UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from to

Commission File Number 001-31938

ACORDA THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock $0.001 par value	ACOR	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class	Outstanding at August 6, 2021
Common Stock, $0.001 par value per share	11,124,149 shares

ACORDA THERAPEUTICS, INC.
TABLE OF CONTENTS

This Quarterly Report on Form 10-Q contains forward-looking statements relating to future events and our future performance within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Stockholders are cautioned that such statements involve risks and uncertainties, including: We may not be able to successfully market Ampyra, Inbrija or any other products under development; the COVID-19 pandemic, including related quarantines and travel restrictions, and the potential for the illness to affect our employees or consultants or those that work for other companies we rely upon, could have a material adverse effect on our business operations or product sales; our ability to raise additional funds to finance our operations, repay outstanding indebtedness or satisfy other obligations, and our ability to control our costs or reduce planned expenditures; risks associated with the trading of our common stock and our reverse stock split; risks related to our workforce, including our ability to realize the expected benefits of our corporate restructuring; risks associated with complex, regulated manufacturing processes for pharmaceuticals, which could affect whether we have sufficient commercial supply of Inbrija to meet market demand; our reliance on third party manufacturers for the production of commercial supplies of Ampyra and Inbrija; third-party payers (including governmental agencies) may not reimburse for the use of Inbrija at acceptable rates or at all and may impose restrictive prior authorization requirements that limit or block prescriptions; reliance on collaborators and distributors to commercialize Inbrija and Ampyra outside the U.S.; competition for Inbrija and Ampyra, including increasing competition and accompanying loss of revenues in the U.S. from generic versions of Ampyra following our loss of patent exclusivity; the ability to realize the benefits anticipated from acquisitions, among other reasons because acquired development programs are generally subject to all the risks inherent in the drug development process and our knowledge of the risks specifically relevant to acquired programs generally improves over time; the risk of unfavorable results from future studies of Inbrija (levodopa inhalation powder) or from other research and development programs, or any other acquired or in-licensed programs; the occurrence of adverse safety events with our products; the outcome (by judgment or settlement) and costs of legal, administrative or regulatory proceedings, investigations or inspections, including, without limitation, collective, representative or class action litigation; failure to protect our intellectual property, to defend against the intellectual property claims of others or to obtain third party intellectual property licenses needed for the commercialization of our products; and failure to comply with regulatory requirements could result in adverse action by regulatory agencies. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make, and investors should not place undue reliance on these statements. In addition to the risks and uncertainties described above, we have included important factors in the cautionary statements included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2020, particularly in the "Risk Factors" section (as updated by the disclosures in our subsequent quarterly reports, including this report), that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make. Forward-looking statements in this report are made only as of the date hereof, and we do not assume any obligation to publicly update any forward-looking statements as a result of developments occurring after the date of this report.

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

PART I

Item 1. Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)	June 30, 2021 (unaudited)	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 45,714	$ 71,369
Restricted cash	12,883	12,917
Trade accounts receivable, net of allowances of $1,041 and $1,266, as of June 30, 2021 and December 31, 2020, respectively	14,010	20,193
Prepaid expenses	13,404	14,807
Inventory, net	25,355	28,677
Assets held for sale	—	71,795
Other current assets	1,577	1,577
Total current assets	112,943	221,335
Property and equipment, net of accumulated depreciation	5,715	7,263
Intangible assets, net of accumulated amortization	351,481	366,981
Right of use asset, net of accumulated amortization	8,949	18,481
Restricted cash	12,399	18,609
Other assets	11	11
Total assets	$ 491,498	$ 632,680
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 17,483	$ 12,155
Accrued expenses and other current liabilities	28,806	38,167
Current portion of loans payable	—	68,631
Current portion of liability related to sale of future royalties	9,205	8,731
Current portion of lease liabilities	10,708	7,944
Current portion of acquired contingent consideration	1,454	1,624
Total current liabilities	67,656	137,252
Convertible senior notes	144,025	137,619
Derivative liability	613	1,193
Non-current portion of acquired contingent consideration	39,746	46,576
Non-current portion of lease liabilities	4,040	17,200
Non-current portion of loans payable	28,302	28,555
Deferred tax liability	15,109	19,116
Non-current portion of liability related to sale of future royalties	859	6,526
Other non-current liabilities	667	688
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value. Authorized 1,000,000 shares at June 30, 2021 and December 31, 2020; no shares issued as of June 30, 2021 and December 31, 2020, respectively	—	—
Common stock, $0.001 par value. Authorized 61,666,666 shares at June 30, 2021 and December 31, 2020; issued 11,112,086 and 9,475,631 shares, including those held in treasury, as of June 30, 2021 and December 31, 2020, respectively	11	9
Treasury stock at cost (5,543 shares at June 30, 2021 and December 31, 2020)	(638)	(638)
Additional paid-in capital	1,015,659	1,007,790
Accumulated deficit	(822,718)	(766,403)
Accumulated other comprehensive loss	(1,833)	(2,803)
Total stockholders' equity	190,481	237,955
Total liabilities and stockholders' equity	$ 491,498	$ 632,680

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(unaudited)

(In thousands, except per share data)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Revenues:				
Net product revenues	$ 28,199	$ 30,794	$ 53,446	$ 55,465
Royalty revenues	3,586	2,824	7,201	6,251
Total net revenues	31,785	33,618	60,647	61,716
Costs and expenses:				
Cost of sales	11,324	6,658	23,285	10,501
Research and development	2,374	5,255	7,123	12,960
Selling, general and administrative	32,368	38,656	66,336	79,764
Amortization of intangible assets	7,691	7,691	15,382	15,382
Asset impairment	—	—	—	4,131
Change in fair value of derivative liability	(805)	(8,928)	(580)	(35,456)
Changes in fair value of acquired contingent consideration	(5,478)	(6,164)	(6,429)	(9,847)
Total operating expenses	47,474	43,168	105,117	77,435
Operating loss	(15,689)	(9,550)	(44,470)	(15,719)
Other income (expense), net:				
Interest and amortization of debt discount expense	(7,705)	(7,484)	(15,530)	(15,050)
Interest income	1	178	4	490
Other income (expense)	—	8	1	(34)
Realized loss on foreign currency transactions	(2)	(2)	(3)	(7)
Total other expense, net	(7,706)	(7,300)	(15,528)	(14,601)
Loss before taxes	(23,395)	(16,850)	(59,998)	(30,320)
Benefit from (Provision for) income taxes	531	(571)	3,683	6,427
Net loss	$ (22,864)	$ (17,421)	$ (56,315)	$ (23,893)
Net loss per share—basic	$ (2.29)	$ (2.19)	$ (5.79)	$ (3.00)
Net loss per share—diluted	$ (2.29)	$ (2.19)	$ (5.79)	$ (3.00)
Weighted average common shares outstanding used in computing net loss per share—basic	9,992	7,960	9,733	7,960
Weighted average common shares outstanding used in computing net loss per share—diluted	9,992	7,960	9,733	7,960

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Loss

(unaudited)

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Net loss	$ (22,864)	$ (17,421)	$ (56,315)	$ (23,893)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(99)	(464)	970	(78)
Unrealized loss on available for sale debt securities	—	60	—	24
Other comprehensive income (loss), net of tax	(99)	(404)	970	(54)
Comprehensive loss	$ (22,963)	$ (17,825)	$ (55,345)	$ (23,947)

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

(unaudited)

(In thousands)	Common stock Number of shares	Common stock Par value	Treasury stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive (loss) income	Total stockholders equity
Balance at December 31, 2020	9,476	$ 9	$ (638)	$ 1,007,790	$ (766,403)	$ (2,803)	$ 237,955
Compensation expense for issuance of stock options to employees	—	—	—	483	—	—	483
Compensation expense for issuance of restricted stock to employees	—	—	—	224	—	—	224
Other comprehensive income, net of tax	—	—	—	—	—	1,069	1,069
Net loss	—	—	—	—	(33,451)	—	(33,451)
Balance at March 31, 2021	9,476	$ 9	$ (638)	$ 1,008,497	(799,854)	$ (1,734)	$ 206,279
Compensation expense for issuance of stock options to employees	—	—	—	498	—	—	498
Compensation expense for issuance of restricted stock to employees	—	—	—	456	—	—	456
Interest payment for convertible notes	1,636	2	—	6,208	—	—	6,210
Other comprehensive loss, net of tax	—	—	—	—	—	(99)	(99)
Net loss	—	—	—	—	(22,864)	—	(22,864)
Balance at June 30, 2021	11,112	$ 11	$ (638)	$ 1,015,659	$ (822,718)	$ (1,833)	$ 190,481

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

(unaudited)

(In thousands)	Common stock Number of shares	Common stock Par value	Treasury stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive (loss) income	Total stockholders equity
Balance at December 31, 2019	7,964	$ 8	$ (638)	$ 979,428	$ (666,809)	$ (1,169)	$ 310,820
Compensation expense for issuance of stock options to employees	—	—	—	1,976	—	—	1,976
Compensation expense for issuance of restricted stock to employees	1	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	350	350
Net loss	—	—	—	—	(6,472)	—	(6,472)
Balance at March 31, 2020	7,965	$ 8	$ (638)	$ 981,404	$ (673,281)	$ (819)	$ 306,674
Compensation expense for issuance of stock options to employees	—	—	—	2,056	—	—	2,056
Other comprehensive loss, net of tax	—	—	—	—	—	(404)	(404)
Net loss	—	—	—	—	(17,421)	—	(17,421)
Balance at June 30, 2020	7,965	$ 8	$ (638)	$ 983,460	$ (690,702)	$ (1,223)	$ 290,905

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

(In thousands)	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Cash flows from operating activities:		
Net loss	$ (56,315)	$ (23,893)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Share-based compensation expense	1,661	4,032
Amortization of net premiums and discounts on investments	—	(47)
Amortization of debt discount and debt issuance costs	8,575	8,107
Depreciation and amortization expense	17,161	20,675
Asset impairment	—	4,131
Change in acquired contingent consideration obligation	(6,429)	(9,847)
Non-cash royalty revenue	(5,972)	(5,501)
Deferred tax provision (benefit)	(3,683)	7,379
Change in derivative liability	(580)	(35,456)
Changes in assets and liabilities:		
Decrease in accounts receivable	6,183	7,310
Decrease (increase) in prepaid expenses and other current assets	1,206	(16,174)
Decrease (increase) in inventory	1,054	(7,719)
Decrease in other assets	—	17
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	1,979	(13,009)
Increase (decrease) in other non-current liabilities	(416)	446
Net cash used in operating activities	(35,576)	(59,549)
Cash flows from investing activities:		
Purchases of property and equipment	(164)	(4,222)
Purchases of intangible assets	(26)	—
Proceeds from maturities of investments	—	38,415
Net cash (used in) provided by investing activities	(190)	34,193
Cash flows from financing activities:		
Repayment of Convertible Senior Notes Due 2021	(69,000)	—
Debt issuance costs	—	(981)
Proceeds from sale of Chelsea facility, net	73,969	—
Repayment of loans payable	(655)	(597)
Net cash provided by (used in) financing activities	4,314	(1,578)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(447)	152
Net decrease in cash, cash equivalents and restricted cash	(31,898)	(26,782)
Cash, cash equivalents and restricted cash at beginning of period	102,895	105,192
Cash, cash equivalents and restricted cash at end of period	$ 70,996	$ 78,410
Supplemental disclosure:		
Cash paid for interest	$ 6	$ 6,067
Cash paid for taxes	23	208

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(unaudited)

(1) Organization and Business Activities

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

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information, Accounting Standards Codification (ASC) Topic 270-10 and with the instructions to Form 10-Q. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In management's opinion, all adjustments considered necessary for a fair presentation have been included in the interim periods presented and all adjustments are of a normal recurring nature. The Company has evaluated subsequent events through the date of this filing. Operating results for the three and six-month periods ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. When used in these notes, the terms "Acorda" or "the Company" mean Acorda Therapeutics, Inc. The December 31, 2020 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. You should read these unaudited interim condensed consolidated financial statements in conjunction with the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K, for the year ended December 31, 2020.

(2) Summary of Significant Accounting Policies

Our significant accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 31, 2020. Effective January 1, 2021, the Company adopted ASU 2019-12, "Simplifying the Accounting for Income Taxes" (Topic 740). Other than the adoption of the new accounting guidance, our significant accounting policies have not changed materially from December 31, 2020.

Basis of Presentation

On December 31, 2020, we filed an amendment to our Certificate of Incorporation which effected, as of 4:01 p.m. Eastern Time on December 31, 2020, a 1-for-6 reverse stock split of the shares of our outstanding common stock and proportionate reduction in the number of authorized shares of our common stock from 370,000,000 to 61,666,666. Our common stock began trading on a split-adjusted basis on The Nasdaq Global Select Market commencing upon market open on January 4, 2021. The common stock continued to trade under the symbol "ACOR" after the reverse stock split became effective. The reverse stock split applied equally to all outstanding shares of the common stock and did not modify the rights or preferences of the common stock. As such, all figures in this report relating to shares of our common stock (such as share amounts, per share amounts, and conversion rates and prices), including in the financial statements and accompanying notes to the financial statements, have been retroactively restated to reflect the 1-for-6 reverse stock split of our common stock.

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same amounts shown in the statement of cash flows:

	Six-month period ended June 30, 2021		Six-month period ended June 30, 2020	
(In thousands)	Beginning of period	End of period	Beginning of period	End of period
Cash and cash equivalents	$ 71,369	$ 45,714	$ 62,085	$ 40,577
Restricted cash	12,917	12,883	12,836	13,015
Restricted cash non-current	18,609	12,399	30,270	24,819
Total Cash, cash equivalents and restricted cash per statement of cash flows	$ 102,895	$ 70,996	$ 105,191	$ 78,411

Restricted cash represents an escrow account with funds to maintain the interest payments for an amount equal to all remaining scheduled interest payments on the outstanding convertible senior secured notes due 2024 through the interest payment date of June 1, 2023; and a bank account with funds to cover the Company's self-funded employee health insurance. At June 30, 2021, the Company also held $0.3 million of restricted cash related to cash collateralized standby letters of credit in connection with obligations under facility leases and $12.1 million related to the escrow account for interest payments included in restricted cash non-current in the consolidated balance sheet due to the long-term nature of the letters of credit and interest payments. (see Note 10).

Inventory

The major classes of inventory were as follows:

(In thousands)	June 30, 2021	December 31, 2020
Raw materials	$ 983	$ 3,434
Work-in-progress	—	6,602
Finished goods	24,372	18,641
Total	$ 25,355	$ 28,677

The Company reviews inventory, including inventory purchase commitments, for slow moving or obsolete amounts based on expected product sales volume and provides reserves against the carrying amount of inventory as appropriate. On February 10, 2021, we completed the sale of our Chelsea, Massachusetts manufacturing operations to Catalent Pharma Solutions. In connection with the sale of the manufacturing operations, we transferred approximately $2.3 million of raw materials to Catalent (see Note 12). Additionally, in reviewing the inventory for slow moving or obsolete amounts we recorded a charge of $1.3 million for the remaining work-in-progress inventory that was scrapped or discarded during the six-month period ended June 30, 2021.

