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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

OR

o **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: 0-20772

QUESTCOR PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

CALIFORNIA	**33-0476164**
(State or other jurisdiction of incorporation or organization)	**(I.R.S.Employer Identification No.)**

3260 Whipple Road
Union City, CA 94587-1217
(Address of Principal Executive Offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (510) 400-0700

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 prior that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **x** No **o**

At November 7, 2002 there were 38,672,583 shares of the Registrant's common stock, no par value per share, outstanding.

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ITEM 1. FINANCIAL STATEMENTS

QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	September 30, 2002 (Unaudited)	December 31, 2001 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents (which included a compensating balance of $5,000 at December 31, 2001)	$ 9,203	$ 10,183
Short-term investments	133	388
Accounts receivable, net of allowance for doubtful accounts of $20 at September 30, 2002 and $78 at December 31, 2001	445	672
Inventories, net	436	96
Prepaid expenses and other current assets	963	265
Total current assets	11,180	11,604
Property and equipment, net	633	602
Purchased technology, net	518	1,159
Goodwill and other indefinite lived intangible assets	479	479
Deposits and other assets	1,024	1,228
Total assets	$ 13,834	$ 15,072
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,370	$ 1,095
Accrued compensation	767	575
Unissued common stock	—	960
Other accrued liabilities	1,600	1,070
Note payable to bank	—	5,000
Short-term debt and current portion of long-term debt	365	368
Current portion of capital lease obligations	16	57
Total current liabilities	4,118	9,125
Convertible debentures, (face amount of $4,000), net of deemed discount of $1,195	2,805	—
Long-term debt	—	121
Other non-current liabilities	1,018	1,045
Commitments		
Preferred stock, subject to redemption	5,081	5,081
Stockholders' equity (deficit):		
Common stock	77,435	74,018
Deferred compensation	(10)	(20)
Accumulated deficit	(76,613)	(74,183)
Accumulated other comprehensive income (loss)	—	(115)
Total stockholders' equity (deficit)	812	(300)
Total liabilities and stockholders' equity (deficit)	$ 13,834	$ 15,072

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Revenues:				
Net product sales	$ 3,772	$ 1,258	$10,885	$ 2,930
Contract research and grant revenue	17	59	143	341
Technology revenue	—	—	250	90
Royalty revenue	9	4	15	9
Services revenue from a related party (see Note 11)	50	—	150	—
Total revenues	3,848	1,321	11,443	3,370
Operating costs and expenses:				
Cost of product sales	645	369	1,800	1,008
Sales and marketing (*Note A*)	1,713	738	4,741	2,216
General and administrative (*Note A*)	1,206	1,293	3,953	3,060
Research and development (*Note A*)	791	639	2,107	2,176
Depreciation and amortization	262	547	921	1,659
Total operating costs and expenses	4,617	3,586	13,522	10,119
Loss from operations	(769)	(2,265)	(2,079)	(6,749)
Non-cash amortization of deemed discount on convertible debentures	(130)	—	(305)	—
Interest income (expense), net	(11)	(45)	3	14
Other income (expense), net	(151)	11	(261)	4
Rental income, net	66	38	212	600
Net loss	$ (995)	$ (2,261)	$ (2,430)	$ (6,131)
Basic and diluted net loss per common share	$ (0.03)	$ (0.07)	$ (0.06)	$ (0.21)
Shares used in calculation of basic and diluted net loss per share	38,632	34,566	38,317	29,438
Note A:				
Includes non-cash charges for stock-based compensation as follows:				
Sales and marketing	$ —	$ —	$ 44	$ —
General and administrative	—	8	243	31
Research and development	—	1	24	5
Total	$ —	$ 9	$ 311	$ 36

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Nine Months Ended September 30,	
	2002	**2001**
OPERATING ACTIVITIES		
Net loss	$ (2,430)	$(6,131)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	311	36
Amortization of deemed discount on convertible debentures	305	—
Depreciation and amortization	921	1,659
Other-than-temporary loss on investment	367	—
Deferred rent expense	(24)	78
(Gain)/Loss on the sale of equipment	(37)	37
Changes in operating assets and liabilities:		
Accounts receivable	227	(686)
Inventories	(340)	(44)
Prepaid expenses and other current assets	(665)	281
Accounts payable	275	525
Accrued compensation	192	98
Accrued development costs	—	(541)
Other accrued liabilities	530	143
Net cash flows used in operating activities	(368)	(4,545)
INVESTING ACTIVITIES		
Proceeds from the maturity of short-term investments, net	—	499
Purchase of property and equipment	(323)	(183)
Proceeds from sale of property and equipment	51	37
Decrease in other assets	270	54
Net cash flows (used in) provided by investing activities	(2)	407
FINANCING ACTIVITIES		
Issuance of common stock, net	557	6,925
Issuance of convertible debentures	4,000	—
Short-term borrowings	1,172	—
Repayment of note payable to bank	(5,000)	—
Repayment of short-term and long-term debt	(1,296)	(240)
Repayments of capital lease obligations	(43)	(75)
Net cash flows (used in) provided by financing activities	(610)	6,610
Increase (decrease) in cash and cash equivalents	(980)	2,472
Cash and cash equivalents at beginning of period	10,183	6,818
Cash and cash equivalents at end of period	$ 9,203	$ 9,290
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 150	$ 359

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(UNAUDITED)

1. BASIS OF PRESENTATION

Questcor Pharmaceuticals, Inc. (the "Company") was incorporated in California in 1990. The Company is an integrated specialty pharmaceutical company focused on the acquisition and marketing of acute care and critical care hospital/specialty pharmaceutical and related healthcare products. The Company currently markets five products in the U.S.: HP Acthar® Gel ("Acthar"), an injectable drug that is commonly used in treating patients with infantile spasm, or West Syndrome; Ethamolin®, an injectable drug used to treat enlarged weakened blood vessels at the entrance to the stomach that have recently bled, known as esophageal varices; Glofil™-125 and Inulin in Sodium Chloride, which are both injectable agents that assess how well the kidney is working by measuring glomerular filtration rate, or kidney function; and VSL#3™, a patented probiotic marketed as a dietary supplement, to promote normal gastrointestinal (GI) function. Probiotics are living organisms in food and dietary supplements, which, upon ingestion in certain numbers, improve the health of the host beyond their inherent basic nutrition.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States and applicable Securities and Exchange Commission regulations for interim financial information. These financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited financial statements should be read in conjunction with the audited financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed on March 19, 2002 with the Securities and Exchange Commission. In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation of interim financial information have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. Certain amounts in the prior quarter's financial statements have been reclassified to conform to the current quarter's presentation. The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

2. REVENUE RECOGNITION

Revenues from product sales of Acthar®, Ethamolin®, Glofil™-125, Inulin and VSL#3™ are recognized based upon shipping terms, net of estimated reserves for sales returns and discounts. Revenue is recognized upon shipment of product, provided the title to the products has been transferred at the point of shipment. If title of product transfers at point of receipt by the customer, revenue is recognized upon customer receipt of the shipment. Revenues from Glofil™-125 unit dose sales are recognized when the product is sold to end-users in accordance with the distribution agreement with the third-party distributor. The Company records estimated sales allowances against product revenues for expected returns, chargebacks and discounts based on historical sales returns, analysis of return merchandise authorization and other known factors such as shelf life of products, as required. The Company continually assesses the historical returns experience and adjusts its allowances as appropriate. The Company's return policy allows customers to return expired product within six months beyond the expiration date. Effective August 12, 2002 the Company changed its return goods policy such that it no longer issues credit memorandums for returns, rather all returns are exchanged for replacement product, and estimated costs for such exchanges, which include actual product material costs and related shipping charges, are included in Cost of Product Sales. All returns are subject to quality assurance reviews prior to acceptance. The Company sells product to wholesalers, who in turn sell its products to pharmacies and hospitals. In the case of VSL#3™ we sell direct to consumers. The Company does not require collateral from its customers.

Revenue earned under collaborative research agreements is recognized as the research services are performed. Amounts received in advance of services to be performed are recorded as deferred revenue until the services are performed.

The Company has received government grants which support the Company's research effort in specific research projects. These grants provide for reimbursement of approved costs incurred as defined in the various awards.

