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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 12, 2006

QUESTCOR PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of
incorporation)

001-14758

(Commission File Number)

33-0476164

(IRS Employer
Identification No.)

3260 Whipple Road Union City, California

(Address of principal executive offices)

94587

(Zip Code)

Registrant's telephone number, including area code: **(510) 400-0700**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On October 16, 2006, Questcor Pharmaceuticals, Inc. (the "Company") appointed Steven Halladay, age 59, as the Company's Senior Vice President of Clinical and Regulatory Affairs.

From 2003 to 2006, Dr. Halladay served as Vice President, Clinical and Regulatory Affairs of DURECT Corporation, a specialty pharmaceutical company. From 2002 to 2003, Dr. Halladay served as Medical Director of DURECT Corporation. From 1995 to 2002, Dr. Halladay served as Senior Executive Vice President of Clingenix, Inc., a pharmacogenomics company, and as President and Chief Executive Officer of its wholly-owned subsidiary, Research Services, Inc.

Upon his appointment as Senior Vice President of Clinical and Regulatory Affairs, Dr. Halladay was granted an option to purchase 500,000 shares of common stock of the Company at an exercise price of \$1.10 per share. The options vest monthly over 48 months from the date of grant and contain a one year cliff, whereby no options vest until the first anniversary of the date of grant. The options expire ten years following the date of grant.

The Company and Dr. Halladay are party to an agreement that would provide certain benefits upon a change in control of the Company. The agreement provides that in the event a change in control of the Company occurs and his employment with the Company is involuntarily terminated, either by the Company other than for cause or by Dr. Halladay for good reason, within the 12 month period commencing on the date of such change in control, one-hundred percent of his unvested stock options under any plan of the Company that are then outstanding shall become vested and exercisable immediately on the date of the involuntary termination. The Company and Dr. Halladay are also party to an agreement that would provide severance compensation totaling six months of base salary during the first three years of employment or twelve months of base salary after the first three years of employment in the event his employment is terminated either by the Company other than for cause or by Dr. Halladay for good reason.

On October 12, 2006, the Company promoted Eric Liebler, age 42, to the position of Senior Vice President of Strategic Planning and Communications from his previous position as Vice President, Corporate Planning and Communications, which he served as on a part-time basis since joining the Company in August 2006.

From 2005 to 2006, Mr. Liebler was the principal of Nisola, LLC, a provider of management, financial and investor services to CNS - focused specialty and biotechnology companies. From February 2006 to July 2006, Mr. Liebler provided consulting services to the Company, for which the Company paid his firm \$10,000 per month and granted Mr. Liebler an option to purchase an aggregate of 20,833 shares of the Company's common stock. From 2002 to 2005, Mr. Liebler served as Vice President, Business Development of Enzon Pharmaceuticals, Inc., a specialty pharmaceutical company. From 1991 to 2002, Mr. Liebler held several positions at Elan Corporation, a biopharmaceutical company. Mr. Liebler is a public trustee and Treasurer of the American Academy of Neurology Foundation.

The Company and Mr. Liebler are party to an agreement that would provide certain benefits upon a change in control of the Company. The agreement provides that in the event a change in control of the Company occurs and his employment with the Company is involuntarily terminated, either by the Company other than for cause or by Mr. Liebler for good reason, within the six month period commencing on the date of such change in control, fifty percent of his unvested stock options under any plan of the Company that are then outstanding shall become vested and exercisable immediately on the date of the involuntary termination. The Company and Mr. Liebler are also party to an agreement that would provide severance compensation totaling six months of base salary during the first three years of employment or twelve months of base salary after the first three years of employment in the event his employment is terminated either by the Company other than for cause or by Mr. Liebler for good reason.

Item 7.01 Regulation FD Disclosure.

On October 18, 2006, the Company issued a press release announcing the appointment of Dr. Halladay and Mr. Liebler as principal officers of the Company, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by this reference.

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The foregoing information is furnished pursuant to Item 7.01 and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.48	Offer of Employment Letter Agreement between the Company and Steven Halladay dated October 13, 2006
10.49	Change-in-Control Letter Agreement between the Company and Steven Halladay dated October 16, 2006
10.50	Severance Letter Agreement between the Company and Steven Halladay dated October 16, 2006
10.51	Offer of Employment Letter Agreement between the Company and Eric Liebler dated August 1, 2006
10.52	Amendment to Offer of Employment Letter Agreement between the Company and Eric Liebler dated October 13, 2006
10.53	Change-in-Control Letter Agreement between the Company and Eric Liebler dated August 1, 2006
10.54	Severance Letter Agreement between the Company and Eric Liebler dated August 1, 2006
99.1	Press release issued by Questcor Pharmaceuticals, Inc., dated as of October 18, 2006.

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 hereunto duly authorized.

Questcor Pharmaceuticals, Inc.

Date: October 18, 2006

By: /s/ James L. Fares

James L. Fares

President and Chief Executive Officer

EXHIBIT INDEX

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October 13, 2006

VIA EMAIL

Steven Halladay, Ph.D.
3260 Whipple Road
Union City, California 94587

Re: Offer of Employment

Dear Dr. Halladay:

Questcor Pharmaceuticals, Inc. (the "Company") is pleased to offer you the position of Senior Vice President, Clinical and Regulatory Affairs, a corporate officer on the terms described below. Should you accept our offer of employment, your start date will be on October 16, 2006.

