000,000 (the "Initial Contingent Payment") within fifteen (15) Business Days of receipt by PRF of a notice properly given by Acorda under clause (ii)(C) below, payable at Acorda' s option in its sole and absolute discretion if and only if (A) Acorda' s net sales of Product during the period from January 1, 2005 through and including December 31, 2005 equal or exceed $11,000,000; (B) Net Revenues during the period from January 1, 2006 through and including June 30, 2006 equal or exceed $16,000,000; and (C) PRF receives a written request from Acorda for the Initial Contingent Payment within five (5) days of Acorda' s determination that the targets in clauses (A) and (B) have been met and in any event no later than September 30, 2006;

(iii) an additional $5,000,000 (the "Secondary Contingent Payment") within fifteen (15) Business Days of receipt by PRF of a notice properly given by Acorda under clause (iii)(B) below, payable at Acorda' s option in its sole and absolute discretion if and only if (A) Net Revenues during the period from January 1, 2006 through and including December 31, 2006 equal or exceed $33,500,000; and (B) PRF receives a written request from Acorda for the Secondary Contingent Payment within five (5) days of Acorda' s determination that the Net Revenue target in clause (A) has been met and in any event no later than March 31, 2007; and

(iv) The payments to be made by PRF hereunder shall be paid by wire transfer of immediately available funds to the account designated by Acorda.

(b) If PRF makes the Initial Contingent Payment, Acorda shall pay to PRF, in addition to and not in reduction of amounts payable by Acorda to PRF under Sections 2.02 and 5.08 and clause (c) of this Section 2.03, the sum of $5,000,000 on December 1, 2009.

(c) If PRF makes the Secondary Contingent Payment, Acorda shall pay to PRF, in addition to and not in reduction of amounts payable by Acorda to PRF under Sections 2.02 and 5.08 and clause (b) of this Section 2.03, the sum of $5,000,000 on December 1, 2010.

(d) The payments, if any, to be made by Acorda hereunder shall be paid by wire transfer of immediately available funds to the account designated by PRF.

Section 2.04 No Assumed Obligations.

Notwithstanding any provision in this Agreement or any other writing to the contrary, PRF is acquiring only the Assigned Interests and is not assuming any liability or obligation of Acorda or any of its Affiliates of whatever nature, whether presently in existence or arising or asserted hereafter, whether under any Transaction Document or otherwise. All such liabilities and obligations shall be retained by and remain obligations and liabilities of Acorda or its Affiliates (the "Excluded Liabilities and Obligations").

Section 2.05 Excluded Assets.

Notwithstanding any provision in this Agreement or any other writing to the contrary, Acorda is not selling, conveying, assigning, or transferring to PRF any assets, properties or rights of Acorda, including any ownership interest in any Patents or other Intellectual Property, other than (i) Acorda' s rights and interests in and to the Assigned Interests subject to and in accordance with the terms of this Agreement and (ii) the assignments for security purposes being made under the Security Agreement and the Lockbox Agreement. All other assets, properties and rights of Acorda are not being sold, conveyed, assigned or transferred to PRF hereunder (the ("Excluded Assets"), whether or not they are related to the Product.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ACORDA

Acorda hereby represents and warrants to PRF as of the date hereof, the following:

Section 3.01 Organization.

Acorda is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all corporate powers and all licenses, authorizations, consents and approvals required to carry on its business as now conducted and as proposed to be conducted in connection with the transactions contemplated by the Transaction Documents. Acorda is duly qualified to do business as a foreign corporation and is in good standing in every jurisdiction in which the failure to do so would have a Material Adverse Effect.

Section 3.02 Corporate Authorization.

Acorda has all necessary power and authority to enter into, execute and deliver the Transaction Documents and to perform all of the obligations to be performed by it hereunder and thereunder and to consummate the transactions contemplated hereunder and thereunder. The Transaction Documents have been duly authorized, executed and delivered by Acorda and each Transaction Document constitutes the valid and binding obligation of Acorda, enforceable against Acorda in accordance with their respective terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or general equitable principles.

Section 3.03 Governmental Authorization.

The execution and delivery by Acorda of the Transaction Documents, and the performance by Acorda of its obligations hereunder and thereunder, does not require any notice to, action or consent by, or in respect of, or filing with, any Governmental Authority, except for the filing of financing statements under the UCC and except as set forth on Schedule 3.03.

Section 3.04 Ownership.

(a) Acorda owns, or holds a valid license under, all of the Intellectual Property and the Regulatory Approvals with respect to the Product free and clear of all Liens other than Permitted Liens, and no license or covenant not to sue under any Intellectual Property or Regulatory Approvals has been granted by Acorda to any Third Party, except as set forth on Schedule 3.04(a).

(b) Acorda, immediately prior to the assignment of the Assigned Interests, owns, and is the sole holder of, all the Revenue Interests; and Acorda owns, and is the sole holder of, and/or has and holds a valid, enforceable and subsisting license to, all of those other assets that are required to produce or receive any payments from any Licensee or payor under and pursuant to, and subject to the terms of any License Agreement, in each case free and clear of any and all Liens other than Permitted Liens. Except as set forth on Schedule 3.04(b), Acorda has not transferred, sold, or otherwise disposed of, or agreed to transfer, sell, or otherwise dispose of any portion of the Revenue

Interests other than as contemplated by this Agreement. Except as set forth on Schedule 3.04(b), no Person other than Acorda has any right to receive the payments payable under any License Agreement, other than PRF' s rights with respect to the Assigned Interests, from and after the Closing Date. Acorda has the full right to sell, transfer, convey and assign to PRF all of Acorda' s rights and interests in and to the Assigned Interests being sold, transferred, conveyed and assigned to PRF pursuant to this Agreement without any requirement to obtain the consent of any Person, except such consents as are obtained at or prior to the Closing. At the Closing, PRF shall have acquired good and valid rights and interests of Acorda in and to the Assigned Interests being sold, transferred, conveyed and assigned to PRF pursuant to this Agreement, free and clear of any and all Liens, except for Permitted Liens, subject to the terms and conditions of this Agreement.

Section 3.05 Intentionally Omitted.

Section 3.06 Financial Statements.

Except as set forth on Schedule 3.06, the Financial Statements are complete and accurate in all material respects, were prepared in conformity with GAAP and present fairly in all material respects the financial position and the results of operations of Acorda and its Subsidiaries as of the dates and for the periods covered thereby, subject in the case of the unaudited financial statements to the absences of footnotes, year-end adjustments and other supplementary information required by GAAP.

Section 3.07 No Undisclosed Liabilities.

Except for those liabilities (i) specifically identified on the face of or described in the Notes to the Financial Statements, (ii) incurred by Acorda or its Subsidiaries in the ordinary course of business since December 31, 2004, or (iii) in connection with the Obligations under the Transaction Documents, there are no material liabilities of Acorda relating to the Product, of any kind whatsoever, whether accrued, contingent, absolute, determined or determinable.

Section 3.08 Solvency.

Acorda is not insolvent as defined in any statute of the United States Bankruptcy Code or in the fraudulent conveyance or fraudulent transfer statutes of the States of Delaware or New York. Assuming consummation of the transactions contemplated by the Transaction Documents, (i) the present fair saleable value of Acorda' s assets is greater than the amount required to pay its debts as they become due, (ii) Acorda does not have unreasonably small capital with which to engage in its business, and (iii) Acorda has not incurred, nor does it have present plans to or intend to incur, debts or liabilities beyond its ability to pay such debts or liabilities as they become absolute and matured.

Section 3.09 Litigation.

There is no (i) action, suit, arbitration proceeding, claim, investigation or other proceeding pending or, to the Knowledge of Acorda, threatened against Acorda or (ii) any governmental inquiry pending or, to the Knowledge of Acorda, threatened against Acorda, in each case with respect to clauses (i) and (ii) above, which, if adversely determined, would question the validity of, or could adversely affect the transactions contemplated by any of the Transaction Documents or could reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 3.09, there is no action, suit, claim, proceeding or investigation pending or, to the Knowledge of Acorda, threatened against Acorda or any other Person relating to the Product, the Intellectual Property, the Regulatory Approvals, the Revenue Interests or the Assigned Interests.

Section 3.10 Compliance with Laws.

Acorda (a) is not in violation of, has not violated, or to the Knowledge of Acorda, is not under investigation with respect to, and, (b) has not been threatened to be charged with or been given notice of any violation of any law, rule, ordinance or regulation of, or any judgment, order,

writ, decree, permit or license entered by any Governmental Authority applicable to Acorda, the Assigned Interests or the Revenue Interests which could reasonably be expected to have a Material Adverse Effect.

Section 3.11 Conflicts.

(a) Except as set forth on Schedule 3.11, neither the execution and delivery of any of the Transaction Documents nor the performance or consummation of the transactions contemplated hereby and thereby will: (i) contravene, conflict with, result in a breach or violation of, constitute a default under, or accelerate the performance provided by, in any material respects any provisions of: (A) any law, rule, ordinance or regulation of any Governmental Authority, or any judgment, order, writ, decree, permit or license of any Governmental Authority, to which Acorda or any of its Subsidiaries or any of their respective assets or properties may be subject or bound, the breach or violation of which could reasonably be expected to result in a Material Adverse Effect; or (B) any Material Contract or any other contract, agreement, commitment or instrument to which Acorda or any of its Subsidiaries is a party or by which Acorda or any of its Subsidiaries or any of their respective assets or properties is bound or committed for which breach, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; (ii) contravene, conflict with, result in a breach or violation of, constitute a default under, or accelerate the performance provided by, any provisions of the certificate of incorporation or by-laws (or other organizational or constitutional documents) of Acorda or any of its Subsidiaries; (iii) except for the filing of the UCC-1 financing statements required hereunder and filings with the United States Patent and Trademark Office, require any notification to, filing with, or consent of, any Person or Governmental Authority, except such consents that are obtained at or prior to the Closing; (iv) give rise to any right of termination, cancellation or acceleration of any right or obligation of Acorda or any of its Subsidiaries or any other Person or to a loss of any benefit relating to the Revenue Interests or the Assigned Interests; or (v) result in the creation or imposition of any Lien on (A) the assets or properties of Acorda or any of its Subsidiaries or (B) the Assigned Interests, the Revenue Interests, or any other Collateral, other than, with respect to clause (v) above, any Permitted Lien.