The Company has received payments in exchange for proprietary licenses related to technology and patents. The Company classifies these payments as "Technology Revenue." These payments are recognized as revenues upon receipt of cash and the transfer of intellectual property, data and other rights licensed, assuming no continuing obligations exist.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Company considers highly liquid investments with maturities from the date of purchase of three months or less to be cash equivalents. At September 30, 2002, the Company had cash, cash equivalents and short-term investments of $9,336,000. Following is a summary of cash equivalents and short-term investments (in thousands) based on quoted market prices for these investments:

	September 30, 2002	December 31, 2001
Money market funds	$ 9,097	$ 4,943
Certificates of deposit	—	5,000
Corporate equity investments	133	388
	9,230	10,331
Less amounts classified as cash equivalents	(9,097)	(9,943)
Short-term investments	$ 133	$ 388

In September 2000, the Company entered into an agreement with Rigel Pharmaceuticals, Inc. ("Rigel"), to sell exclusive rights to certain proprietary antiviral research technology in exchange for cash and 83,333 shares of Rigel stock. The Company has recorded an other-than-temporary loss of $186,000 on these shares for the quarter ended September 30, 2002. This write-down is included in Other Expense on the Statements of Operations. The write-down reduced the cost of the equity investment to $1.60 per share or $133,000 at September 30, 2002. At December 31, 2001, the equity investment had a cost of $500,000 and an unrealized loss of $112,000.

4. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market and are comprised of finished goods of $452,000 and $152,000 and raw materials of $56,000 and $0, at September 30, 2002 and December 31, 2001, respectively. These amounts are shown net of an allowance for obsolete/excess inventories of $72,000 and $56,000 at September 30, 2002 and December 31, 2001, respectively.

5. PURCHASED TECHNOLOGY AND INTANGIBLE ASSETS

In July 2001, the FASB issued Statement No. 141, "Business Combinations" (SFAS 141) and Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 establishes new standards for accounting and reporting for business combinations and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and also specifies the criteria for the recognition of intangible assets separately from goodwill. SFAS 142 establishes new standards for goodwill, including the elimination of goodwill amortization to be replaced with methods of periodically evaluating goodwill for impairment. The Company's adoption of SFAS 142 as of January 1, 2002 did not have a material impact on its financial statements. Goodwill and other indefinite lived intangible assets no longer subject to amortization amounted to $479,000 at September 30, 2002. The remaining net balance of $518,000 relates to purchased technology and is being amortized over the estimated sales life of the associated product (seven years).

In accordance with SFAS 141 and 142, the Company discontinued the amortization of goodwill on January 1, 2002, which would have resulted in an increase of reported net loss of approximately $409,000 for the nine months ended September 30, 2002, as compared with the accounting prior to the adoption of SFAS 141 and SFAS 142. The Company performed an impairment test of goodwill as of January 1, 2002, which did not result in an impairment charge at transition. The Company will continue to monitor the carrying value of goodwill through the annual impairment tests.

A reconciliation of previously reported net loss and net loss per share to the amounts adjusted for the exclusion of goodwill amortization, follows (in thousands, except per share amounts).

	Nine months ended September 30,		Year Ended December 31,	
	2002	2001	2001	2000
Reported net loss	$(2,430)	$(6,131)	$(8,697)	$(13,762)
Add back: Goodwill amortization	—	409	546	523
Adjusted net loss	$(2,430)	$(5,722)	$(8,151)	$(13,239)
Basic and diluted earnings per share:				
Reported net loss	$ (0.06)	$ (0.21)	$ (0.28)	$ (0.56)
Add back: Goodwill amortization	—	0.02	0.02	0.02
Adjusted net loss	$ (0.06)	$ (0.19)	$ (0.26)	$ (0.54)

6. NOTE PAYABLE

In December 1998, RiboGene, Inc. (“RiboGene”), a company that Questcor merged with in 1999, borrowed $5.0 million pursuant to a long-term note payable to a bank. The note required monthly interest only payments at prime plus 1.0%. In November 2000, the $5.0 million long-term note payable was converted into a $5.0 million cash secured facility. The minimum $5.0 million compensatory balance, which was invested in certificates of deposit, is included in cash and cash equivalents at December 31, 2001. The note was paid in full on January 18, 2002.

7. LINE OF CREDIT

In January 2002, the Company entered into a revolving accounts receivable line of credit with an asset based lending division of a bank. Under this line of credit, the Company can borrow up to the lesser of 80% of the eligible accounts receivable balance or $3,000,000. Interest accrues on outstanding advances at an annual rate equal to prime rate plus four and one-half percent. The term of this line of credit is one year. As of September 30, 2002, there were no borrowings under this line of credit. The line of credit is secured by a blanket lien on all assets including intellectual property.

8. CONVERTIBLE DEBENTURES

In March 2002, the Company issued $4.0 million of 8% convertible debentures to an institutional investor, and Defiante Farmaceutica Unipessoal L.D.A. (“Defiante”), a wholly-owned subsidiary of Sigma-Tau Finanzaria S.p.A (“Sigma-Tau”). The Company will pay interest on the debentures at a rate of 8% per annum on a quarterly basis. Included in Other Accrued Liabilities on the Balance Sheet is $80,000 of accrued interest payable on these debentures. The debentures are convertible into shares of the Company’s common stock at a fixed conversion price of $1.58 per share (subject to adjustment for stock splits and reclassifications). The debentures mature on March 15, 2005.

The Company may redeem the debentures for cash prior to maturity after March 15, 2003, provided the average of the closing sale price of the Company’s common stock for the twenty (20) consecutive trading days prior to the delivery of the optional prepayment notice to the holders of the debentures is equal to or greater than $3.16 per share, and the Company has satisfied certain equity conditions. At the end of the term of the debentures, under certain circumstances, the Company may redeem any outstanding debentures for stock. The Company may redeem the institutional investor’s debentures for stock at maturity, provided the total aggregate number of shares of the Company’s common stock issued to them (including shares issuable upon conversion of their debenture and shares issuable upon exercise of their warrant) does not exceed 7,645,219 shares (representing 19.999% of the total number of issued and outstanding shares of the Company’s common stock as of March 15, 2002). The Company may redeem Defiante’s debenture for stock at maturity, provided the market price of the Company’s common stock at the time of redemption is greater than $1.50 per share (representing the five day average closing sale price of the Company’s common stock immediately prior to March 15, 2002).

The Company issued warrants to the institutional investor, Defiante and the placement agent to acquire an aggregate of 1,618,987 shares of common stock at an exercise price of $1.70 per share. The warrants expire on March 15, 2006. The warrants

issued to the institutional investor and Defiante were assigned a value of $843,000. The warrants issued to the placement agent were assigned a value of $82,000. The warrants were valued using the Black-Scholes method with the following assumptions: a risk-free interest rate of 5%; an expiration date of March 15, 2006; volatility of 0.72; and a dividend yield of 0%. In connection with the issuance of the debentures and warrants, the Company recorded $641,000 related to the beneficial conversion feature on the convertible debentures. The total amount of the deemed discount on the convertible debentures as a result of the warrant issuance and the beneficial conversion feature amounts to $1,484,000. The beneficial conversion feature and warrant value will be amortized over the term of the debentures.

9. NET LOSS PER SHARE

Under SFAS No. 128, Earnings Per Share, basic and diluted loss per share is based on net loss for the relevant period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share gives effect to all potential dilutive common shares outstanding during the period such as options, warrants, convertible preferred stock, and contingently issuable shares. Diluted net loss per share has not been presented separately as, due to the Company's net loss position, it is anti-dilutive. Had the Company been in a net income position at September 30, 2002, shares used in calculating diluted earnings per share would have included the dilutive effect of an additional 7,975,308 stock options, 2,155,715 convertible preferred shares, 2,531,646 shares issuable upon conversion of debentures (if dilutive), placement unit options for 986,898 shares and 4,851,201 warrants.

10. STOCK OPTIONS AND WARRANTS

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company has elected to account for stock options and purchase rights granted to employees using the intrinsic value method and, accordingly, does not recognize compensation expense for options and purchase rights granted to employees with exercise prices which are not less than the fair value of the underlying common stock.

For equity awards to non-employees, including lenders and lessors, the Company applies the Black-Scholes method to determine the fair value of such instruments. The options and warrants granted to non-employees are re-measured as they vest and the resulting value is recognized as expense over the period of services received or the term of the related financing.

