ACORDA THERAPEUTICS INC
Form 10-Q
August 08, 2017

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, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 000-50513

ACORDA THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

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

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

(914) 347-4300

(Registrant's telephone number,

including area code)

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

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

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a small reporting company)	Small 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 July 31 2017
Common Stock, $0.001 par value	46,650,699 shares

per share

ACORDA THERAPEUTICS, INC.

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This Quarterly Report on Form 10-Q contains forward looking statements relating to future events and our future performance within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Stockholders are cautioned that such statements involve risks and uncertainties, including: the ability to realize the benefits anticipated from the Biotie and Civitas transactions, among other reasons because acquired development programs are generally subject to all the risks inherent in the drug development process and our knowledge of the risks specifically relevant to acquired programs generally improves over time; the ability to successfully integrate Biotie's operations into our operations; we may need to raise additional funds to finance our operations and may not be able to do so on acceptable terms; our ability to successfully market and sell Ampyra (dalfampridine) Extended Release Tablets, 10 mg in the U.S., which will likely be materially adversely affected by the recently announced court decision in our litigation against filers of Abbreviated New Drug Applications to market generic versions of Ampyra in the U.S.; the risk of unfavorable results from future studies of Inbrija (CVT-301, levodopa inhalation powder), tozadenant or from our other research and development programs, or any other acquired or in-licensed programs; we may not be able to complete development of, obtain regulatory approval for, or successfully market Inbrija, tozadenant, or any other products under development; third party payers (including governmental agencies) may not reimburse for the use of Ampyra, Inbrija or our other products at acceptable rates or at all and may impose restrictive prior authorization requirements that limit or block prescriptions; the occurrence of adverse safety events with our products; failure to maintain regulatory approval of or to successfully market Fampyra outside of the U.S. and our dependence on our collaborator Biogen in connection therewith; competition; failure to protect our intellectual property, to defend against the intellectual property claims of others or to obtain third party intellectual property licenses needed for the commercialization of our products; and failure to comply with regulatory requirements could result in adverse action by regulatory agencies. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make, and investors should not place undue reliance on these statements. In addition to the risks and uncertainties described above, we have included important factors in the cautionary statements included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2016, 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," "Zanaflex," "Zanaflex Capsules," "Qutenza" and "ARCUS." Also, our mark "Fampyra" is a registered in the European Community Trademark Office and we have registrations or pending applications for this mark in other jurisdictions. Our trademark portfolio also includes several registered trademarks and pending trademark applications (e.g., "Inbrija") 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, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$141,135	$158,537
Restricted cash	—	79
Trade accounts receivable, net of allowances of $1,014 and $964, as of June 30, 2017 and December 31, 2016, respectively	55,626	52,239
Prepaid expenses	10,190	12,907
Finished goods inventory	43,914	43,135
Other current assets	4,744	5,760
Total current assets	255,609	272,657
Property and equipment, net of accumulated depreciation	37,368	34,310
Goodwill	281,896	280,599
Deferred tax asset	4,400	4,400
Intangible assets, net of accumulated amortization	742,704	742,242
Non-current portion of deferred cost of license revenue	1,955	2,272
Other assets	8,510	5,855
Total assets	$1,332,442	$1,342,335
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$19,967	$26,933
Accrued expenses and other current liabilities	77,503	104,890
Current portion of deferred license revenue	9,057	9,057
Current portion of loans payable	615	6,256
Current portion of convertible notes payable	—	765
Total current liabilities	107,142	147,901
Convertible senior notes (due 2021)	304,045	299,395
Acquired contingent consideration	89,300	72,100
Non-current portion of deferred license revenue	27,927	32,456
Non-current portion of loans payable	24,052	24,635
Deferred tax liability	79,556	92,807
Other non-current liabilities	10,700	8,830
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value. Authorized 80,000,000 shares at June 30,	47	46

2017 and December 31, 2016; issued 46,656,958 and 46,182,738 shares, including those held in treasury, as of June 30, 2017 and December 31, 2016, respectively		
Treasury stock at cost (16,151 shares at June 30, 2017 and 12,420 shares at December 31, 2016)	(389)	(329)
Additional paid-in capital	949,344	921,365
Accumulated deficit	(258,953)	(243,970)
Accumulated other comprehensive loss	(329)	(12,901)
Total stockholders' equity	689,720	664,211
Total liabilities and stockholders' equity	$1,332,442	$1,342,335