(b) Other than as set forth on Schedule 3.04(b), Acorda has not granted, nor does there exist, any Lien on the Revenue Interests, the Assigned Interests or any other Collateral other than pursuant to the Security Agreement.

Section 3.12 Intellectual Property.

For purposes of this Section 3.12, the terms "Product" or "Products" shall mean the products currently known and marketed in the United States under the trademark Zanaflex® as capsule and tablet formulations of tizanidine hydrochloride, also known as 5-chloro-4-(2-imidazolin-2-ylamino)-2,1,3-benzothiodiazole hydrochloride (Chemical Abstracts Registry No. 64461-82-1).

(a) Schedule 3.12(a) sets forth an accurate, true and complete list (by category and family) of all (1) Patents and utility models, (2) trade names, common law trademarks, common law service marks, registered trademarks, registered service marks, and applications for

trademark registration or service mark registration, (3) registered and unregistered copyrights and (4) domain name registrations and websites, in each case with respect to clauses (1), (2), (3) and (4) above in this subsection (a) that are owned, licensed, or used to make, have made, use, sell, have sold, offer for sale, import, develop, promote, market, distribute, manufacture, commercialize or otherwise exploit the Product in the United States by Acorda, its Affiliates, manufacturers, distributors or Licensees, as applicable (for purposes of this Section 3.12, the foregoing are collectively referred to as the "Acorda Parties"), it being understood that Acorda has not conducted any independent investigation with respect to any of the Acorda Parties other than Acorda and its Affiliates. For each item of Intellectual Property listed on Schedule 3.12(a), Acorda has identified (i) the owner, (ii) the application number, (iii) the patent or registration number, (iv) the expiration date, as applicable,

including any applicable term extensions or supplemental protection certificates, if applicable, (v) the earliest relied upon priority filing date used to calculate the expiration date, and (vi) the due date(s) for any applicable maintenance, annuity or renewal fee. Except as disclosed therein, each item of Intellectual Property listed on Schedule 3.12(a) that is issued, granted or registered is valid, enforceable and subsisting and no listed Intellectual Property has lapsed, expired, been cancelled or become abandoned. The Patent applications listed in Schedule 3.12(a) have been prosecuted by competent patent counsel in a diligent manner since July 21, 2004 and continue to be prosecuted by competent patent counsel in a diligent manner, and, to Acorda' s Knowledge, the Patent applications listed in Schedule 3.12(a) were prosecuted by competent patent counsel in a diligent manner prior to July 21, 2004.

(b) Schedule 3.12(b) sets forth an accurate, true and complete list of all agreements, whether oral or written, express or implied, including, without limitation, assignments, licenses, options, franchise, distribution, marketing and manufacturing agreements, sponsorships, project agreements, collaboration agreements, joint development agreements, agreements not to enforce, consents, settlements, assignments, security interests, liens and other encumbrances or mortgages, and any amendments(s) renewal(s), novation(s) and termination(s) pertaining thereto, pursuant to which Acorda has the legal right to exploit Intellectual Property that is owned by another Person or a Third Party. There are no unpaid fees or royalties under any agreement listed on Schedule 3.12(b) that have become due, or are expected to become overdue, as of the Closing Date, except as disclosed on Schedule 3.12(b).

(c) Each agreement listed in Schedule 3.12(b) is legal, valid, binding, enforceable, and in full force and effect (it being understood that Acorda has not conducted any independent investigation with respect to any such agreement entered into prior to July 21, 2004). Acorda is not in breach in any material respect of such listed agreements and, to Acorda' s Knowledge, no circumstances or grounds exist that would give rise to a claim of breach or right of rescission, termination, revision, or amendment of any of the agreements specified in Schedule 3.12(b), including, without limitation, the execution, delivery and performance of this Agreement and the other Transaction Documents, except as disclosed on Schedule 3.12(c).

(d) The Acorda Parties have full, legal right to make, have made, use, sell, have sold, offer for sale, import, develop, distribute, manufacture, commercialize, market or otherwise exploit the Product, in the countries in which they are conducting such activities, without infringing any intellectual property right that is owned by another Person or a Third Party in such countries, it being understood that Acorda has not conducted any independent investigation with respect to any of the Acorda Parties other than Acorda and its Affiliates.

(e) Acorda possesses sole, exclusive, valid, marketable and unencumbered title to the Intellectual Property for which it is listed as the owner on Schedule 3.12(a), and there are no liens, mortgages or encumbrances on or to any Intellectual Property listed on Schedule 3.12(a) that it owns or agreement listed on Schedule 3.12(b), except as disclosed on Schedule 3.12(e).

(f) There are no unpaid maintenance, annuity or renewal fees currently overdue for any of the Intellectual Property listed on Schedule 3.12(a), nor have any applications or registrations therefor lapsed or become abandoned, been cancelled or expired, except as disclosed on Schedule 3.12(a) or Schedule 3.12(f).

(g) Acorda (to the extent that Acorda is an applicant or is otherwise involved in the patent prosecution of any Patent) and, to Acorda' s Knowledge, each owner and inventor of each Patent have complied in all material respects with all applicable duties of candor and good faith in dealing with any Patent Office, including the duty to disclose to any applicable Patent Office all information known to be material to patentability (it being understood that with respect to the period prior to July 21, 2004 Acorda has not conducted an independent investigation as to compliance with such duties of candor and good faith).

(h) Neither Acorda nor, to Acorda' s Knowledge, any other Person has undertaken or omitted to undertake any acts, and, to Acorda' s Knowledge, no circumstance or grounds exist, that would invalidate, reduce or eliminate, in whole or in part, the enforceability or scope of (i) any Intellectual Property or, in the case of Intellectual Property owned or exclusively licensed by Acorda, Acorda' s entitlement to exclusively exploit such Intellectual Property, or (ii) Acorda' s right to enjoy payments made in respect of sales of the Product or other revenues from any Intellectual Property, except as disclosed on Schedule 3.12(h) (it being understood that with respect to the period prior to

July 21, 2004 Acorda has not conducted an independent investigation as to whether such acts were undertaken or whether there was a failure to undertake any such acts).

(i) There is, and has been, no pending, decided or settled opposition, interference proceeding, reexamination proceeding, cancellation proceeding, injunction, claim, lawsuit, proceeding, hearing, investigation, complaint, arbitration, mediation, demand, International Trade Commission investigation, decree, or any other dispute, disagreement, or claim (collectively referred to hereinafter as "Disputes"), nor, to Acorda' s Knowledge, has any such Dispute been threatened challenging the legality, validity, enforceability or ownership of any Intellectual Property or which would give rise to a credit against the revenues of Acorda as a result of the manufacture, sale offer for sale, use, importation or exportation of the Product or the exploitation of the licensed Intellectual Property and, to Acorda' s Knowledge, no circumstances or grounds exist that would give rise to such a Dispute. There are no Disputes by any Person or Third Party against Acorda or, to Acorda' s Knowledge, the other Acorda Parties, and Acorda has not received any written notice or claim of any such Dispute, and, to Acorda' s Knowledge, there exists no circumstances or grounds upon which any such claim could be asserted, as pertaining to the Product. Neither Acorda nor, to its Knowledge, its licensor has sent any notice of any such Dispute to a Third Party, and there exists no circumstance or grounds upon which Acorda or, to its Knowledge, its licensor could assert any such claim, as pertaining to the Product. No Intellectual Property or the Product is subject to any outstanding injunction, judgment, order,

decree, ruling charge, settlement or other disposition of Dispute, and Acorda has fully complied with, paid and otherwise satisfied all obligations relating to any such disposition.

(j) There is no pending or, to Acorda' s Knowledge, threatened action, suit, or proceeding, or any investigation or claim by any Governmental Authority to which Acorda is a party (1) that would be the subject of a claim for indemnification by any Person or Third Party under any Material Contract, or (2) that the marketing, sale or distribution of the Product in the United States by the Acorda Parties does or will infringe on any patent or other intellectual property rights of any other Person. To Acorda' s Knowledge, there are no pending published or unpublished United States, international or foreign patent applications owned by any other Person, which, if issued, would limit or prohibit, in any material respect, the use of the Product or the licensed Intellectual Property relating to the Product.

(k) Acorda has taken, and will continue to take, all commercially reasonable measures and precautions necessary to protect and maintain (1) the confidentiality of all Intellectual Property (except such Intellectual Property whose value would be unimpaired by public disclosure) that it owns and (2) the value of all Intellectual Property and assets related to the Product.

(l) No material trade secret of Acorda has been published or disclosed to any Person except pursuant to a written agreement requiring such Person to keep such trade secret confidential (it being understood that with respect to any publication or disclosure of material trade secrets of Acorda occurring prior to July 21, 2004 Acorda has not conducted an independent investigation).

Section 3.13 **Regulatory Approval.** Except as set forth on Schedule 3.13:

(a) Acorda has made available to PRF all of the following documents that Acorda has received in any form from any contract party to any License Agreement:

(i) all regulatory correspondence, written notes in respect of telephone communications, electronic communications, copies of all submissions to any active regulatory files regarding preclinical, clinical, manufacturing, adverse events, any notices and forms received by a contract party from appropriate Regulatory Agencies relating to compliance, developmental (including safety, efficacy and potency), marketing, promotion or manufacturing activities concerning the Intellectual Property or the Products;

(ii) correspondence or reports from both internal corporate employees and non-governmental consultants relating to any of the regulatory and/or product liability exposures, marketing and reimbursement strategies, manufacturing (i.e., annual audit reports), preclinical and clinical data issues concerning the Products; and

(iii) any information or communication that would indicate that any Regulatory Agency (A) is not likely to approve any application with respect to the Products, (B) is likely to revise or revoke any current approval granted by any Regulatory Agency with respect to the Products, or (C) is likely to pursue compliance actions against Acorda or any contract party relating to a License Agreement.