You will report to James Fares, Chief Executive Officer. Your office will be located at our facility in Union City, California. Of course, the Company may change your reporting responsibilities, position, duties, and work location from time to time, as it deems necessary.

Your base compensation will be \$280,000 per annum (\$11,666.67 semi-monthly) less all amounts the Company is required to hold under applicable laws. You will be a participant in the annual employee incentive program for 2007. Your incentive bonus of up to 33% of earned base compensation will be based on the attainment of specific milestones during each calendar year. The milestones will be communicated to you in writing by Mr. Fares following the start of your employment and will be updated annually as part of the performance review process. The Company will provide you with indemnification equivalent to that provided to other senior management and pursuant to the Company's Directors and Officers insurance policies as in place from time to time. In addition, as soon as administratively practicable following the start of your employment, the Company will provide you with a change of control agreement commensurate with your position.

You will be eligible to participate in the Company's various benefit plans including medical, dental and vision insurance, as well as life, accidental death and disability insurance. You will accrue paid vacation at a rate of 15 days per calendar year following your first 90 days of employment. In addition, you will be paid for Company holiday's effective with your date of hire.

You will also be eligible to participate in the Company's 401(k) Plan, Section 529 College Savings Program and Employee Stock Purchase Plan. The eligibility requirements for these plans are explained in the Company's Employee Handbook, and in the case of the Company's 401(k) Plan, in the 401(k) Plan's summary plan description. A copy of the Employee Handbook and the 401(k) Plan's summary plan description will be provided to you. Please read them carefully. Of course, to the extent the provisions of the various plans are inconsistent with the

provisions of the Employee Handbook or summary plan description, the plan provisions will control.

As you no doubt appreciate, as a Company employee, you will be expected to abide by Company rules and regulations, acknowledge in writing that you have read the Company's Employee Handbook, sign and comply with a Proprietary Information and Inventions Agreement which prohibits unauthorized use or disclosure of Company proprietary information and sign the Policy Against Insider Trading.

The Company's management has in effect the 2006 Equity Incentive Award Plan (the "Plan") to recognize the talent and skills our employees bring to the Company. Management has recommend, and the Board of Directors has approved, that at the time you join the Company, the Company grant to you an option under the Plan to purchase 500,000 shares of the Common Stock of the Company at an exercise price equal to 100% of the closing price of the Company's Common Stock on the date prior to hire. One-fourth (1/4th) of these options will vest after twelve (12) months of employment and thereafter the remaining shares will vest at the rate of 1/48th of the original total grant on each monthly anniversary of your continued employment with the Company. The option will be subject to the terms and conditions of the Plan and your stock option agreement.

In a separate agreement to be provided to you under separate cover, the Company will agree that upon a Change of Control of the Company, if your employment is terminated by the Company other than for "cause" (as defined in such agreement) or if you resign your employment upon 30 days' prior written notice to the Company for "good reason" (as defined in such agreement) within twelve months of the Change of Control, one hundred percent (100%) of your unvested stock options will accelerate and become immediately vested and exercisable.

In the event (i) your employment is terminated by the Company other than (x) for Cause (as defined below) or (y) as a result of your disability, or (ii) you resign your employment upon 30 days' prior written notice to the Company for Good Reason (as defined below), during your first three years of employment, you will receive severance compensation totaling Six (6) months of base salary. In the event (i) your employment is terminated by the Company other than (x) for Cause (as defined below) or (y) as a result of your disability, or (ii) you resign your employment upon 30 days' prior written notice to the Company for Good Reason (as defined below), after your first three years of employment, you will receive severance compensation totaling Twelve (12) months of base salary.

As a condition to receiving severance compensation, you will need to execute a general release of claims against the Company and its officers, directors, agents and shareholders. Such general release will not include rights to vested options or claims for any compensation earned (including, without limitation, accrued vacation), or reimbursement of expenses incurred, through the date of termination. Severance compensation will be paid in accordance with normal payroll procedures. If you are reemployed at any time during the severance period, all further severance compensation payments shall immediately cease.

"Cause" will mean termination of your employment for any one or more of the following: (i) habitual or material neglect of your assigned duties (other than by reason of disability) or intentional refusal to perform your assigned duties (other than by reason of disability) which

continues uncured for 30 days following receipt of written notice of such deficiency or "Cause" event from the Board of Directors, specifying in detail the scope and nature of the deficiency or the "Cause" event; (ii) an act of dishonesty intended to result in your gain or personal enrichment; (iii) personally engaging in illegal conduct which causes material harm to the reputation of the Company or its affiliates; (iv) committing a felony or gross misdemeanor directly relating to, an act of dishonesty or fraud against, or a misappropriation of property belonging to, the Company or its affiliates; (v) personally engaging in any act of moral turpitude that causes material harm to the reputation of the Company; (vi) intentionally breaching in any material respect the terms of any nondisclosure agreement with the Company; or (vii) commencement of employment with another Company while an employee of the Company without the prior consent of the Board of Directors. Any determination of "Cause" as used herein will be made only in good faith by the Board of Directors.

"Good Reason" will mean the removal of your title of Senior Vice President, Clinical and Regulatory Affairs without your written consent; provided, however, that Good Reason shall not exist as a result of any reduction of your authority, duties or responsibilities so long as you retain the title of Senior Vice President, Clinical and Regulatory Affairs of the Company.

This Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder.

The Company will review your performance in accordance with the Employee Handbook, to assess your accomplishment of milestones and goals, which the Company reasonably sets for you. The Company will consider whether and when you should receive increases in your compensation and benefits as described therein based on such accomplishments.

You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company. Likewise, the Company may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. This at-will employment relationship cannot be changed except in writing signed by the Chief Executive Officer.

Any and all disputes connected with, relating to or arising from your employment with the Company will be settled by final and binding arbitration in accordance with the rules of the American Arbitration Association as presently in force. The only claims not covered by this Agreement are claims for benefits under the unemployment insurance or workers' compensation laws. Any such arbitration will take place in Alameda County, California. The parties hereby incorporate into this agreement all of the arbitration provisions of Section 1283.05 of the California Code of Civil Procedure. The Company understands and agrees that it will bear the costs of the arbitration filing and hearing fees and the cost of the arbitrator. Each side will bear its own attorneys' fees, and the arbitrator will not have authority to award attorneys' fees unless a statutory section at issue in the dispute authorizes the award of attorneys' fees to the prevailing party, in which case the arbitrator has authority to make such award as permitted by the statute in question. The arbitration shall be instead of any civil litigation; this means that you are waiving any right to a jury trial, and that the arbitrator's decision shall be final and binding to the fullest extent permitted

by law and enforceable by any court having jurisdiction thereof. Judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction.

The employment terms in this letter supersede any other agreements or promises made to you by anyone, whether oral or written, express or implied. In the event you accept this employment offer, the terms set forth in this letter will comprise our final, complete and exclusive agreement with respect to the subject matter of this letter. Thus, by accepting this employment offer and signing this offer letter, you agree to be bound by its terms and conditions. As required by law, the Company's offer is subject to satisfactory proof of your right to work in the United States no later than three days after your employment begins.

Please sign and date this letter, and return it to me as soon as possible. This offer terminates if it is not signed and delivered to me by the close of business on October 16, 2006. A facsimile copy will suffice for this purpose, so long as an original signature is delivered when you commence employment. My confidential facsimile number is (510) 400-0710.

We look forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Fredric I. Storch

Fredric I. Storch
Senior Director, Human Resources and Administration

I hereby acknowledge that I have read the foregoing letter and agree to be bound by all of its terms and conditions:

/s/ Steven Halladay, Ph.D.

Steven Halladay, Ph.D.

October 13, 2006

Date

October 16, 2006

Steven Halladay, Ph.D.
3260 Whipple Road
Union City, California 94587

RE: Change-in-Control

Dear Steven:

This letter agreement (this "Agreement") is entered into pursuant to that certain offer letter (the "Offer Letter") dated October 13, 2006, between you and Questcor Pharmaceuticals, Inc., a California corporation ("Questcor"). Questcor considers it essential to the best interests of its shareholders to foster the continuous employment of key management personnel. In connection with this, Questcor's Board of Directors (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of Questcor may exist and that the uncertainty and questions that it may raise among management could result in the departure or distraction of management personnel to the detriment of Questcor and its shareholders.

Accordingly, the Board has decided to reinforce and encourage your attention and dedication to your assigned duties without the distraction arising from the possibility of a change in control of Questcor. In order to induce you to become an employee of Questcor and remain in the employ of Questcor and its direct and indirect, majority-owned subsidiaries (collectively, the "Company"), Questcor hereby agrees that after this letter agreement (this "Agreement") has been fully executed and delivered by Questcor and you, you shall be entitled to receive the benefits set forth in this Agreement in the event of certain Changes in Control (as defined in The Questcor Pharmaceuticals, Inc. 2006 Equity Incentive Award Plan (the "Plan"). You shall receive no benefits under this Agreement unless there has been a Change in Control.

1. Accelerated Vesting. Notwithstanding anything to the contrary in Section 11 of the Plan (other than Sections 11(a) and 11(h)), in the event that a Change in Control occurs, and your employment with the Company is terminated as a result of an Involuntary Termination (as defined below) at any time within the twelve (12) month period commencing on the date of such Change in Control, one hundred percent (100%) of the then-unvested shares of Questcor's common stock subject to each of your outstanding stock options will become immediately vested and exercisable on the date of your Involuntary Termination. The Company shall cause each option agreement evidencing the grant of stock options to you (each, an "Option Agreement") under the Plan to reflect the accelerated vesting provisions set forth in this Agreement.

2. Definition of Involuntary Termination. For purposes of this Agreement, “Involuntary Termination” means the termination of your employment with the Company either: (i) by the Company without Cause, or (ii) by you upon 30 days’ prior written notice to the Company for Good Reason.

3. Definition of Cause. For purposes of this Agreement, “Cause” means the termination of your employment for any one or more of the following: (i) your habitual or material neglect of your assigned duties with the Company (other than by reason of disability), or intentional refusal to perform your assigned duties with the Company (other than by reason of disability), which continues uncured for thirty (30) days following receipt of written notice of such deficiency or “Cause” event from the Board, specifying in detail the scope and nature of the deficiency or the “Cause” event; (ii) your act of dishonesty intended to result in your gain or personal enrichment; (iii) your personally engaging in illegal conduct which causes material harm to the reputation of the Company or its Affiliates (as defined in the Plan); (iv) your commission of a felony or gross misdemeanor directly relating to, your act of dishonesty or fraud against, or your misappropriation of property belonging to, the Company or its Affiliates (as defined in the Plan); (v) your personally engaging in any act of moral turpitude that causes material harm to the reputation of the Company; (vi) your intentionally breach in any material respect of the terms of any nondisclosure agreement with the Company; or (vii) your commencement of employment with another company while an employee of the Company without the prior consent of the Board. Any determination of “Cause” as used herein will be made only in good faith by the Board.