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, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
Revenues:				
Net product revenues	$ 132,756	$ 120,695	$ 245,349	$ 230,842
Royalty revenues	4,418	4,499	8,946	7,990
License revenue	2,264	2,264	4,529	4,529
Total net revenues	139,438	127,458	258,824	243,361
Costs and expenses:				
Cost of sales	29,665	26,435	54,848	49,621
Cost of license revenue	159	159	317	317
Research and development	51,184	50,293	97,677	94,863
Selling, general and administrative	49,334	62,604	101,359	121,584
Changes in fair value of acquired contingent consideration	6,400	2,000	17,200	8,200
Total operating expenses	136,742	141,491	271,401	274,585
Operating income (loss)	2,696	(14,033)	(12,577)	(31,224)
Other (expense) income, (net):				
Interest and amortization of debt discount expense	(5,460)	(4,033)	(9,603)	(7,757)
Interest income	35	48	73	263
Realized gain (loss) on foreign currency transactions	4	(1,486)	(440)	(1,495)
Other (loss) income	—	(425)	—	10,026
Total other (expense) income, (net)	(5,421)	(5,896)	(9,970)	1,037
Loss before taxes	(2,725)	(19,929)	(22,547)	(30,187)
(Provision for) benefit from income taxes	(5,471)	972	(4,552)	10,709
Net loss	$ (8,196)	$ (18,957)	$ (27,099)	$ (19,478)
Net loss attributable to non-controlling interest	—	678	—	678
Net loss attributable to Acorda Therapeutics, Inc.	$ (8,196)	$ (18,279)	$ (27,099)	$ (18,800)
Net loss per share attributable to Acorda Therapeutics, Inc.—basic	$ (0.18)	$ (0.40)	$ (0.59)	$ (0.42)
Net loss per share attributable to Acorda Therapeutics, Inc.—diluted	$ (0.18)	$ (0.40)	$ (0.59)	$ (0.42)
Weighted average common shares outstanding used in computing net loss per share attributable to Acorda Therapeutics, Inc.—basic	45,943	45,338	45,876	45,077
Weighted average common shares outstanding used in	45,943	45,338	45,876	45,077

computing net loss per share attributable to Acorda Therapeutics, Inc.—diluted

See accompanying Unaudited Notes to Consolidated Financial Statements

ACORDA THERAPEUTICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(In thousands)	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
Net loss	$ (8,196)	$ (18,957)	$ (27,099)	$ (19,478)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	10,170	(4,711)	12,572	(4,711)
Reclassification of net losses to net income	—	—	—	119
Other comprehensive income (loss), net of tax	10,170	(4,711)	12,572	(4,592)
Comprehensive income (loss)	$ 1,974	$ (23,668)	$ (14,527)	$ (24,070)
Other comprehensive (loss) attributable to noncontrolling interest.	$ —	$ (128)	$ —	$ (128)

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, 2017	Six-month period ended June 30, 2016
Cash flows from operating activities:		
Net loss	$(27,099)	$(19,478)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	18,616	17,432
Amortization of net premiums and discounts on investments	—	467
Amortization of debt discount and debt issuance costs	6,365	4,564
Depreciation and amortization expense	11,723	9,916
Change in acquired contingent consideration obligation	17,200	8,200
Unrealized foreign currency transaction loss (gain)	247	(10,484)
Restructuring costs, net of cash payments	2,284	—
Deferred tax benefit	(1,618)	(11,116)
Changes in assets and liabilities:		
Increase in accounts receivable	(3,325)	(14,328)
Decrease in prepaid expenses and other current assets	3,805	1,996
Increase in inventory	(778)	(19,077)
Decrease in non-current portion of deferred cost of license revenue	317	317
(Increase) decrease in other assets	(3,924)	17
(Decrease) increase in accounts payable, accrued expenses, other current liabilities	(34,513)	27,217
Decrease in non-current portion of deferred license revenue	(4,529)	(4,528)
Increase in other non-current liabilities	69	—
Decrease in restricted cash	79	6,032
Net cash used in operating activities	(15,081)	(2,853)
Cash flows from investing activities:		
Purchases of property and equipment	(8,747)	(2,504)
Purchases of intangible assets	(207)	(388)
Acquisitions, net of cash received	—	(275,100)
Purchases of investments	—	(40,221)
Proceeds from maturities of investments	—	246,966
Net cash used in investing activities	(8,954)	(71,247)
Cash flows from financing activities:		
Proceeds from issuance of common stock and option exercises	5,474	74,051