(b) Either Acorda or, to Acorda' s Knowledge, either Novartis or Elan, possesses all Regulatory Approvals issued or required by the appropriate Regulatory Agencies necessary to conduct its current business relating to the Products, and neither Acorda nor, to Acorda' s Knowledge, Novartis or Elan, has received any notice of proceedings relating to, and there are no facts or circumstances to Acorda' s Knowledge that would reasonably be expected to lead to, the revocation, suspension, termination or modification of any such Regulatory Approvals.

(c) Acorda is in material compliance with, and has materially complied with, all applicable federal, state, local and foreign laws, rules, regulations, standards, orders and decrees governing its business, including all regulations promulgated by each Regulatory Agency, the failure of compliance with which could reasonably be expected to result in a Material Adverse Effect; Acorda has not received any notice citing action or inaction by it that would constitute any material non-compliance with any applicable federal, state, local and foreign laws, rules, regulations, or standards, which could reasonably be expected to result in a Material Adverse Effect; and to Acorda' s Knowledge, no prospective change in any applicable federal, state, local or foreign laws, rules, regulations or standards has been adopted which, when made effective, could reasonably be expected to result in a Material Adverse Effect.

(d) The studies, tests and preclinical and clinical trials conducted relating to the Products by or on behalf of Acorda or, to Acorda' s Knowledge, Novartis or Elan, were and, if still pending, are being conducted in all material respects in accordance with experimental protocols, procedures and controls pursuant to, where applicable, accepted professional and scientific standards; the descriptions of the results of such studies, tests and trials provided to PRF are accurate in all material respects; and neither Acorda nor, to Acorda' s Knowledge, Novartis nor Elan, has received any notices or correspondence from any Regulatory Agency or any Institutional Review Board or comparable authority requiring the termination, suspension, or material modification or clinical hold of any such studies, tests or preclinical or clinical trials conducted by or on behalf of Acorda or Novartis or Elan, which termination, suspension, material modification or clinical hold could reasonably be expected to result in a Material Adverse Effect.

Section 3.14 Material Contracts.

Schedule 3.14 sets forth all of the Material Contracts. Neither Acorda nor any of its Subsidiaries is in breach of or in default under any Material Contract which default, individually or in the aggregate, would result in a Material Adverse Effect. To the Knowledge of Acorda, nothing has occurred and no condition exists that would permit any other party thereto to terminate any Material Contract prior to its expiration. Neither Acorda nor any of its Subsidiaries has received any notice or, to the Knowledge of Acorda, any threat of early termination of any such Material Contract. To the Knowledge of Acorda, no other party to a Material Contract is in breach of or in default under such Material Contract. All Material Contracts are valid and binding on Acorda and its Subsidiaries and, to the Knowledge of Acorda, on each other party thereto.

Section 3.15 Subordination.

The claims and rights of PRF created by any Transaction Document in and to the Assigned Interests, the Revenue Interests and any other Collateral are not and shall not be subordinated to any creditor of Acorda or any other Person.

Section 3.16 Place of Business.

Acorda' s principal place of business and chief executive office are set forth on Schedule 3.16.

Section 3.17 Broker' s Fees.

Acorda has not taken any action that would entitle any Person to any commission or broker' s fee in connection with the transactions contemplated by the Transaction Documents.

Section 3.18 Other Information.

No representation, warranty or statement made by Acorda in (a) Section 3.12, to Acorda' s Knowledge, or (b) in any Transaction Document (except for Section 3.12), and no Schedule or Exhibit hereto, in each case taken in the aggregate, contains any untrue statement of a material fact or omits any statement of material fact necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading.

Section 3.19 Elan Agreements and Novartis Agreement.

True, correct and complete copies of the Elan Agreements and the Novartis Agreement, including any amendments thereto, together with all agreements executed in connection with the transactions contemplated thereby, are attached hereto, respectively, as Exhibit E and Exhibit F. In addition:

(a) Acorda and, to Acorda' s Knowledge, Elan and Novartis, are in compliance in all material respects with the terms and conditions of the Elan Agreements and the Novartis Agreement, as applicable;

(b) in respect of Acorda, and to Acorda' s Knowledge, in respect of Elan and Novartis, as applicable, the Elan Agreements and the Novartis Agreement were duly executed and delivered at the time of their signing;

(c) neither Acorda nor, to Acorda' s Knowledge, Elan or Novartis, is in default in any material respect of any of its respective obligations under the Elan Agreements or the Novartis Agreement, as applicable;

(d) except as set forth on Schedule 3.19, neither Elan nor Novartis has any right of set-off, rescission, counterclaim, reduction, deduction or defense in any way related to the Product;

(e) Acorda has not waived any rights or defaults under the Elan Agreements or the Novartis Agreement and to Acorda' s Knowledge no event has occurred which, after the giving of notice or the lapse of time or both, would constitute a default or breach by Acorda under the Elan Agreements or the Novartis Agreement or, to Acorda' s Knowledge, would constitute a default or breach by Elan or Novartis, as applicable;

(f) the Elan Agreements and the Novartis Agreement are in full force and effect and, following the date of their signings, respectively, there has been no correspondence or other written communication to the contrary sent by or on behalf of Acorda to, or received by or on behalf of Acorda from, Elan or Novartis, as applicable;

(g) Acorda has not received any notice, whether written or oral, pursuant to the Elan Agreements or the Novartis Agreement that such agreement or agreements has been or will be terminated prior to any applicable expiration or that Acorda is in default of its obligations under such agreement or agreements. Acorda has no intention of terminating the Elan Agreements or the Novartis Agreement prior to any applicable expiration and has no Knowledge of any event, circumstances or grounds, including any breach of any payment obligations thereunder, which pursuant to the terms of the Elan Agreements or the Novartis Agreement, as applicable, give the other party thereto the right to terminate such respective agreement prior to any applicable expiration; and

(h) All payments that were due and payable and required to be made prior to the date hereof under the terms of the Elan Agreements and the Novartis Agreement have been made.

Section 3.20 Insurance.

Acorda has named PRF as an additional insured party with respect to its general liability and product liability insurance policies. A schedule of Acorda' s insurance policy or insurance policies is attached hereto as Schedule 3.20.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PRF

PRF represents and warrants to Acorda the following:

Section 4.01 Organization.

PRF is a private limited company duly formed and validly existing under the laws of Luxembourg.

Section 4.02 Authorization.

PRF has all necessary power and authority to enter into, execute and deliver the Transaction Documents and to perform all of the obligations to be performed by it hereunder and thereunder and to consummate the transactions contemplated hereunder and thereunder. The Transaction Documents have been duly authorized, executed and delivered by PRF and each Transaction Document constitutes the valid and binding obligation of PRF, enforceable against

PRF in accordance with their respective terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or general equitable principles.

Section 4.03 Broker' s Fees.

PRF has not taken any action that would entitle any Person to any commission or broker' s fee in connection with the transactions contemplated by the Transaction Documents.

Section 4.04 Conflicts.

Neither the execution and delivery of this Agreement or any other Transaction Document nor the performance or consummation of the transactions contemplated hereby or thereby will: (i) contravene, conflict with, result in a breach or violation of, constitute a default under, or accelerate the performance provided by, in any material respects any provisions of: (A) any law, rule or regulation of any Governmental Authority, or any judgment, order, writ, decree, permit or license of any Governmental Authority, to which PRF or any of its assets or properties may be subject or bound; or (B) any contract, agreement, commitment or instrument to which PRF is a party or by which PRF or any of its assets or properties is bound or committed; (ii) contravene, conflict with, result in a breach or violation of, constitute a default under, or accelerate the performance provided by, any provisions of the organizational or constitutional documents of PRF; or (iii) require any notification to, filing with, or consent of, any Person or Governmental Authority.

Section 4.05 Consents.

The execution and delivery by PRF of this Agreement and the other Transaction Documents to which it is a party, and the performance by PRF of its obligations hereunder and thereunder, do not require any notice to, action or consent by, or in respect of, or filing with, any Governmental Authority or Person.

Section 4.06 Funds Available.

Each of PRF and Guarantor will at all times maintain sufficient funds to satisfy its obligations under Section 2.03 and Section 8.05 as they become due.

ARTICLE V

COVENANTS

During the Term, the following covenants shall apply:

Section 5.01 Consents and Waivers.

Acorda shall use its commercially reasonable efforts to obtain and maintain any required consents, acknowledgements, certificates or waivers so that the transactions contemplated by this Agreement or any other Transaction Document may be consummated and shall not result in any

default or breach or termination prior to their respective expirations of any of the Material Contracts.

Section 5.02 Access; Information.

(a) Promptly after receipt by Acorda of notice of any action, claim, investigation, proceeding (commenced or threatened), offer, proposal, correspondence or other material written communication relating to the transactions contemplated by this Agreement, any other Transaction Document, the Revenue Interests, or any License Agreement or use of the Intellectual Property, then, Acorda shall inform PRF of the receipt of such notice and the substance of such action, claim, investigation, proceeding, offer, proposal, correspondence or other written communication and, if in writing shall furnish PRF with a copy of such notice and any related materials with respect to such action, claim, investigation, proceeding, offer, proposal, correspondence or other written communication.

(b) Acorda shall keep and maintain, or cause to be kept and maintained, at all times accurate and complete books and records adequate to correctly reflect all payments paid and/or payable with respect to Revenue Interests and Assigned Interests and all deposits made into the applicable Deposit Accounts.

(c) PRF and any of PRF' s representatives shall have the right, from time to time, to visit Acorda' s offices and properties where Acorda keeps and maintains its books and records relating or pertaining to the Revenue Interests, the Assigned Interests and the other Collateral to inspect and copy such books and records, during normal business hours, and, upon ten (10) Business Days' written notice given by PRF to Acorda, Acorda will provide PRF and any of PRF' s representatives reasonable access to such books and records, in order to verify the accuracy of the Quarterly Reports, True-Up Statements (as defined in Section 5.08(f) and payments of the Applicable Percentage for any Fiscal Year; provided that such inspection shall not take place more often than once a Fiscal Year, and that unless PRF identifies a reasonable basis to extend any inquiry to a period prior to the beginning of the two Fiscal Year period most recently ended as of the date of its inquiry (e.g., if the date of the inquiry is March 31, 2010, the relevant period would have commenced on January 1, 2007), PRF shall restrict its inquiry to the period commencing as of the beginning of the two Fiscal Year period most recently ended as of the date of its inquiry and ending as of the date of its inquiry.