Foreign Currency Translation

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

Segment and Geographic Information

The Company is managed and operated as one business which is focused on developing therapies that restore function and improve the lives of people with neurological disorders. The entire business is managed by a single management team that reports to the Chief Executive Officer, who is the chief operating decision maker. The Company does not operate separate lines of business with respect to any of its products or product candidates and the Company does not prepare discrete financial information with respect to separate products or product candidates or by location. Accordingly, the Company views its business as one reportable operating segment. Net product revenues reported are derived from the sales of Inbrija and Ampyra in the U.S. for the three and six-month periods ended June 30, 2021 and 2020.

Impairment of Long-Lived Assets

The Company continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful lives of its long-lived assets, including identifiable intangible assets subject to amortization and property plant and equipment, may warrant revision or that the carrying value of the assets may be impaired. Factors the Company considers important that could trigger an impairment review include significant changes in the use of any assets, changes in historical trends in operating performance, changes in projected operating performance, results of clinical trials, stock price,

loss of a major customer and significant negative economic trends. The decline in the trading price of the Company's common stock during the quarter ended June 30, 2021, and related decrease in the Company's market capitalization, was determined to be a triggering event in connection with the Company's review of the recoverability of its long-lived assets for the three-month period ended June 30, 2021. The Company performed a recoverability test during the third quarter of fiscal 2021 using the undiscounted cash flows, which are the sum of the future undiscounted cash flows expected to be derived from the direct use of the long-lived assets to the carrying value of the long-lived assets. Estimates of future cash flows were based on the Company's own assumptions about its own use of the long-lived assets. The cash flow estimation period was based on the long-lived assets' estimated remaining useful life to the Company. After performing the recoverability test, the Company determined that the undiscounted cash flows exceeded the carrying value and the long-lived assets were not impaired. Changes in these assumptions and resulting valuations or further declines in our stock price could result in future long-lived asset impairment charges. Management will continue to monitor any changes in circumstances for indicators of impairment. Any write-downs are treated as permanent reductions in the carrying amount of the assets.

Liquidity

The Company's ability to meet its future operating requirements, repay its liabilities, and meet its other obligations are dependent upon a number of factors, including its ability to generate cash from product sales, reduce planned expenditures, and obtain additional financing. If the Company is unable to generate sufficient cash flow from the sale of its products, it will be required to adopt one or more alternatives, subject to the restrictions contained in the indenture governing its convertible senior secured notes due 2024, such as further reducing expenses, selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous and which are likely to be highly dilutive. Also, the Company's ability to raise additional capital and repay or restructure its indebtedness will depend on the capital markets and its financial condition at such time, among other factors. In addition, financing may not be available when needed, at all, on terms acceptable to us or in accordance with the restrictions described above. As a result of these factors, the Company may not be able to engage in any of the alternative activities, or engage in such activities on desirable terms, which could harm the Company's business, financial condition and results of operations, as well as result in a default on the Company's debt obligations. If the Company is unable to take these actions, it may be forced to significantly alter its business strategy, substantially curtail its current operations, or cease operations altogether.

At June 30, 2021, the Company had $45.7 million of cash and cash equivalents, compared to $71.4 million at December 31, 2020. The Company's June 30, 2021 cash and cash equivalents balance does not include restricted cash, currently held in escrow under the terms of its convertible senior secured notes due 2024, which may potentially be released from escrow if the Company pays interest on those notes using shares of its common stock. The Company incurred a net loss of $56.3 million for the six-month period ended June 30, 2021.

Based on the Company's cash and cash equivalents at June 30, 2021, and the Company's obligations that are due within the next twelve months, management has concluded that there is no substantial doubt regarding the Company's ability to meet its obligations within one year after the date the consolidated financial statements included in this report are issued.

Subsequent Events

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

Accounting Pronouncements Adopted

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes. The ASU enhances and simplifies various aspects of the income tax accounting guidance in ASC 740 and removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years with early adoption permitted. The Company adopted this guidance effective January 1, 2021. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-03, "Codification Improvements to Financial Instruments": The amendments in this update are to clarify, correct errors in, or make minor improvements to a variety of ASC topics. The changes in ASU 2020-03 are not expected to have a significant effect on current accounting practices. The ASU improves various financial instrument topics in the Codification to increase stakeholder awareness of the amendments and to expedite the improvement process by making the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. The ASU is effective for smaller reporting companies for fiscal years beginning after December 15, 2022 with early application permitted. The Company is currently evaluating the impact the adoption of this guidance may have on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This update simplifies the accounting for convertible instruments by eliminating the cash conversion and beneficial conversion feature models which require separate accounting for embedded conversion features. This update also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions and requires the application of the if-converted method for calculating diluted earnings per share. ASU 2020-06 is effective for smaller reporting companies for fiscal periods beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this guidance may have on its consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. The FASB is issuing this Update to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this guidance may have on its consolidated financial statements.

(3) Revenue

In accordance with ASC 606, the Company recognizes revenue when the customer obtains control of a promised good or service, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the good or service. ASC 606 requires entities to record a contract asset when a performance obligation has been satisfied or partially satisfied, but the amount of consideration has not yet been received because the receipt of the consideration is conditioned on something other than the passage of time. ASC 606 also requires an entity to present a revenue contract as a contract liability in instances when a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (e.g. receivable), before the entity transfers a good or service to the customer. We did not have any contract assets or any contract liabilities as of June 30, 2021 and 2020.

The following table disaggregates our revenue by major source. The Company's Royalty Revenue set forth below relates to Fampyra royalties payable under the Company's License and Collaboration Agreement with Biogen. See Note 9 for additional information on the Company's related payment obligation to HealthCare Royalty Partners, or HCRP, in connection with a 2017 royalty purchase agreement with HCRP.

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Revenues:				
Net product revenues:				
Ampyra	$ 21,759	$ 26,079	$ 42,009	$ 46,203
Inbrija	6,440	4,715	11,436	9,068
Other	—	—	1	194
Total net product revenues	28,199	30,794	53,446	55,465
Royalty revenues	3,586	2,824	7,201	6,251
Total net revenues	$ 31,785	$ 33,618	$ 60,647	$ 61,716

(4) Share-based Compensation

During the three-month periods ended June 30, 2021 and 2020, the Company recognized share-based compensation expense of $1.0 million and $2.1 million, respectively. During the six-month periods ended June 30, 2021 and 2020, the Company recognized share-based compensation expense of $1.7 and $4.0 million, respectively. Activity in options and restricted stock during the six-month period ended June 30, 2021 and related balances outstanding as of that date are reflected below. The weighted average fair value per share of options granted to employees for the three-month periods ended June 30, 2021 and 2020 were approximately $2.56 and $3.50, respectively. The weighted average fair value per share of options granted to employees for the six-month periods ended June 30, 2021 and 2020 were approximately $2.58 and $4.21, respectively.

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
(In thousands)	2021	2020	2021	2020
Research and development expense	$ 208	$ 448	$ 374	$ 864
Selling, general and administrative expense	737	1,522	1,271	3,001
Cost of Sales	9	86	16	167
Total	$ 954	$ 2,056	$ 1,661	$ 4,032

A summary of share-based compensation activity for the six-month period ended June 30, 2021 is presented below:

Stock Option Activity

	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Intrinsic Value (In thousands)
Balance at January 1, 2021	1,331	$ 127.13		
Granted	61	3.78		
Cancelled	(239)	119.27		
Exercised	—	—		
Balance at June 30, 2021	1,153	$ 122.22	5.1	$ 67
Vested and expected to vest at June 30, 2021	1,152	$ 122.35	5.1	$ 66
Vested and exercisable at June 30, 2021	994	$ 138.53	4.5	$ 1.1

Restricted Stock and Performance Stock Unit Activity

(In thousands) Restricted Stock and Performance Stock Units	Number of Shares
Nonvested at January 1, 2021	31
Granted	261
Vested	(1)
Forfeited	(19)
Nonvested at June 30, 2021	272

Unrecognized compensation cost for unvested stock options, restricted stock awards and performance stock units as of June 30, 2021 totaled $4.0 million and is expected to be recognized over a weighted average period of approximately 1.1 years.

During the three and six-month periods ended June 30, 2021, the Company did not make any repurchases of shares.

(5) Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the three and six-month periods ended June 30, 2021 and 2020:

(In thousands, except per share data)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Basic and diluted				
Net loss	$ (22,864)	$ (17,421)	$ (56,315)	$ (23,893)
Weighted average common shares outstanding used in computing net loss per share—basic	9,992	7,960	9,733	7,960
Plus: net effect of dilutive stock options and restricted common shares	—	—	—	—
Weighted average common shares outstanding used in computing net loss per share—diluted	9,992	7,960	9,733	7,960
Net loss per share—basic	$ (2.29)	$ (2.19)	$ (5.79)	$ (3.00)
Net loss per share—diluted	$ (2.29)	$ (2.19)	$ (5.79)	$ (3.00)

Securities that could potentially be dilutive are excluded from the computation of diluted loss per share when a loss from continuing operations exists or when the exercise price exceeds the average closing price of the Company's common stock during the period, because their inclusion would result in an anti-dilutive effect on per share amounts.

The following amounts were not included in the calculation of net loss per diluted share because their effects were anti-dilutive:

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Denominator				
Stock options and restricted common shares	1,451	1,570	1,446	1,569

Performance share units are excluded from the calculation of net loss per diluted share as the performance criteria has not been met for the three and six-month periods ended June 30, 2021 and 2020. Additionally, the impact of the convertible senior notes was determined to be anti-dilutive and excluded from the calculation of net loss per diluted share for the three and six-month periods ended June 30, 2021 and 2020.

(6) Income Taxes

The Company's effective income tax rate differs from the U.S. statutory rate primarily due to an increase in the valuation allowance and expense recorded on the equity forfeiture.

For the three-month periods ended June 30, 2021 and 2020, the Company recorded a benefit of $0.5 million and a provision of $(0.6) million for income taxes, respectively. The effective income tax rates for the Company for the three-month periods ended June 30, 2021 and 2020 were 2.3% and (3.4%), respectively. The variances in the effective tax rates for the three-month period ended June 30, 2021 as compared to the three-month period ended June 30, 2020 was due primarily to the valuation allowance recorded on deferred tax assets for which no tax benefit can be recognized and the benefit recorded on the net operating loss carryback under the CARES Act recorded at 21% to recover taxes paid at the previous statutory rate of 35%.

For the six-month periods ended June 30, 2021 and 2020, the Company recorded a benefit of $3.7 million and a benefit of $6.4 million for income taxes, respectively. The effective income tax rates for the Company for the six-month periods ended June 30, 2021 and 2020 were 6.16% and 21.2%, respectively. The variance in effective tax rates for the six-month period ended June 30, 2021 as compared to the six-month period ended June 30, 2020 was due primarily to the valuation allowance recorded on deferred tax assets for which no tax benefit can be recognized, forfeitures of equity based

awards and the benefit recorded on the net operating loss carryback under the CARES Act recorded at 21% to recover taxes paid at the previous statutory rate of 35%.

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

The Company was notified during the first quarter of 2021 that it is being audited by the state of Massachusetts for the tax years 2018 and 2019. There have been no proposed adjustments at this stage of the examination.

The Company also has ongoing state examinations in New Jersey and Minnesota which cover a range of tax periods, 2015 – 2018. There have been no proposed adjustments at this stage of the examinations.

(7) Fair Value Measurements

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates, exchange rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability. The Company's Level 1 assets consist of investments in a Treasury money market fund and U.S. government securities. The Company's level 2 assets consist of investments in corporate bonds and commercial paper which are categorized as short-term investments for investments with original maturities between three months and one year. The Company's Level 3 liabilities represent acquired contingent consideration related to the acquisition of Civitas which are valued using a probability weighted discounted cash flow valuation approach and derivative liabilities related to conversion options for the convertible senior notes due December 2024 which are valued using a binomial model. For assets and liabilities not accounted for at fair value, the carrying values of these accounts approximates their fair values at June 30, 2021, except for the fair value of the Company's convertible senior notes due December 2024, which was approximately $153.4 million as of June 30, 2021. The Company estimates the fair value of its notes utilizing market quotations for the debt (Level 2).

(In thousands)	Level 1	Level 2	Level 3
June 30, 2021			
Assets Carried at Fair Value:			
Money market funds	$ 23,692	$ —	$ —
Corporate bonds	—	—	—
Liabilities Carried at Fair Value:			
Acquired contingent consideration	—	—	41,200
Derivative liability - conversion option	—	—	613
December 31, 2020			
Assets Carried at Fair Value:			
Money market funds	$ 36,693	$ —	$ —
Commercial paper	—	—	—
Corporate bonds	—	—	—
Liabilities Carried at Fair Value:			
Acquired contingent consideration	—	—	48,200
Derivative liability - conversion option	—	—	1,193

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

Acquired contingent consideration

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Acquired contingent consideration:				
Balance, beginning of period	$ 47,000	$ 76,400	$ 48,200	$ 80,300
Fair value change to contingent consideration included in the statement of operations	(5,478)	(6,164)	(6,429)	(9,847)
Royalty payments	(322)	(236)	(571)	(453)
Balance, end of period	$ 41,200	$ 70,000	$ 41,200	$ 70,000

The Company estimates the fair value of its acquired contingent consideration using a probability weighted discounted cash flow valuation approach based on estimated future sales expected from Inbrija (levodopa inhalation powder), an FDA approved drug for the treatment of OFF periods in Parkinson's disease. Using this approach, expected probability adjusted future cash flows are calculated over the expected life of the agreement and discounted to estimate the current value of the liability at the period end date. Some of the more significant assumptions made in the valuation include (i) the estimated revenue forecast for Inbrija, (ii) probabilities of success, and (iii) discount periods and rate. The milestone payments ranged from $1.0 million to $22.0 million for Inbrija. The discount rate used in the valuation was 20.5% for the three and six-month periods ended June 30, 2021. The valuation is performed quarterly and changes in the fair value of the contingent consideration are included in the statement of operations. For the three and six-month periods ended June 30, 2021 and 2020, changes in the fair value of the acquired contingent consideration were primarily due to updates to certain revenue and expense forecast assumptions.