Purchase of noncontrolling interest	—	(14,489)
Refund of deposit for purchase of noncontrolling interest	2,722	—
Purchase of treasury stock	(60)	—
Debt issuance costs	—	(1,479)
Repayments of revenue interest liability	—	(41)
Repayment of loans payable	(2,409)	—
Net cash provided by financing activities	5,727	58,042
Effect of exchange rate changes on cash and cash equivalents	906	254
Net decrease in cash and cash equivalents	(17,402)	(15,804)
Cash and cash equivalents at beginning of period	158,537	153,204
Cash and cash equivalents at end of period	$141,135	$137,400
Supplemental disclosure:		
Cash paid for interest	3,047	3,040
Cash paid for taxes	7,682	2,578

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, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. When used in these notes, the terms “Acorda” or “the Company” mean Acorda Therapeutics, Inc. The December 31, 2016 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, 2016.

(2) Summary of Significant Accounting Policies

Our critical accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 31, 2016. Effective January 1, 2017, the Company adopted ASU 2016-09, “Compensation – Stock Compensation” (Topic 718) and ASU 2015-11, “Inventory” (Topic 330): Simplifying the Measurement of Inventory (ASU 2015-11). Other than the adoption of the new accounting guidance, our critical accounting policies have not changed materially from December 31, 2016.

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

Segment and Geographic Information

The Company is managed and operated as one business which is focused on 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. The Company does not operate separate lines of business with respect to any of its products or product candidates and the Company does not prepare discrete financial information with respect to separate products or product candidates or by location. Accordingly, the Company views its business as one reportable operating segment. Net product revenues reported to date are derived from the sales of Ampyra,

Zanaflex and Qutenza in the U.S.

Intangible Assets

The Company has finite lived intangible assets related to Ampyra and Selincro. These intangible assets are amortized on a straight line basis over the period in which the Company expects to receive economic benefit and are reviewed for impairment when facts and circumstances indicate that the carrying value of the asset may not be recoverable. The determination of the expected life will be dependent upon the use and underlying characteristics of the intangible asset. In the Company's evaluation of the intangible assets, it considers the term of the underlying asset life and the expected life of the related product line. If the carrying value is not recoverable, impairment is measured as the amount by which the carrying value exceeds its estimated fair value. Fair value is generally estimated based on either appraised value or other valuation techniques.

On March 31, 2017, the United States District Court for the District of Delaware upheld U.S. Patent No. 5,540,938 (the ‘938 patent), which is set to expire in July 2018. The claims of the ‘938 patent relate to methods for treating a neurological disease, such as MS, and cover the use of a sustained release dalfampridine formulation, such as AMPYRA (dalfampridine) Extended Release Tablets, 10 mg for improving walking in people with MS. The District Court invalidated U.S. Patent Nos. 8,663,685, 8,007,826, 8,440,703, and 8,354,437, which pertain to Ampyra. In May 2017, the Company appealed the ruling on these patents. As a result of the District Court’s ruling, the Company performed an interim impairment test for the intangible assets related to Ampyra in connection with the preparation of the unaudited interim condensed consolidated financial statements for the first quarter of 2017. Based on the impairment test performed, the Company determined that these intangible assets were not impaired.

As a result of the invalidation of the patents, the estimated remaining useful lives of the Ampyra intangible assets were reviewed to determine if there was a change in the estimated useful lives of these assets. Based on the review, the Company determined that there was a change in the estimated useful lives of these assets that would require an acceleration of the amortization expense. The Company determined that the estimated useful lives of these intangible assets will coincide with the expiration of the ‘938 patent, unless the appeal is resolved favorably. The Company accounted for this change prospectively as a change in an accounting estimate beginning in the three-month period ended June 30, 2017. The acceleration of the amortization associated with the change in the estimated remaining useful lives of these intangible assets, did not have a material impact on the Company’s statement of operations for the three- and six-month periods ended June 30, 2017.