(d) In the event any audit of the books and records of Acorda relating to the Revenue Interests, Assigned Interests, and the other Collateral by PRF and/or any of PRF' s representatives reveals that the amounts paid to PRF hereunder for the period of such audit have been understated by more than the greater of (i) $75,000 or (ii) five percent (5%) of the amounts determined to be due for the period subject to

such review, then the Audit Costs in respect of such audit shall be borne by Acorda; and in all other cases, such Audit Costs shall be borne by PRF. PRF shall treat all information subject to review under this Section 5.02 in accordance with the confidentiality provisions of this Agreement.

(e) Acorda shall, promptly after the end of each Fiscal Quarter of Acorda (but in no event later than forty-five (45) days following the end of such quarter), produce and deliver to PRF a Quarterly Report for such quarter, together with a certificate of an executive officer of

Acorda, certifying that to the knowledge of such officer (i) such Quarterly Report is a true and complete copy and (ii) any statements and any data and information therein prepared by Acorda are true, correct and accurate in all material respects.

(f) Unless Acorda is timely filing its quarterly reports on Form 10-Q and annual reports on Form 10-K in accordance with the requirements of the Securities Exchange Act of 1934, as amended, Acorda shall deliver to PRF the following financial statements:

(i) within forty-five (45) calendar days after the end of each Fiscal Quarter, copies of the unaudited consolidated financial statements of Acorda and its Subsidiaries for such Fiscal Quarter; and

(ii) within ninety (90) calendar days after the end of each Fiscal Year, copies of the audited consolidated financial statements of Acorda and its Subsidiaries for such Fiscal Year.

Section 5.03 Material Contracts.

Acorda shall comply with all terms and conditions of and fulfill all of its obligations under all the Material Contracts, except for such noncompliance which could not reasonably be expected to give rise to a Material Adverse Effect. Acorda shall not amend any Material Contract in any material respect or issue any consents or other approvals under any Material Contract without the prior written consent of PRF (not to be unreasonably withheld or delayed).

Section 5.04 Confidentiality; Public Announcement.

(a) All information furnished by PRF to Acorda or by Acorda to PRF, including the Confidential Information, in connection with this Agreement and any other Transaction Document and the transactions contemplated hereby and thereby, as well as the terms, conditions and provisions of this Agreement and any other Transaction Document, shall be kept confidential by Acorda and PRF, and shall be used by Acorda and PRF and their respective Affiliates only in connection with this Agreement and any other Transaction Document and the transactions contemplated hereby and thereby. Notwithstanding the foregoing, (i) Acorda and PRF may disclose such information to their partners, directors, employees, managers, officers and Affiliates, and to their actual or potential auditors, assignees, investors, bankers, advisors, trustees and other financing parties and participants and their respective representatives and counsel, provided that such Persons shall be informed of the confidential nature of such information and shall be obligated to keep such information confidential pursuant to the terms of this Section 5.04(a) and that each party shall take, and shall require such Persons to take, reasonable steps to prevent any unauthorized use or disclosure of any Confidential Information of the other Party and (ii) the foregoing restrictions shall not apply to information that (A) is already in the public domain at the time the information is disclosed (other than as a result of its improper disclosure by PRF, its Affiliates or representatives), (B) thereafter becomes lawfully obtainable from other sources who are not under an obligation of confidentiality and are not otherwise prohibited from disclosing such information by a contractual, legal or fiduciary obligation, (C) is required to be disclosed in any document filed with any Governmental Authority, or (D) is disclosed under securities laws, rules and regulations applicable to Acorda or

pursuant to the rules and regulations of any securities exchange or trading system on which securities of Acorda may be listed for trading.

(b) Except as required by law or the rules and regulations of any securities exchange or trading system or the FDA or any Governmental Authority with similar regulatory authority, or except with the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed), no party shall issue any press release or make any other public disclosure with respect to the transactions contemplated by this Agreement or any other Transaction Document; provided, however, that Acorda and PRF may jointly prepare a press release for dissemination promptly following the Closing Date.

(c) The rights to review, consult with or consent, as applicable and as set forth in this Section 5.04, with respect to any disclosures shall only apply for the first time that specific information is to be disclosed, and shall not apply to the subsequent disclosure of substantially similar information that has previously been disclosed unless there have been material changes in the disclosure since the date of the previous disclosure.

Section 5.05 Security Agreement.

Subject to the terms and conditions of the Security Agreement, Acorda shall, at all times until the Obligations are paid and performed in full, grant in favor of PRF a valid, continuing, first perfected lien on and security interest in the Revenue Interests, the Assigned Interests and the other Collateral described in the Security Agreement.

Section 5.06 Commercially Reasonable Efforts; Further Assurance.

(a) Subject to the terms and conditions of this Agreement, each of PRF and Acorda will use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary under applicable laws and regulations to consummate the transactions contemplated by this Agreement and any other Transaction Document. PRF and Acorda agree to execute and deliver such other documents, certificates, agreements and other writings (including any financing statement filings requested by PRF) and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement and any other Transaction Document and to vest in PRF good, valid and marketable rights and interests in and to the Assigned Interests free and clear of all Liens, except for Permitted Liens (which Permitted Liens shall, in any event and notwithstanding anything else contained in this Agreement or the other Transaction Documents to the contrary, be junior and subordinate to the Liens in favor of PRF with respect to the Collateral).

(b) PRF and Acorda shall execute and deliver such additional documents, certificates and instruments, and to perform such additional acts, as may be reasonably requested and necessary or appropriate to carry out and effectuate all of the provisions of this Agreement and any other Transaction Document and to consummate all of the transactions contemplated by this Agreement and any other Transaction Document.

(c) PRF and Acorda shall cooperate and provide assistance as reasonably requested by the other party in connection with any litigation, arbitration or other proceeding (whether

threatened, existing, initiated, or contemplated prior to, on or after the date hereof) to which any party hereto or any of its officers, directors, shareholders, agents or employees is or may become a party or is or may become otherwise directly or indirectly affected or as to which any such Persons have a direct or indirect interests, in each case relating to this Agreement, any other Transaction Document, the Assigned Interests or any other Collateral, or the transactions described herein or therein.

Section 5.07 Call Option; Put Option.

(a) In the event that a Call Option Event shall occur during the Term, Acorda shall have the right, but not the obligation (the "Call Option"), exercisable within one hundred eighty (180) days following the occurrence of the Call Option Event, to repurchase the Assigned Interests from PRF for a repurchase price equal to the Put/Call Price. In order to exercise the Call Option, Acorda shall deliver written notice to PRF of its election to so repurchase the Assigned Interests within one hundred and eighty (180) days following the occurrence of the Call Option Event. Acorda shall, within ten (10) Business Days following PRF' s receipt of such written notice of the Call Option, repurchase from PRF the Assigned Interests at the Put/Call Price, the payment of which shall be made by wire transfer of immediately available funds to the account designated by PRF.

(b) In the event that a Put Option Event shall occur during the Term, PRF shall have the right, but not the obligation (the "Put Option"), exercisable within one hundred eighty (180) days of its receipt of written notice from Acorda of the Put Option Event, to require Acorda to repurchase from PRF the Assigned Interests at the Put/Call Price. In the event PRF elects to exercise its Put Option, PRF shall so notify Acorda in writing and Acorda shall, within ten (10) Business Days following Acorda' s receipt of such notice, repurchase from PRF the Assigned Interests at the Put/Call Price, the payment of which shall be made by wire transfer of immediately available funds to the account designated by PRF in its election notice. Notwithstanding anything to the contrary contained herein, immediately upon the occurrence of a Bankruptcy Event, PRF shall be deemed to have automatically and simultaneously elected to have Acorda repurchase from PRF the Assigned Interests for the Put/Call Price and the Put/Call Price shall be immediately due and payable without any further action or notice by any party.

(c) In connection with the consummation of a repurchase of the Assigned Interests pursuant to the Call Option or the Put Option, PRF agrees that it will (i) promptly execute and deliver to Acorda such UCC termination statements and other documents as may be necessary to release PRF' s Lien on the Collateral and otherwise give effect to such repurchase and (ii) take such other actions or provide such other assistance as may be necessary to give effect to such repurchase.

Section 5.08 Remittance to Lockbox Account; Quarterly True-Up.

(a) Within thirty (30) days after the date of this Agreement, the parties hereto shall enter into a Lockbox Agreement in form and substance reasonably satisfactory to the parties hereto and the Lockbox Bank, which Lockbox Agreement will provide for, among other things, the establishment and maintenance of a Lockbox Account, a Joint Concentration Account, an Acorda Concentration Account and a PRF Concentration Account in accordance with the terms

herein and therein. Any PRF Concentration Account shall be held solely for the benefit of PRF, but shall be subject to the terms and conditions of this Agreement, the Security Agreement and the other Transaction Documents. Funds deposited into the Lockbox Account shall be swept by the Lockbox Bank on a daily basis into the Joint Concentration Account and subsequent thereto, the Daily Amount shall be swept into the PRF Concentration Account. PRF shall have immediate and full access to any funds held in the PRF Concentration Account and such funds shall not be subject to any conditions or restrictions whatsoever, subject to PRF' s obligations under Section 5.08(f)(ii). After the Daily Amount is swept into the PRF Concentration Account, the amounts remaining in the Joint Concentration Account shall then be swept, at the direction of Acorda, into the Acorda Concentration Account. Acorda shall have immediate and full access to any funds held in the Acorda Concentration Account and such funds shall not be subject to any conditions or restrictions whatsoever other than those of the Lockbox Bank;

provided, however, that nothing herein shall (i) affect or reduce Acorda' s obligations to pay in full all amounts due to PRF under this Agreement, or (ii) in any manner limit the recourse of PRF to the Collateral to satisfy Acorda' s Obligations.

(b) Acorda shall pay for all fees, expenses and charges of the Lockbox Bank.

(c) Commencing on the effective date of the Lockbox Agreement and thereafter, any and all sales and licensing revenue in respect of the Product received by Acorda shall be deposited into the Lockbox Account.