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

Derivative Liability-Conversion Option

The following table represents a reconciliation of the derivative liability recorded in connection with the issuance of the convertible senior secured notes due 2024:

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Derivative Liability-Conversion Option				
Balance, beginning of period	$ 1,418	$ 32,881	$ 1,193	$ 59,409
Fair value adjustment	(805)	(8,928)	(580)	(35,456)
Balance, end of period	$ 613	$ 23,953	$ 613	$ 23,953

During 2019, a derivative liability was initially recorded as a result of the issuance of the 6.00% Convertible Senior Secured Notes due 2024 (see Note 10). The fair value measurement of the derivative liability is classified as Level 3 under the fair value hierarchy as it has been valued using certain unobservable inputs. These inputs include: (1) share price as of the valuation date, (2) assumed timing of conversion of the Notes, (3) historical volatility of the share price, and (4) the risk-adjusted discount rate used to present value the probability-weighted cash flows. Significant increases or decreases in any of those inputs in isolation could result in a significantly lower or higher fair value measurement. The fair value of the derivative liability was determined using a binomial model that calculates the fair value of the Notes with the conversion feature as compared to the fair value of the Notes without the conversion feature, with the difference representing the value of the conversion feature, or the derivative liability. There are several embedded features within the Notes which, upon issuance, did not meet the conditions for equity classification. As a result, these features were aggregated together and recorded as a derivative liability conversion option. The derivative liability conversion feature is measured at fair value on a quarterly basis

and changes in the fair value will be recorded in the consolidated statement of operations. The Company received stockholder approval on August 28, 2020 to increase the number of authorized shares of the Company's common stock from 13,333,333 shares to 61,666,666 shares. As a result of the share approval, the Company determined that multiple embedded conversion options met the conditions for equity classification. The Company performed a valuation of these conversion options as of September 17, 2020, which was the date the Company completed certain securities registration obligations. The resulting fair value of these conversion options was calculated to be $18.3 million which was reclassified to equity and presented in the statement of stockholder's equity as of September 30, 2020 net of the $4.4 million tax impact. The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The Company performed a valuation of the derivative liability related to certain embedded conversion features that are precluded from equity classification. The fair value of these conversion features was calculated to be $0.6 million as of June 30, 2021. Key inputs used in the calculation of the fair value include stock price, volatility, risky (bond) rate, and the last observed bond price during the six-month period ended June 30, 2021.

(8) Investments

There were no available-for-sale investments at June 30, 2021 and December 31, 2020, respectively.

Short-term investments with maturities of three months or less from date of purchase have been classified as cash equivalents, and amounted to approximately $23.7 million and $36.7 million as of June 30, 2021 and December 31, 2020, respectively. There were no short-term investments will original maturities of greater than 3 months but less than 1 year as of June 30, 2021 and December 31, 2020, respectively. Additionally, there were no short-term investments in an unrealized loss position as of June 30, 2021 and December 31, 2020, respectively. Long-term investments have original maturities of greater than 1 year. There were no investments classified as long-term at June 30, 2021 or December 31, 2020. The Company has determined that there were no other-than-temporary declines in the fair values of its investments as of June 30, 2021 as the Company does not intend to sell its investments and it is not more likely than not that the Company will be required to sell its investments prior to the recovery of its amortized cost basis.

Unrealized holding gains and losses, which relate to debt instruments, are reported within accumulated other comprehensive income (AOCI) in the statements of comprehensive income. There were no changes in AOCI associated with unrealized holding gains or losses on available-for-sale investments during the six-month period ended June 30, 2021.

(9) Liability Related to Sale of Future Royalties

As of October 1, 2017, the Company completed a royalty purchase agreement with HealthCare Royalty Partners, or HCRP ("Royalty Agreement"). In exchange for the payment of $40 million to the Company, HCRP obtained the right to receive Fampyra royalties payable by Biogen under the License and Collaboration Agreement between the Company and Biogen, up to an agreed upon threshold of royalties. When this threshold is met, if ever, the Fampyra royalty revenue will revert back to the Company and the Company will continue to receive the Fampyra royalty revenue from Biogen until the revenue stream ends (see Note 3). The transaction does not include potential future milestones to be paid.

The Company maintained the rights under the license and collaboration agreement with Biogen, therefore, the Royalty Agreement has been accounted for as a liability that will be amortized using the effective interest method over the life of the arrangement, in accordance with the relevant accounting guidance. The Company recorded the receipt of the $40 million payment from HCRP and established a corresponding liability in the amount of $40 million, net of transaction costs of approximately $2.2 million. The net liability is classified between the current and non-current portion of liability related to the sale of future royalties in the consolidated balance sheets based on the recognition of the interest and principal payments to be received by HCRP in the next 12 months from the financial statement reporting date. The total net royalties to be paid, less the net proceeds received will be recorded to interest expense using the effective interest method over the life of the Royalty Agreement. The Company will estimate the payments to be made to HCRP over the term of the Agreement based on forecasted royalties and will calculate the interest rate required to discount such payments back to the liability balance. Over the course of the Royalty Agreement, the actual interest rate will be affected by the amount and timing of net royalty revenue recognized and changes in forecasted revenue. On a quarterly basis, the Company will reassess the effective interest rate and adjust the rate prospectively as necessary.

The following table shows the activity within the liability account for June 30, 2021 and December 31, 2020, respectively:

(In thousands)	June 30, 2021	December 31, 2020
Liability related to sale of future royalties - beginning balance	$ 15,257	$ 24,401
Deferred transaction costs amortized	138	401
Non-cash royalty revenue payable to HCRP	(5,972)	(11,486)
Non-cash interest expense recognized	641	1,941
Liability related to sale of future royalties - ending balance	$ 10,064	$ 15,257

(10) Debt

Convertible Senior Secured Notes Due 2024

On December 24, 2019, the Company completed the private exchange of $276.0 million aggregate principal amount of then-outstanding 1.75% Convertible Senior Notes due 2021 (the "2021 Notes") for a combination of newly-issued 6.00% Convertible Senior Secured Notes due 2024 (the "2024 Notes") and cash. For each $1,000 principal amount of exchanged 2021 Notes, the Company issued $750 principal amount of the 2024 Notes and made a cash payment of $200 (the "Exchange"). In the aggregate, the Company issued approximately $207.0 million aggregate principal amount of the 2024 Notes and paid approximate $55.2 million in cash to participating holders. The Exchange was conducted with a limited number of institutional holders of the 2021 Notes pursuant to Exchange Agreements dated as of December 20, 2019 (each, an "Exchange Agreement").

The 2024 Notes were issued pursuant to an Indenture, dated as of December 23, 2019, among the Company, its wholly owned subsidiary, Civitas Therapeutics, Inc. (along with any domestic subsidiaries acquired or formed after the date of issuance, the "Guarantors"), and Wilmington Trust, National Association, as trustee and collateral agent (the "2024 Indenture"). The 2024 Notes are senior obligations of the Company and the Guarantors, secured by a first priority security interest in substantially all of the assets of the Company and the Guarantors, subject to certain exceptions described in the Security Agreement, dated as of December 23, 2019, between the grantors party thereto and Wilmington Trust, National Association, as collateral agent (the "Security Agreement").

The 2024 Notes will mature on December 1, 2024 unless earlier converted in accordance with their terms prior to such date. Interest on the 2024 Notes is payable semi-annually in arrears at a rate of 6.00% per annum on each June 1 and December 1, beginning on June 1, 2020. The Company may elect to pay interest in cash or shares of the Company's common stock, subject to the satisfaction of certain conditions. If the Company elects to pay interest in shares of common stock, such common stock will have a per share value equal to 95% of the daily volume-weighted average price for the 10 trading days ending on and including the trading day immediately preceding the relevant interest payment date. In June 2021, the Company issued 1,635,833 shares of common stock in satisfaction of the interest payable to holders of the 2024 Notes on June 1, 2021. In connection with this stock-based interest payment approximately $6.2 million of accrued interest was released from restricted cash and became available to the Company for other purposes.

The 2024 Notes are convertible at the option of the holder into shares of common stock of the Company at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date. The adjusted conversion rate for the 2024 Notes is 47.6190 shares of the Company's common stock per $1,000 principal amount of 2024 Notes, representing an adjusted conversion price of approximately $21.00 per share of common stock. The conversion rate was adjusted to reflect the 1-for-6 reverse stock split effected on December 31, 2020 and is subject to additional adjustments in certain circumstances as described in the 2024 Indenture.

The Company may elect to settle conversions of the 2024 Notes in cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. Holders who convert their 2024 Notes prior to June 1, 2023 (other than in connection with a make-whole fundamental change) will also be entitled to an interest make-whole payment equal to the sum of all regularly scheduled stated interest payments, if any, due on such 2024 Notes on each interest payment date occurring after the conversion date for such conversion and on or before June 1, 2023. In addition, the Company will have the right to cause all 2024 Notes then outstanding to be converted automatically if the volume-weighted average price per share of the Company's common stock equals or exceeds 130% of the adjusted conversion price for a specified period of time and certain other conditions are satisfied.

Holders of the 2024 Notes will have the right, at their option, to require the Company to purchase their 2024 Notes if a fundamental change (as defined in the 2024 Indenture) occurs, in each case, at a repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. If a make-whole fundamental change occurs, as described in the 2024 Indenture, and a holder elects to convert its 2024 Notes in connection with such make-whole fundamental change, such holder may be entitled to an increase in the adjusted conversion rate as described in the 2024 Indenture.

Subject to a number of exceptions and qualifications, the 2024 Indenture restricts the ability of the Company and certain of its subsidiaries to, among other things, (i) pay dividends or make other payments or distributions on their capital stock, or purchase, redeem, defease or otherwise acquire or retire for value any capital stock, (ii) make certain investments, (iii) incur indebtedness or issue preferred stock, other than certain forms of permitted debt, which includes, among other items, indebtedness incurred to refinance the 2021 Notes, (iv) create liens on their assets, (v) sell their assets, (vi) enter into certain transactions with affiliates or (vii) merge, consolidate or sell of all or substantially all of their assets. The 2024 Indenture also requires the Company to make an offer to repurchase the 2024 Notes upon the occurrence of certain asset sales.

The 2024 Indenture provides that a number of events will constitute an event of default, including, among other things, (i) a failure to pay interest for 30 days, (ii) failure to pay the 2024 Notes when due at maturity, upon any required repurchase, upon declaration of acceleration or otherwise, (iii) failure to convert the 2024 Notes in accordance with the 2024 Indenture and the failure continues for five business days, (iv) not issuing certain notices required by the 2024 Indenture within a timely manner, (v) failure to comply with the other covenants or agreements in the 2024 Indenture for 60 days following the receipt of a notice of non-compliance, (vi) a default or other failure by the Company to make required payments under other indebtedness of the Company or certain subsidiaries having an outstanding principal amount of $30.0 million or more, (vii) failure by the Company or certain subsidiaries to pay final judgments aggregating in excess of $30.0 million, (viii) certain events of bankruptcy or insolvency and (ix) the commercial launch in the United States of a product determined by the U.S. FDA to be bioequivalent to Inbrija. In the case of an event of default arising from certain events of bankruptcy or insolvency with respect to the Company, all outstanding 2024 Notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 2024 Notes may declare all the notes to be due and payable immediately.

The 2021 Notes received by the Company in the Exchange were cancelled in accordance with their terms. Accordingly, upon completion of the Exchange, $69.0 million of the 2021 Notes remained outstanding.

The Company determined that the exchange of the 2021 Notes for 2024 Notes qualified for a debt extinguishment and recognized a gain on extinguishment of $55.1 million for the year ended December 31, 2019, representing the difference between the fair value of the liability component immediately before the exchange and the carrying value of the debt. The Company recorded an adjustment of $38.4 million to additional paid-in capital to adjust the equity component of 2021 Notes in connection with the extinguishment.

The Company assessed all terms and features of the 2024 Notes in order to identify any potential embedded features that would require bifurcation. As part of this analysis, the Company assessed the economic characteristics and risks of the 2024 Notes, including the conversion, put and call features. The Company concluded the conversion features required bifurcation as a derivative. The fair value of the conversion feature derivative was determined based on the difference between the fair value of the 2024 Notes with the conversion options and the fair value of the 2024 Notes without the conversion options using a binomial model. The Company determined that the fair value of the derivative upon issuance of the 2024 Notes was $59.4 million and recorded this amount as a derivative liability with an offsetting amount as a debt discount as a reduction to the carrying value of the 2024 Notes on the closing date, or December 24, 2019. There are several embedded features within the 2024 Notes which, upon issuance, did not meet the conditions for equity classification. As a result, these features were aggregated together and recorded as the derivative liability conversion option. The conversion feature is measured at fair value on a quarterly basis and the changes in the fair value of the conversion feature for the period will be recognized in the consolidated statements of operations.

The Company received stockholder approval on August 28, 2020 to increase the number of authorized shares of the Company’s common stock from 13,333,333 shares to 61,666,666 shares. As a result of the share approval, the Company determined that multiple embedded conversion options met the conditions for equity classification. The Company performed a valuation of these conversion options as of September 17, 2020, which was the date the Company completed certain securities registration obligations. The resulting fair value of these conversion options was $18.3 million, which was reclassified to equity and presented in the statement of stockholder’s equity as of September 30, 2020, net of the $4.4 million tax impact. The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The Company performed a valuation of the derivative liability related to certain embedded conversion features that are precluded from equity classification. The fair value of these conversion features was calculated to be $0.6 million representing an increase of $0.6 million that is recognized in the consolidated statement of operations for the six-month period ended June 30, 2021.

The outstanding 2024 Note balances as of June 30, 2021 and December 31, 2020 consisted of the following:

(In thousands)	June 30, 2021	December 31, 2020
Liability component:		
Principal	207,000	$ 207,000
Less: debt discount and debt issuance costs, net	(62,975)	(69,381)
Net carrying amount	$ 144,025	$ 137,619
Equity component	$ 18,257	$ 18,257
Derivative liability-conversion option	$ 613	$ 1,193

The Company determined that the expected life of the 2024 Notes was equal to the period through December 1, 2024 as this represents the point at which the 2024 Notes will mature unless earlier converted in accordance with their terms prior to such date. Accordingly, the total debt discount of $75.1 million, inclusive of the fair value of the embedded conversion feature derivative at issuance, is being amortized using the effective interest method through December 1, 2024. For the three and six-month periods ended June 30, 2021, the Company recognized $6.4 million and $12.6 million, respectively, of interest expense related to the 2024 Notes at the effective interest rate of 18.1%. The fair value of the Company's 2024 Notes was approximately $153.4 million as of June 30, 2021.

In connection with the issuance of the 2024 Notes, the Company incurred approximately $5.7 million of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees, and allocated these costs to the liability component and recorded as a reduction in the carrying amount of the debt liability on the balance sheet. The portion allocated to the 2024 Notes is amortized to interest expense over the expected life of the 2024 Notes using the effective interest method.