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 requiring disclosure in these financial statements.

Recently Issued / Adopted Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update 2016-09, “Compensation – Stock Compensation” (Topic 718). The main objective of this update is to simplify the accounting, and reporting classifications for certain aspects of share-based payment transactions. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years.

The Company adopted this guidance effective January 1, 2017 on a prospective basis. The new guidance requires that excess tax benefits or deficiencies that arise upon the vesting or exercise of share-based payments be recognized as income tax benefit or expense in the income statement. Previously, these amounts were recorded as additional paid-in-capital. As a result of the adoption of ASU 2016-09, the Company recorded an adjustment to accumulated deficit of $12.1 million to recognize net operating loss carryforwards, attributable to excess tax benefits on stock compensation that was not previously recognized in additional paid in capital. For the three- and six-month periods ended June 30, 2017, the Company recorded $0.4 million and $1.8 million, respectively, of shortfalls as a component of income tax expense in the statement of operations. The new guidance also permits the accounting for forfeitures based on either an estimate of the number of shares expected to vest or on the actual forfeitures as they occur. The Company elected to continue estimating forfeitures for determining compensation costs. The new guidance also provides for excess tax benefits to be classified as an operating activity in the statement of cash flows. Previously, excess tax benefits were classified as a financing activity.

In July 2015, the FASB issued Accounting Standards Update 2015-11, “Inventory” (Topic 330): Simplifying the Measurement of Inventory (ASU 2015-11), which requires the measurement of inventory at the lower of cost and net

realizable value. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, and interim periods therein with early adoption permitted. The Company adopted this guidance effective January 1, 2017. The adoption of this guidance did not have an impact on the consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-06, “Derivatives and Hedging” (Topic 815): Contingent Put and Call Options in Derivative Contracts (ASU 2016-06), which clarifies the requirements for assessing whether contingent options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. This ASU is effective for fiscal years beginning after December 15, 2016 and interim periods therein. The Company adopted this guidance effective January 1, 2017. The adoption of this guidance did not have an impact on the consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" (Topic 606) (ASU 2014-09). This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. In July 2015, the FASB deferred the effective date of the new revenue standard for interim and annual periods beginning after December 15, 2017 (previously December 15, 2016). The Company expects to adopt this guidance on January 1, 2018. ASU 2014-09 allows for either full retrospective or modified retrospective adoption. The Company will adopt the new guidance following the modified retrospective approach.

The new guidance requires the application of a five-step model to determine the amount and timing of revenue to be recognized. The underlying principle is that revenue is to be recognized for the transfer of goods or services to customers that reflects the amount of consideration that the Company expects to be entitled to in exchange for those goods or services.

The Company is continuing to assess the impact of the new guidance on its accounting policies and procedures and is evaluating the new requirements as applied to existing revenue contracts. Although the Company is continuing to assess the impact of the new guidance, the Company believes the most significant impact will relate to the recognition of license revenues associated with its Biogen contract at a point in time rather than over a period of time. The Company completed a review of its revenue contracts and continues to work on its plan for implementation of the new guidance including reviewing accounting policies and evaluating internal controls and will implement any changes as required to facilitate adoption of the new guidance which the Company expects to adopt beginning in the first quarter of 2018.

In January 2017, the FASB issued Accounting Standards Update 2017-04, "Intangibles – Goodwill and Other" (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04). This new standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU 2017-04 allows for prospective application and is effective for fiscal years beginning after December 15, 2019, and interim periods therein with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating whether it will adopt this guidance early and the impact it may have on its consolidated financial statements.

In May 2017, the FASB issued Accounting Standards Update 2017-09, "Compensation – Stock Compensation" (Topic 718): Scope of Modification Accounting (ASU 2017-09). This new standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 allows for prospective application and is effective for fiscal years beginning after December 15, 2017, and interim periods therein with early adoption permitted for interim or annual periods. The Company is currently evaluating whether it will adopt this guidance early and the impact it may have on its consolidated financial statements.

(3) Acquisitions

Biotie Therapies Corp.