4. Definition of Good Reason. For purposes of this Agreement, “Good Reason” means the removal of your title of Senior Vice President, Clinical and Regulatory Affairs, without your written consent; provided, however, Good Reason shall not exist as a result of any reduction of your authority, duties or responsibilities so long as you retain the title of Senior Vice President, Clinical and Regulatory Affairs.

5. Arbitration. Any controversy, claim or dispute involving the parties (or their affiliated persons) directly or indirectly concerning this Agreement, or otherwise, shall be finally settled by binding arbitration held in Union City, California, by one arbitrator in accordance with the rules of employment arbitration then followed by the American Arbitration Association or any successor to the functions thereof. The arbitrator shall apply California law in the resolution of all controversies, claims and disputes. Any decision or award of the arbitrator shall be final and conclusive on the parties to this Agreement and their respective affiliates. The Company shall bear all costs of the arbitrator in any action brought under this section. The parties hereto agree that any action to compel arbitration pursuant to this Agreement may be brought in the appropriate California court and in connection with such action the laws of the State of California shall control. Application may also be made to such court for confirmation of any decision or award of the arbitrator, for an order of the enforcement and for any other remedies, which may be necessary to effectuate such decision or award. The parties hereto hereby consent to the jurisdiction of the arbitrator and of such court and waive any objection to the jurisdiction of such arbitrator and court.

6. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to Questcor shall be directed to the attention of its Secretary, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. At-Will Employment. Nothing contained in this Agreement shall (a) confer upon you any right to continue in the employ of the Company, (b) constitute any contract or agreement of employment, or (c) interfere in any way with the at-will nature of your employment with the Company.

8. Entire Agreement. This Agreement, the Offer Letter, the Plan and any Option Agreements set forth the entire agreement of the parties hereto in respect of the accelerated vesting of stock options held by you and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto, and any prior agreement of the parties hereto in respect of the accelerated vesting of stock options held by you, is hereby terminated and cancelled.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. The section headings contained in this Agreement are for convenience only, and shall not affect the interpretation of this Agreement.

Please indicate your acceptance of this Agreement by returning a signed copy of this Agreement.

Sincerely,

/s/ James L. Fares

James L. Fares

Chief Executive Officer

Questcor Pharmaceuticals, Inc.

Date: October 16, 2006

Accepted by,

/s/ Steven Halladay

Steven Halladay

Date: October 17, 2006

October 16, 2006

Steven Halladay, Ph.D.
3260 Whipple Road
Union City, California 94587

RE: Severance Agreement

Dear Steven:

In addition to the terms and conditions of your employment with Questcor Pharmaceuticals, Inc. (the "Company") which are set forth in your Offer Letter dated October 13, 2006, and Change-in-Control Agreement dated October 16, 2006, which are incorporated herein, the Company agrees to provide you severance in the event that the following conditions are met.

In the event (1) your employment is terminated by the Company other than (a) for Cause (as defined below) or (b) as a result of your permanent and total disability within the meaning of Section 422(c)(6) of the Internal Revenue Service Code of 1986, as amended (the "Code"), or (c) you resign your employment upon 30 days' prior written notice to the Company for Good Reason (as defined below), during your first three years of employment, you will receive severance compensation totaling Six (6) months of base salary. In the event (2) your employment is terminated by the Company other than (a) for Cause (as defined below) or (b) as a result of your disability within the meaning of Section 422(c)(6) of the Code, or (c) you resign your employment upon 30 days' prior written notice to the Company for Good Reason (as defined below), after your first three years of employment, you will receive severance compensation totaling Twelve (12) months of base salary.

As a condition precedent to receiving severance compensation, you will be required to execute a general release (in a form prepared by counsel for the Company) of claims against the Company and its officers, directors, agents and shareholders. Such general release will not include rights to vested options or claims for any compensation earned (including, without limitation, accrued vacation), or reimbursement of expenses incurred, through the date of termination. Severance compensation will be paid in accordance with normal payroll procedures. If you are reemployed at any time during the severance period, all further severance compensation payments shall immediately cease.

"Cause" will mean termination of your employment for any one or more of the following: (a) habitual or material neglect of your assigned duties (other than by reason of disability) or intentional refusal to perform your assigned duties (other than by reason of disability) which continues uncured for 30 days following receipt of written notice of such

deficiency or "Cause" event from the Board of Directors, specifying in detail the scope and nature of the deficiency or the "Cause" event; (b) an act of dishonesty intended to result in your gain or personal enrichment; (c) personally engaging in illegal conduct which causes material harm to the reputation of the Company or its affiliates; (d) committing a felony or gross misdemeanor directly relating to, an act of dishonesty or fraud against, or a misappropriation of property belonging to, the Company or its affiliates; (e) personally engaging in any act of moral turpitude that causes material harm to the reputation of the Company; (f) intentionally breaching in any material respect the terms of any nondisclosure agreement with the Company; or (g) commencement of employment with another Company while an employee of the Company without the prior consent of the Board of Directors. Any determination of "Cause" as used herein will be made only in good faith by the Board of Directors.