The following table sets forth total interest expense recognized related to the 2024 Notes for the three and six-month periods ended June 30, 2021 and 2020:

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Contractual interest expense	$ 3,105	$ 3,105	$ 6,210	$ 6,210
Amortization of debt issuance costs	233	195	455	381
Amortization of debt discount	3,041	2,547	5,951	4,984
Total interest expense	$ 6,379	$ 5,847	$ 12,616	$ 11,575

Convertible Senior Notes Due 2021

On June 17, 2014, the Company issued $345 million aggregate principal amount of 1.75% Convertible Senior Notes due 2021 (the "2021 Notes"). On December 24, 2019, the Company completed the private exchange of $276.0 million aggregate principal amount of then-outstanding 2021 Notes for a combination of newly-issued 6.00% Convertible Senior Secured Notes due 2024 and cash. The 2021 Notes received by the Company in the exchange were cancelled in accordance with their terms. Accordingly, upon completion of the exchange, $69.0 million of the 2021 Notes remained outstanding. On June 15, 2021, the Company repaid the outstanding balance of the 2021 Notes using cash on hand.

In accounting for the issuance of the 2021 Notes, the Company separated the 2021 Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2021 Notes as a whole. The equity component is not re-measured as long as it continues to meet the conditions for equity classification.

The outstanding 2021 Note balances as of June 30, 2021 and December 31, 2020 consisted of the following:

(In thousands)	June 30, 2021	December 31, 2020
Liability component:		
Principal	—	$ 69,000
Less: debt discount and debt issuance costs, net	—	(1,029)
Net carrying amount	$ —	$ 67,971
Equity component	$ —	$ 22,791

In connection with the issuance of the 2021 Notes, the Company incurred approximately $7.5 million of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees, and allocated these costs to the liability and equity components based on the allocation of the proceeds. Of the total $7.5 million of debt issuance costs, $1.3 million were allocated to the equity component and recorded as a reduction to additional paid-in capital and $6.2 million were allocated to the liability component and recorded as a reduction in the carrying amount of the debt liability on the balance sheet. The portion allocated to the liability component is amortized to interest expense over the expected life of the 2021 Notes using the effective interest method. The Company wrote off $1.2 million of issuance cost associated with the exchange of the 2021 Notes.

The Company determined the expected life of the debt was equal to the seven year term on the 2021 Notes. The fair value of the Company's convertible senior notes was $0.0 million as of June 30, 2021.

On June 15, 2021, the Company repaid the outstanding balance of the 2021 Notes using cash on hand. The effective interest rate on the liability component was approximately 4.8% for the period from the date of issuance through June 15, 2021.

The following table sets forth total interest expense recognized related to the 2021 Notes for the three and six-month periods ended June 30, 2021 and 2020:

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Contractual interest expense	$ 126	$ 302	$ 428	$ 604
Amortization of debt issuance costs	44	50	95	99
Amortization of debt discount	427	489	934	972
Total interest expense	$ 597	$ 841	$ 1,457	$ 1,675

(11) Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" Topic 842, which amends the guidance in former ASC Topic 840, *Leases*.

The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company utilizes its incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred, if any. Our leases have remaining lease terms of 1 year to 5.5 years, some of which include options to extend the lease term for up to 15 years, and some of which include options to terminate the lease within 1 year.

Operating Leases

We lease certain office and lab space under arrangements classified as leases under ASC 842. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal options ranging from 5 to 15 years.

The exercise of lease renewal options is at our sole discretion. One of our leases also includes an option to early terminate the lease within 1 year.

Ardsley, New York

In June 2011, the Company entered into a 15-year lease for an aggregate of approximately 138,000 square feet of office and laboratory space in Ardsley, New York. In 2014, the Company exercised its option to expand into an additional 25,405 square feet of office space, which the Company occupied in January 2015. The Company has options to extend the term of the lease for three additional five-year periods, and the Company has an option to terminate the lease after 10 years subject to payment of an early termination fee. The Company's extension and early termination rights are subject to specified terms and conditions, including specified time periods when they must be exercised, and are also subject to limitations including that the Company not be in default under the lease.

The Ardsley lease provides for monthly payments of rent during the lease term. These payments consist of base rent, which takes into account the costs of the facility improvements funded by the facility owner prior to the Company's occupancy, and additional rent covering customary items such as charges for utilities, taxes, operating expenses, and other facility fees and charges. The base rent is currently $5.0 million per year, which reflects an annual 2.5% escalation factor.

Chelsea, Massachusetts

Our Civitas subsidiary leased a manufacturing facility in Chelsea, Massachusetts which we used to manufacture Inbrija through February 10, 2021. Civitas leased this facility from North River Everett Ave, LLC pursuant to a lease with a term that expires on December 31, 2025, and Civitas had two additional extension options of five years each. On February 10, 2021, the Company completed the sale of its Chelsea manufacturing operations to Catalent Pharma Solutions. In connection with the sale, Civitas assigned the lease of the Chelsea facility to a Catalent affiliate (see Note 12).

In 2018, the Company initiated a renovation and expansion of a building within the Chelsea manufacturing facility that increased the size of the facility to approximately 95,000 square feet. The project added a new manufacturing production line for Inbrija and other ARCUS products that has greater capacity than the existing manufacturing line, and created additional warehousing space for manufactured product. All costs to renovate and expand the facility through the date of assignment were borne by the Company. Catalent is now responsible for finalizing the expansion, including obtaining needed regulatory approvals.

Additional Facilities

In October 2016, we entered into a 10-year lease agreement with a term commencing January 1, 2017, for approximately 26,000 square feet of lab and office space in Waltham, MA. The lease provides for monthly rental payments over the lease term. The base rent under the lease is currently $1.1 million per year.

Our leases have remaining lease terms of 1 year to 5.5 years, which assumes exercise of the early termination of our Ardsley, NY lease. We do not include any renewal options in our lease terms when calculating our lease liabilities as we are not reasonably certain that we will exercise these options. When calculating the lease liability, we assume exercise of the Ardsley early termination option. The weighted-average remaining lease term for our operating leases was 2.7 years at June 30, 2021. The weighted-average discount rate was 7.13% at June 30, 2021.

ROU assets and lease liabilities related to our operating leases are as follows:

(In thousands)	Balance Sheet Classification	June 30, 2021	December 31, 2020
Right-of-use assets	Right of use assets	$ 8,949	$ 18,481
Current lease liabilities	Current portion of lease liabilities	10,708	7,944
Non-current lease liabilities	Non-current portion of lease liabilities	4,040	17,200

We have lease agreements that contain both lease and non-lease components. We account for lease components together with non-lease components (e.g., common-area maintenance). The components of lease costs were as follows:

(In thousands)	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Operating lease cost	$ 1,408	$ 1,895	$ 2,994	$ 3,796
Variable lease cost	979	704	2,335	1,636
Short-term lease cost	185	451	490	804
Total lease cost	$ 2,572	$ 3,050	$ 5,819	$ 6,236

Future minimum commitments under all non-cancelable operating leases are as follows:

(In thousands)	
2021 (excluding the six months ended June 30, 2021)	$ 3,107
2022	8,191
2023	1,216
2024	1,252
2025	1,290
Later years	1,327
Total lease payments	16,383
Less: Imputed interest	(1,635)
Present value of lease liabilities	$ 14,748

Supplemental cash flow information related to our operating leases are as follows:

(In thousands)	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	$ 3,051	$ 3,869

(12) Disposal of Assets

On January 12, 2021 the Company and Catalent entered into an asset purchase agreement, pursuant to which the Company agreed to sell to Catalent certain assets related to the Company's manufacturing operations located at the facilities situated in Chelsea, Massachusetts (the "Chelsea Facility") and Waltham, Massachusetts (the "Waltham Facility"), for a purchase price of $80 million, plus an additional $2.3 million for raw materials transferred, and the assumption by Catalent of certain liabilities relating to such manufacturing activities. The Company determined that the criterion to classify the property and equipment and prepaid expenses related to the Chelsea manufacturing operations as assets held for sale within the Company's consolidated balance effective December 31, 2020 were met. Accordingly, the assets were classified as current assets held for sale at December 31, 2020 as the Company, at that time, expected to divest the Chelsea manufacturing operations within the next twelve months.

The classification to assets held for sale impacted the net book value of the assets expected to be transferred upon sale. The estimated fair value of the Chelsea manufacturing operations was determined using the purchase price in the purchase agreement along with estimated broker, accounting, legal, and other selling expenses, which resulted in a fair value less costs to sell of approximately $71.8 million. The carrying value of the assets classified as held for sale was approximately $129.7 million, which included property and equipment of $129.6 million and prepaid expenses of $0.1 million. The Company recorded a loss on assets held for sale of $57.9 million against the Chelsea manufacturing operations as of December 31, 2020. Additionally, the expected divestiture of the Chelsea Facility group was not deemed to represent a fundamental strategic shift that would have a major effect on the Company's operations, and accordingly, the operating results of the Chelsea manufacturing operations were not reported as discontinued operations in the Company's consolidated statement of income as of December 31, 2020.

The Company closed the transaction on February 10, 2021. In addition to the property and equipment, prepaid expenses, and raw materials, the Company also assigned the lease of the Chelsea Facility to a Catalent affiliate, which had a net carrying value of $(0.5) million as of the close date. During the three-month period ended March 31, 2021, the Company

recorded a gain on disposal of approximately $0.5 million based on the net assets transferred and final net proceeds received at the close.

(13) Corporate Restructuring

In January 2021, we announced a corporate restructuring to reduce costs and focus our resources on Inbrija, which is a key strategic priority for 2021. As part of the restructuring, we reduced headcount by approximately 16% through a reduction in force (excluding the employees that transferred to Catalent at the closing of the sale of our Chelsea manufacturing operations). All of the reduction in personnel took place during the three-month period ended March 31, 2021.

During the six-month period ended June 30, 2021, the Company incurred $2.2 million of restructuring charges, substantially all of which were cash expenditures, for severance and other employee separation-related costs. Of the restructuring charges, $0.4 million were recorded in research and development expenses and $1.8 million were recorded in selling, general and administrative expenses for the six-month period ended June 30, 2021.

A summary of the restructuring charges for the six-month period ended June 30, 2021 is as follows:

(In thousands)	Restructuring Costs
Restructuring Liability as of December 31, 2020	$ —
Q1 Restructuring Costs	2,124
Q1 Restructuring Payments	(1,891)
Restructuring Liability as of March 31, 2021	$ 233
Q2 Restructuring Costs	27
Q2 Restructuring Payments	(128)
Restructuring Liability as of June 30, 2021	$ 132

(14) Commitments and Contingencies

On November 9, 2020, Drug Royalty III, L.P., and LSRC III S.ar.l. (collectively, "DRI") filed an arbitration claim against us with the American Arbitration Association under a September 26, 2003 License Agreement that we originally entered into with Rush-Presbyterian St. Luke's Medical Center ("Rush"). DRI previously purchased license royalty rights under the license agreement from Rush. DRI alleges a dispute over the last-to-expire patent covering sales of the drug Ampyra under the license agreement, and is claiming damages based on unpaid license royalties of $6 million plus interest. We believe we have valid defenses against this claim and intend to defend ourselves vigorously. While the Company is unable to determine the ultimate outcome of the dispute, and believes it has valid defenses and intends to defend itself vigorously, the Company determined that it is probable that the Company may incur a liability related to the dispute which the Company estimated could be $2 million, inclusive of its legal costs. The Company recorded a liability of $2 million for the year ended December 31, 2020 related to the dispute, however, the Company notes that depending upon the ultimate outcome of the dispute, the potential liability could be more or less than the amount recorded. As of June 30, 2021, the Company continues to believe that the recorded liability established as of December 31, 2020 is appropriate.

In addition to the arbitration described above, from time to time the Company is involved in litigation or other legal proceedings relating to claims arising out operations in the normal course of business. The Company has assessed all litigation and legal proceedings and does not believe that it is probable that a liability has been incurred or that the amount of any potential liability or range of losses can be reasonably estimated. As a result, the Company did not record any loss contingencies for these other matters. litigation expenses are expensed as incurred.

On February 10, 2021, we sold our Chelsea manufacturing operations to Catalent Pharma Solutions. In connection with the sale, we entered into a long-term, global manufacturing services (supply) agreement with a Catalent affiliate pursuant to which they have agreed to manufacture Inbrija for us at the Chelsea facility. The manufacturing services agreement provides that Catalent will manufacture Inbrija (levodopa inhalation powder), to our specifications, and we will purchase Inbrija exclusively from Catalent during the term of the manufacturing services agreement; provided that such exclusivity requirement will not apply to Inbrija intended for sale in China. Under our agreement with Catalent, we are obligated to make minimum purchase commitments for Inbrija through the expiration of the agreement on December 31, 2030. During the three and six-month periods ended June 30, 2021, the Company incurred approximately $4.0 million and $6.2 million, respectively, of minimum purchase commitments with Catalent, which are recognized as cost of sales within the Company's consolidated statement of operations for the period. As of June 30, 2021, the minimum remaining purchase commitment to Catalent was $8.0 million through December 31, 2021, and $18.0 million annually each year thereafter.

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

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

Background

We are a biopharmaceutical company focused on developing therapies that restore function and improve the lives of people with neurological disorders. We market Inbrija (levodopa inhalation powder), which is approved in the U.S. for intermittent treatment of OFF episodes, also known as OFF periods, in people with Parkinson's disease treated with carbidopa/levodopa. Inbrija is for as needed use and utilizes our ARCUS pulmonary delivery system, a technology platform designed to deliver medication through inhalation that we believe has potential to be used in the development of a variety of inhaled medicines. We also market branded Ampyra (dalfampridine) Extended Release Tablets, 10 mg.

Inbrija

Our New Drug Application, or NDA, for Inbrija was approved by the U.S. Food and Drug Administration, or FDA, on December 21, 2018. The approval is for a single dose of 84 mg (administered as two capsules), which may be taken up to five times per day. Inbrija became commercially available in the U.S. on February 28, 2019. Currently, Inbrija is available in the U.S. without the need for a medical exception for approximately 96% of commercial health insurance plan and approximately 25% of Medicare plan lives. Approximately one million people in the U.S. and 1.2 million Europeans are diagnosed with Parkinson's; it is estimated that approximately 40% of people with Parkinson's in the U.S. experience OFF periods. Net revenue for Inbrija was $6.4 million for the quarter ended June 30, 2021 and $4.7 million for the quarter ended June 30, 2020. Due to uncertainties caused by past and potential future impacts of the COVID-19 pandemic and other factors, we are no longer providing projected peak U.S. annual net revenue of Inbrija.

In September 2019, we announced that the European Commission, or EC, approved our Marketing Authorization Application, or MAA, for Inbrija. The approved dose is 66 mg (administered as two capsules) up to five times per day (per European Union, or EU, convention, this reflects emitted dose and is equivalent to the 84 mg labelled dose in the U.S.). Under the MAA, Inbrija is indicated in the EU for the intermittent treatment of episodic motor fluctuations (OFF episodes) in adult patients with Parkinson's disease treated with a levodopa/dopa-decarboxylase inhibitor. Following the ratification of the Withdrawal Agreement between the United Kingdom and the EU, the UK left the EU on January 31, 2020. Effective January 1, 2021, Acorda was granted a grandfathered Marketing Authorization (MA) by the Medicines and Healthcare products Regulatory Agency (MHRA) in the UK which is subject to certain administrative filings that are due by December 31, 2021.