11. RELATED PARTY TRANSACTIONS

In December 2001, the Company entered into a promotion agreement with VSL Pharmaceuticals Inc. ("VSL"), a private company owned in part by the major shareholders of Sigma Tau. Sigma Tau beneficially owned approximately 39% of the Company's outstanding stock as of September 30, 2002. On June 27, 2002, the Company signed an amendment to the promotion agreement. Under these agreements, the Company has agreed to purchase VSL#3™ from VSL at a stated price, and has also agreed to promote, sell, warehouse and distribute the VSL#3™ product direct to customers at its cost and expense. Revenues from sales of VSL#3™ are recognized when product is shipped to the customer. The Company does not accept returns of VSL#3™. VSL#3™ revenue for the quarter ending September 30, 2002 was $183,000 and is included in Net Product Sales. Included in Accounts Payable is $87,000 for amounts owed to VSL. An access fee to VSL is calculated quarterly, which varies based upon sales and costs incurred by the Company. The access fee for the quarter ended September 30, 2002 is estimated to be $27,000 and is included in Sales and Marketing expense. Additionally, under these agreements, VSL has paid the Company $200,000 in exchange for services provided by the Company to launch the VSL#3™ product. This $200,000 payment is being recognized over a one-year period (the deemed benefit period related to the launch of the product) and is included in "Services revenue from a related party" on the Statements of Operations. The term of the agreement is three years, however, VSL is entitled to unilaterally terminate the agreement by providing written notice to the Company after the one-year anniversary of the effective date. The VSL#3™ product was formally launched on May 23, 2002.

In January 2002, the Company entered into a royalty agreement with Glenridge Pharmaceuticals LLC ("Glenridge"). Kenneth R. Greathouse, the Company's Vice President of Commercial Operations, is a part owner of Glenridge. This agreement calls for the payment of royalties on a quarterly basis on the net sales of Acthar®. The Company has paid Glenridge $353,000 in 2002 related to royalties on Acthar® sales. The Company has accrued $90,000 for royalties earned in the quarter ended September 30, 2002, which is included in Other Accrued Liabilities on the Balance Sheet.

12. COMPREHENSIVE LOSS

Comprehensive loss is comprised of net loss and unrealized holding gains and losses on available-for-sale securities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net loss	$(995)	$(2,261)	$(2,430)	$(6,131)
Other comprehensive income (loss)	15	(292)	115	(418)
Comprehensive loss	$(980)	$(2,553)	$(2,315)	$(6,549)

Independent Accountants' Review Report

The Board of Directors
Questcor Pharmaceuticals, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Questcor Pharmaceuticals, Inc. as of September 30, 2002, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2002 and 2001, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Questcor Pharmaceuticals, Inc. as of December 31, 2001, and the related consolidated statements of operations, preferred stock and stockholders' equity (deficit), and cash flows for the year then ended and in our report dated February 12, 2002, (except for Note 1, paragraph 4, and Note 17, as to which the date is March 15, 2002), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Palo Alto, California
October 25, 2002

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties, including statements regarding the period of time during which our existing capital resources and income from various sources will be adequate to satisfy our capital requirements. Our actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section, as well as those discussed in our annual report on Form 10-K for the fiscal year ended December 31, 2001, including Item 1 "Business of Questcor," and including without limitation "Risk Factors," as well as factors discussed in any documents incorporated by reference herein or therein.

Overview

We are an integrated specialty pharmaceutical company focused on the acquisition and marketing of acute care and critical care hospital/specialty pharmaceutical and related healthcare products. We currently market five products in the United States: HP Acthar® Gel ("Acthar"), an injectable drug that is commonly used in treating patients with infantile spasm, or West Syndrome; Ethamolin®, an injectable drug used to treat enlarged weakened blood vessels at the entrance to the stomach that have recently bled, known as esophageal varices; Glofil™-125 and Inulin in Sodium Chloride, which are both injectable agents that assess the kidney function by measuring glomerular filtration rate, or kidney function; and VSL#3™, a patented probiotic marketed as a dietary supplement, to promote normal gastrointestinal function. Probiotics are living organisms in food and dietary supplements, which, upon ingestion in certain numbers, improve the health of the host beyond their inherent basic nutrition.

We have sustained an accumulated deficit of $76.6 million from inception through September 30, 2002. Based on our internal forecast and projections, we believe that our cash on hand and the cash to be generated through the expected sale of our products will be sufficient to fund operations for the next twelve months. Results of operations may vary significantly from quarter to quarter depending on, among other factors, the results of our sales efforts, the availability of raw materials and finished goods from our sole-source manufacturers, the timing of certain expenses, the establishment of strategic alliances and corporate partnering and the receipt of milestone payments (See "Liquidity and Capital Resources").

Results of Operations

Three months ended September 30, 2002 compared to the three months ended September 30, 2001:

For the quarter ended September 30, 2002, we incurred a net loss of $995,000 or $0.03 per share, as compared to a net loss of $2,261,000, or $0.07 per share for the quarter ended September 30, 2001, an improvement of $1,266,000 or 56%.

For the quarter ended September 30, 2002, net product sales increased $2,514,000 or 200% to $3,772,000 from $1,258,000 for the quarter ended September 30, 2001. The increase in product revenues was due primarily to sales of Acthar®, which we introduced in the third quarter of 2001, and to increased unit sales of Ethamolin®. Effective June 24, 2002, we increased our list price for Ethamolin and Acthar. From the date of the notification of the price increase through June 30, 2002, we received $3,231,000 of Acthar and Ethamolin orders of which $777,000 had shipped prior to June 30, 2002. The remaining $2,454,000 of Acthar and Ethamolin orders were fulfilled in July 2002. We believe that a portion of the increase in net product sales for the quarter ended September 30, 2002, as compared to the same quarter last year, is attributable to purchases made as a result of the notification of the price increase.

We review external data sources to estimate customer demand for our products. In the event that demand for our products is less than our sales to wholesalers, excess inventory may result at the wholesaler level, which may impact future product sales. The historical usage data for Acthar is unavailable at this time, and therefore its difficult to estimate the amount of inventory at the wholesaler level. If the supply of Acthar currently available exceeds the future demand, our future revenues from the sales of Acthar may be affected adversely. Based upon a review of the historical usage data for Ethamolin and the higher than anticipated purchases of Ethamolin that occurred as a result of the price increase, we believe the current supply of Ethamolin in the wholesale channel exceeds normal inventory levels. It is difficult to accurately measure the amount of inventory that exists at any point in time at the wholesaler level. It is also difficult to accurately forecast our customers' future demand. We believe, however, as a result of Ethamolin supply in the wholesale channel, our revenues from sales of Ethamolin may be adversely impacted in the near term. Beginning in March of 2002, the remaining on hand inventory of Inulin failed to meet certain specifications under Food and Drug Administration ("FDA") regulations and as such we were unable to ship Inulin to our customers. Included in Inventories at September 30, 2002, is Inulin active pharmaceutical ingredient ("API"), which we are waiting for FDA approval to use in the production of the final product. Unless we are able to obtain approval on this API of Inulin in a timely fashion, it will be unlikely that we will be able to sell Inulin in the future.

Contract research and grant revenue decreased to $17,000 for the quarter ended September 30, 2002 from $59,000 for the quarter ended September 30, 2001. This decrease was partly a result of us receiving less reimbursement from the Small Business Innovation Research ("SBIR") grant due to a decrease in activity with our GERI compound research projects in the quarter ended September 30, 2002. Additionally, for the quarter ended September 30, 2001, we recognized contract research revenue under our June 2001 Letter of Understanding with Fabre Kramer to jointly pursue the development and commercialization of Hypnostat™ and Panistat™. In June 2002, we signed a License Agreement with Fabre-Kramer Pharmaceuticals under which Fabre-Kramer controls the development of Hypnostat and Panistat.

