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 JUNE 30, 2001,

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission file number: 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 [ ]

At August 9, 2001 there were 37,283,011 shares of the Registrant's common stock, no par value, outstanding.

QUESTCOR PHARMACEUTICALS, INC.

FORM 10-Q

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QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS

	JUNE 30, 2001 (UNAUDITED)	DECEMBER 31, 2000 (NOTE 1)
Current assets:		
Cash and cash equivalents (which includes a compensating balance of $5,000)	$ 6,046	$ 6,818
Short-term investments	708	1,333
Accounts receivable, net of allowance for doubtful accounts of $89 at June 30, 2001 and $56 at December 31, 2000	559	172
Inventories	120	56
Prepaid expenses and other current assets	405	499
Total current assets	7,838	8,878
Property and equipment, net	1,166	1,427
Goodwill and other intangibles, net	2,550	3,357
Other assets	1,184	1,307
Total assets	$ 12,738	$ 14,969

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable	$ 867	$ 476
Accrued compensation	509	392
Accrued development costs	--	541
Other accrued liabilities	683	798
Short-term debt and current portion of long-term debt	5,398	5,382
Current portion of capital lease obligations	63	88
Total current liabilities	7,520	7,677
Long-term debt	330	489
Capital lease obligations	25	59
Other non-current liabilities	753	736
Commitments		
Preferred stock, subject to redemption	5,081	5,081
Stockholders' equity (deficit):		
Common stock	68,240	66,152
Deferred compensation	(62)	(71)
Accumulated deficit	(69,355)	(65,486)
Accumulated other comprehensive income	206	332
Total stockholders' equity (deficit)	(971)	927
Total liabilities and stockholders' equity (deficit)	$ 12,738	$ 14,969

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 2001	JUNE 30, 2000
Revenues:				
Net product sales	$ 971	$ 503	$ 1,672	$ 1,023
Contract research and grant revenue	57	40	282	206
Technology revenue	--	--	90	--
Royalty revenue	5	--	5	12
Total revenues	1,033	543	2,049	1,241
Operating costs and expenses:				
Cost of product sales	276	460	637	1,046
Sales and marketing	834	661	1,478	1,172
General and administrative	1,011	1,396	1,857	2,937
Research and development	787	1,082	1,537	3,967
Depreciation and amortization	553	557	1,112	1,093
Total operating costs and expenses	3,461	4,156	6,621	10,215
Loss from operations	(2,428)	(3,613)	(4,572)	(8,974)
Interest and other income, net	25	1	52	59
Rental income, net	406	(135)	651	(83)
Net loss	$ (1,997)	$ (3,747)	$ (3,869)	$ (8,998)
Net loss per common share Basic and diluted	$ (0.07)	$ (0.15)	$ (0.14)	$ (0.36)
Weighted average shares of common stock outstanding	28,277	24,761	26,832	24,672

See accompanying notes

QUESTCOR PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
Increase (decrease) in cash and cash equivalents
(in thousands)

	Six Months Ended	
	June 30, 2001	June 30, 2000
OPERATING ACTIVITIES		
Net loss	$ (3,869)	$ (8,998)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred compensation	9	29
Depreciation and amortization	1,112	1,101
Deferred rent expense	32	115
Loss on the disposal of equipment	60	21
Changes in operating assets and liabilities:		
Accounts receivable	(387)	1,606
Inventories	(64)	(86)
Prepaid expenses and other current assets	94	170
Accounts payable	391	(930)
Accrued compensation	117	(1,508)
Deferred revenue	--	30
Accrued development costs	(541)	622
Other accrued liabilities	(115)	(393)
Other non-current liabilities	(15)	--
Net cash flows used in operating activities	(3,176)	(8,221)
INVESTING ACTIVITIES		
Proceeds from the maturity of short-term investments, net	499	6,080
Purchase of property and equipment	(104)	(48)
Decrease (increase) in other assets	123	(2)
Net cash flows provided by investing activities	518	6,030
FINANCING ACTIVITIES		
Issuance of common stock, net	2,088	636
Repayment of long-term debt	(143)	(194)
Repayments of capital lease obligations	(59)	(120)
Net cash flows provided by financing activities	1,886	322
Decrease in cash and cash equivalents	(772)	(1,869)
Cash and cash equivalents at beginning of period	6,818	10,912
Cash and cash equivalents at end of period	$ 6,046	$ 9,043
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 213	$ 344