In July 2021, we announced that we entered into distribution and supply agreements with Esteve Pharmaceuticals S.A. to commercialize Inbrija in Spain. Under the terms of the supply agreement, we will receive a significant double-digit percent of the selling price of Inbrija in Spain in exchange for supply of the product. Esteve will have the exclusive distribution rights to Inbrija in Spain and we will supply the product to Esteve. Esteve expects to launch Inbrija in Spain in the fourth quarter of 2022. We are in discussions with potential partners for commercialization of Inbrija in other jurisdictions outside of the U.S., including in Europe, Japan and other countries.

Ampyra

Ampyra became subject to competition from generic versions of Ampyra starting in late 2018 as a result of an adverse U.S. federal district court ruling that invalidated certain Ampyra Orange Book-listed patents. We have experienced a significant decline in Ampyra sales due to competition from several generic versions of Ampyra. Additional manufacturers may market generic versions of Ampyra, and we expect our Ampyra sales will continue to decline over time. Net revenue for Ampyra was $21.8 million for the quarter ended June 30, 2021 and $26.1 million for the quarter ended June 30, 2020.

Convertible Notes

In December 2019, we announced the successful completion of a private exchange of $276 million of our convertible senior notes due in 2021 in exchange for a combination of approximately $207 million aggregate principal amount of newly-issued convertible senior secured notes due 2024 and $55.2 million in cash. The convertible senior secured notes due 2024

have an adjusted conversion price of approximately $21.00 per share. As a result of the exchange, approximately $69 million of convertible senior notes due in 2021 remained outstanding. On June 15, 2021, we repaid the outstanding balance of the 2021 convertible senior notes using cash on hand. More information about the terms and conditions of the 2024 convertible notes is set forth in Note 10 to our Consolidated Financial Statements included in this report as well as in *Financing Arrangements* in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report.

Sale of Chelsea, Massachusetts Manufacturing Operations

In February 2021, we completed the sale of our Chelsea, Massachusetts manufacturing operations to Catalent Pharma Solutions. Pursuant to the transaction, Catalent paid us $80 million in cash, resulting in net proceeds to us of approximately $74 million after transaction fees and expenses and settlement of customary post-closing adjustments. In connection with the sale of the manufacturing operations, we entered into a long-term, global manufacturing services agreement with a Catalent affiliate for the supply of Inbrija. As part of the transaction, Catalent hired substantially all of our prior employees at the Chelsea facility as well as certain of our other employees at our Waltham, Massachusetts facility. We expect to save approximately $10 million in annual operating expenses related to the operation of the manufacturing facility.

Financial Management

In January 2021, we announced a corporate restructuring to reduce costs and focus our resources on Inbrija, which is a key strategic priority for 2021. As part of the restructuring, we reduced headcount by approximately 16% through a reduction in force (excluding the employees that transferred to Catalent at the closing of the sale of our Chelsea manufacturing operations). All of the reduction in personnel took place in the first quarter of 2021. As a result, we expect to realize estimated annualized cost savings related to headcount reduction of approximately $6 million beginning in the second quarter of 2021. We incurred approximately $2.6 million of pre-tax charges, substantially all of which were cash expenditures, for severance and other employee separation-related costs in connection with the restructuring, approximately $2.2 million of which were incurred during the six-month period ended June 30, 2021.

In January 2021, we entered into an At The Market (ATM) Offering Agreement with H.C. Wainwright & Co., LLC as sales agent. Pursuant to the ATM agreement, we may offer and sell shares of our common stock having an aggregate value of up to $15.25 million in an at-the-market offering, subject to a 3% sales commission payable to H.C. Wainwright. If we elect to use the ATM agreement, H.C. Wainwright would be obligated to use commercially reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell shares in accordance with our instructions (including as to price, time or size limit or other parameters or conditions that we may impose). We have not yet sold any shares under the ATM agreement.

As of June 30, 2021, we had cash, cash equivalents and restricted cash of approximately $71.0 million. Restricted cash includes $24.8 million in escrow related to the 6% semi-annual interest portion of the convertible senior secured notes due 2024, payable in cash or stock. As further described in Note 10 to our Consolidated Financial Statements included in this report as well as in *Financing Arrangements* in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report, if we are permitted under the notes indenture and we elect to pay interest due in stock, the cash equivalent will be released from escrow.

Nasdaq Listing Rules and Reverse Stock Split

On December 31, 2020, we filed an amendment to our Certificate of Incorporation which effected, as of 4:01 p.m. Eastern Time on December 31, 2020, a 1-for-6 reverse stock split of the shares of our outstanding common stock and proportionate reduction in the number of authorized shares of our common stock from 370,000,000 to 61,666,666. Our common stock began trading on a split-adjusted basis on The Nasdaq Global Select Market commencing upon market open on January 4, 2021. The common stock continued to trade under the symbol "ACOR" after the reverse stock split became effective. The reverse stock split applied equally to all outstanding shares of the common stock and did not modify the rights or preferences of the common stock. The reverse stock split also resulted in a corresponding adjustment to outstanding equity awards as well as shares reserved for future issuance under our incentive compensation plans. All figures in this report relating to shares of our common stock (such as share amounts, per share amounts, and conversion rates and prices), including in the financial statements and accompanying notes to the financial statements, have been retroactively restated to reflect the 1-for-6 reverse stock split of our common stock.

COVID-19 Pandemic

Our business and financial condition have been impacted by, and are subject to risks resulting from, the COVID-19 (novel coronavirus) pandemic. The COVID-19 pandemic has caused significant disruptions in the healthcare industry. The duration of the pandemic is difficult to predict, and it is likely to have ongoing impacts as it continues. The travel restrictions, "shelter in place" orders, quarantine policies, and general concerns about the spread of COVID-19 have disrupted the delivery of healthcare to patients, for example making it more difficult for some patients to visit with their physician and obtain pharmaceutical prescriptions. Also, healthcare office staffing shortages may delay the administrative work, and particularly insurance-related documentation, needed to obtain reimbursement for prescriptions. We believe these factors contributed to volatility in new Inbrija prescriptions during 2020 and are continuing to impact prescriptions in 2021.

The COVID-related policies, restrictions and concerns may disrupt our operations and those of our customers and suppliers. Also, our operations could be interrupted if we or our customers or suppliers lose the services of key employees or consultants who become ill from COVID-19. These types of disruptions could potentially affect any of our critical business functions, and thus harm our business, including for example our manufacturing, sales and marketing operations as well compliance and certain general and administrative functions. The ultimate impact of the COVID-19 pandemic, or any other health epidemic, is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, healthcare systems or the global economy as a whole. As the pandemic continues, it may result in sustained impacts on demand for our products and our ability to access capital on reasonable terms, or at all.

Inbrija (levodopa inhalation powder)/Parkinson's Disease

Inbrija (levodopa inhalation powder) is the first and only inhaled levodopa, or L-dopa, for intermittent treatment of OFF episodes, also known as OFF periods, in people with Parkinson's disease treated with carbidopa/levodopa regimen. Our New Drug Application, or NDA, for Inbrija was approved by the U.S. Food and Drug Administration, or FDA, on December 21, 2018. The approval is for a single dose of 84 mg (administered as two capsules), which may be taken up to five times per day. Inbrija became commercially available in the U.S. on February 28, 2019. Currently, Inbrija is available in the U.S. without the need for a medical exception for approximately 96% of commercial health insurance plan and approximately 25% of Medicare plan lives. Net revenue for Inbrija was $6.4 million for the quarter ended June 30, 2021 and $4.7 million for the quarter ended June 30, 2020. Due to uncertainties caused by past and potential future impacts of the COVID-19 pandemic and other factors, we are no longer providing projected peak U.S. annual net revenue of Inbrija.

In September 2019, we announced that the European Commission, or EC, approved our Marketing Authorization Application, or MAA, for Inbrija. The approved dose is 66 mg (administered as two capsules) up to five times per day (per European Union, or EU, convention, this reflects emitted dose and is equivalent to the 84 mg labelled dose in the U.S.). Under the MAA, Inbrija is indicated in the EU for the intermittent treatment of episodic motor fluctuations (OFF episodes) in adult patients with Parkinson's disease treated with a levodopa/dopa-decarboxylase inhibitor. The MAA approved Inbrija for use in what were then the 27 countries of the EU, as well as Iceland, Norway and Liechtenstein. Following the ratification of the Withdrawal Agreement between the United Kingdom and the EU, the UK left the EU on January 31, 2020. Effective January 1, 2021, Acorda was granted a grandfathered Marketing Authorization (MA) by the Medicines and Healthcare products Regulatory Agency (MHRA) in the UK which is subject to certain administrative filings that are due by December 31, 2021.

In July 2021, we announced that we entered into distribution and supply agreements with Esteve Pharmaceuticals S.A. to commercialize Inbrija in Spain. Under the terms of the supply agreement, we will receive a significant double-digit percent of the selling price of Inbrija in Spain in exchange for supply of the product. Esteve will have the exclusive distribution rights to Inbrija in Spain and we will supply the product to Esteve. Esteve expects to launch Inbrija in Spain in the fourth quarter of 2022. We are in discussions with potential partners for commercialization of Inbrija in other jurisdictions outside of the U.S., including in Europe, Japan and other countries.

Inbrija is marketed in the U.S. through our own specialty sales force and commercial infrastructure, which we are supplementing with sales representatives provided by a contract commercial organization. Inbrija is distributed in the U.S. primarily through: AllianceRx Walgreens Prime, or Walgreens, a specialty pharmacy that delivers the medication to patients by mail; and ASD Specialty Healthcare, Inc. (an AmeriSource Bergen affiliate). Our neuro-specialty sales and marketing team includes our own sales representatives as well as established teams of Medical Science Liaisons, Regional Reimbursement Directors, and Market Access Account Directors who provide information to payers and physicians on our marketed products; and Market Development Managers who work collaboratively with field teams and corporate personnel to assist in the execution of the Company's strategic initiatives. Our sales representatives (with the contracted

representatives) are targeting approximately 5,000 healthcare providers, currently focusing on a priority list of approximately 2,000 physicians who are high volume prescribers of levodopa/carbidopa. Our Inbrija launch activities are focused on physician awareness and market access as well as patient awareness, education and training.

We have established Prescription Support Services for Inbrija, which we sometimes refer to as the Inbrija hub. Prescription Support Services is designed to help patients navigate their insurance coverage and offer reimbursement support services, when appropriate. Services fall into one of these categories: insurance verification, to research patient insurance benefits and confirm insurance coverage; prior authorization support, to identify prior authorization requirements; and appeals support. For patients that may need assistance paying for their medication, Prescription Support Services offers several support options, including: a program that provides no cost medication to patients who meet specific program eligibility requirements; co-pay support, which may help commercially insured (non-government funded) patients lower their out-of-pocket costs; and a bridge program, for federally-insured patients who experience a delay in coverage determination. We have a no-cost sample program, available at physician offices, to enable patients and their physicians to assess the value of Inbrija before the patient incurs out-of-pocket co-pay or co-insurance costs. In addition, we have a first dispense zero-dollar copay program for commercially-insured patients (which has replaced our previous free trial program) to enable those patients to assess the value of Inbrija before incurring out-of-pocket co-pay or co-insurance costs.

Parkinson's disease is a progressive neurodegenerative disorder resulting from the gradual loss of certain neurons in the brain. These neurons are responsible for producing dopamine and that loss causes a range of symptoms including impaired movement, muscle stiffness and tremors. The standard baseline treatment of Parkinson's disease is oral carbidopa/levodopa, but oral medication can be associated with wide variability in the timing and amount of absorption and there are significant challenges in creating a regimen that consistently maintains therapeutic effects. As Parkinson's progresses, people are likely to experience OFF periods, which are characterized by the return of Parkinson's symptoms that result from low levels of dopamine between doses of oral carbidopa/levodopa. OFF periods are often highly disruptive to people with Parkinson's. Approximately one million people in the U.S. and 1.2 million Europeans are diagnosed with Parkinson's; it is estimated that approximately 40% of people with Parkinson's in the U.S. experience OFF periods.

Inbrija is for as needed use and utilizes our ARCUS platform for inhaled therapeutics. ARCUS is a dry-powder pulmonary drug delivery technology that we believe has potential to be used in the development of a variety of inhaled medicines. The ARCUS platform allows systemic delivery of medication through inhalation, by transforming molecules into a light, porous dry powder. This allows delivery of substantially higher doses of medication than can be delivered via conventional dry powder technologies. We acquired the ARCUS technology platform as part of our 2014 acquisition of Civitas Therapeutics. We have worldwide rights to our ARCUS drug delivery technology, which is protected by extensive know-how and trade secrets and various U.S. and foreign patents, including patents that protect the Inbrija dry powder capsules beyond 2030. We have several patents listed in the Orange Book for Inbrija, including patents expiring between 2022 and 2032, and Inbrija is entitled to three years of new product exclusivity, through December 2021, as posted in the Orange book. We have patents in Europe for Inbrija expiring between 2022 and 2033. One of our European patents, EP 3090773B, has been opposed by an unnamed party. Inbrija also has 10 years of market exclusivity in Europe that is set to expire in 2029.

FDA and European Commission approvals of Inbrija were based on a clinical program that included approximately 900 people with Parkinson's on a carbidopa/levodopa regimen experiencing OFF periods. The Phase 3 pivotal trial for Inbrija – SPAN-PD – was a 12-week, randomized, placebo controlled, double blind study evaluating the effectiveness of Inbrija in patients with mild to moderate Parkinson's experiencing OFF periods. In January 2019, we announced that The Lancet Neurology published results from the SPAN-PD clinical trial.

The SPAN-PD trial met its primary endpoint, with patients showing a statistically significant improvement in motor function at the week 12 visit, as measured by a reduction in Unified Parkinson's Disease Rating Scale (UPDRS) Part III score for Inbrija 84 mg (n=114) compared to placebo (n=112) at 30 minutes post-dose (-9.83 points and -5.91 points respectively; p=0.009). Onset of action was seen as early as 10 minutes. Maintenance of effect continued to 60 minutes post-dose, which is the longest time point assessed in the trial. UPDRS III is a validated scale, which measures Parkinson's disease motor impairment.

The most common adverse reactions with Inbrija (at least 5% and greater than placebo) in the pivotal trial were cough (15% vs. 2%), upper respiratory tract infection (6% vs. 3%), nausea (5% vs. 3%) and discolored sputum (5% vs. 0%).

Inbrija was also studied in a Phase 3 long-term, active-controlled, randomized, open-label study (N=398) assessing safety and tolerability over one year. This study showed the average reduction in FEV1 (forced expiratory volume in 1

second) from baseline was the same (-0.1 L) for the Inbrija and observational cohorts. Patients with chronic obstructive pulmonary disease (COPD), asthma, or other chronic respiratory disease within the last five years were excluded from this study.