Royalty revenue for the quarter ended September 30, 2002 was $9,000, as compared to $4,000 for the quarter ended September 30, 2001. Royalty revenue represents sales of Pramidin® in Italy, under our license agreement with Sirton. This license agreement expired in accordance with its terms in June of 2002, and we are currently in discussions with other potential partners for Pramidin. Royalty revenues for the quarter ended September 30, 2002 also reflect royalties earned in connection with our license agreement with Ahn-Gook Pharmaceutical Co., LTD, our Korean licensee for Pramidin, which is marketed as Emitasol™ in Korea. Services revenue from a related party was $50,000 for the quarter ended September 30, 2002, representing this quarter's revenue resulting from the $200,000 payment made by VSL Pharmaceuticals, Inc. ("VSL") for certain promotional activities we undertook to support the launch of VSL#3™. We have a remaining balance of $50,000 from such payment, which will be recognized as revenue ratably through December 2002.

Total revenues for the quarter ended September 30, 2002 increased $2,527,000 or 191% to $3,848,000 from total revenues of $1,321,000 for the quarter ended September 30, 2001.

Cost of product sales increased to $645,000 or 75% for the quarter ended September 30, 2002 from $369,000 for the quarter ended September 30, 2001. This increase was a result of greater overall material costs due to the higher product sales for the quarter. However, cost of product sales as a percentage of net product sales decreased to 17% for the quarter ended September 30, 2002 from 29% for the quarter ended September 30, 2001, primarily due to a change in product mix for the quarter ended September 30, 2002 as compared to the quarter ended September 30, 2001.

Sales and marketing expenses for the quarter ended September 30, 2002 were $1,713,000, which represents an increase of $975,000 or 132% as compared to $738,000 for the quarter ended September 30, 2001. This increase is primarily due to salary and other costs associated with the expansion of our sales and marketing departments and increased marketing costs to support our newer products, Acthar and VSL#3.

General and administrative expenses for the quarter ended September 30, 2002 were $1,206,000, which represents a decrease of $87,000 or 7%, compared to $1,293,000 for the quarter ended September 30, 2001. The decrease is primarily due to the legal fees incurred in the quarter ended September 20, 2001 related to the Acthar product acquisition, which were not incurred in the current quarter.

Research and development expenses for the quarter ended September 30, 2002 were $791,000, which represents an increase of $152,000 or 24%, as compared to $639,000 for the quarter ended September 30, 2001. This increase is due to costs and expenses related to the manufacturing site transfer of Acthar, offset by decreased internal research and development activities. Under our agreement with Aventis Pharmaceuticals, Inc. ("Aventis"), Aventis manufactured and supplied Acthar through July 2002. Aventis filled one final lot of Acthar that is included in Inventories at September 30, 2002. It is anticipated that this final lot, along with the inventory of Acthar on hand as of September 30, 2002, will be sufficient to meet expected demand through early 2004. We have identified a new contract manufacturer of Acthar finished product and have begun to transfer the final fill and labeling process from Aventis to this new manufacturer. As part of the original Asset Purchase Agreement with Aventis, we will acquire a certain amount of the API for Acthar. This bulk product originally manufactured by Aventis will be transferred to the new final fill manufacturer. It is anticipated that this new contract manufacturer will complete the transfer and begin supplying finished product using the API manufactured by Aventis to us no later than mid-2003. We are also in the process of identifying potential new manufacturers for the API. The manufacturing development costs incurred in the quarter ended September 30, 2002 relate primarily to these site transfer and validation costs. Once the site transfer to the new final fill manufacturer and the new API manufacturer are complete and they begin to supply Acthar to us, the cost of the product is expected to increase. On November 4, 2002, we met with the FDA to discuss our manufacturing transfer plan for Acthar. In connection with that meeting, the FDA approved our Supplemental New Drug Application filed on September 27, 2002, to extend the labeled shelf life of Acthar from twelve months to eighteen months from the date of manufacture.

Non-cash amortization of deemed discount on convertible debentures issued March 15, 2002 for the quarter ended September 30, 2002 was $130,000, there was no such expense in the prior year period.

Interest expense, net, decreased by $34,000 to $11,000 for the quarter ended September 30, 2002 as compared to $45,000 for the quarter ended September 30, 2001.

Other expense, net, increased by $162,000 to $151,000 for the quarter ended September 30, 2002 as compared to net other income of $11,000 for the quarter ended September 30, 2001, primarily due to the other-than-temporary loss taken on our

investment in Rigel Pharmaceuticals, Inc. ("Rigel"), in the current quarter. We recorded an other-than-temporary loss of $186,000 on our Rigel equity securities investment for the quarter ended September 30, 2002.

Rental income, net, increased to $66,000 for the quarter ended September 30, 2002, from $38,000 for the quarter ended September 30, 2001, primarily due to greater rental income in the current quarter.

Nine months ended September 30, 2002 compared to the nine months ended September 30, 2001:

During the nine months ended September 30, 2002, we incurred a net loss of $2,430,000 or $0.06 per share, as compared to a net loss of $6,131,000 or $0.21 per share for the nine months ended September 30, 2001, an improvement of $3,701,000 or 60%.

For the nine months ended September 30, 2002, net product sales increased $7,955,000 or 272% to $10,885,000 from $2,930,000 for the nine months ended September 30, 2001. The increase in product revenues was due primarily to increased units sales of Ethamolin and Acthar, which was introduced in the third quarter of 2001. The increase of unit sales over the prior period was partially due to a shipment of a backorder in early 2002 and a price increase in June 2002. During the nine months ended September 30, 2002 we shipped backorders outstanding at December 31, 2001 amounting to $334,000 for Acthar and $408,000 for Ethamolin. Without these backorders, product revenues would have been $10,143,000, an increase of $7,213,000 or 246% over the nine months ended September 30, 2001. Effective June 24, 2002, we increased our list price for Ethamolin and Acthar. From the date of the notification of the price increase through June 30, 2002, we received $3,231,000 of Acthar and Ethamolin orders of which $777,000 had shipped prior to June 30, 2002. The remaining orders of $2,454,000 were fulfilled in July 2002.

Contract research and grant revenue decreased $198,000 or 58% to $143,000 for the nine months ended September 30, 2002 from $341,000 for the nine months ended September 30, 2001. This decrease was primarily the result of us receiving less reimbursement under the SBIR grant due to a decrease in activity with our GERI compound research project in the nine months ended September 30, 2002.

For the nine months ended September 30, 2002, we recognized $250,000 in technology revenue related to the License Agreement with Fabre-Kramer. During the nine months ended September 30, 2001, we recognized $90,000 in technology revenue related to a payment under our license agreement with Tularik, Inc. for the sale of our antifungal drug discovery program. Royalty revenue for the nine months ended September 30, 2002 was $15,000, a slight increase as compared to $9,000 for the nine months ended September 30, 2001. Royalty revenue represents sales of Pramidin® in Italy, under our license agreement with Sirton. This license agreement expired in accordance with its terms in June of 2002. Royalty revenues for the nine months ended September 30, 2002 also reflect royalties earned in connection with our license agreement with Ahn-Gook. Services revenue from a related party was $150,000 for the nine months ended September 30, 2002. This amount represents the recognition of year to date revenue resulting from the $200,000 payment made by VSL for certain promotional activities we undertook to support the launch of VSL#3. We have a remaining balance of $50,000 from such payment, which will be recognized as revenue ratably through December 2002.

Total revenues for the nine months ended September 30, 2002 increased $8,073,000 or 240% to $11,443,000 from total revenues of $3,370,000 for the comparable period ended September 30, 2001.

Cost of product sales increased to $1,800,000 or 79% for the nine months ended September 30, 2002 from $1,008,000 in the nine months ended September 30, 2001. This increase was a result of greater material costs due to higher product sales for the current period. However, cost of product sales as a percentage of net product sales decreased to 17% for the nine months ended September 30, 2002 from 34% for the nine months ended September 30, 2001, primarily due to a change in product mix.

Sales and marketing expenses for the nine months ended September 30, 2002 were $4,741,000, which represents an increase of $2,525,000 or 114% as compared to $2,216,000 for the nine months ended September 30, 2001. However, as a percentage of revenue, sales and marketing expenses decreased to 41% for the nine months ended September 30, 2002 from 66% for the nine months ended September 30, 2001. The increase in dollars is primarily due to salary and other costs associated with the expansion of our sales and marketing departments, and increased marketing costs to support our newer products, Acthar and VSL#3. We had a headcount of 30 individuals to support the commercial sales of our five products as of September 30, 2002, compared to a headcount of 18 individuals to support three products as of September 30, 2001.