(d) With respect to any License Agreement entered into by Acorda from and after the date hereof, Acorda shall (i) at the time of the execution and delivery of such agreement, instruct any party thereto under such agreement to remit to the Lockbox Account when due all applicable payments in respect of sales and licensing revenue in respect of the Product and in respect of royalties received from Licensees that are due and payable to Acorda in respect of or derived from such agreement during the Term; and (ii) deliver to PRF evidence of such instruction and of such applicable party' s agreement thereto.

(e) Acorda shall not have any right to terminate the Lockbox Bank without PRF' s prior written consent. Any such consent, which PRF may grant or withhold in its sole and absolute discretion, shall be subject to the satisfaction of each of the following conditions to the satisfaction of PRF:

(i) the successor Lockbox Bank shall be acceptable to PRF;

(ii) PRF, Acorda and the successor Lockbox Bank shall have entered into a lockbox agreement substantially in the form of the Lockbox Agreement initially entered into;

(iii) all funds and items in the accounts subject to the Lockbox Agreement to be terminated shall be transferred to the new accounts held at the successor Lockbox Bank prior to the termination of the then existing Lockbox Bank; and

(iv) PRF shall have received evidence that all of the applicable parties making payments in respect of sales of the Product have been instructed to remit

all future payments in respect of sales of the Product to the new accounts held at the successor Lockbox Bank.

(f) True-Up.

(i) Following the end of each Fiscal Quarter, as soon as Acorda shall have determined the Net Revenues for such Fiscal Quarter and for each other Fiscal Quarter in the Fiscal Year in which the then most recently ended Fiscal Quarter occurred (the "Year-to-Date Net Revenues") and in any event no later than forty-five (45) days after the end of such Fiscal Quarter (unless such Fiscal Quarter is the last Fiscal Quarter of a Fiscal Year in which case no later than ninety (90) days after the end of such Fiscal Quarter), Acorda shall present PRF a certificate, in reasonable detail with supporting calculations and information, detailing the Year-to-Date Net Revenues (the "True-Up Statement"). For purposes of this Section 5.08, the first Fiscal Quarter shall comprise the period from October 1, 2005 through March 31, 2006.

(ii) If PRF has received on or prior to the last day of the most recently ended Fiscal Quarter payments from Acorda under Section 2.02 or this Section 5.08 (disregarding, for the avoidance of doubt, any payments made by Acorda under Section 2.03) in respect of the Fiscal Year for which Year-to-Date Net Revenues is calculated under clause (i) above which are in excess of the Applicable Percentage of Year-to-Date Net Revenues, PRF shall pay such excess to Acorda within fifteen (15) Business Days of receipt by PRF of the True-Up Statement.

(iii) If the Applicable Percentage of Year-to-Date Net Revenues is in excess of the amounts PRF has received on or prior to the last day of the most recently ended Fiscal Quarter in respect of the Fiscal Year for which Year-to-Date Net Revenues is calculated under clause (i) above under Section 2.02 or this Section 5.08 (disregarding, for the avoidance of doubt, any payments made by Acorda under Section 2.03), Acorda shall pay such excess to PRF within fifteen (15) Business Days of the receipt by PRF of the True-Up Statement.

Section 5.09 License Agreements; Elan Agreements and Novartis Agreement.

(a) Acorda shall use its commercially reasonable efforts to duly perform and observe all of its covenants and obligations under each License Agreement in all material respects. Upon the occurrence of a material breach of any of the License Agreements by any other party thereto, which is not cured as provided therein, Acorda thereto shall use its commercially reasonable efforts to seek to enforce all of its rights and remedies thereunder.

(b) Acorda shall use its commercially reasonable efforts to duly perform and observe all of its covenants and obligations under the Elan Agreements and the Novartis Agreement in all material respects, including making any and all payments due thereunder on a timely basis.

Acorda shall not permit any amendment or modification to, set-off, or waiver or consent under the Elan Agreements or the Novartis Agreement that would materially adversely affect the Product, the Intellectual Property, the Revenue Interests, or the Assigned Interests without PRF' s prior written consent. Acorda shall notify PRF of any such amendment or modification to, set-off, or waiver or consent under, the Elan Agreements or the Novartis Agreement. Acorda shall not assign or otherwise transfer any of the Intellectual Property if such assignment or transfer would materially adversely affect PRF with respect to the Revenue Interests or the Assigned Interests under this Agreement, without PRF' s prior written consent. Upon an occurrence of any breach or default that would, either directly or with the giving of notice, lapse of time or both, give either party to such agreement the right to terminate such agreement, termination (other than upon expiration), litigation or threat thereof relating to the Elan Agreements or the Novartis Agreement or any related agreement, Acorda shall promptly consult with PRF regarding an appropriate course of action. If the parties agree to take action to enforce any or all of Acorda' s rights and remedies thereunder, action shall be commenced at Acorda' s expense and under Acorda' s control. If the parties do not agree, upon written request by PRF, Acorda shall institute legal action or take any other reasonable action at PRF' s expense. In such instance, PRF shall be entitled to approve counsel, fully participate in any legal proceedings and consent to any settlement, and no counsel shall be selected and no settlement shall be entered into without the consent of PRF, which consent shall not be unreasonably withheld, conditioned or delayed. Any recovery from such action shall first go to reimburse legal expenses, pro rata, and the remainder shall constitute a part of the Revenue Interest and be transferred to the Lockbox Account.

Section 5.10 Intellectual Property.

(a) Acorda shall, at its sole expense, either directly or by using commercially reasonable efforts to cause any Licensee to do so, take any and all actions (including taking legal action to specifically enforce the applicable terms of any License Agreement), and prepare, execute, deliver and file any and all agreements, documents or instruments which are necessary or, in the commercially reasonable opinion of Acorda (taking into account the interests and rights of PRF under any of the Transaction Documents and the PRF' s ability to realize the benefits of the transactions contemplated by each of the Transaction Documents), desirable to (A) diligently maintain the applicable Intellectual Property and the Patents and (B) diligently defend such Intellectual Property and such Patents against infringement or interference by any other Persons, and against any claims of invalidity or unenforceability, in the United States (including, without limitation, by bringing any legal action for infringement or defending any counterclaim of invalidity or action of a Third Party for declaratory judgment of non-infringement or non-interference). Acorda shall not, and shall use its commercially reasonable efforts to cause any Licensee not to, disclaim or abandon, or fail to take any action necessary or desirable to prevent the disclaimer or abandonment of, the applicable Patents or other Intellectual Property, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(b) In the event that Acorda becomes aware that the Product or a Licensee under any License Agreement infringes, misappropriates or violates any Third Party intellectual property, Acorda shall promptly use commercially reasonable efforts to attempt to obtain the legal right to use any Third Party intellectual property on behalf of itself and the affected Licensee, as applicable, except where the failure to do so could not reasonably be expected to result in a

Material Adverse Effect and shall pay all costs and amounts associated with obtaining any such legal right to use Third Party intellectual property without any reduction in or offset to the Assigned Interests.

(c) Acorda shall directly, or through a Licensee, take any and all actions and prepare, execute, deliver and file any and all agreements, documents or instruments that are necessary or commercially reasonable or desirable to secure and maintain, all Regulatory Approvals. Acorda shall not withdraw or abandon, or fail to take any action necessary to prevent the withdrawal or abandonment of, any Regulatory Approval once obtained.

Section 5.11 Negative Covenants.

Acorda shall not, without the prior written consent of PRF:

(a) Forgive, release or compromise any amount owed to Acorda and relating to the Assigned Interests in a manner which could reasonably be expected to materially adversely affect the Assigned Interests;

(b) Waive, amend, cancel or terminate, exercise or fail to exercise, any of its material rights constituting or relating to the Revenue Interests;

(c) Amend, modify, restate, cancel, supplement, terminate or waive any provision of any License Agreement in any material respect, or grant any consent thereunder, or agree to do any of the foregoing; or

(d) Create, incur, assume or suffer to exist any Lien, or exercise any right of rescission, offset, counterclaim or defense, upon or with respect to the Assigned Interests, the Revenue Interests or the other Collateral, or agree to do or suffer to exist any of the foregoing, except for any Lien or agreements in favor of PRF granted under or pursuant to this Agreement and the other Transaction Documents and except for Permitted Liens.

Section 5.12 Future Agreements.

Acorda shall not enter into any agreement that would materially adversely affect the Product, the Intellectual Property, the Revenue Interests, or the Assigned Interests without PRF' s prior written consent, which consent shall be granted or withheld in PRF' s sole and absolute discretion.

Section 5.13 Insurance.

Acorda shall (i) maintain insurance policies comparable to the policies listed on Schedule 3.20 and (ii) maintain PRF as an additional insured party with respect to its general liability and product liability insurance policies.

Section 5.14 Notice.

Acorda shall provide PRF with written notice as promptly as practicable (and in any event within ten (10) Business Days) after becoming aware of any of the following:

(a) the occurrence of a Bankruptcy Event;

(b) any material breach or default by Acorda of any covenant, agreement or other provision of this Agreement, any other Transaction Document, the Elan Agreements or the Novartis Agreement (which breach, with respect to the Elan Agreements or the Novartis Agreement, could reasonably be expected to give rise to a right of the other party thereto to terminate such agreement prior to its expiration);

(c) any representation or warranty made or deemed made by Acorda in any of the Transaction Documents or in any certificate delivered to PRF pursuant hereto shall prove to be untrue, inaccurate or incomplete in any material respect on the date as of which made or deemed made;

(d) the occurrence of a Call Option Event;

(e) the occurrence of a Put Option Event; or

(f) any sublicense by a Licensee of any rights licensed pursuant to any License Agreement.

Section 5.15 Use of Proceeds.

Acorda shall use all proceeds received from PRF (and retained by Acorda) pursuant to Section 2.03 in support of the business plan and commercialization of the Product, including sales operation and expansion, additional clinical studies and purchase, royalty and/or other payments related to the acquisition and supply of the Product. All of such proceeds shall be used exclusively to support sales and marketing, clinical and regulatory activities, and financial obligations related specifically and solely to the Product. Acorda shall not use any such proceeds for any other current or future product of Acorda except if such use is ancillary and relates to the use of proceeds to support, or would in Acorda' s reasonable business judgment, support the commercialization of the Product. Acorda shall use commercially reasonable efforts to fully support the sales of the Product, which shall mean those efforts that a similarly situated company in the pharmaceutical industry, including with similar financial and other resources, would use in connection with the commercialization of a pharmaceutical product of similar market and profit potential at a similar stage in product life as the Product.