"Good Reason" will mean the removal of your title of Senior Vice President, Clinical and Regulatory Affairs without your written consent; provided, however, that Good Reason shall not exist as a result of any reduction of your authority, duties or responsibilities so long as you retain the title of Senior Vice President, Clinical and Regulatory Affairs of the Company.

This letter, your Offer Letter, your Change-in-Control Agreement, your stock option grant dated October 16, 2006, and any future stock option grants, constitute the entire agreement between you and the Company regarding the terms and conditions of your employment with the Company and supersede any other agreement or promises made to you by anyone, whether oral or written, express or implied.

This Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A of the Code, and the Treasury Regulations there under.

Please sign and date this letter, and return it to me as soon as possible acknowledging your understanding and acceptance of the terms and conditions set forth above.

Sincerely,

/s/ James L. Fares

James L. Fares
President and CEO

Date: October 16, 2006

Agreed:

/s/ Steven Halladay, Ph.D.

Steven Halladay, Ph.D.
Senior Vice President, Clinical and Regulatory Affairs

Date: October 17, 2006

August 1, 2006

VIA EMAIL

Eric Liebler
3260 Whipple Road
Union City, California 94587

Re: Offer of Employment

Dear Mr. Liebler:

Questcor Pharmaceuticals, Inc. (the "Company") is pleased to offer you the position of Vice President, Corporate Planning and Communications, on the terms described below. Should you accept our offer of employment, your start date will be on August 1, 2006.

You will report to James Fares, Chief Executive Officer. Your office will be located at our facility in Union City, California. It is also understood that you will at times work from an office located at the above mailing address as well. Of course, the Company may change your reporting responsibilities, position, duties, and work location from time to time, as it deems necessary.

Your base compensation will be \$190,000 per annum (\$7,916.67 semi-monthly) less all amounts the Company is required to hold under applicable laws. You will be a participant in the annual employee incentive program for 2006. Your incentive bonus of up to 33% of earned base compensation will be based on the attainment of specific milestones during each calendar year. The milestones will be communicated to you in writing by Mr. Fares following the start of your employment and will be updated annually as part of the performance review process. The Company will provide you with indemnification equivalent to that provided to other senior management and pursuant to the Company's Directors and Officers insurance policies as in place from time to time. In addition, as soon as administratively practicable following the start of your employment, the Company will provide you with a change of control agreement commensurate with your position.

You will be eligible to participate in the Company's various benefit plans including medical, dental and vision insurance, as well as life, accidental death and disability insurance. You will accrue a pro-rated 12 days of paid vacation per calendar year, in addition to paid regular holidays. You will also be eligible to participate in the Company's 401(k) Plan, Section 529 College Savings Program and Employee Stock Purchase Plan. The eligibility requirements for these plans are explained in the Company's Employee Handbook, and in the case of the Company's 401(k) Plan, in the 401(k) Plan's summary plan description. A copy of the Employee Handbook and the 401(k) Plan's summary plan description will be provided to you. Please read them carefully. Of course, to the extent

the provisions of the various plans are inconsistent with the provisions of the Employee Handbook or summary plan description, the plan provisions will control.

As you no doubt appreciate, as a Company employee, you will be expected to abide by Company rules and regulations, acknowledge in writing that you have read the Company's Employee Handbook, sign and comply with a Proprietary Information and Inventions Agreement which prohibits unauthorized use or disclosure of Company proprietary information and sign the Policy Against Insider Trading.

The Company's management has in effect an employee stock option plan to recognize the talent and skills our employees bring to the Company. Management will recommend to the Board of Directors that, at the time you join the Company, the Company grant to you an option under the stock option plan to purchase 320,000 shares of the Common Stock of the Company at an exercise price equal to 100% of the closing price of the Company's Common Stock on the date prior to hire. One-fourth (1/4th) of these options will vest after twelve (12) months of employment and thereafter the remaining shares will vest at the rate of 1/48th of the original total grant on each monthly anniversary of your continued employment with the Company. The option will be subject to the terms and conditions of the Company's 2006 Equity Incentive Award Plan and your stock option agreement.

The Company will review your performance in accordance with the Employee Handbook, to assess your accomplishment of milestones and goals, which the Company reasonably sets for you. The Company will consider whether and when you should receive increases in your compensation and benefits as described therein based on such accomplishments.

You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company. Likewise, the Company may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. This at-will employment relationship cannot be changed except in writing signed by the Chief Executive Officer.

Any and all disputes connected with, relating to or arising from your employment with the Company will be settled by final and binding arbitration in accordance with the rules of the American Arbitration Association as presently in force. The only claims not covered by this Agreement are claims for benefits under the unemployment insurance or workers' compensation laws. Any such arbitration will take place in Alameda County, California. The parties hereby incorporate into this agreement all of the arbitration provisions of Section 1283.05 of the California Code of Civil Procedure. The Company understands and agrees that it will bear the costs of the arbitration filing and hearing fees and the cost of the arbitrator. Each side will bear its own attorneys' fees, and the arbitrator will not have authority to award attorneys' fees unless a statutory section at issue in the dispute authorizes the award of attorneys' fees to the prevailing party, in which case the arbitrator has authority to make such award as permitted by the statute in question. The arbitration shall be instead of any civil litigation; this means that you are waiving any right to a jury trial, and that the arbitrator's decision shall be final and binding to the fullest extent permitted by law and enforceable by any court having jurisdiction thereof. Judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction.