General and administrative expenses for the nine months ended September 30, 2002 were $3,953,000, which represents an increase of $893,000 or 29%, compared to $3,060,000 in the nine months ended September 30, 2001. The increase was primarily related to non-cash charges for stock-based compensation of $243,000 for the nine months ended September 30, 2002 and increased investment banking costs associated with potential product acquisitions, financing opportunities and other general and administrative expenses.

Research and development expenses for the nine months ended September 30, 2002 were $2,107, 000, which represents a decrease of $69,000 or 3%, as compared to $2,176,000 for the nine months ended September 30, 2001. Since the completion of our merger with RiboGene in 1999, we have reduced our focus on research and development of non-marketed products and reduced our headcount accordingly. The decrease was due to lower salary and related expenses related to our research and development activities, offset by increased manufacturing costs related to the Acthar site transfer. The manufacturing development costs incurred for the nine months ended September 30, 2002, relate primarily to site transfer and validation costs.

Non-cash amortization of deemed discount on convertible debentures for the nine months ended September 30, 2002 was $305,000 pertaining to amortization of the deemed discount related to the convertible debentures. There was no similar expense in the nine months ended September 30, 2001.

Interest income (expense), net, decreased by $11,000 to $3,000 for the nine months ended September 30, 2002 from $14,000 for the nine months ended September 30, 2001, primarily due to a lower return on invested cash.

Other expense, net, increased by $265,000 to $261,000 for the nine months ended September 30, 2002 from net other income of $4,000 for the nine months ended September 30, 2001, due to the receipt of profits arising from short swing stock trades executed by one of our 10% shareholders, offset by the $367,000 other-than-temporary loss taken on our Rigel equity securities investment.

Rental income, net, decreased to $212,000 for the nine months ended September 30, 2002, from $600,000 in the comparable nine months ended September 30, 2001, due to the receipt of a sublease termination fee of $130,000 by the former sublessor of our Carlsbad facility and a $250,000 payment receipt for vacating our Hayward facility in May 2001.

Liquidity and Capital Resources

We have principally funded our activities to date through various issuances of equity securities, which, through September 30, 2002, have raised total net proceeds of $46.2 million, and to a lesser extent through product sales.

At September 30, 2002, we had cash, cash equivalents and short-term investments of $9,336,000 compared to $10,571,000 at December 31, 2001 (including a compensating balance of $5,000,000). At September 30, 2002, our working capital was $7,062,000 compared to $2,479,000 at December 31, 2001. The increase in working capital was principally due to the issuance of $4,000,000 convertible debentures coupled with increased product sales for the period, and the repayment of our note payable. Currently we use cash earnings/(burn) as a measure of our performance. Cash earnings/(burn) is defined as net loss excluding certain non-cash charges (depreciation and amortization, non-cash amortization of deemed discount on convertible debentures, and non-cash stock based compensation.). Our cash burn for the quarter ended September 30, 2002 was $603,000, an improvement of $1,102,000 as compared to our cash burn of $1,705,000 for the quarter ended September 30, 2001. Our cash burn for the nine months ended September 30, 2002 was $893,000, an improvement of $3,543,000, as compared to our cash burn of $4,436,000 for the comparable period in 2001.

As a result of the merger with RiboGene, we assumed $5 million of long-term debt financing with a bank. The note required us to make monthly interest payments, at prime plus 1% (5.75% at December 31, 2001), with the principal payment due at the end of the three-year term (December 2001). The note had a 90-day extension period, and the note's term was extended to March 2002. We paid the note in full on January 18, 2002.

In January 2002, we entered into a revolving accounts receivable line of credit. Under the agreement, we can borrow up to the lesser of 80% of our eligible accounts receivable balance or $3,000,000. Interest accrues on outstanding advances at an annual rate equal to prime rate plus four and one-half percent. The term of the agreement is one year. As of September 30, 2002, we had no borrowings under this line of credit.

We lease four buildings with lease terms expiring between 2004 and 2012. Annual rent payments for all of our facilities in 2002 are estimated to be $1,449,000. We utilize the Union City facility as our headquarters and the Carlsbad facility as our warehousing and distribution center. Annual rent payments for 2002 for these facilities total $660,000. We have subleased laboratory space and laboratory equipment in Hayward, California for a term of six years and anticipate that we will receive $949,000 in 2002 as sublease income to be used to pay the annual rental expense of $651,000 in 2002. The Lee's Summit facility was closed in May 2001 and this facility is currently available for sublease. Lease payments under the facility in Lee's Summit, Missouri will total $138,000 for 2002.

We also hold 83,333 shares of Rigel Pharmaceuticals, Inc. (NASD: RIGL) common stock that we received in conjunction with the agreement to sell Rigel exclusive rights to certain of our proprietary antiviral drug research technology. As of September 30, 2002, the shares had a market value of $1.60 per share, and are classified as a security available-for-sale.

On March 15, 2002, we issued $4.0 million of 8% convertible debentures to an institutional investor and Defiante Farmaceutica Unipessoal L.D.A. ("Defiante"), a wholly-owned subsidiary of Sigma-Tau Finanzaria S.p.A ("Sigma-Tau"). We will pay interest on the debentures at a rate of 8% per annum on a quarterly basis. The debentures are convertible into shares of our common stock at a fixed conversion price of $1.58 per share (subject to adjustment for stock splits and reclassifications). The debentures mature on March 15, 2005.

We may redeem the debentures for cash prior to maturity after March 15, 2003, provided the average of the closing sale price of our common stock for the twenty (20) consecutive trading days prior to the delivery of the optional prepayment notice to the holders of the debentures is equal to or greater than $3.16 per share, and we have satisfied certain equity conditions. At the end of the term of the debentures, under certain circumstances we may redeem any outstanding debentures for stock. We may redeem the institutional investor's debenture for stock at maturity, provided the total aggregate number of shares of our common stock issued to them (including shares issuable upon conversion of their debenture and shares issuable upon exercise of their warrant) does not exceed 7,645,219 shares (representing 19.999% of the total number of issued and outstanding shares of our common stock as of March 15, 2002). We may redeem Defiante's debenture for stock at maturity, provided the market price of our common stock at the time of redemption is greater than $1.50 per share (representing the five day average closing sale price of our common stock immediately prior to March 15, 2002).

We issued warrants to the institutional investor, Defiante and the placement agent to acquire an aggregate of 1,618,987 shares of common stock at an exercise price of $1.70 per share. The warrants expire on March 15, 2006. The warrants issued to the institutional investor and Defiante were assigned a value of $843,000. The warrants issued to the placement agent were assigned a value of $82,000. The warrants were valued using the Black-Scholes method with the following assumptions: a risk-free interest rate of 5%; an expiration date of March 15, 2006; volatility of 0.72; and a dividend yield of 0%. In connection with the issuance of the debentures and warrants, we recorded $641,000 related to the beneficial conversion feature on the convertible debentures. The total amount of the deemed discount on the convertible debentures as a result of the warrant issuance and the beneficial conversion feature amounts to $1,484,000. The beneficial conversion feature and warrant value will be amortized over the term of the debentures.

Based on our internal forecast and projections, we believe that our cash on hand and the cash to be generated through the expected sale of our products will be sufficient to fund operations for at least the next twelve months. Our future funding requirements will depend on many factors, including: the timing and extent of product sales, our ability to receive product timely from our contract manufacturers, any expansion or acceleration of our development programs; the acquisition and licensing of products, technologies or compounds, if any; the results of preclinical studies and clinical trials conducted by our collaborative partners or licensees, if any; our ability to manage growth; competing technological and market developments; costs involved in filing, prosecuting, defending and enforcing patent and intellectual property claims; the receipt of licensing or milestone fees from current or future collaborative and license agreements, if established; the timing of regulatory approvals; and other factors.

We may seek additional funds through public or private equity financings or from other sources. Should this occur, there can be no assurance that additional funds can be obtained on desirable terms or at all. We may seek to raise additional capital at any time, even if we do not have an immediate need for additional cash at that time.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk at September 30, 2002 has not changed materially from December 31, 2001, and reference is made to the more detailed disclosures of market risk included in our Annual Report on Form 10-K for the year ending December 31, 2001, as filed with the Securities and Exchange Commission on March 19, 2002.