Section 5.16 Legal Opinion.

Acorda shall, within thirty (30) days of the date hereof and at its sole cost and expense (notwithstanding any other expense provisions hereof or otherwise agreed by PRF and its Affiliates and Acorda), cause to be delivered to PRF an opinion of outside counsel with respect to the creation, attachment and perfection of the security interests in favor of PRF under the Security Agreement and the Lockbox Agreement (such opinion to be reasonably acceptable to PRF).

ARTICLE VI

THE CLOSING; CONDITIONS TO CLOSING

Section 6.01 Closing.

Subject to the closing conditions set forth in Sections 6.02 and 6.03, the closing of the purchase and sale of the Assigned Interests (the "Closing") shall take place at the offices of McDermott Will & Emery LLP, 50 Rockefeller Plaza, New York, New York 10020, on the Closing Date.

Section 6.02 Conditions Applicable to PRF.

The obligation of PRF to effect the Closing shall be subject to the satisfaction of each of the following conditions, any of which may be waived by PRF in its sole discretion:

(a) Accuracy of Representations and Warranties. The representations and warranties of Acorda set forth in the Transaction Documents shall be true, correct and complete in all material respects as of the Closing Date.

(b) No Adverse Circumstances. There shall not have occurred or be continuing any event or circumstance (including any development with respect to the efficacy of the Product or the Intellectual Property or the use or expected future use of the same as opposed to competing products) that could reasonably be expected to have a Material Adverse Effect.

(c) Litigation. No action, suit, litigation, proceeding or investigation shall have been instituted, be pending or threatened (i) challenging or seeking to make illegal, to delay or otherwise directly or indirectly to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain damages in connection with the transactions contemplated by this Agreement, or (ii) seeking to restrain or prohibit PRF' s acquisition or future receipt of the Assigned Interests.

(d) Consents; Releases. All notices to, consents, approvals, authorizations and waivers from Third Parties and Government Authorities that are required for the consummation of the transactions contemplated by this Agreement or any of the Transaction Documents shall have been obtained or provided for and shall remain in effect, including (i) the Note Modification and Amendment between Acorda and Elan International Services, Ltd. with respect to the Full Recourse Convertible Promissory Note, dated as of January 22, 1997, issued by Acorda in the principal amount of $2,500,000 and the Limited Recourse Convertible Promissory Note, dated as of January 22, 1997, issued by Acorda in the principal amount of $5,000,000 and (ii) a payoff letter and lien release from GE Capital, in form and substance satisfactory to PRF.

(e) Officer' s Certificate. PRF shall have received a certificate of an executive officer of Acorda pursuant to which such officer certifies that the conditions set forth in Sections 6.02(a), (b), (c), and (k) have been satisfied in all respects.

(f) Bill of Sale. The Bill of Sale shall have been executed and delivered by Acorda to PRF, and PRF shall have received the same.

(g) Security Agreement. The Security Agreement shall have been duly executed and delivered by all the parties thereto, together with proper financing statements (including Form UCC-1s) for filing under the UCC and/or any other applicable law, rule, statute or regulation relating to the perfection of a security interest in filing offices in the jurisdictions listed on Schedule 6.02(g), and such agreement shall be in full force and effect.

(h) Legal Opinion; Intellectual Property Letter.

(i) PRF shall have received an opinion of Dreier LLP, transaction counsel to Acorda, in form and substance satisfactory to PRF and its counsel, to the effect set forth in Exhibit G.

(ii) PRF shall have received a letter from Finnegan, Henderson, Farabow, Garrett & Dunner LLP, intellectual property counsel to Acorda, in form and substance satisfactory to PRF and its counsel, to the effect set forth in Exhibit H.

(i) Board Observer Rights Agreement. The Board Observer Rights Agreement shall have been duly executed and delivered by Acorda and PRF, and PRF shall have received the same.

(j) Corporate Documents of Acorda. PRF shall have received on the Closing Date, certificates, dated as of the Closing Date, of an executive officer of Acorda (the statements made in which shall be true and correct on and as of the Closing Date): (i) attaching copies, certified by such officer as true and complete, of Acorda' s certificate of incorporation or other organizational documents (together with any and all amendments thereto) certified by the appropriate Governmental Authority as being true, correct and complete copies; (ii) attaching copies, certified by such officer as true and complete, of resolutions of the board of directors of Acorda authorizing and approving the execution, delivery and performance by Acorda of the Transaction Documents and the transactions contemplated herein and therein; (iii) setting forth the incumbency of the officer or officers of Acorda who have executed and delivered the Transaction Documents including therein a signature specimen of each such officer or officers; and (iv) attaching copies, certified by such officer as true and complete, of a certificate of the appropriate Governmental Authority of Acorda' s jurisdiction of incorporation, stating that Acorda is in good standing under the laws of the State of Delaware.

(k) Covenants. Acorda shall have complied in all material respects with its covenants set forth in the Transaction Documents required to be performed prior to the Closing Date.

Section 6.03 Conditions Applicable to Acorda.

The obligation of Acorda to effect the Closing shall be subject to the satisfaction of each of the following conditions, any of which may be waived by Acorda in its sole discretion:

(a) Accuracy of Representations and Warranties. The representations and warranties of PRF set forth in this Agreement shall be true, correct and complete in all material respects as of the Closing Date.

(b) Litigation. No action, suit, litigation, proceeding or investigation shall have been instituted, be pending or threatened (i) challenging or seeking to make illegal, to delay or otherwise directly or indirectly to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain damages in connection with the transactions contemplated by this Agreement, or (ii) seeking to restrain or prohibit PRF' s acquisition or future receipt of the Assigned Interests.

(c) Closing Certificate. Acorda shall have received at the Closing a certificate of an authorized representative of PRF certifying that the conditions set forth in Sections 6.03(a) and (b) have been satisfied in all material respects as of the Closing Date.

(d) Full Payment. The amounts to be paid by PRF directly to Acorda and/or its designees pursuant to clause (i) of Section 2.03(a) shall have been tendered by wire transfer of immediately available funds to the accounts designated by Acorda to PRF on or prior to the Closing.

(e) Guaranty. The Guaranty shall have been executed and delivered by the Guarantor.

ARTICLE VII

TERMINATION

Section 7.01 Termination Date.

Except as otherwise provided in this Section 7.01 and in Sections 7.02 and 8.01, this Agreement shall terminate upon expiration of the Revenue Interest Period. If any payments are required to be made by one of the parties hereunder after that date, this Agreement shall remain in full force and effect until any and all such payments have been made in full, and (except as provided in Section 7.02) solely for that purpose. In addition, this Agreement shall sooner terminate if Acorda or PRF shall have exercised its Call Option or Put Option, respectively, under Section 5.07, with the termination date in that event being the date on which both Acorda completes the repurchase of the Assigned Interests with payment in full to PRF and PRF complies with its related obligations under Section 5.07(c).

Section 7.02 Effect of Termination.

In the event of the termination of this Agreement pursuant to Section 7.01, this Agreement and the other Transaction Documents shall terminate and shall forthwith become void and have no effect without any liability on the part of any party hereto or its Affiliates, directors, officers, stockholders, partners, managers or members other than the provisions of this Section 7.02 and Sections 5.04, 5.05 (provided the Security Agreement and the Lockbox Agreement shall each terminate as provided in those respective agreements), 8.01, 8.02, 8.04 and 8.05 hereof, which shall survive any termination as set forth in Section 8.01. Nothing contained in this Section 7.02 shall relieve any party from liability for any breach of this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Survival.

(a) All representations and warranties made herein and in any other Transaction Document, any certificates or in any other writing delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Closing and shall continue to survive until termination of this Agreement in accordance with Article VII. Notwithstanding anything in this Agreement or implied by law to the contrary, all the agreements contained in Sections 5.04, 5.05 (provided the Security Agreement and the Lockbox Agreement shall each terminate as provided in those respective agreements), 8.01, and 8.05 shall survive the execution and delivery of this Agreement and the Closing until the date which is five (5) years following the termination of this Agreement in accordance with Article VII (it being understood that any pending claims made under Section 8.05 shall continue, and the obligations in Section 8.05 shall continue in respect of such claims, until disposition of such claims by a court of competent jurisdiction in a final non-appealable disposition or by agreed settlement by the parties, whether or not such five (5) year period following termination shall elapse).

(b) Any investigation or other examination that may have been made or may be made at any time by or on behalf of the party to whom representations and warranties are made shall not limit, diminish or in any way affect the representations and warranties in the Transaction Documents, and the parties may rely on the representations and warranties in the Transaction Documents irrespective of any information obtained by them by any investigation, examination or otherwise.

Section 8.02 Specific Performance.

Each of the parties hereto acknowledges that the other party will have no adequate remedy at law if it fails to perform any of its obligations under any of the Transaction Documents. In such event, each of the parties agrees that the other party shall have the right, in addition to any other rights it may have (whether at law or in equity), to specific performance of this Agreement.

Section 8.03 Notices.

All notices, consents, waivers and communications hereunder given by any party to the other shall be in writing (including facsimile transmission) and delivered personally, by telegraph, telecopy, telex or facsimile, by a recognized overnight courier, or by dispatching the same by certified or registered mail, return receipt requested, with postage prepaid, in each case addressed:

If to PRF to:

King George Holdings Luxembourg IIA S.à r.l.
c/o Paul Capital Partners
140 East 45th Street, 44th Floor
New York, NY 10017
Attention: Clarke B. Futch, Partner
Facsimile No.: (646) 264-1101

If to Guarantor to:

Paul Royalty Fund II, L.P., c/o Paul Capital Partners
140 East 45th Street, 44th Floor
New York, NY 10017
Attention: Clarke B. Futch, Partner
Facsimile No.: (646) 264-1101

with a copy to:

McDermott Will & Emery LLP
227 West Monroe Street
Chicago, IL 60606-5096
Attention: Timothy R.M. Bryant
Facsimile No.: (312) 984-7700

If to Acorda to:

Acorda Therapeutics, Inc.
15 Skyline Drive
Hawthorne, NY 10532
Attention: Gerard Cignarella
Facsimile No.: (914) 347-4560

with a copy to:

Dreier LLP
499 Park Avenue
New York, NY 10022
Attention: Jill M. Cohen
Facsimile No.: (212) 328-6101

or to such other address or addresses as PRF or Acorda may from time to time designate by notice as provided herein, except that notices of changes of address shall be effective only upon receipt. All such notices, consents, waivers and communications shall: (a) when posted by certified or registered mail, postage prepaid, return receipt requested, be effective three (3) Business Days after dispatch, unless such communication is sent trans-Atlantic, in which case they shall be deemed effective five (5) Business Days after dispatch, (b) when telegraphed, telecopied, telexed or facsimiled, be effective upon receipt by the transmitting party of

confirmation of complete transmission, or (c) when delivered by a recognized overnight courier or in person, be effective upon receipt when hand delivered.