On April 18, 2016, the Company acquired a controlling interest in Biotie Therapies Corp. ("Biotie") pursuant to a combination agreement entered into in January 2016. We believe that tozadenant, acquired through Biotie, and Inbrija (CVT-301, levodopa inhalation powder), our most advanced program, have the potential to position the Company as a leader in Parkinson's disease therapy. In accordance with the combination agreement, the Company closed a public tender offer for all of Biotie's capital stock, pursuant to which the Company acquired approximately 93% of the fully diluted capital stock of Biotie for a cash purchase price of approximately $350 million. On May 4, 2016, the Company acquired an additional approximately 4% of Biotie's fully diluted capital stock pursuant to a subsequent public offer to

Biotie stockholders that did not tender their shares in the initial tender offer. The purchase consideration for the subsequent tender offer was approximately $14.5 million. The acquisition of the additional 4% of Biotie's fully diluted capital stock resulted in the Company owning approximately 97% of the fully diluted capital stock of Biotie (the "Acquisition") as of June 30, 2016.

On September 30, 2016, the Company acquired the remaining approximately 3% of Biotie's fully diluted capital stock in exchange for the payment of a cash security deposit of approximately $13.5 million, as determined by the Finnish arbitral tribunal administering redemption proceedings for the shares not tendered to the Company. Accordingly, the Company owned 100% of the fully diluted capital stock of Biotie as of September 30, 2016.

In the three-month period ended March 31, 2017, the Company received a refund of the cash security deposit of approximately $2.7 million following the final determination and payment of the redemption price for the shares subject to the redemption proceedings.

The Company estimated the fair value of the assets acquired and liabilities assumed as of the date of acquisition based on the information available at that time. The Company recorded its final measurement-period adjustments to the purchase price allocation from the acquisition date through April 18, 2017. During the six-month period ended June 30, 2017, the Company recorded final measurement period adjustments of approximately $6.4 million to its purchase price allocation with a corresponding offset to goodwill. The final measurement period adjustments included a reduction to current liabilities of approximately $3.8 million related to the repurchase of the Biotie convertible capital loans as the Company was able to determine the fair market value of these loans, a reduction to other long-term liabilities of approximately $2.7 million due to the finalization of the valuation of the Biotie non-convertible capital loans and an increase to deferred tax liabilities of approximately $0.2 million due to the finalization of the provisional amounts recorded for deferred tax liabilities.

The following table presents the final allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date of April 18, 2016:

(In thousands)	Preliminary Allocation, as adjusted through December 31, 2016	Measurement Period Adjustments	Final Allocation as of April 18, 2017
Cash and cash equivalents	$ 73,854	$ —	$ 73,854
Other current assets	1,878	—	1,878
Other long-term assets	4,962	—	4,962
Intangible assets (indefinite-lived)	260,500	—	260,500
Intangible assets (definite-lived)	65,000	—	65,000
Current liabilities	(18,572)	3,837	(14,735)
Deferred taxes	(89,908)	(156)	(90,064)
Other long-term liabilities	(25,690)	2,740	(22,950)
Fair value of assets and liabilities acquired	272,024	6,421	278,445
Goodwill	103,876	(6,421)	97,455
Total purchase price	375,900	—	375,900
Less: Noncontrolling interests	(25,736)	—	(25,736)
Purchase consideration on date of acquisition	$ 350,164	$ —	$ 350,164

The Company accounted for the Acquisition as a business combination using the acquisition method of accounting. Under the acquisition method of accounting, the total purchase price of the acquisition is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the date of acquisition. The Company incurred approximately $18.6 million in acquisition related expenses to date. For the three-month period ended June 30, 2017, there were no acquisition related expenses incurred. For the six-month period ended June 30, 2017, the Company incurred approximately $0.6 million in acquisition related expenses, all of which were expensed and included in selling, general and administrative expenses in the consolidated statements of operations. The results of Biotie’s operations have been included in the consolidated statements of operations from the acquisition date of April 18, 2016.

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

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

Goodwill is calculated as the excess of the purchase price and the noncontrolling interest over the estimated fair value of the assets acquired and liabilities assumed. The goodwill recorded is primarily related to establishing a deferred tax liability for the indefinite lived intangible assets which have no tax basis and, therefore, will not result in a future tax deduction. None of the goodwill is deductible for tax purposes.