The employment terms in this letter supersede any other agreements or promises made to you by anyone, whether oral or written, express or implied. In the event you accept this employment offer, the terms set forth in this letter will comprise our final, complete and exclusive agreement with respect to the subject matter of this letter. Thus, by accepting this employment offer and signing this offer letter, you agree to be bound by its terms and conditions. As required by law, the Company's offer is subject to satisfactory proof of your right to work in the United States no later than three days after your employment begins.

Please sign and date this letter, and return it to me as soon as possible. This offer terminates if it is not signed and delivered to me by the close of business on August 2, 2006. A facsimile copy will suffice for this purpose, so long as an original signature is delivered when you commence employment. My confidential facsimile number is (510) 400-0710.

We look forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ James L. Fares

James L. Fares
President and Chief Executive Officer

I hereby acknowledge that I have read the foregoing letter and agree to be bound by all of its terms and conditions:

/s/ Eric Liebler

Eric Liebler

August 2, 2006

Date

October 13, 2006

VIA EMAIL

Eric Liebler
Questcor Pharmaceuticals, Inc.
3260 Whipple Road
Union City, California 94587

RE: Offer of Employment Letter Dated August 1, 2006:

Dear Eric:

This letter amends the terms of the above referenced offer of employment letter (the "Offer Letter") between Questcor Pharmaceuticals, Inc. ("Questcor") and you and is in consideration of your continued employment with Questcor.

Effective October 12, 2006, your title is changed to Senior Vice President, Strategic Planning and Communications. Your status has been changed to 100% full-time equivalent ("FTE") and your base compensation will be \$250,000 per annum (\$10,416.67 semi-monthly) effective October 16, 2006. As a 100% FTE, you will accrue vacation at the rate of 15 days per calendar year following your first 90 days of employment.

Except as provided in this amendment the Offer Letter remains in full force and effect.

Please indicate your acceptance of this amendment by returning a signed copy of this letter to me as soon as possible, but no later than October 16, 2006.

Sincerely,

/s/ Fredric I. Storch _____ Date: October 13, 2006
Fredric I. Storch
Senior Director, Human Resources and Administration

Accepted by:

/s/ Eric Liebler _____ Date: October 16, 2006
Eric Liebler

August 1, 2006

Eric Liebler
3260 Whipple Road
Union City, California 94587

RE: Change-in-Control

Dear Eric:

This letter agreement (this "Agreement") is entered into pursuant to that certain offer letter (the "Offer Letter") dated August 1, 2006, between you and Questcor Pharmaceuticals, Inc., a California corporation ("Questcor"). Questcor considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In connection with this, Questcor's Board of Directors (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of Questcor may exist and that the uncertainty and questions that it may raise among management could result in the departure or distraction of management personnel to the detriment of Questcor and its stockholders.

Accordingly, the Board has decided to reinforce and encourage your attention and dedication to your assigned duties without the distraction arising from the possibility of a change in control of Questcor. In order to induce you to become an employee of Questcor and remain in the employ of Questcor and its direct and indirect, majority-owned subsidiaries (collectively, the "Company"), Questcor hereby agrees that after this letter agreement (this "Agreement") has been fully executed and delivered by Questcor and you, you shall be entitled to receive the benefits set forth in this Agreement in the event of certain Changes in Control (as defined in The Questcor Pharmaceuticals, Inc. 2006 Equity Incentive Award Plan (the "Plan"). You shall receive no benefits under this Agreement unless there has been a Change in Control.

1. Accelerated Vesting. Notwithstanding anything to the contrary in Section 11 of the Plan (other than Sections 11(a) and 11(h)), in the event that a Change in Control occurs, and your employment with the Company is terminated as a result of an Involuntary Termination (as defined below) at any time within the six (6) month period commencing on the date of such Change in Control, fifty percent (50%) of the then-unvested shares of Questcor's common stock subject to each of your outstanding stock options will become immediately vested and exercisable on the date of your Involuntary Termination. The Company shall cause each option agreement evidencing the grant of stock options to you (each, an "Option Agreement") under the Plan to reflect the accelerated vesting provisions set forth in this Agreement.

2. Definition of Involuntary Termination. For purposes of this Agreement, “Involuntary Termination” means the termination of your employment with the Company either: (i) by the Company without Cause, or (ii) by you upon 30 days’ prior written notice to the Company for Good Reason.

3. Definition of Cause. For purposes of this Agreement, “Cause” means the termination of your employment for any one or more of the following: (i) your habitual or material neglect of your assigned duties with the Company (other than by reason of disability), or intentional refusal to perform your assigned duties with the Company (other than by reason of disability), which continues uncured for thirty (30) days following receipt of written notice of such deficiency or “Cause” event from the Board, specifying in detail the scope and nature of the deficiency or the “Cause” event; (ii) your act of dishonesty intended to result in your gain or personal enrichment; (iii) your personally engaging in illegal conduct which causes material harm to the reputation of the Company or its Affiliates (as defined in the Plan); (iv) your commission of a felony or gross misdemeanor directly relating to, your act of dishonesty or fraud against, or your misappropriation of property belonging to, the Company or its Affiliates (as defined in the Plan); (v) your personally engaging in any act of moral turpitude that causes material harm to the reputation of the Company; (vi) your intentionally breach in any material respect of the terms of any nondisclosure agreement with the Company; or (vii) your commencement of employment with another company while an employee of the Company without the prior consent of the Board. Any determination of “Cause” as used herein will be made only in good faith by the Board.