Inbrija is not to be used by patients who take or have taken a nonselective monoamine oxidase inhibitor such as phenelzine or tranylcypromine within the last two weeks.

It is not known if Inbrija is safe or effective in children.

Ampyra

Ampyra was approved by the FDA in January 2010 to improve walking in adults with multiple sclerosis. To our knowledge, Ampyra is the first drug approved for this indication. Efficacy was shown in people with all four major types of MS (relapsing remitting, secondary progressive, progressive relapsing and primary progressive). Ampyra became subject to competition from generic versions of Ampyra starting in late 2018 as a result of an adverse U.S. federal district court ruling that invalidated certain Ampyra Orange Book-listed patents. We have experienced a significant decline in Ampyra sales due to competition from several generic versions of Ampyra. Additional manufacturers may market generic versions of Ampyra, and we expect our Ampyra sales will continue to decline over time. Net revenue for Ampyra was $21.8 million for the quarter ended June 30, 2021 and $26.1 million for the quarter ended June 30, 2020.

License and Collaboration Agreement with Biogen

Ampyra is marketed as Fampyra outside the U.S. by Biogen International GmbH, or Biogen, under a license and collaboration agreement that we entered into in June 2009. Fampyra has been approved in a number of countries across Europe, Asia and the Americas. In May 2021, Biogen announced that Fampyra was approved by the National Medical Products Administration in China, and Biogen is evaluating commercial launch options in that country. Under our agreement with Biogen, we are entitled to receive double-digit tiered royalties on net sales of Fampyra and we are also entitled to receive additional payments based on achievement of certain regulatory and sales milestones. In November 2017, we announced a $40 million Fampyra royalty monetization transaction with HealthCare Royalty Partners, or HCRP. In return for the payment to us, HCRP obtained the right to receive these Fampyra royalties up to an agreed-upon threshold. Until this threshold is met, we will not receive Fampyra royalties although we retained the right to receive any potential future milestone payments. The HCRP transaction is accounted for as a liability, as described in Note 9 to our Consolidated Financial Statements included in this report.

Ampyra Patent Update

There are no patents listed in the Orange Book for Ampyra. Ampyra became subject to competition from generic versions of Ampyra starting in late 2018 as a result of an adverse U.S. federal district court ruling that invalidated certain Ampyra Orange Book-listed patents.

There are two European patents, EP 1732548 and EP 2377536, with claims directed to use of a sustained release dalfampridine composition (known under the trade name Fampyra in the European Union) to increase walking speed in a patient with multiple sclerosis. Both European patents are set to expire in 2025, absent any additional exclusivity granted based on regulatory review timelines. Nullity actions have been filed in Germany against both of the German national patents derived from EP 1732548 and EP 2377536 by ratiopharm GmbH, a generic manufacturer affiliated with Teva. Fampyra had 10 years of market exclusivity in the European Union that expired in July 2021.

We will vigorously defend our intellectual property rights.

ARCUS Product Development

We have been exploring opportunities for other proprietary products in which inhaled delivery of medicine using our ARCUS drug delivery technology can provide a significant therapeutic benefit to patients. We believe there are potential opportunities with central nervous system, or CNS, as well as non-CNS, disorders.

Our ARCUS development has been focused on a program for acute treatment of migraine. Existing oral therapies for migraine can be associated with slow onset of action and gastrointestinal challenges. Patients cite the need for rapid relief from migraine symptoms as their most desired medication attribute. Additionally, individuals with migraine may suffer from nausea and delayed gastric emptying which further impact the consistency and efficacy of the oral route of administration. We have been evaluating therapeutic candidates for their suitability to move forward with this program. Due to our three restructurings since 2017 and associated cost-cutting measures, we have deferred consideration of further investment into potential new ARCUS applications in migraine pending additional progress with the Inbrija commercial launch in the U.S.

Should we decide in the future to make investments in any ARCUS development program, we would be reliant on Catalent or another third party supplier for the manufacture of product for that program. Our global supply agreement with Catalent does not provide for the terms and conditions under which Catalent would supply any product or product candidate other than Inbrija. We would be unable to advance the development of any ARCUS inhaled therapeutic candidate unless Catalent is willing to manufacture the candidate for us on commercially reasonable terms, or we could identify another third party manufacturer that would be capable and willing to manufacture the candidate for us on commercially reasonable terms. Also, due to reductions in force, employee attrition and the 2021 sale of our Chelsea manufacturing operations, we believe we lack certain personnel needed for, and would need to hire replacements before continuing with, this research and development work.

In July 2015, the Bill & Melinda Gates Foundation awarded us a grant to support the development of a formulation and delivery system for a dry powder version of lung surfactant, a treatment for neonatal respiratory distress syndrome, or nRDS. In collaboration with the Massachusetts Institute of Technology, we developed a formulation and delivery device based on our proprietary ARCUS drug delivery technology. nRDS is a condition affecting prematurely born infants in which their lungs are underdeveloped and thus lack a sufficient amount of lung surfactant. It can be fatal, or lead to severe, chronic health issues caused by a lack of oxygen getting to the baby's brain and other organs. Delivering liquid surfactant to the lungs via intubation is the standard of care. We believe that our formulation and delivery system may present a more practical alternative for use in developing areas of the world, where intubation poses numerous problems. This program is not aimed at developing a commercial product, but our work on this program could potentially generate information that is useful for adapting the ARCUS drug delivery technology to commercial pediatric uses. We are evaluating next steps for our continuing involvement in this program as it transitions past the grant-funding stage and in light of the sale of our Chelsea manufacturing operations and other factors.

Other Research and Development Programs

Our other research and development programs include rHIgM22 and cimaglermin alfa. rHIgM22 is a remyelinating antibody that is a potential therapeutic for multiple sclerosis. Data from a Phase 1 safety and tolerability trial showed that a single dose of rHIgM22 was not associated with any safety signals. The study was not powered to show efficacy and exploratory measures showed no difference between the treatment groups. Cimaglermin alfa is a member of the neuregulin growth factor family, and has been shown to promote recovery after neurological injury, as well as enhance heart function in animal models of heart failure. We initiated a Phase 1b clinical trial assessing three doses of cimaglermin alfa in people with heart failure, but discontinued enrollment and then received an FDA clinical hold based on the occurrence of a case of hepatotoxicity (liver injury). The FDA clinical hold was lifted after we presented additional data on the hepatotoxicity, but we have not since restarted any clinical study of cimaglermin alfa. We are considering next steps for these programs, which could include potential partnering or out-licensing, but due to our three restructurings since 2017 and associated cost-cutting measures, we have deferred consideration of any further investment pending additional progress with the Inbrija commercial launch in the U.S.

Financial Guidance for 2021

We are providing the following guidance with respect to our 2021 financial performance:

- Net revenue from the sale of Ampyra in 2021 is expected to range from $75 million to $85 million.
- Operating expenses in 2021 are expected to range from $130 million to $140 million. This is a non-GAAP projection that excludes restructuring costs and share-based compensation charges, as more fully described below.

The projected range of operating expenses in 2021 specified above was not prepared in accordance with accounting principles generally accepted in the United States (GAAP) because this guidance excludes restructuring costs and share-based

compensation charges. Due to the forward looking nature of this information, the amount of compensation charges needed to reconcile this measure to the most directly comparable GAAP financial measure is dependent on future changes in the market price of our common stock and is not available at this time. Non-GAAP financial measures are not an alternative for financial measures prepared in accordance with GAAP. However, we believe that the presentation of this non-GAAP financial measure, when viewed in conjunction with actual GAAP results, provides investors with a more meaningful understanding of our ongoing and projected operating performance because it excludes (i) expenses that pertain to a non-routine corporate restructuring, and (ii) non-cash charges that are substantially dependent on changes in the market price of our common stock. We believe this non-GAAP financial measure helps indicate underlying trends in our business and is important in comparing current results with prior period results and understanding expected operating performance. Also, our management uses this non-GAAP financial measure to establish budgets and operational goals, and to manage our business and to evaluate its performance.

Results of Operations

Three-Month Period Ended June 30, 2021 Compared to June 30, 2020

Net Product Revenues

Inbrija

For the three-month period ended June 30, 2020 we recognized product sales of Inbrija following receipt of product by companies in our distribution network, which primarily includes specialty pharmacy providers and ASD Specialty Healthcare, Inc. During the three-month period ended December 31, 2020, we completed the transition from a network of several specialty pharmacies to AllianceRx Walgreens Prime, or Walgreens, as the sole specialty pharmacy for U.S. sales of Inbrija, which we believe has potential benefits to patients and our business. We recognized net revenue from the sale of Inbrija of $6.4 million and $4.7 million for the three-month periods ended June 30, 2021 and 2020, respectively, an increase of $1.7 million or 36.6%. The increase in Inbrija net revenue was due to an increase in net volume of $1.3 million and a net increase in price and discount and allowance adjustments of $0.4 million for the three-month period ended June 30, 2021.

Discounts and allowances which are included as an offset in net revenue consist of allowances for customer credits, including estimated chargebacks, rebates, returns and discounts. Discounts and allowances are recorded following shipment of our products to our customers. Adjustments are recorded for estimated chargebacks, rebates, and discounts. Discounts and allowances also consist of discounts provided to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (*i.e.*, the "donut hole"). Payment of coverage gap discounts is required under the Affordable Care Act, the health care reform legislation enacted in 2010. Discounts and allowances may increase as a percentage of sales as we enter into new managed care contracts in the future.

We believe that first and fourth quarter revenue for our products is subject to certain recurring seasonal factors relating to the commencement of a new calendar year. For example, some patients refill their prescriptions earlier ahead of the new year, in the fourth quarter, in anticipation of the year-end reset of health plan deductibles and the Medicare donut hole, or a year-end switch of their insurance plans or pharmacy benefit providers. Also, we believe that AllianceRx Walgreens Prime, the specialty pharmacy that we use for Inbrija distribution, may increase their Inbrija stock, within contractual limits, in anticipation of the holidays and new year. These factors may seasonally have a positive impact on fourth quarter revenues and a negative impact on first quarter revenues. Also, discounts and allowances typically are highest in the first quarter, and lowest in the fourth quarter, and when this occurs this increases fourth quarter revenues, and decreases first quarter revenues, on a relative basis.

Ampyra

We recognize product sales of Ampyra following receipt of product by companies in our distribution network, which primarily includes specialty pharmacy providers. We recognized net revenue from the sale of Ampyra of $21.8 million and $26.1 million for the three-month periods ended June 30, 2021 and 2020, respectively, a decrease of $4.3 million, or 16.5%. The net revenue decrease is due primarily to a decrease in net volume of $7.2 million, partially offset by net price increase and discount and allowance adjustments of $3.0 million for the three-month period ended June 30, 2021.

Discounts and allowances which are included as an offset in net revenue consist of allowances for customer credits, including estimated chargebacks, rebates, returns and discounts. Discounts and allowances are recorded following shipment of our products to our customers. Adjustments are recorded for estimated chargebacks, rebates, and discounts. Discounts and allowances also consist of discounts provided to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the "donut hole"). Payment of coverage gap discounts is required under the Affordable Care Act, the health care reform legislation enacted in 2010. Discounts and allowances may increase as a percentage of sales as we enter into managed care contracts in the future.

We believe that first and fourth quarter revenue for our products is subject to certain recurring seasonal factors relating to the commencement of a new calendar year. For example, some patients refill their prescriptions earlier ahead of the new year, in the fourth quarter, in anticipation of the year-end reset of health plan deductibles and the Medicare donut hole, or a year-end switch of their insurance plans or pharmacy benefit providers. Also, we believe specialty pharmacies may increase their Ampyra stock in anticipation of the holidays and new year. These factors may seasonally have a positive impact on fourth quarter revenues and a negative impact on first quarter revenues. Also, discounts and allowances typically are highest in the first quarter, and lowest in the fourth quarter, and when this occurs this increases fourth quarter revenues, and decreases first quarter revenues, on a relative basis.

Royalty Revenue

We recognized $3.6 million and $2.8 million in royalty revenue for the three-month periods ended June 30, 2021 and 2020, respectively, an increase of $0.8 million, or 28.6%.

Cost of Sales

We recorded cost of sales of $11.3 million for the three-month period ended June 30, 2021 as compared to $6.7 million for the three-month period ended June 30, 2020. Cost of sales for the three-month period ended June 30, 2021 consisted primarily of $11.0 million in inventory costs related to recognized revenues and $0.3 million in royalty fees based on net product shipments. Cost of sales for the three-month period ended June 30, 2020 consisted primarily of $6.4 million in inventory costs related to recognized revenues and $0.2 million in royalty fees based on net product shipments.

Amortization of intangibles

We recorded amortization of intangible asset related to Inbrija of $7.7 million for the three-month periods ended June 30, 2021 and 2020.

Research and Development

Research and development expenses for the three-month period ended June 30, 2021 were $2.4 million as compared to $5.3 million for the three-month period ended June 30, 2020, a decrease of approximately $2.9 million, or 54.7%. The decrease was primarily due to reductions in Civitas spending of $1.0 million due to the commercialization of Inbrija, reductions of $1.8 million due to restructuring and decrease in several programs to shift focus on Inbrija launch, and reductions of $0.1 million in research and development expenses related to Biotie.

Selling, General and Administrative

Sales and marketing expenses for the three-month period ended June 30, 2021 were $14.7 million compared to $20.2 million for the three-month period ended June 30, 2020, a decrease of approximately $5.5 million, or 27.2%. The decrease was primarily due to a decrease in marketing related spending of $2.2 million due to launch activities for Inbrija, a decrease in overall salaries and benefits of $3.1 million and a decrease in spending related to marketing for Ampyra of $0.2 million.

General and administrative expenses for the three-month period ended June 30, 2021 were $17.7 million compared to $18.5 million for the three-month period ended June 30, 2020, a decrease of approximately $0.8 million, or 4.3%. The decrease was primarily due to an increase in legal expenses of $2.3 million and an increase of $1.5 million in other departmental spending, partially offset by a decrease in overall salaries and benefit costs of $2.4 million and a decrease in Civitas spending of $2.2 million due to the sale of the Chelsea facility manufacturing operations.

Change in Fair Value of Derivative Liability

A derivative liability was recorded in December 2019 as a result of the issuance of the 6.00% Convertible Senior Secured Notes due 2024. The derivative liability is measured at fair value on a quarterly basis and changes in the fair value are recorded in the consolidated statement of operations. We recorded income of $0.8 million due to the change in the fair value of the derivative liability for the three-month period ended June 30, 2021.