Section 8.04 Successors and Assigns.

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Acorda shall not be entitled to assign any of its obligations and rights under the Transaction Documents without the prior written consent of PRF, which consent shall not be unreasonably withheld or delayed, except that Acorda may assign any of the Transaction Documents or its obligations and rights thereunder, without such consent, to an Affiliate or to any entity that acquires all or substantially all of its business or assets whether by merger, reorganization, acquisition, sale, or otherwise. PRF may assign any of its rights under the Transaction Documents without restriction to any Affiliate or partner of PRF. PRF may also assign the Transaction Documents, in whole or in part, to any Person in connection with any financing (including any capital markets or securitization transaction), without the consent of Acorda, provided that the Guarantor also guarantees the obligations of PRF under the Transaction Documents that are being assumed by such assignee. Any successor or assignee of PRF shall assume all obligations of PRF under this Agreement and the other Transaction Documents which are not expressly retained by PRF.

Section 8.05 Indemnification.

(a) Acorda hereby indemnifies and holds PRF and its Affiliates and any of their respective partners, directors, managers, members, officers, employees and agents (each a "PRF Indemnified Party") harmless from and against any and all Losses (including all Losses in connection with any product liability claims or claims of infringement or misappropriation of any intellectual property rights of any Third Parties) incurred or suffered by any PRF Indemnified Party arising out of any breach of any representation or warranty made by Acorda in any of the Transaction Documents or any breach of or default under any covenant or agreement by Acorda pursuant to any Transaction Document, including any failure by Acorda to satisfy any of the Excluded Liabilities and Obligations.

(b) PRF hereby indemnifies and holds Acorda, its Affiliates and any of their respective partners, directors, managers, officers, employees and agents (each an "Acorda Indemnified Party") harmless from and against any and all Losses incurred or suffered by an Acorda Indemnified Party arising out of any breach of any representation or warranty or made by PRF in any of the Transaction Documents or any breach of or default under any covenant or agreement by PRF pursuant to any Transaction Document.

(c) If any claim, demand, action or proceeding (including any investigation by any Governmental Authority) shall be brought or alleged against an indemnified party in respect of which indemnity is to be sought against an indemnifying party pursuant to the preceding

paragraphs, the indemnified party shall, promptly after receipt of notice of the commencement of any such claim, demand, action or proceeding, notify the indemnifying party in writing of the commencement of such claim, demand, action or proceeding, enclosing a copy of all papers served, if any; provided, that the omission to so notify such indemnifying party will not relieve the indemnifying party from any liability that it may have to any indemnified party under the

foregoing provisions of this Section 8.05 unless, and only to the extent that, such omission results in the forfeiture of, or has a material adverse effect on the exercise or prosecution of, substantive rights or defenses by the indemnifying party. In case any such action is brought against an indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8.05 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. In any such proceeding, an indemnified party shall have the right to retain its own counsel, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the indemnifying party has assumed the defense of such proceeding and has failed within a reasonable time to retain counsel reasonably satisfactory to such indemnified party or (iii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interests between them based on the advice of such counsel. It is agreed that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate law firm (in addition to local counsel where necessary) for all such indemnified parties. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) Notwithstanding anything to the contrary contained in this Agreement, the following limitations shall apply to indemnification claims under this Agreement:

(i) no individual Loss (or series of related Losses) under Section 8.05(a) or (b) shall be valid and assertable unless it is (or they are) for an amount in excess of $5,000; and

(ii) Acorda shall be liable with respect to claims under Section 8.05(a) only if the aggregate Losses related to such Losses when considered together, exceed $50,000 in which case Acorda shall be liable for all such Losses, and not only those Losses in excess of such amount.

(e) In no event shall any indemnifying party be responsible or liable for any Losses under this Section 8.05 that are consequential, in the nature of lost profits, special or punitive or otherwise not actual damages (except to the extent same are owing pursuant to a third party

claim). The amount of Losses recoverable by an indemnified party under this Section 8.05 with respect to an indemnity claim shall be reduced by (i) the amount of any payment received by such indemnified party (or any Affiliate thereof), with respect to the Losses to which such indemnity claim relates, from an insurance carrier, and (ii) if the indemnified party is PRF and PRF exercised the Put Option, the Put/Call Price (except with respect to Losses incurred by PRF constituting out-of-pocket expenses in connection with a Third Party claim).

Section 8.06 Independent Nature of Relationship.

(a) The relationship between Acorda and PRF is solely that of seller and purchaser, and neither PRF nor Acorda has any fiduciary or other special relationship with the other or any of their respective Affiliates. Nothing contained herein or in any other Transaction Document shall be deemed to constitute Acorda and PRF as a partnership, an association, a joint venture or other kind of entity or legal form.

(b) No officer or employee of PRF will be located at the premises of Acorda or any of its Affiliates, except in connection with an audit performed pursuant to Section 5.02. No officer, manager or employee of PRF shall engage in any commercial activity with Acorda or any of its Affiliates other than as contemplated herein and in the other Transaction Documents.

(c) Acorda and/or any of its Affiliates shall not at any time obligate PRF, or impose on PRF any obligation, in any manner or respect to any Person not a party hereto.

Section 8.07 Federal Tax.

Notwithstanding the accounting treatment thereof, for United States federal, state and local tax purposes, Acorda and PRF shall treat the transactions contemplated by the Transaction Documents as debt for United States tax purposes. The parties hereto agree not to take any position that is inconsistent with the provisions of this Section 8.07 on any tax return or in any audit or other administrative or judicial proceeding unless (i) the other party to this Agreement has consented to such actions, which consent shall not be unreasonably withheld, or (ii) the party that contemplates taking such an inconsistent position has been advised by counsel in writing that it is more likely than not (x) that there is no "reasonable basis" (within the meaning of Treasury Regulation Section 1.6662-3(b)(3)) for the position specified in this Section 8.07 or (y) that taking such a position would otherwise subject the party to penalties under the Internal Revenue Code of 1986, as amended.

Section 8.08 Entire Agreement.

This Agreement, together with the Exhibits and Schedules hereto (which are incorporated herein by reference) and the other Transaction Documents, constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements (including the Term Sheet and the Expense Reimbursement Letter dated October 27, 2005), understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein (or in the Exhibits, Schedules or other Transaction Documents) has been made or relied upon by either party hereto. None of this Agreement, nor

any provision hereof, is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 8.09 Amendments; No Waivers.

(a) This Agreement or any term or provision hereof may not be amended, changed or modified except with the written consent of the parties hereto. No waiver of any right hereunder shall be effective unless such waiver is signed in writing by the party against whom such waiver is sought to be enforced.

(b) No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 8.10 Interpretation.

When a reference is made in this Agreement to Articles, Sections, Schedules or Exhibits, such reference shall be to an Article, Section, Schedule or Exhibit to this Agreement unless otherwise indicated. The words "include", "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation". Neither party hereto shall be or be deemed to be the drafter of this Agreement for the purposes of construing this Agreement against one party or the other.

Section 8.11 Headings and Captions.

The headings and captions in this Agreement are for convenience and reference purposes only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

Section 8.12 Counterparts; Effectiveness.

This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto. Any counterpart may be executed by facsimile or pdf signature and such facsimile or pdf signature shall be deemed an original.

Section 8.13 Severability.

If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall nevertheless be given full force and effect unless the invalid provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the parties would not have entered into this Agreement without the invalid provisions. In such event, the parties shall substitute such invalid provisions with valid ones, which in their economic effect come so close to the invalid provisions that it can be reasonably assumed that the parties would have entered into this Agreement also with those substituted provisions.

Section 8.14 Expenses.

Each party hereto will pay all of its own fees and expenses in connection with entering into and consummating the transactions contemplated by this Agreement; provided, that Acorda agrees, on the Closing Date, to reimburse PRF for up to $500,000 of its actual, reasonable, and documented due diligence and other, including legal, expenses associated with the transaction contemplated hereby (payable as provided in Section 2.03); and provided, further, that Acorda agrees to reimburse and indemnify PRF for any expenses (including reasonable fees and expenses of legal counsel) incurred by PRF in connection with asserting or enforcing of PRF' s rights hereunder, including, without limitation, in connection with any insolvency, bankruptcy or similar proceeding involving Acorda.

Section 8.15 Governing Law; Jurisdiction.

(a) This Agreement shall be governed by, and construed, interpreted and enforced in accordance with, the laws of the state of New York, without giving effect to the principles of conflicts of law thereof.

(b) Any legal action or proceeding with respect to this Agreement or any other Transaction Document may be brought in any state or federal court of competent jurisdiction in the state, county and city of New York. By execution and delivery of this Agreement, each party hereto hereby irrevocably consents to and accepts, for itself and in respect of its property, generally and unconditionally the non-exclusive jurisdiction of such courts. Each party hereto hereby further irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of any Transaction Document.

(c) Each party hereto hereby irrevocably consents to the service of process out of any of the courts referred to in subsection (b) above of this Section 8.15 in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at its address set forth in this Agreement. Each party hereto hereby irrevocably waives any objection to such service of process and further irrevocably waives and agrees not to plead or claim in any suit, action or proceeding commenced hereunder or under any other Transaction Document that service of process was in any way invalid or ineffective. Nothing herein shall affect the right of a party to serve process on the other party in any other manner permitted by law.