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings. There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date we carried out our evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

ITEM 5. OTHER INFORMATION

In October 2002, we amended and restated our bylaws, adding what are commonly referred to as “advance notice” provisions. These advance notice provisions require that in order for a shareholder properly to present at an annual meeting of shareholders (a) prospective nominees for election to our Board of Directors or b) other proposals or resolutions to us, the shareholder must submit a notice to our Secretary concerning the proposed nomination or proposal at least sixty (60) days and no more than ninety (90) days prior to the anniversary date of the date on which we first mailed our proxy materials for our immediately preceding annual meeting of shareholders. The notices for annual meetings and special meetings must set forth certain specified information as to each person the shareholder proposes to nominate for election or re-election as a director and each other proposal to be submitted to a vote of the shareholders.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3.1	Amended and Restated By-laws of the Registrant
15.1	Letter regarding Unaudited Financial Information

(b) Reports on Form 8-K

None

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: November 12, 2002 By: /s/ CHARLES J. CASAMENTO

Charles J. Casamento
Chairman, President & CEO

Date: November 12, 2002 By: /s/ TIMOTHY E. MORRIS

Timothy E. Morris
Vice President, Finance & Administration
And Chief Financial Officer (Principal
Financial and Accounting Officer)

CERTIFICATIONS

Certification requirements set forth in Section 302 (a) of the Sarbanes-Oxley Act.

I, Charles J. Casamento, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Charles J. Casamento

Date: November 12, 2002

Name: Charles J. Casamento
Title: Chairman, President and Chief Executive Officer

I, Timothy E. Morris, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date");and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Timothy E. Morris

Name: Timothy E. Morris
Title: Chief Financial Officer

Exhibit Index

3.1	Amended and Restated By-laws of the Registrant
15.1	Letter regarding Unaudited Financial Information

Exhibit 3.1

AMENDED AND RESTATED BYLAWS

OF

QUESTCOR PHARMACEUTICALS, INC.

A CALIFORNIA CORPORATION

(AS AMENDED MAY 27, 1992, NOVEMBER 5, 1999,
MAY 17, 2002 AND OCTOBER 16, 2002)

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ARTICLE I.

OFFICES

Section 1. Principal Offices. The board of directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside this state, and the has one or more business offices in this state, the board of directors shall fix and designate a principal business office in the State of California.

Section 2. Other Offices. The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II.

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meetings. Meetings of shareholders shall be held at any place within or outside the State of California designated by the board of directors. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

Section 2. Annual Meeting. The annual meeting of the shareholders shall be held each year on the third Friday in May at 10:00 a.m., or at such other time as may be determined by the board of directors, at a location as may be determined by the board of directors. At the annual meeting, the shareholders shall elect a board of directors, consider reports of the affairs of the corporation and transact such other business as may be properly brought before the meeting.

Section 3. Special Meeting. Special meetings of the shareholders may be called at any time by the board of directors, the chairman of the board, the president, a vice president, the secretary or by one or more shareholders holding not less than one-tenth (1/10th) of the voting power of the corporation. Except as next provided, notice shall be given as for the annual meeting.

Upon receipt of a written request addressed to the chairman, president, vice president or secretary, mailed or delivered personally to such office by any person (other than the board of directors) entitled to call a special meeting of shareholders (such request, if sent by a shareholder or shareholders, to include the information required by Article 2, Section 15 of these bylaws), such officer shall cause notice to be given, to the shareholders entitled to vote, that a meeting will be held at a time requested by the person or persons calling the meeting, not less than twenty-five (25) nor more than sixty (60) days after the receipt of such request. If such notice is

not given within twenty (20) days after receipt of such request, the persons calling the meeting may give notice thereof in the manner provided by these bylaws or apply to the Superior Court as provided in Section 305(c) of the California Corporations Code.

Section 4. Notice of Shareholders' Meetings. All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the California Corporations Code, (ii) an amendment of the articles of incorporation, pursuant to Section 902 of that Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of that Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of that Code, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall also state the general nature of that proposal.

Section 5. Manner of Giving Notice; Affidavit of Notice. Notice of any meeting of shareholders shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by first-class mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of giving of the notice.

An affidavit of the mailing or other means of giving any notice of any shareholders' meeting shall be executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, and shall be filed and maintained in the minute book of the corporation.

Section 6. Quorum. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 7. Adjourned Meeting; Notice. Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 6 of this Article II.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the board of directors shall set a new record date. Notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 4 and 5 of this Article II. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

Section 8. Voting. The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 11 of this Article II, subject to the provisions of Sections 702 to 704, inclusive, of the California Corporations Code (relating to voting shares held by a fiduciary, in the name of a corporation or in joint ownership). The shareholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder before the voting has begun. On any matter other than elections of directors, any shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares that the shareholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the shareholders, unless the vote of a greater number of voting by classes is required by California Corporations Code or by the articles of incorporation.

At a shareholders' meeting at which directors are to be elected, no shareholder shall be entitled to cumulate votes (i.e., cast for any one or more candidates a number of votes greater than the number of the shareholders' shares) unless the candidates' names have been placed in nomination prior to commencement of the voting and a shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are

entitled, or distribute the shareholder's votes on the same principle among any or all of the candidates, as the shareholder thinks fit. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

Section 9. Waiver of Notice or Consent by Absent Shareholders. The transactions at any meeting of shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice, a consent to holding of the meeting or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 4 of this Article II, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

Section 10. Shareholder Action by Written Consent Without a Meeting. Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided, however, that a director may be elected at any time to fill a vacancy on the board of directors that has not been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. All such consents shall be filed with the secretary of the corporation and shall be maintained in the corporate records. Any shareholder giving a written consent, or the shareholder's proxy holders, or a transferee of the shares or a personal representative of shareholder or their respective proxy holders, may revoke the consent by a writing received by the secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the secretary.

If the consents of all shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such shareholders shall not have been received, the secretary shall given prompt notice of the corporate action approved by the shareholders without a meeting. This notice shall be given in the manner specified in Section 5 of this Article II. In the case of approval of (i) contracts or transactions in which a director has a direct or indirect financial interest, pursuant to Section 310 of the California Corporations Code, (ii) indemnification of agents of the corporation, pursuant to Section 317 of that Code, (iii) a

reorganization of the corporation pursuant to Section 1201 of that Code, and (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

Section 11. Record Date for Shareholder Notice, Voting and Giving Consents. For purposes of determining the shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in this event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the California Corporations Code.

If the board of directors does not so fix a record date:

(a) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, (i) when no prior action by the board has been taken, shall be the day on which the first written consent is given, or (ii) when prior action of the board has been taken, shall be at the close of business on the day on which the board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such other action, whichever is later.

Section 12. Proxies. Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the shareholder or the shareholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the California Corporations Code.

Section 13. Inspectors of Election. Before any meeting of shareholders, the board of directors may appoint any persons other than nominees for office to act as inspectors of election

at the meeting or its adjournment. If no inspectors of election are so appointed, the chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as an inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

These inspectors shall:

(a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies;

(b) Receive votes, ballots or consents;

(c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) Count and tabulate all votes or consents;

(e) Determine when the polls shall close;

(f) Determine the result; and

(g) Do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

Section 14. Order of Business. The chairman of the board of directors, or such other officer of the corporation designated by a majority of the board of directors, will call meetings of the shareholders to order and will act as presiding officer thereof. Unless otherwise determined by the board of directors prior to the meeting, the presiding officer of the meeting of the shareholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting, including without limitation by (i) imposing restrictions on the persons (other than shareholders of the corporation or their duly appointed proxies) who may attend any such shareholders' meeting, (ii) ascertaining whether any shareholder or his proxy may be excluded from any meeting of the shareholders based upon any determination by the presiding officer, in his or her sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and (iii) determining the circumstances in which any person may make a statement or ask questions at any meeting of the shareholders.

At an annual meeting of the shareholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the board of directors,

or (iii) otherwise properly requested to be brought before the meeting by a shareholder of the corporation in accordance with the immediately succeeding sentence. For business to be properly requested by a shareholder to be brought before an annual meeting, the shareholder must (i) be a shareholder of record at the time of the giving of the notice of such annual meeting by or at the direction of the board of directors, (ii) be entitled to vote at such meeting, and (iii) have given timely written notice thereof to the secretary in accordance with Article 2, Section 15 of these bylaws.