Changes in Fair Value of Acquired Contingent Consideration

As a result of the original spin out of Civitas from Alkermes, part of the consideration to Alkermes was a future royalty to be paid to Alkermes on Inbrija. Acorda acquired this contingent consideration as part of the Civitas acquisition. The fair value of that future royalty is assessed quarterly. We recorded income pertaining to changes in the fair value of our acquired contingent consideration of $5.5 million for the three-month period ended June 30, 2021 as compared to $6.2 million for the three-month period ended June 30, 2020. The changes in the fair-value of the acquired contingent consideration were primarily due to updates to certain revenue and expense forecast assumptions.

Other Expense, Net

Other expense, net was $7.7 million and $7.3 million for the three-month periods ended June 30, 2021 and 2020, respectively.

Benefit/(Provision) from Income Taxes

For the three-month periods ended June 30, 2021 and 2020, the Company recorded a benefit from income taxes of $0.5 million and a provision of $(0.6) million, respectively. The effective income tax rates for the Company for the three-month periods ended June 30, 2021 and 2020 were 2.3% and (3.4%), respectively.

The variance in the effective tax rates for the three-month period ended June 30, 2021 as compared to the three-month period ended June 30, 2020 was due primarily to an increase in the valuation allowance offset by the benefit of net operating loss carryback under the CARES Act recorded at 21% to recover taxes paid at the previous statutory rate of 35%.

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

The Company has ongoing state examinations in Massachusetts, New Jersey and Minnesota which cover multiple years. There have been no proposed adjustments at this stage of the examination.

Six-Month Period Ended June 30, 2021 Compared to June 30, 2020

Net Product Revenues

Inbrija

We recognize product sales of Inbrija following receipt of product by companies in our distribution network, which primarily includes specialty pharmacy providers and ASD Specialty Healthcare, Inc. We recognized net revenue from the sale of Inbrija of $11.4 million and $9.1 million for the six-month periods ended June 30, 2021 and June 30, 2020, respectively, an increase of $2.3 million, or 25.3%. The increase in Inbrija net revenue was due to an increase in net volume of $1.5 million and a net increase in price and discount and allowance adjustments of $0.8 million for the six-month period ended June 30, 2021.

Discounts and allowances which are included as an offset in net revenue consist of allowances for customer credits, including estimated chargebacks, rebates, returns and discounts. Discounts and allowances are recorded following shipment of our products to our customers. Adjustments are recorded for estimated chargebacks, rebates, and discounts. Discounts and

allowances also consist of discounts provided to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the "donut hole"). Payment of coverage gap discounts is required under the Affordable Care Act, the health care reform legislation enacted in 2010. Discounts and allowances may increase as a percentage of sales as we enter into managed care contracts in the future.

We believe that first and fourth quarter revenue for our products is subject to certain recurring seasonal factors relating to the commencement of a new calendar year. For example, some patients refill their prescriptions earlier ahead of the new year, in the fourth quarter, in anticipation of the year-end reset of health plan deductibles and the Medicare donut hole, or a year-end switch of their insurance plans or pharmacy benefit providers. Also, we believe that AllianceRx Walgreens Prime, the specialty pharmacy that we use for Inbrija distribution, may increase their Inbrija stock, within contractual limits, in anticipation of the holidays and new year. These factors may seasonally have a positive impact on fourth quarter revenues and a negative impact on first quarter revenues. Also, discounts and allowances typically are highest in the first quarter, and lowest in the fourth quarter, and when this occurs this increases fourth quarter revenues, and decreases first quarter revenues, on a relative basis.

Ampyra

We recognize product sales of Ampyra following receipt of product by companies in our distribution network, which primarily includes specialty pharmacy providers. We recognized net revenue from the sale of Ampyra of $42.0 million and $46.2 million for the six-month periods ended June 30, 2021 and 2020, respectively, a decrease of $4.2 million, or 9.1%. The net revenue decrease is due primarily to decreased net volume of $6.2 million partially offset by discount and allowance adjustments of $2.5 million. Net revenue from sales of Ampyra decreased for the six-month period ended June 30, 2021 compared to the six-month period ended June 30, 2020 due to the entry of generic versions of Ampyra as a result of the invalidation of certain of our Ampyra patents in 2017.

Discounts and allowances which are included as an offset in net revenue consist of allowances for customer credits, including estimated chargebacks, rebates, returns and discounts. Discounts and allowances are recorded following shipment of our products to our customers. Adjustments are recorded for estimated chargebacks, rebates, and discounts. Discounts and allowances also consist of discounts provided to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the "donut hole"). Payment of coverage gap discounts is required under the Affordable Care Act, the health care reform legislation enacted in 2010. Discounts and allowances may increase as a percentage of sales as we enter into managed care contracts in the future.

We believe that first and fourth quarter revenue for our products is subject to certain recurring seasonal factors relating to the commencement of a new calendar year. For example, some patients refill their prescriptions earlier ahead of the new year, in the fourth quarter, in anticipation of the year-end reset of health plan deductibles and the Medicare donut hole, or a year-end switch of their insurance plans or pharmacy benefit providers. Also, we believe specialty pharmacies may increase their Ampyra stock in anticipation of the holidays and new year. These factors may seasonally have a positive impact on fourth quarter revenues and a negative impact on first quarter revenues. Also, discounts and allowances typically are highest in the first quarter, and lowest in the fourth quarter, and when this occurs this increases fourth quarter revenues, and decreases first quarter revenues, on a relative basis.

Other Product Revenues

We recognized negligible revenue from the sale of other products for the six-month period ended June 30, 2021 as compared to $0.2 million for the six-month period ended June 30, 2020.

Royalty Revenue

We recognized $7.2 million and $6.3 million in royalty revenue for the six-month periods ended June 30, 2021 and 2020, respectively related to ex-U.S. sales of Fampyra by Biogen.

Cost of Sales

We recorded cost of sales of $23.3 million for the six-month period ended June 30, 2021 as compared to $10.5 million for the six-month period ended June 30, 2020. Cost of sales for the six-month period ended June 30, 2021 consisted primarily of $21.3 million in inventory costs related to recognized revenues, $0.6 million in royalty fees based on net product

shipments, idle capacity costs of $0.1 million, and $1.3 million in period costs related to expired inventory, freight, stability testing, and packaging. Cost of sales for the six-month period ended June 30, 2020 consisted primarily of $9.8 million in inventory costs related to recognized revenues and $0.5 million in royalty fees based on net product shipments.

Amortization of intangibles

We recorded amortization of intangible asset related to Inbrija of $15.4 million for the six-month periods ended June 30, 2021 and June 30, 2020.

Research and Development

Research and development expenses for the six-month period ended June 30, 2021 were $7.1 million as compared to $13.0 million for the six-month period ended June 30, 2020, a decrease of approximately $5.9 million, or 45.4%. The decrease was due primarily to reductions in Civitas spending of $2.7 million due to the commercialization of Inbrija, reductions of $3.0 million due to restructuring and decrease in several programs to shift focus on Inbrija launch, and reductions of $0.1 million in research and development expenses related to Biotie.

Selling, General and Administrative

Sales and marketing expenses for the six-month period ended June 30, 2021 were $29.9 million compared to $43.3 million for the six-month period ended June 30, 2020, a decrease of approximately $13.4 million, or 31%. The decrease was attributable primarily to a decrease in overall salaries and benefits of $5.0 million, a decrease in spending related to marketing for Ampyra of $1.1 million, and a decrease in Inbrija spending of $7.3 million.

General and administrative expenses for the six-month period ended June 30, 2021 and June 30, 2020 were $36.5 million.

Change in Fair Value of Derivative Liability

A derivative liability was recorded in December 2019 as a result of the issuance of the 6.00% Convertible Senior Secured Notes due 2024. The derivative liability is measured at fair value on a quarterly basis and changes in the fair value are recorded in the consolidated statement of operations. We recorded income of $0.6 million due to the change in the fair value of the derivative liability for the six-month period ended June 30, 2021.

Changes in Fair Value of Acquired Contingent Consideration

As a result of the original Civitas spin out of Alkermes, part of the consideration to Alkermes was a future royalty to be paid to Alkermes on Inbrija. Acorda acquired this contingent consideration as part of the Civitas acquisition. The fair value of that future royalty is assessed quarterly. We recorded an income pertaining to changes in the fair-value of acquired contingent consideration of $6.4 million for the six-month period ended June 30, 2021 as compared to $9.8 million for the six-month period ended June 30, 2020. The changes in the fair-value of the acquired contingent consideration were primarily due to updates to certain product revenue and expense forecast assumptions.

Other Expense, Net

Other expense, net was $15.5 million for the six-month period ended June 30, 2021 as compared to $14.6 million for the six-month period ended June 30, 2020. The change was due primarily to an increase in amortization of debt discount expense of $0.5 million and a reduction in interest income of $0.5 million.

Benefit from Income Taxes

For the six-month periods ended June 30, 2021 and 2020, the Company recorded a benefit of $3.7 million and a benefit of $6.4 million for income taxes, respectively. The effective income tax rates for the Company for the six-month periods ended June 30, 2021 and 2020 were 6.16% and 21.2%, respectively. The variance in the effective tax rates for the six-month period ended June 30, 2021 as compared to the six-month period ended June 30, 2020 was due primarily to the valuation allowance recorded on deferred tax assets for which no tax benefit can be recognized, forfeitures of equity based awards and the benefit recorded on the net operating loss carryback under the CARES Act recorded at 21% to recover taxes paid at the previous statutory rate of 35%.

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

The Company was notified during the three-month period ended March 31, 2021, that it is being audited by the state of Massachusetts for tax years 2018 and 2019. There have been no proposed adjustments at this stage of the examination.

The Company has ongoing state examinations in New Jersey and Minnesota which cover multiple years. There have been no proposed adjustments at this stage of the examination.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily from: private placements and public offerings of our capital stock; borrowing money through loans and the issuance of debt instruments; payments received under our collaboration and licensing agreements; revenue from sales of Ampyra, Fampyra, and Inbrija, as well as our former products, Zanaflex and Qutenza; royalty monetizations and our revenue interest financing arrangement; and, to a lesser extent, funding from government grants. Also, in February 2021, we obtained additional capital from the sale of our Chelsea manufacturing operations.

At June 30, 2021, we had $45.7 million of cash and cash equivalents, compared to $71.4 million at December 31, 2020. Our June 30, 2021 cash and cash equivalents balance does not include restricted cash, currently held in escrow under the terms of our convertible senior secured notes due 2024, further described below under *Financing Arrangements*, which may potentially be released from escrow if we pay interest on those notes using shares of our common stock. We incurred a net loss of $56.3 million and $99.6 million for the six-month period ended June 30, 2021 and the year ended December 31, 2020.

Our future capital requirements will depend on a number of factors, including:

- the amount of revenue generated from sales of Inbrija and Ampyra;
- our ability to manage operating expenses;
- the amount and timing of purchase price, milestone or other payments that we may owe or have a right to receive under collaboration, license, asset sale, acquisition, or other agreements or transactions; and the extent to which the terms and conditions of our convertible senior secured notes due 2024 restrict or direct our use of proceeds from such transactions;
- our ability to make required payments relating to our convertible senior secured notes due 2024 (the “2024 Notes”), as described below under *Financing Arrangements*, using shares of our common stock rather than cash;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights; and
- capital required or used for future acquisitions, to in-license new products, programs or compounds, or for research and development relating to existing or future acquired or in-licensed programs or compounds.

Our ability to meet our future operating requirements, repay our liabilities, and meet our other obligations are dependent upon a number of factors, including our ability to generate cash from product sales, reduce planned expenditures, and obtain additional financing. If we are unable to generate sufficient cash flow from the sale of our products, we may be required to adopt one or more alternatives, subject to the restrictions contained in the indenture governing our 2024 Notes, such as further reducing expenses, selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous and which are likely to be highly dilutive. Also, our ability to raise additional capital and repay or restructure our indebtedness will depend on the capital markets and our financial condition at such time, among other factors. In addition, financing may not be available when needed, at all, on terms acceptable to us or in accordance with the restrictions described above.

Financing Arrangements

Convertible Senior Secured Notes Due 2024

On December 24, 2019, the Company completed the private exchange of $276.0 million aggregate principal amount of then-outstanding 1.75% Convertible Senior Notes due 2021 (the "2021 Notes") for a combination of newly-issued 6.00% Convertible Senior Secured Notes due 2024 (the "2024 Notes") and cash. For each $1,000 principal amount of exchanged 2021 Notes, the Company issued $750 principal amount of the 2024 Notes and made a cash payment of $200 (the "Exchange"). In the aggregate, the Company issued approximately $207.0 million aggregate principal amount of the 2024 Notes and paid approximate $55.2 million in cash to participating holders. The Exchange was conducted with a limited number of institutional holders of the 2021 Notes pursuant to Exchange Agreements dated as of December 20, 2019 (each, an "Exchange Agreement").

The 2024 Notes were issued pursuant to an Indenture, dated as of December 23, 2019, among the Company, its wholly owned subsidiary, Civitas Therapeutics, Inc. (along with any domestic subsidiaries acquired or formed after the date of issuance, the "Guarantors"), and Wilmington Trust, National Association, as trustee and collateral agent (the "2024 Indenture"). The 2024 Notes are senior obligations of the Company and the Guarantors, secured by a first priority security interest in substantially all of the assets of the Company and the Guarantors, subject to certain exceptions described in the Security Agreement, dated as of December 23, 2019, between the grantors party thereto and Wilmington Trust, National Association, as collateral agent (the "Security Agreement").

The 2024 Notes will mature on December 1, 2024 unless earlier converted in accordance with their terms prior to such date. Interest on the 2024 Notes is payable semi-annually in arrears at a rate of 6.00% per annum on each June 1 and December 1, beginning on June 1, 2020. The Company may elect to pay interest in cash or shares of the Company's common stock, subject to the satisfaction of certain conditions. If the Company elects to pay interest in shares of common stock, such common stock will have a per share value equal to 95% of the daily volume-weighted average price for the 10 trading days ending on and including the trading day immediately preceding the relevant interest payment date. In June 2021, the Company issued 1,635,833 shares of common stock in satisfaction of the interest payable to holders of the 2024 Notes on June 1, 2021. In connection with this stock-based interest payment approximately $6.2 million of accrued interest was released from restricted case and became available to the Company for other purposes.

The 2024 Notes are convertible at the option of the holder into shares of common stock of the Company at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date. The adjusted conversion rate for the 2024 Notes is 47.6190 shares of the Company's common stock per $1,000 principal amount of 2024 Notes, representing an adjusted conversion price of approximately $21.00 per share of common stock. The conversion rate was adjusted to reflect the 1-for-6 reverse stock split effected on December 31, 2020 and is subject to additional adjustments in certain circumstances as described in the 2024 Indenture.

The Company may elect to settle conversions of the 2024 Notes in cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. Holders who convert their 2024 Notes prior to June 1, 2023 (other than in connection with a make-whole fundamental change) will also be entitled to an interest make-whole payment equal to the sum of all regularly scheduled stated interest payments, if any, due on such 2024 Notes on each interest payment date occurring after the conversion date for such conversion and on or before June 1, 2023. In addition, the Company will have the right to cause all 2024 Notes then outstanding to be converted automatically if the volume-weighted average price per share of the Company's common stock equals or exceeds 130% of the adjusted conversion price for a specified period of time and certain other conditions are satisfied.