Section 8.16 Force Majeure.

Neither party shall lose any rights hereunder or be liable to the other party for Losses on account of failure of performance by the defaulting party if the failure is occasioned by war, Act of God, terrorism, or embargo, and the non-performing party has exerted commercially reasonable efforts to overcome such force majeure.

Section 8.17 Waiver of Jury Trial.

Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any action, proceeding, claim or counterclaim arising out of or relating to any Transaction Document or the transactions contemplated under any Transaction Document. This waiver shall apply to any subsequent amendments, renewals, supplements or modifications to any Transaction Document.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first above written.

ACORDA: **ACORDA THERAPEUTICS, INC.**

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

PRF: **KING GEORGE HOLDINGS LUXEMBOURG IIA S.À R.L.**

By: /s/ Clarke B. Futch
Name:Clarke B. Futch
Title: Manager

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Acorda Therapeutics, Inc:

We consent to the use of our report dated October 3, 2005, except for Note (16) (as to the effects of a reverse stock split) which is as of January , 2006 with respect to the consolidated balance sheets of Acorda Therapeutics, Inc. and subsidiary as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' (deficit), and cash flows for the year ended December 31, 2004, the six-month period ended December 31, 2003, and years ended June 30, 2003 and 2002, included in Amendment No. 2 to the registration statement on Form S-1 of Acorda Therapeutics, Inc. filed on January 5, 2006 and to the reference to our firm under the headings "Experts" and "Selected Consolidated Financial Data" in the prospectus.

/s/ KPMG LLP

Short Hills, New Jersey
January 5, 2006

January 5, 2006

VIA EDGAR AND FEDEX

Securities and Exchange Commission
Mail Stop 6061
100 F Street, N.E.
Washington D.C. 20549
Attn: Jeffrey P. Riedler, Assistant Director
Division of Corporation Finance

Re: Acorda Therapeutics, Inc.
Amendment No. 2 to Registration Statement on Form S-1
File No. 333-128807

Dear Ladies and Gentlemen:

On behalf of Acorda Therapeutics, Inc. (the "Company"), we are responding to the Staff's letter dated December 19, 2005, relating to the Company's Registration Statement on Form S-1. The Company is filing pre-effective Amendment No. 2 to the Registration Statement with this response letter. All page numbers in our responses refer to Amendment No. 2. Further, for the Staff's convenience we have repeated the Staff's comments below before each of our responses.

Management's Discussion and Analysis of Financial Condition and Results of Operations, page 35

1. *Please disclose separately your Zanaflex tablet and capsule sales since you do not market the Zanaflex tablets.*

The requested revision to the disclosure has been made at page 36.

Critical Accounting Policies and Estimates, page 52

2. *We acknowledge your responses to comments 16 and 17. Please disclose the following:*

Whether a time lag exists in obtaining the end-user prescription data from NDC Health and whether, historically, you have experienced a significant revenue adjustment as a result of that time lag and how you recorded any such adjustment in your financial statements;

The frequency and type of data that you receive from your wholesale customers and whether you then use that data to perform your own analysis of wholesaler out-movement; and

Whether and how often you prepare internal demand reconciliations based on your data regarding inventory in the distribution channel.

The requested revision to the disclosure has been made at page 55.

3. *With regard to response 19, please clarify for us how you can estimate product returns, as your sell-through revenue recognition policy is predicated on the fact that you cannot reasonably estimate those returns. Additionally, please disclose the amount of sales returns that you have recorded within cost of sales for each statement of operations period presented and further clarify your accounting treatment, specifically your assertion that the return amounts represent a reduction of inventory.*

The Company believes that it cannot reasonably estimate its product returns for either Zanaflex tablets or Zanaflex Capsules and accordingly it does not believe it meets the criteria pursuant to the guidance in Statement 48 and SAB 104 to recognize revenue upon shipment. We refer the Staff to the Company' s response to comment 16 from its letter dated November 29, 2005.

The Company believes there is a range of potential product returns of 25 to 35 percent for Zanaflex tablets and two to eight percent for Zanaflex Capsules. Management developed this expectation considering many factors, including the level of generic competition, the fact that Zanaflex Capsules is a direct competitor of Zanaflex tablets, historical return rates of Zanaflex tablets prior to its acquisition by the Company and industry data on generic and patented product returns. However, given the Company' s limited experience with the selling of commercialized products, this range represents its best estimate but it is subject to revision as management' s experience with these products expands. The Company believes this range of possible returns is far too wide to be considered a "reasonable" estimate of product returns to meet the revenue recognition criteria pursuant to the guidance in Statement 48 and SAB 104. While developing its revenue recognition policy, the Company considered the guidance in SAB 104 Question 5, specifically the Staff' s comments that it is inconsistent with the provisions of Statement 48 to defer revenue based on the upper end of a wide range of potential return rates.

Although the Company does not believe it meets the threshold to recognize revenue upon shipment, it does acknowledge that it will receive some level of product returns. The Company also understands that it will recognize a loss upon the product return since the Company' s returns policy states that it will only accept product returns if the product is within six months of expiration and 12 months after expiration. The Company does not resell the returned product. The Company considered the

guidance in Statement 5 regarding the recognition of a loss when it is probable and can be estimated. The Company believes that it has met the criteria in Statement 5 to recognize a loss for the cost basis of the product that will be returned utilizing the low end of its best estimate of the potential range of returns. The Company has recorded $144,440 and $223,425 of Statement 5 related inventory cost basis reserves for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. These amounts are recorded as a charge to cost of goods sold and a reduction of inventory.

4. *We acknowledge your response to comment 20. Per your disclosure herein and on page F-16, we continue note that you anticipate that approximately $2.5 million and $3.6 million of the product you recorded as deferred revenue as of September 30, 2005 and December 31, 2004 have a high likelihood of return. Please clarify whether you have charged cost of goods sold for the related amounts for each statement of operations presented and, if not, please tell us where you recorded the offset to the deferred revenue amounts.*

The Company charged cost of goods sold for the cost of all short-dated inventories shipped that have a high likelihood of return. This charge amounted to $67,524 for the year ended December 31, 2004 and $15,630 for the nine months ended September 30, 2005. These amounts were recorded as a charge to cost of goods sold and a reduction of inventory.

Business - page 56

Cornell Research Foundation, Inc. - page 76

5. *We note your response to comment 23. We believe minimum royalty provisions are material terms that must be disclosed in the registration statement. Therefore, these terms are not appropriate for confidential treatment. Please revise to disclose the minimum royalty provisions under your agreement with Cornell Research Foundation in the registration statement.*

The requested revision to the disclosure has been made on page 79.

Report of Independent Registered Public Accounting Firm, page F-2

6. *With regard to response 30, as well as the language that precedes your independent accountant's report, please confirm for us that the 1 for 1.3 reverse stock split will become effective prior to the closing of your initial public offering. Additionally, please then amend your registration statement to include a final, dual-dated report from your independent accountants, inclusive of an updated consent report, and remove all references and disclosures in the document that reflect that you have yet to finalize the reverse stock split.*

The Company will amend its registration statement to include a final, dual-dated report from its independent accountants, inclusive of an updated consent report, and it will update the document to reflect the final approved reverse stock split.

Consolidated Financial Statements

Consolidated Balance Sheets, page F-4

7. *In order to better allow a reader to understand your financial statements, please disaggregate inventory into amounts held for sale by you and amounts held by wholesalers.*

The requested revision to the disclosure has been made at page F-3.

Consolidated Statements of Operations, page F-5

8. *Please classify amortization of the intangible asset related to Zanaflex as cost of sales, as the asset relates to an acquired developed product. Additionally, please disclose the gross amount of your intangible assets at each balance sheet date.*

The Company has reclassified the amortization of the intangible asset to be included within cost of sales. The gross amount of our intangible assets at each balance sheet date is disclosed in footnote 15 to the consolidated financial statements.

Consolidated Statements of Cash Flows, page F-11

9. *Please reconcile for us the following: 1) payments made or due to Elan of $6.5 million, as discussed on page 35; 2) cash payments on the statement of cash flows of $6.5 million ($3.5 million for the year ended December 31, 2004 and $3.0 million for the nine months ended September 30, 2005); and 3) the $3.75 million payable to Elan as of September 30, 2005. It appears that the cash payments of $6.5 million plus the $3.75 million payable to Elan would result in an intangible asset of $10.25 million. Non-cash transactions should not be reported on the statement of cash flows.*

The Company has revised its statement of cash flows to reflect cash payments of $2,000,000 and accruals of $1,500,000 for the year ended December 31, 2004 and cash payments of $750,000 and accruals of $2,250,000 for the nine months ended September 30, 2005. These total the payments made or due to Elan of $6.5 million as of September 30, 2005.

Notes to Consolidated Financial Statements

(15) Zanaflex Asset Purchase Agreement, page F-44

10. *The disclosure on page F-17 states that the $4.1 million is reflected as cost of sales. This does not appear to be true according to your statement of operations for the applicable period. Please revise as necessary*

The Company has revised its disclosure on page F-17.

11. *We acknowledge your response to comment 34, as well as your submission to Carol Stacey, Chief Accountant of the Division's Office of Chief Accountant, dated November 29, 2005. Pending the outcome of your waiver request, we continue to believe that your purchase of the Zanaflex assets represents a business under Regulation S-X 210.11¬01(d)(1) and request that you provide the financial statements required under Regulation S-X 210.3-05(b).*

The Company is in agreement that its purchase of the Zanaflex assets represents a business under Regulation S-X 210.11-01(d)(1). In correspondence dated December 16, 2005, the Company has been notified by Todd E. Hardiman, Associate Chief Accountant of the Division' s Office of Chief Accountant, that the Staff will not object to the Company presenting audited Statements of Revenue and Direct Expenses of the acquired product line for the year ended December 31, 2003 and for the period January 1, 2004 through the acquisition date in July 2004 in satisfaction of Rule 3-05 of Regulation S-X. The Company will provide these statements as soon as they become available.

The Company would very much appreciate the Staff' s prompt review of this amendment. Should you have any follow-up questions, please call me at (212) 841-1256.

Sincerely,

/s/ Ellen B. Corenswet

Ellen B. Corenswet