Nominations of persons for election as directors of the corporation may be made at an annual meeting of shareholders only (i) by or at the direction of the board of directors or (ii) by any shareholder who is a shareholder of record at the time of the giving of the notice of such annual meeting by or at the direction of the board of directors, who is entitled to vote for the election of directors at such meeting and who has given timely written notice thereof to the secretary in accordance with Article 2, Section 15 of these bylaws. Only persons who are nominated in accordance with this Article 2, Section 14 will be eligible for election at a meeting of shareholders as directors of the corporation.

At a special meeting of shareholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the chairman of the board of directors, the president, a vice president or the secretary or (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the board of directors.

The determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with this Article 2, Section 14, and whether any nomination of a person for election as a director of the corporation at any annual meeting of the shareholders was properly made in accordance with this Article 2, Section 14, will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, or any nomination was not properly made, he or she will so declare to the meeting and any such business will not be conducted or considered and any such nomination will be disregarded.

Section 15. Advance Notice of Shareholder Proposals and Director Nominations. To be timely for purposes of Article 2, Section 14 of these bylaws, a shareholder's notice must be addressed to the secretary and delivered or mailed to and received at the principal executive offices of the corporation not less than sixty (60) nor more than ninety (90) calendar days prior to the anniversary date of the date (as specified in the corporation's proxy materials for its immediately preceding annual meeting of shareholders) on which the corporation first mailed its proxy materials for its immediately preceding annual meeting of shareholders; provided, however, that in the event the annual meeting is called for a date that is not within thirty (30) calendar days of the anniversary date of the date on which the immediately preceding annual meeting of shareholders was called, to be timely, notice by the shareholder must be so received not later than the close of business on the tenth (10th) calendar day following the day on which public announcement of the date of the annual meeting is first made. In no event will the public announcement of an adjournment of an annual meeting of shareholders commence a new time period for the giving of a shareholder's not as provided above.

In the case of a request by a shareholder for business to be brought before any annual meeting of shareholders, a shareholder's notice to the secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a description in reasonable detail of the business desired to brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class and number of shares of the corporation that are owned beneficially and of record by the shareholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and (iv) any material interest of such shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business.

In the case of a nomination by a shareholder of a person for election as a director of the corporation at any annual meeting of shareholders, a shareholder notice to the secretary must set forth (i) the shareholders intent to nominate one or more persons for election as a director of the corporation, the name of each such nominee proposed by the shareholder giving the notice, and the reason for making such nomination at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the shareholder proposing such nomination and the beneficial owner, if any, on whose behalf the nomination is proposed, (iii) the class and number of shares of the corporation that are owned beneficially and of record by the shareholder proposing such nomination and by the beneficial owner, if any, on whose behalf the nomination is proposed, and (iv) any material interest of such shareholder proposing such nomination and the beneficial owner, if any, on whose behalf the proposal is made, (v) a description of all arrangements or understandings between or among any of (A) the shareholder giving the notice, (B) each nominee, and (C) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder giving the notice, (vi) such other information regarding each nominee proposed by the shareholder giving the notice as would be required to be included in a proxy statement filed in accordance with the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the board, and (vii) the signed consent of each nominee proposed by the shareholder giving the notice to serve as a director of the corporation if so elected.

Any shareholder or shareholders seeking to call a special meeting pursuant to Article 2, Section 3 of these bylaws shall provide information comparable to that required by the preceding paragraphs, to the extent applicable, in any request made pursuant to such Article and Section.

Notwithstanding the provisions of Sections 14 and 15 of this Article 2, a shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in Sections 14 and 15 of this Article 2. Nothing in Sections 14 and 15 of this Article 2 will be deemed to affect any rights of shareholders to request inclusion of proposals in the corporation's proxy statement in accordance with the provisions of Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

For purposes of this Article 2, Section 15, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange

Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or furnished to shareholders.

ARTICLE III.

DIRECTORS

Section 1. Powers. Subject to the provisions of the California Corporations Code and any limitations in the articles of incorporation and these bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

Section 2. Number and Qualification of Directors. The number of directors of the corporation shall be not less than five (5) nor more than nine (9). The exact number of directors shall be seven (7) until changed, within the limits specified above, by a bylaw amending this Section 2, duly adopted by the board of directors or by the shareholders. The indefinite number of directors may be changed, or a definite number fixed without provision for an indefinite number, by a duly adopted amendment to the articles of incorporation or by an amendment to this bylaw duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote. No amendment may change the stated maximum number of authorized directors to a number greater than two (2) times the stated minimum number of directors minus one (1).

Section 3. Election and Term of Office of Directors. Directors shall be elected at each annual meeting by the shareholders to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Section 4. Vacancies. Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, except that a vacancy created by the removal of a director by the vote or written consent of the shareholders or by court order may be filled only by the vote of a majority of the shares entitled to vote represented by a duly held meeting at which a quorum is present, or by the written consent of holders of a majority of the outstanding shares entitled to vote. Each director so elected shall hold office until the next annual meeting of the shareholders and until a successor has been elected and qualified.

A vacancy or vacancies in the board of directors shall be deemed to exist in the event of the death, resignation, or removal of any director, or if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be voted for at that meeting.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election by written consent shall require the consent of a majority of the outstanding shares entitled to vote.

Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 5. Place of Meetings and Meetings by Telephone. Regular meetings of the board of directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at the meeting.

Section 6. Annual Meeting. Immediately following each annual meeting of shareholders, the board of directors shall hold a regular meeting for the purpose of organization, any desired election of officers and the transaction of other business. Notice of this meeting shall not be required.

Section 7. Other Regular Meetings. Other regular meetings of the board of directors shall be held without call at such time as shall from time to time be fixed by the board of directors. Such regular meetings may be held without notice.

Section 8. Special Meetings. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. In the event that the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In the event that the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the

meeting, or the place of the meeting if the meeting is to be held at the principal executive office of the corporation.

Section 9. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 11 of this Article III. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of Section 310 of the California Corporations Code (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest), Section 311 of that Code (as to appointment of committees) and Section 317 of that Code (as to indemnification of directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 10. Waiver of Notice. The transaction of any meeting of the board of directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting, before or at its commencement, the lack of notice to that director.

Section 11. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 12. Notice of Adjournment. Notice of the time and place of holding a adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in Section 8 of this Article III, to the directors who were not present at the time of the adjournment.

Section 13. Action Without Meeting. Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent or consents shall be filed with the minutes of the proceedings of the board.

Section 14. Fees and Compensation of Directors. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. This Section 14 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise, and receiving compensation for those services.

ARTICLE IV.

COMMITTEES

Section 1. Committees of Directors. The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two (2) or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace an absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) the approval of any action which, under the California Corporations Code, also requires shareholders' approval or approval of the outstanding shares;

(b) the filling of vacancies on the board of directors or any committee;

(c) the fixing of compensation of the directors for serving on the board or any committee;

(d) the amendment or repeal of bylaws or the adoption of new bylaws;

(e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or repealable;

(f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the board of directors;

(g) the appointment of any other committees of the board of directors or the members of these committees.

Section 2. Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 5 (place of meetings), Section 7 (regular meetings), Section 8 (special meetings and notice), Section 9 (quorum), Section 10 (waiver of notice), Section 11 (adjournment), Section 12 (notice of adjournment) and Section 13 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee; special meetings of committees may also be called by resolution of the board of directors; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V.

OFFICERS

Section 1. Officers. The officers of the corporation shall be a chief executive officer, a president, a secretary and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any number of offices may be held by the same person.

Section 2. Election of Officers. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article V, shall be chosen by the board of directors, and each shall serve at the pleasure of the board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Subordinate Officers. The board of directors may appoint, and may empower the chief executive officer to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the bylaws or as the board of directors may from time to time determine.

Section 4. Removal and Resignation of Officers. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors, at any regular or special meeting of the board, or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

Section 5. Vacancies in Offices. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

Section 6. Chairman of the Board. The chairman of the board, when such an officer is elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the board of directors or prescribed by the bylaws. If there is no president, the chairman of the board shall in addition be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 7 of this Article V.