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Questcor Pharmaceuticals, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles 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/A for the year ended December 31, 2000, as filed on April 30, 2001 with the Securities and Exchange Commission. In the opinion of 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, 2001.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

2. MATTERS AFFECTING ONGOING OPERATIONS

In May 2000, the Company's sole customer for its Neoflo(TM) product, NutraMax Products, Inc., filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. The NutraMax bankruptcy filing has had a negative impact on the Company's sales and cash flow during calendar year 2000 and first quarter of 2001. On April 2, 2001, the U.S. Bankruptcy Court granted NutraMax a motion to terminate the Company's supply agreement effective that date. In May 2001, the Company closed its Lee's Summit manufacturing facility where the NutraMax product was being produced and is currently in negotiations for the sale of the Neoflo(TM) product and related assets. The Company expects that no loss will be incurred on the disposition of these assets.

The Company has experienced recurring operating losses since inception. From inception to June 30, 2001, the Company incurred cumulative net losses of approximately $69.4 million. The Company has cash, cash equivalents and short-term investments at June 30, 2001 of $6.8 million (including a compensating balance of $5 million, see Note 6).

While historical losses have been significant, the Company expects that based upon funds received from equity financings together with expected sales from its marketed products, it will have sufficient capital to fund its operating requirements through the end of 2001.

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 June 30, 2001, the Company had cash, cash equivalents and short-term investments of $6,754,000, including a compensating balance of $5,000,000.

The Company determines the appropriate classification of investment securities at the time of purchase and reaffirms such designation as of each balance sheet date. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, if any, reported in a separate component of stockholders' equity. The cost of securities sold is based on the specific identification method. Realized gains and losses, if any, are included in the statement of operations, in interest and other income, net.

4. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market and at June 30, 2001 are comprised of raw materials of $13,000 and finished goods of $107,000.

5. RECENTLY-ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting

standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires companies to recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The Company's adoption of SFAS 133 as of January 1, 2001, did not have a material impact on its financial statements.

In July 2001, the Financial Accounting Standards Board 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. Use of the pooling-of-interests method will be prohibited. SFAS 142 establishes new standards for goodwill, including the elimination of goodwill amortization to be replaced with methods of periodically evaluating goodwill for impairment. We will adopt these statements during the first quarter of fiscal 2002. We are currently evaluating the provisions of SFAS 141 and 142.

6. NOTE PAYABLE

In December 1998, RiboGene borrowed $5.0 million pursuant to a long-term note payable to a bank. The note requires monthly interest only payments at prime plus 1.0%. The rate at June 30, 2001 was 7.0%. The principal is due on December 24, 2001. The loan was collateralized by a perfected security interest in all the unencumbered assets of the Company and required that the Company maintain a minimum of $5.0 million of depository accounts with the bank. The Company was also required to comply with financial covenants based on certain ratios. In June 2000, the Company was not in compliance with at least one such financial covenant. Hence, the Company reclassified the $5.0 million note payable from long-term to short-term debt. In November 2000, the $5.0 million long-term note payable was converted into a $5.0 million cash secured facility. The financial covenants were removed and the blanket lien on all assets was released. The minimum $5.0 million compensatory balance, which is invested in a certificate of deposit, is included in cash and cash equivalents.

7. NET LOSS PER SHARE

Under SFAS No. 128, Earnings Per Share, basic 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 June 30, 2001, shares used in calculating diluted earnings per share would have included the dilutive effect of options to purchase 6,157,250 shares, 2,155,715 convertible preferred shares, placement unit options for 986,898 shares and warrants to purchase 4,271,627 shares.

8. STOCK, 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 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 fair value of awards that vest over a performance period are periodically revalued over their term and recognized as expense over the period of services received.