Goodwill

Changes in the carrying amount of goodwill were as follows:

(In thousands)	
Balance at December 31, 2016	$280,599
Decrease to goodwill for measurement period adjustments	(6,421)
Foreign currency translation adjustment	7,718
Balance at June 30, 2017	$281,896

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

The following table summarizes certain supplemental pro forma financial information for the three- and six-month periods ended June 30, 2016 as if the Acquisition had occurred as of January 1, 2016.

The unaudited pro forma financial information for the three- and six-month periods ended June 30, 2016 reflects (i) the net impact to amortization expense based on the fair value adjustments to the intangible assets acquired from Biotie; (ii) the impact to operations resulting from the reversal of transaction costs related to the Acquisition; (iii) the impact to operations resulting from the reversal of the unrealized gain on the foreign currency option; (iv) the impact to interest expense based on the fair value adjustments to the debt acquired from Biotie; (v) the tax effects of those adjustments; and (vi) the net loss attributable to the noncontrolling interests resulting from the Acquisition.

(In thousands)	Three-month period ended June 30, 2016	Six-month period ended June 30, 2016
Net revenues	$ 127,675	$ 244,419
Net loss from continuing operations	$ (25,085)	$ (43,177)

Note 4: Corporate Restructuring

On April 5, 2017, the Company announced a corporate restructuring to reduce its cost structure and focus its resources on its two late-stage programs, Inbrija and tozadenant.

The adoption of this restructuring plan followed the previously-announced decision by the United States District Court for the District of Delaware invalidating certain patents pertaining to Ampyra. Under this ruling, Acorda expects to maintain exclusivity to Ampyra through July 2018, depending on the outcome of the appeal of the Court’s decision.

As part of this restructuring, the Company is reducing headcount by approximately 20%. The majority of the reduction in personnel was completed in the three-month period ended June 30, 2017. The Company estimates that during 2017 it will incur approximately $8.0 million of pre-tax charges for severance and employee separation related

costs related to the restructuring, primarily during the three-month period ended June 30, 2017.

In the three- and six-month periods ended June 30, 2017, the Company incurred pre-tax severance and employee separation related expenses of $7.6 million associated with the restructuring. The pre-tax charges incurred include a cash component of approximately $6.7 million representing employee charges for severance payments and benefits and a non-cash component of approximately $0.9 million representing stock compensation charges. Of the pre-tax severance and employee separation related expenses incurred, $5.6 million was recorded in research and development expenses and $2.0 million was recorded in selling, general and administrative expenses. The majority of the restructuring costs are expected to be paid by the end of 2017.

A summary of the restructuring charges for the three- and six-month periods ended June 30, 2017 is as follows:

(In thousands)	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
Q2 Restructuring costs	$ 7,515	$ —	$ 75	$7,590
Payments	$ (6,166)	$ —	$ (75)	$(6,241)
Restructuring Liability as of June 30, 2017	$ 1,349	$ —	$ —	$1,349

(5) Share-based Compensation

During the three month periods ended June 30, 2017 and 2016, the Company recognized share-based compensation expense of $11.7 million and $9.3 million, respectively. During the six-month periods ended June 30, 2017 and 2016, the Company recognized share-based compensation expense of $19.6 million and $17.4 million, respectively. Activity in options and restricted stock during the six-month period ended June 30, 2017 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, 2017 and 2016 were approximately $7.24 and $11.92, respectively. The weighted average fair value per share of options granted to employees for the six-month periods ended June 30, 2017 and 2016 were approximately $10.75 and $13.91, respectively.