4. Definition of Good Reason. For purposes of this Agreement, “Good Reason” means the removal of your title of Vice President, Corporate Planning and Communications, without your written consent; provided, however, Good Reason shall not exist as a result of any reduction of your authority, duties or responsibilities so long as you retain the title of Vice President, Corporate Planning and Communications.

5. Arbitration. Any controversy, claim or dispute involving the parties (or their affiliated persons) directly or indirectly concerning this Agreement, or otherwise, shall be finally settled by binding arbitration held in Union City, California, by one arbitrator in accordance with the rules of employment arbitration then followed by the American Arbitration Association or any successor to the functions thereof. The arbitrator shall apply California law in the resolution of all controversies, claims and disputes. Any decision or award of the arbitrator shall be final and conclusive on the parties to this Agreement and their respective affiliates. The Company shall bear all costs of the arbitrator in any action brought under this section. The parties hereto agree that any action to compel arbitration pursuant to this Agreement may be brought in the appropriate California court and in connection with such action the laws of the State of California shall control. Application may also be made to such court for confirmation of any decision or award of the arbitrator, for an order of the enforcement and for any other remedies, which may be necessary to effectuate such decision or award. The parties hereto hereby consent to the jurisdiction of the arbitrator and of such court and waive any objection to the jurisdiction of such arbitrator and court.

6. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to Questcor shall be directed to the attention of its Secretary, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. At-Will Employment. Nothing contained in this Agreement shall (a) confer upon you any right to continue in the employ of the Company, (b) constitute any contract or agreement of employment, or (c) interfere in any way with the at-will nature of your employment with the Company.

8. Entire Agreement. This Agreement, the Offer Letter, the Plan and any Option Agreements set forth the entire agreement of the parties hereto in respect of the accelerated vesting of stock options held by you and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto, and any prior agreement of the parties hereto in respect of the accelerated vesting of stock options held by you, is hereby terminated and cancelled.

9. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. The section headings contained in this Agreement are for convenience only, and shall not affect the interpretation of this Agreement.

Please indicate your acceptance of this Agreement by returning a signed copy of this Agreement.

Sincerely,

/s/ James L. Fares

James L. Fares
Chief Executive Officer
Questcor Pharmaceuticals, Inc.

Date: August 2, 2006

Accepted by,

/s/ Eric Liebler

Eric Liebler
Date: August 8, 2006

August 1, 2006

Eric Liebler
3260 Whipple Road
Union City, California 94587

RE: Severance Agreement

Dear Eric:

In addition to the terms and conditions of your employment with Questcor Pharmaceuticals, Inc. (the "Company") which are set forth in your Offer Letter dated August 1, 2006, and Change-in-Control Agreement dated August 1, 2006, which are incorporated herein, the Company agrees to provide you severance in the event that the following conditions are met.

In the event (1) your employment is terminated by the Company other than (a) for Cause (as defined below) or (b) as a result of your permanent and total disability within the meaning of Section 422(c)(6) of the Internal Revenue Service Code of 1986, as amended (the "Code"), or (c) you resign your employment upon 30 days' prior written notice to the Company for Good Reason (as defined below), during your first three years of employment, you will receive severance compensation totaling Six (6) months of base salary. In the event (2) your employment is terminated by the Company other than (a) for Cause (as defined below) or (b) as a result of your disability within the meaning of Section 422(c)(6) of the Code, or (c) you resign your employment upon 30 days' prior written notice to the Company for Good Reason (as defined below), after your first three years of employment, you will receive severance compensation totaling Twelve (12) months of base salary.

As a condition precedent to receiving severance compensation, you will be required to execute a general release (in a form prepared by counsel for the Company) of claims against the Company and its officers, directors, agents and shareholders. Such general release will not include rights to vested options or claims for any compensation earned (including, without limitation, accrued vacation), or reimbursement of expenses incurred, through the date of termination. Severance compensation will be paid in accordance with normal payroll procedures. If you are reemployed at any time during the severance period, all further severance compensation payments shall immediately cease.

"Cause" will mean termination of your employment for any one or more of the following: (a) habitual or material neglect of your assigned duties (other than by reason of disability) or intentional refusal to perform your assigned duties (other than by reason of disability) which continues uncured for 30 days following receipt of written notice of such

deficiency or "Cause" event from the Board of Directors, specifying in detail the scope and nature of the deficiency or the "Cause" event; (b) an act of dishonesty intended to result in your gain or personal enrichment; (c) personally engaging in illegal conduct which causes material harm to the reputation of the Company or its affiliates; (d) committing a felony or gross misdemeanor directly relating to, an act of dishonesty or fraud against, or a misappropriation of property belonging to, the Company or its affiliates; (e) personally engaging in any act of moral turpitude that causes material harm to the reputation of the Company; (f) intentionally breaching in any material respect the terms of any nondisclosure agreement with the Company; or (g) commencement of employment with another Company while an employee of the Company without the prior consent of the Board of Directors. Any determination of "Cause" as used herein will be made only in good faith by the Board of Directors.