Section 7. Chief Executive Officer and President. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, when

such an officer is elected, the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and the officers of the corporation. He shall preside at all meetings of the shareholders and, in the absence of the chairman of the board, or if there be none, at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in such an officer of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or the bylaws. The president shall, in the absence of the chief executive officer, shall have all the powers of, and be subject to all the restrictions placed upon the chief executive officer, and duties as may be prescribed by the board of directors, or the bylaws, and the chief executive officer or the chairman of the board.

Section 8. Vice Presidents. In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for each of them, respectively, by the board of directors or the bylaws, and the president or the chairman of the board.

Section 9. Secretary. The secretary shall keep or cause to be kept, at the principal executive office or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number of classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required by the bylaws or by law to be given, and shall keep the seal of the corporation, if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the bylaws.

Section 10. Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any directors.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of

directors, shall render to the chief executive officer, and directors, whenever they request it, an account of all his transactions as chief financial officer and of the financial condition of the corporation, and shall have the powers and perform such other duties as may be prescribed by the board of directors or the bylaws.

Section 11. Excessive Compensation. If the Internal Revenue Service disallows as a business deduction to the corporation any part of the salary or other compensation paid by it to any officer, director or employee, as being excessive compensation, that part disallowed shall be repaid to the corporation by the officer, director or employee.

ARTICLE VI.

INDEMNIFICATION

Section 1. Indemnification. The corporation shall indemnify, defend and hold harmless to the maximum extent permitted by law, each Agent (as defined below) who is or was a party or is threatened to be made a party to or is or was involved (as a party, witness, or otherwise) in or to any proceeding (as defined below), whether or not by or in the right of the corporation, by reason of the fact that such person is or was an Agent of the corporation, whether the basis of the proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director or officer. Further, pursuant to provisions in the corporation's articles of incorporation, the corporation may provide such indemnification and hold harmless in excess of that expressly permitted by Section 317 of the California Corporations Code for any Agent to the fullest extent permitted by applicable law, as such law exists from time to time. The corporation may, at its option, indemnify, defend and hold harmless each employee or other agent of the corporation (each an "Other Agent") to the same extent described above with respect to an Agent, or to any lesser extent.

To the fullest extent permitted by law, the indemnification and hold harmless provided herein shall include, but is not limited to, expenses (including attorneys' fees), levies, costs, judgments, liability, loss, amounts paid in settlement, penalties and fines, which were incurred or paid in connection with, related to or arising from any proceeding; and, in the manner provided by law, any such expenses with respect to an Other Agent may, at the option of the corporation, and any such expenses with respect an Agent shall be paid by the corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the Agent to repay such amount if it shall be determined ultimately that the Agent or Other Agent is not entitled to be indemnified.

The indemnification provided herein shall not be deemed to limit the right of the corporation to indemnify any person to the fullest extent permitted by law, nor shall it be deemed exclusive of any other rights to which any Agent seeking indemnification from the corporation may be entitled under any agreement, bylaws, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. For purposes of this Article VI, "proceeding" shall mean any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative; and "Agent" shall mean a person, or a person who is the legal representative of a person, who is or was a director or officer of the corporation or Other Agent.

The corporation may, to the full extent permitted by law, purchase and maintain insurance on behalf of any Agent or Other Agent against any liability asserted against or incurred by the Agent or Other Agent in such capacity or arising out of the Agent's or Other Agent's status as such whether or not the corporation would have the power to indemnify the Agent or other Agent against such liability under the provisions of applicable law.

ARTICLE VII.

RECORDS AND REPORTS

Section 1. Maintenance and Inspection of Share Register. The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the board of directors, a record of its shareholders, giving the names and addresses of all shareholders and the number and classes of shares held by each shareholder.

A shareholder or shareholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation may (i) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five (5) days prior written demand on the corporation, and (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such shareholders' names and addresses, a list of who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. This list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled. The record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. Any inspection and copying under this Section 1 may be made in person or by an agent or attorney for the shareholder or holder of a voting trust certificate making the demand.

Section 2. Maintenance and Inspection of Bylaws. The corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in this state, the secretary shall, upon the written request of any shareholder, furnish to that shareholder a copy of the bylaws as amended to date.

Section 3. Maintenance and Inspection of Other Corporate Records. The accounting books and records and minutes of proceedings of the shareholders and the board of directors and any committee or committees of the board of directors shall be kept at such place or places designated by the board of directors or, in the absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to

inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

Section 4. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 5. Annual Report to Shareholders. The annual report to shareholders referred to in Section 1501 of the California Corporations Code is expressly dispensed with, but nothing herein shall be interpreted as prohibiting the board of directors from issuing annual or other periodic reports to the shareholders of the corporation as they consider appropriate.

Section 6. Annual Statement of General Information. The corporation shall, by the end of the calendar month of the anniversary date of its incorporation each year, file with the Secretary of State of the State of California, on the prescribed form, a statement setting forth the authorized number of directors, the number of any vacancies on the board, the names and complete business or residence addresses of all incumbent directors, the names and complete business or residence addresses of the chief executive officer, secretary and chief financial officer, the street address of its principal executive office, if the principal executive office is not in this state, the principal business office in this state, and the general type of business constituting the principal business activity of the corporation, together with a designation of the agent of the corporation for the purpose of service of process, all in compliance with Section 1502 of the California Corporations Code.

ARTICLE VIII.

GENERAL CORPORATE MATTERS

Section 1. Record Date for Purposes Other Than Notice and Voting. For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only shareholders of record on the date so fixed are entitled to receive the dividend, distribution, allotment, rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the California Corporations Code.

If the board of directors does not so fix a record date, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the board

adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

Section 2. Checks, Drafts, Evidence of Indebtedness. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as from time to time determined by resolution of the board of directors.

Section 3. Corporate Contracts and Instruments; How Executed. The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or render it liable for any purpose or for any amount.

Section 4. Certificate for Shares. A certificate or certificates for shares of the capital stock of the corporation shall be issued to each shareholder when any of these shares are fully paid, and the board of directors may authorize the issuance of certificates of shares as partly paid provided that these certificates shall state the amount of consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the corporation by the chairman of the board or vice chairman of the board or the chief executive officer or president or vice president and by the chief financial officer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. In the event that any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent or registrar at the date of issue.

Section 5. Lost Certificates. Except as provided in this Section 5, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the corporation and cancelled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the board may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

Section 6. Representation of Share of Other Corporations. The chairman of the board, the president, any vice president or any other person authorized by resolution of the board of directors or by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any and all shares of any other corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority granted to these officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other

corporation or corporations may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

Section 7. Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction and definitions in the California Corporations Code shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular and the term "person" includes both a corporation and a natural person.

ARTICLE IX.

AMENDMENTS

Section 1. Amendment by Shareholders. New bylaws may be adopted or these bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that if the articles of incorporation of the corporation set forth the number of authorized directors of the corporation, the authorized number of directors may be changed only by an amendment of the articles of incorporation.

Section 2. Amendment by Directors. Subject to the rights of the shareholders as provided in Section 1 of this Article IX, bylaws other than a bylaw or an amendment of a bylaw changing the authorized number of directors may be adopted, amended or repealed by the board of directors.

ARTICLE X.

S CORPORATION

Section 1. S Corporation Status. If at any time the corporation elects to be treated for federal or state tax purposes as an S Corporation, unless such S election has been revoked by the affirmative action of the majority of the shares entitled to vote on such action, the corporation will not recognize, nor be compelled to recognize, for so long as the corporation's status as an S Corporation continues, any transfer to whom or to which in the opinion of counsel to the corporation could disqualify the corporation as an S Corporation.

Exhibit 15.1

November 6, 2002

The Board of Directors
Questcor Pharmaceuticals, Inc.

We are aware of the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-30558, 333-46990 and 333-81243), pertaining to the 1992 Stock Option Plan, the 1993 Non-Employee Directors' Equity Incentive Plan and the 2000 Employee Stock Purchase Plan, and in the Registration Statements on Form S-3 (Nos. 333-61866, 333-25661, 333-32159, 333-23085, 333-17501, 333-03507 and 333-85160) and the related prospectuses, of our report dated October 25, 2002 relating to the unaudited condensed consolidated interim financial statements of Questcor Pharmaceuticals, Inc. that are included in its Form 10-Q for the quarter ended September 30, 2002.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

/s/ ERNST & YOUNG LLP