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
(In millions)	2017	2016	2017	2016
Research and development	$3.8	$2.6	$6.4	$4.7
Selling, general and administrative	7.9	6.7	13.2	12.7
Total	$11.7	$9.3	$19.6	$17.4

A summary of share-based compensation activity for the six-month period ended June 30, 2017 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, 2017	9,072	$ 31.11		
Granted	1,559	20.26		
Cancelled	(510)	31.87		
Exercised	(250)	21.91		
Balance at June 30, 2017	9,871	$ 29.59	6.1	$ 3,689

Vested and expected to vest at June 30,				
2017	9,703	$ 29.73	6.1	$ 3,311
Vested and exercisable at June 30, 2017	6,822	$ 30.19	5.0	$ 910

Restricted Stock and Performance Stock Unit Activity

(In thousands)	
Restricted Stock and Performance Stock Units	Number of Shares
Nonvested at January 1, 2017	625
Granted	542
Vested	(51)
Forfeited	(155)
Nonvested at June 30, 2017	961

Unrecognized compensation cost for unvested stock options, restricted stock awards and performance stock units as of June 30, 2017 totaled $50.7 million and is expected to be recognized over a weighted average period of approximately 3.0 years.

(6) 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, 2017 and 2016:

(In thousands, except per share data)	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
Basic and diluted				
Net loss	$ (8,196)	$ (18,279)	$ (27,099)	$ (18,800)
Weighted average common shares outstanding used in computing net loss per share—basic	45,943	45,338	45,876	45,077
Plus: net effect of dilutive stock options and restricted common shares	—	—	—	—
Weighted average common shares outstanding used in computing net loss per share—diluted	45,943	45,338	45,876	45,077
Net loss per share—basic	$ (0.18)	$ (0.40)	$ (0.59)	$ (0.42)
Net loss per share—diluted	$ (0.18)	$ (0.40)	$ (0.59)	$ (0.42)

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

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

(In thousands)	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
Denominator				
Stock options and restricted common shares	10,197	7,502	9,672	7,536
Convertible note – Saints Capital	—	10	—	10

Additionally, the impact of the convertible debt and the impact of the convertible capital loan assumed from Biotie were determined to be anti-dilutive and excluded from the calculation of net loss per diluted share for the three and six-month periods ended June 30, 2017 and 2016.

(7) Income Taxes

The Company's effective income tax rate differs from the U.S. statutory rate principally due to state taxes, Federal research and development tax credits, jurisdictions with pretax losses for which no tax benefit can be recognized and the effects of share based compensation which are recorded discretely in the quarters in which they occur.

For the three-month periods ended June 30, 2017 and 2016, the Company recorded a $5.5 million provision for and $1.0 million benefit from income taxes, respectively. The effective income tax rates for the Company for the three-month periods ended June 30, 2017 and 2016 were -200.8% and 4.9%, respectively. The variance in the effective tax rates for the three-month period ended June 30, 2017 as compared to the three-month period ended June 30, 2016 was due primarily to the valuation allowance recorded on jurisdictions with Biotie pretax losses for which no tax benefit can be recognized, the tax implications of costs related to the Biotie transaction, the reduction in the research & development tax credit and the absence of orphan drug development in 2017.

For the six-month periods ended June 30, 2017 and 2016, the Company recorded a $4.6 million provision for and $10.7 million benefit from income taxes, respectively. The effective income tax rates for the Company for the six-month periods ended June 30, 2017 and 2016 were -20.2% and 35.5%, respectively. The variance in the effective tax rates for the six-month period ended June 30, 2017 as compared to the six-month period ended June 30, 2016 was due primarily to the valuation allowance recorded on jurisdictions with Biotie pretax losses for which no tax benefit can be recognized, the tax

implications of costs related to the Biotie transaction, the reduction in the research & development tax credit and the absence of orphan drug development in 2017.

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

(8) Fair Value Measurements

The following table presents information about the Company’s assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates, exchange rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability. The Company’s Level 1 assets consist of time deposits, money market funds and investments in a Treasury money market fund. The Company’s Level 3 liabilities represent acquired contingent consideration related to the acquisition of Civitas and are valued using a probability weighted discounted cash flow valuation approach. No changes in valuation techniques occurred during the three or six-month periods ended June 30, 2017. The estimated fair values of all of our financial instruments approximate their carrying values at June 30, 2017, except for the fair value of the Company’s convertible senior notes, which was approximately $294.8 million as of June 30, 2017. 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, 2017			
Assets Carried at Fair Value:			
Cash equivalents	$9,132	$ —	$—
Liabilities Carried at Fair Value:			
Acquired contingent consideration	—	—	89,300
December 31, 2016			
Assets Carried at Fair Value:			
Cash equivalents	$18,514	$	