Holders of the 2024 Notes will have the right, at their option, to require the Company to purchase their 2024 Notes if a fundamental change (as defined in the 2024 Indenture) occurs, in each case, at a repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. If a make-whole fundamental change occurs, as described in the 2024 Indenture, and a holder elects to convert its 2024 Notes in connection with such make-whole fundamental change, such holder may be entitled to an increase in the adjusted conversion rate as described in the 2024 Indenture.

Subject to a number of exceptions and qualifications, the 2024 Indenture restricts the ability of the Company and certain of its subsidiaries to, among other things, (i) pay dividends or make other payments or distributions on their capital stock, or purchase, redeem, defease or otherwise acquire or retire for value any capital stock, (ii) make certain investments, (iii) incur indebtedness or issue preferred stock, other than certain forms of permitted debt, which includes, among other

items, indebtedness incurred to refinance the 2021 Notes, (iv) create liens on their assets, (v) sell their assets, (vi) enter into certain transactions with affiliates or (vii) merge, consolidate or sell of all or substantially all of their assets. The 2024 Indenture also requires the Company to make an offer to repurchase the 2024 Notes upon the occurrence of certain asset sales.

The 2024 Indenture provides that a number of events will constitute an event of default, including, among other things, (i) a failure to pay interest for 30 days, (ii) failure to pay the 2024 Notes when due at maturity, upon any required repurchase, upon declaration of acceleration or otherwise, (iii) failure to convert the 2024 Notes in accordance with the 2024 Indenture and the failure continues for five business days, (iv) not issuing certain notices required by the 2024 Indenture within a timely manner, (v) failure to comply with the other covenants or agreements in the 2024 Indenture for 60 days following the receipt of a notice of non-compliance, (vi) a default or other failure by the Company to make required payments under other indebtedness of the Company or certain subsidiaries having an outstanding principal amount of $30.0 million or more, (vii) failure by the Company or certain subsidiaries to pay final judgments aggregating in excess of $30.0 million, (viii) certain events of bankruptcy or insolvency and (ix) the commercial launch in the United States of a product determined by the U.S. FDA to be bioequivalent to Inbrija. In the case of an event of default arising from certain events of bankruptcy or insolvency with respect to the Company, all outstanding 2024 Notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 2024 Notes may declare all the notes to be due and payable immediately.

The 2021 Notes received by the Company in the Exchange were cancelled in accordance with their terms. Accordingly, upon completion of the Exchange, $69.0 million of the 2021 Notes remained outstanding.

The Company assessed all terms and features of the 2024 Notes in order to identify any potential embedded features that would require bifurcation. As part of this analysis, the Company assessed the economic characteristics and risks of the 2024 Notes, including the conversion, put and call features. The Company concluded the conversion features required bifurcation as a derivative. The fair value of the conversion feature derivative was determined based on the difference between the fair value of the 2024 Notes with the conversion options and the fair value of the 2024 Notes without the conversion options using a binomial model. The Company determined that the fair value of the derivative upon issuance of the 2024 Notes was $59.4 million and recorded this amount as a derivative liability with an offsetting amount as a debt discount as a reduction to the carrying value of the 2024 Notes on the closing date, or December 24, 2019. There are several embedded features within the 2024 Notes which, upon issuance, did not meet the conditions for equity classification. As a result, these features were aggregated together and recorded as the derivative liability conversion option. The conversion feature is measured at fair value on a quarterly basis and the changes in the fair value of the conversion feature for the period will be recognized in the consolidated statements of operations.

The Company received stockholder approval on August 28, 2020 to increase the number of authorized shares of the Company's common stock from 13,333,333 shares to 61,666,666 shares. As a result of the share approval, the Company determined that multiple embedded conversion options met the conditions for equity classification. The Company performed a valuation of these conversion options as of September 17, 2020, which was the date the Company completed certain securities registration obligations. The resulting fair value of these conversion options was $18.3 million, which was reclassified to equity and presented in the statement of stockholder's equity as of September 30, 2020, net of the $4.4 million tax impact. The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The Company performed a valuation of the derivative liability related to certain embedded conversion features that are precluded from equity classification. The fair value of these conversion features was calculated to be $0.6 million, representing a change of $0.6 million that is recognized in the consolidated statement of operations for the six-month period ended of June 30, 2021.

The outstanding 2024 Note balance as of June 30, 2021 consisted of the following:

(In thousands)	**June 30, 2021**
Liability component:	
Principal	$ 207,000
Less: debt discount and debt issuance costs, net	(62,975)
Net carrying amount	$ 144,025
Equity component	$ 18,257
Derivative liability-conversion Option	$ 613

Convertible Senior Notes Due 2021

In June 2014, the Company issued $345 million aggregate principal amount of 1.75% Convertible Senior Notes due 2021 (the "2021 Notes"). On December 24, 2019, the Company completed the private exchange of $276.0 million aggregate principal amount of then-outstanding 2021 Notes for a combination of newly-issued 6.00% Convertible Senior Secured Notes due 2024 and cash. Accordingly, upon completion of the exchange, $69.0 million of the 2021 Notes remained outstanding. On June 15, 2021, the Company repaid the outstanding balance of the 2021 Notes using cash on hand.

Non-Convertible Capital Loans

Non-convertible capital loans were granted by Business Finland (formerly Tekes), with an adjusted acquisition-date fair value of $20.5 million (€18.2 million) and a carrying value of $28.3 million as of June 30, 2021. The loans are composed of fourteen non-convertible loans. The loans bear interest based on the greater of 3% or the base rate set by Finland's Ministry of Finance minus one (1) percentage point. The maturity dates for these loans range from eight to ten years from the date of issuance, however, according to certain terms and conditions of the loans, the Company may repay the principal and accrued and unpaid interest of the loans only when the consolidated retained earnings of Biotie is sufficient to fully repay the loans.

Research and Development Loans

Research and Development Loans ("R&D Loans") were granted by Business Finland with an acquisition-date fair value of $2.9 million (€2.6 million) and a carrying value of $0.0 million as of June 30, 2021. The R&D Loans bear interest based on the greater of 1% or the base rate set by Finland's Ministry of Finance minus three (3) percentage points. The repayment of these loans began in January 2017. The loan principal is paid in equal annual installments over a 5 year period, which ended January 2021.

Cash, Cash Equivalents and Investments

At June 30, 2021, cash and cash equivalents were approximately $45.7 million, as compared to $71.4 million at December 31, 2020. Our cash equivalents consist of highly liquid investments with original maturities of three months or less at date of purchase and consist of investments in a Treasury money market fund. 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 June 30, 2021 cash and cash equivalents balance does not include restricted cash, currently held in escrow under the terms of our convertible senior secured notes due 2024, further described above under *Financing Arrangements*, which may potentially be released from escrow if we pay interest on those notes using shares of our common stock.

Net Cash Used in Operations

Net cash used in operations was $35.6 million for the six-month period ending June 30, 2021. Cash used by operations for the six-month period ended June 30, 2021 was primarily due to net loss of $56.3 million, a change in acquired contingent consideration liability of $6.4 million, non-cash royalty revenue of $6.0 million, deferred tax benefit of $3.7 million, a decrease in other non-current liabilities of $0.4 million, and a change in the derivative liability of $0.6 million. This was partially offset by share based compensation expense of $1.7 million, amortization of debt discount and debt issuance costs of $8.6 million, depreciation and amortization of $17.2 million, a decrease in accounts receivable of $6.2 million, an increase in accounts payable, accrued expenses and other current liabilities of $2.0 million, a decrease in inventory of $1.1 million, and a decrease in prepaid expenses and other assets of $1.2 million.

Net Cash Used in Investing

Net cash used in investing activities for the six-month period ended June 30, 2021 was $0.2 million, which was due primarily to purchases of property and equipment and intangible assets of $0.2 million.

Net Cash Provided by Financing

Net cash provided by financing activities for the six-month period ended June 30, 2021 was $4.3 million, which was primarily due to net proceeds from the sale of the Chelsea facility of $74.0 million, partially offset by the repayment of Convertible Senior Notes due in June 2021 of $69.0 million, and the repayment of loans payable of $0.7 million.

Contractual Obligations and Commitments

A summary of our minimum contractual obligations related to our material outstanding contractual commitments is included in Note 13 of our Annual Report on Form 10-K for the year ended December 31, 2020. Our long-term contractual obligations include commitments and estimated purchase obligations entered into in the normal course of business.

Under certain agreements, we are required to pay royalties or license fees and milestones for the use of technologies and products in our research and development activities and in the commercialization of products. The amount and timing of any of the foregoing payments are not known due to the uncertainty surrounding the successful research, development and commercialization of the products. As of June 30, 2021, we have inventory-related purchase commitments of approximately $2.7 million, as compared to $2.8 million as of December 31, 2020. Under our agreement with Catalent, we are obligated to make minimum purchase commitments for Inbrija through the expiration of the agreement on December 31, 2030. As of June 30, 2021, the minimum remaining purchase commitment to Catalent was $8 million through December 31, 2021, and $18 million annually each year thereafter.

Critical Accounting Policies and Estimates

Our critical accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 31, 2020. Effective January 1, 2021, the Company adopted ASU 2019-12, “Simplifying the Accounting for Income Taxes” (Topic 740). Other than the adoption of the new accounting guidance, our significant accounting policies have not changed materially from December 31, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the Exchange Act) we carried out an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the second quarter of 2021, the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Vice President, Finance and Controller and interim principal financial and accounting officer. Based on that evaluation, these officers have concluded that, as of June 30, 2021, our disclosure controls and procedures were effective to achieve their stated purpose.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules, regulations, and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding disclosure.

Change in internal control over financial reporting

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our President and Chief Executive Officer and our Vice President, Finance and Controller and interim principal financial and accounting officer, concluded that there were no changes in our internal control over financial reporting during the quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the effectiveness of controls

Our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation or other legal proceedings relating to claims arising out of operations in the normal course of our business, including the DRI matter described below. The outcome of litigation and other legal proceedings is unpredictable, and regardless of outcome, they can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

On November 9, 2020, Drug Royalty III, L.P., and LSRC III S.ar.l. (collectively, "DRI") filed an arbitration claim against us with the American Arbitration Association under a September 26, 2003 License Agreement that we originally entered into with Rush-Presbyterian St. Luke's Medical Center ("Rush"). DRI previously purchased license royalty rights under the license agreement from Rush. DRI alleges a dispute over the last-to-expire patent covering sales of the drug Ampyra under the license agreement, and is claiming damages based on unpaid license royalties of $6 million plus interest. We believe we have valid defenses against this claim and intend to defend ourselves vigorously.

Item 1 of Part II of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 includes prior updates to the legal proceeding described above.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2020, as updated in our Quarterly Reports subsequently filed during the current fiscal year, including this report, all of which could materially affect our business, financial condition or future results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Following is the restated text of certain risk factor changes since our publication of risk factors in our 2020 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021.

We do not currently receive any royalties from Biogen for sales of Fampyra, and we will not receive any royalties from Biogen until we satisfy certain financial obligations to HealthCare Royalty Partners under a 2017 royalty monetization transaction; and potential generic Fampyra competition could affect our prospects for receiving additional Fampyra royalties.

Under the terms of our 2017 Fampyra royalty monetization transaction with HealthCare Royalty Partners, we will not receive royalties from the sale of Fampyra until HealthCare Royalty Partners receives an agreed-upon threshold of royalties. After this threshold is met, we will receive Fampyra royalty revenue under the terms of our collaboration agreement with Biogen. Although we believe that threshold may be met in the second half of 2022, we cannot be certain when this will occur, because it depends on Biogen's ability to continue commercializing Fampyra.

Biogen's commercialization of Fampyra depends on factors such as Biogen's ability to obtain and maintain regulatory approvals, its ability to obtain and maintain adequate third party reimbursement as described further in our other publicly disclosed risk factors, as well as the extent to which Fampyra becomes subject to competition from generic versions marketed in European or other countries. Fampyra is no longer protected by regulatory marketing exclusivity in the EU, which expired in July 2021. Accordingly, generic drug manufacturers who have obtained or may obtain marketing approval for generic versions of Fampyra in European countries can potentially launch their products in those European countries, and we and Biogen would need to rely on enforcement of Fampyra patents to prevent competition from those generic versions. Fampyra is covered by claims of two European patents, which are set to expire in 2025, absent any additional exclusivity granted based on regulatory review timelines. However, it is uncertain whether we and Biogen would be successful in any Fampyra patent litigation with generic drug manufacturers, and we and Biogen may be unable to obtain injunctive or similar relief to prevent the commercial launch of a generic product while patent litigation is proceeding. Also, a generic drug manufacturer has filed nullity actions in Germany against both of the German national patents derived from these two patents, and similar legal proceedings could be filed in other European countries challenging Fampyra patents. Lastly, we do not know if Biogen will obtain approval to market and commercialize Fampyra in any new jurisdictions in the future. All of these factors could affect sales of Fampyra sales and accordingly our prospects for receiving additional Fampyra royalties in the future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In June 2021, we issued to the holders of our 6.00% Convertible Senior Secured Notes due 2024 an aggregate of 1,635,833 shares of the Company's common stock, in satisfaction of approximately $6.2 million in interest due under the 2024 convertible notes on June 1, 2021. Pursuant to the indenture under which the 2024 Notes were issued, we may elect to pay interest in cash or shares of our common stock based on the formula set forth in the indenture, subject to conditions specified therein. In connection with the issuance of the shares, an amount corresponding to the $6.2 million of accrued interest was released from escrow and became available to us for other purposes. The issuance of the shares was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification by the Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACORDA THERAPEUTICS, INC.

By: /s/ RON COHEN

Ron Cohen, M.D.

President, Chief Executive Officer and Director

Date: August 12, 2021

By: /s/ ROBERT MORALES

Robert Morales

Vice President, Finance and Controller and interim principal financial and accounting officer

Date: August 12, 2021

EXHIBIT 31.1

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

I, Ron Cohen, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 12, 2021

/s/ Ron Cohen

Ron Cohen
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Robert Morales, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 12, 2021

/s/ Robert Morales

Robert Morales
Vice President, Finance and Controller, and interim principal financial and accounting officer (Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of Acorda Therapeutics, Inc. (the "Company") for the fiscal quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ron Cohen, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Ron Cohen
Ron Cohen
Chief Executive Officer
(Principal Executive Officer)
August 12, 2021

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

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q of Acorda Therapeutics, Inc. (the "Company") for the fiscal quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Morales, Vice President, Finance and Controller, and interim principal financial and accounting officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Robert Morales
Robert Morales
Vice President, Finance and Controller and
interim principal financial and accounting officer
(Principal Financial Officer)
August 12, 2021

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