"Good Reason" will mean the removal of your title of Vice President, Corporate Planning and Communications without your written consent; provided, however, that Good Reason shall not exist as a result of any reduction of your authority, duties or responsibilities so long as you retain the title of Vice President, Corporate Planning and Communications of the Company.

This letter, your Offer Letter, your Change-in-Control Agreement, your stock option grant dated August 1, 2006, and any future stock option grants, constitute the entire agreement between you and the Company regarding the terms and conditions of your employment with the Company and supersede any other agreement or promises made to you by anyone, whether oral or written, express or implied.

This Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A of the Code, and the Treasury Regulations there under.

Please sign and date this letter, and return it to me as soon as possible acknowledging your understanding and acceptance of the terms and conditions set forth above.

Sincerely,

/s/ James L. Fares

James L. Fares
President and CEO

Date: August 1, 2006

Agreed:

/s/ Eric Liebler

Eric Liebler
Vice President, Corporate Planning and Communications

Date: August 8, 2006



FOR IMMEDIATE RELEASE

QUESTCOR ANNOUNCES APPOINTMENT OF NEW EXECUTIVE OFFICERS

Union City, CA — October 18, 2006 — Questcor Pharmaceuticals, Inc. (AMEX:QSC) announced today that it had appointed Steven C. Halladay, Ph.D., Senior Vice President, Clinical and Regulatory Affairs and Eric J. Liebler, Senior Vice President, Strategic Planning and Communications.

Steven Halladay most recently served as Vice President, Clinical and Regulatory Affairs of Durect Corporation, a specialty pharmaceutical company where he was responsible for all regulatory, pre-clinical and clinical activity. Prior to joining Durect, Dr. Halladay served as Senior Executive Vice President of Clingenix, Inc., a clinical research and pharmacogenomics company, and as President and Chief Executive Officer of its wholly-owned subsidiary, Research Services, Inc. Earlier in his career Dr. Halladay spent over a decade with Syntex in roles of increasing responsibility in both the pre-clinical and clinical departments. Dr. Halladay has planned, conducted, analyzed, and reported over 100 clinical trials for FDA and Ex US submissions, Rx and OTC and is considered an expert in the acceleration of clinical development through various strategies.

Eric Liebler was most recently the founder of Nisola, LLC, a provider of management, financial and investor services to CNS-focused specialty and biotechnology companies. Mr. Liebler spent over ten years with Elan Corporation and its predecessor, Athena Neurosciences, where he served in a number of increasingly senior roles in Marketing, Investor Relations and Strategic Planning. Mr. Liebler was previously President of Amarin Pharmaceuticals, a CNS-focused specialty pharmaceutical company and also served as Vice President of Business Development for Enzon Pharmaceuticals. Mr. Liebler started his career as an Analyst and Associate in PaineWebber's (now UBS) Health Care investment banking group. Mr. Liebler currently serves as a public trustee and Treasurer of the American Academy of Neurology Foundation.

"Steven and Eric bring a tremendous amount of industry experience across a broad range of disciplines to Questcor and are the perfect complement to our current executive team. I am confident that their experiences will be an invaluable asset as we continue to transform Questcor into a leading CNS-focused specialty pharmaceutical company," commented James Fares, Questcor's President and CEO.

About Questcor - Questcor Pharmaceuticals, Inc.[®] (AMEX: QSC) is a specialty pharmaceutical company that develops and commercializes novel therapeutics for the treatment of neurological disorders. Questcor currently markets H.P. Acthar[®] Gel (repository corticotropin injection), an injectable drug indicated for the treatment of exacerbations associated with multiple sclerosis and Doral[®] (quazepam) that is indicated for the treatment of insomnia characterized by difficulty in falling asleep, frequent nocturnal awakenings, and/or early morning awakenings. For more information, please visit www.questcor.com.

Note: Except for the historical information contained herein, this press release contains forward-looking statements that involve risks and uncertainties. Such statements are subject to certain factors, which may cause Questcor's results to differ from those reported herein. Factors that may cause such differences include, but are not limited to, Questcor's ability to accurately forecast and create the demand for its products, the gross margin achieved from the sale of its products, Questcor's ability to enforce its product returns policy, the accuracy of the prescription data purchased from independent third parties by Questcor, the sell-through by Questcor's distributors, the inventories carried by Questcor's distributors, and the expenses and other cash needs for the upcoming periods, Questcor's ability to obtain finished goods from its sole source contract manufacturers on a timely basis if at all, Questcor's potential future need for additional funding, Questcor's ability to utilize its net operating loss carry forwards to reduce income taxes on the sale of its non-core products, research and development risks, uncertainties regarding Questcor's intellectual property and the uncertainty of receiving required regulatory approvals in a timely way, or at all, and the ability of Questcor to implement its strategy and acquire products and, if acquired, to market them successfully, as well as the risks discussed in Questcor's annual report on Form 10-K for the year ended December 31, 2005 and other documents filed with the Securities and Exchange Commission. The risk factors and other information contained in these documents should be considered in evaluating Questcor's prospects and future financial performance.

Questcor undertakes no obligation to publicly release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CONTACT INFORMATION:

Eric Liebler
510-400-0740
IR@Questcor.com