On April 12, 2001, the Company issued and sold to Sigma-Tau Finance Holding S.A. ("Sigma-Tau") an aggregate of 2,873,563 shares of Company common stock. The purchase price was $0.522 per share, for an aggregate purchase price of $1.5 million. The Company also sold a warrant to Sigma-Tau to purchase an additional 2,873,563 shares of the Company's common stock. The purchase price of the warrant was $100,000. On July 30, 2001, Sigma-Tau exercised the warrant to purchase these common stock shares for an aggregate purchase price of $1.4 million. On July 31, 2001, in a separate transaction, the Company sold an additional 5,279,034 shares of common stock at $0.663 per share to Sigma-Tau for a total purchase price of $3.5 million. As a result of these transactions, Sigma-Tau and its affiliates now own approximately 28% of the voting power of our issued and outstanding capital stock.

On April 30, 2001, the Company closed a financing which totaled $442,000. This investment came from a group of individual investors. The Company issued an aggregate of 816,800 shares of common stock and sold warrants to purchase an additional 408,400

shares of common stock with an exercise price of these warrants of $0.64 per share. The warrants are exercisable from the date of issuance until the close of business on April 30, 2006.

9. SALE OF TECHNOLOGY

In February 2001, the Company announced that it had exclusively licensed certain antifungal drug research technology to Tularik, Inc. In exchange, the Company received an upfront cash payment, reimbursement of patent expenses and is entitled to future potential milestone and royalty payments. In addition, the Company has transferred to Tularik certain biological and chemical reagents to be used in the discovery and development of novel antifungal agents.

10. SUBSEQUENT EVENTS

On July 31, 2001, the Company announced that it had signed an agreement with Aventis Pharmaceuticals, Inc. to acquire the worldwide rights to HP Acthar(R) Gel. HP Acthar(R) Gel is a corticotropin product that has been used, as part of a special program administered by the National Organization for Rare Disorders (NORD), to treat seriously ill children with a seizure complex, referred to as West Syndrome or infantile spasm, a potentially fatal disorder, and patients with multiple sclerosis who experience severe and painful episodes of "flare".

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

Except for the historical information contained herein, this discussion contains forward-looking statements that involve risks and uncertainties. Such statements are subject to certain factors, which may cause our results to differ. Factors that may cause such differences include, but are not limited to, our need for additional funding, uncertainties regarding our intellectual property and other research, development, marketing and regulatory risks, and, our ability to implement our strategy and acquire products and, if acquired, to market them successfully, as well as the risks discussed in our transition report on Form 10-K/A for the fiscal year ended December 31, 2000 and other documents filed with the Securities and Exchange Commission. The risk factors and other information contained in these documents should be considered in evaluating our prospects and future financial performance.

OVERVIEW

We are a specialty pharmaceutical company that serves the needs of the acute care and critical care hospital markets with our proprietary products. We were founded in 1990, commenced research and development activities in 1991, completed an initial public offering (the "IPO") in November 1992, commenced clinical trials in December 1994, acquired two FDA approved products, Glofil(TM)-125 and Inulin, in August 1995, acquired a third FDA approved product, Ethamolin(R), in November 1996, and acquired the Dermaflo(TM) topical burn/wound care technology and two FDA approved products, Neoflo(TM) and Sildaflo(TM), in November 1997. On November 17, 1999, Cypros changed its name to Questcor Pharmaceuticals, Inc. after completing the acquisition of RiboGene, Inc. In July 2001, we acquired HP Acthar(R) Gel, a marketed product used to treat neurological and autoimmune disorders. We have sustained an accumulated deficit of $69.4 million from inception through June 30, 2001. While these losses are significant, based upon funds received from equity financings together with expected sales revenues from our marketed products, we believe we will have sufficient capital to fund our operating requirements at least through the end of 2001. Assuming sales forecasts are met, of which there can be no assurance, we believe we will have enough capital to fund our operating requirements through the end of 2002. Results of operations may vary significantly from quarter to quarter depending on, among other factors, the results of our clinical testing, the timing of certain expenses, the establishment of strategic alliances and corporate partnering.

In February 2001, we announced that we had exclusively licensed certain antifungal drug research technology to Tularik, Inc. In exchange, we received an upfront cash payment, reimbursement of patent expenses and are entitled to future potential milestone and royalty payments. In addition, we transferred to Tularik certain biological and chemical reagents to be used in the discovery and development of novel antifungal agents.

In June 2001, we signed a Letter of Understanding with Fabre Kramer Pharmaceuticals, Inc. of Houston, TX, to jointly pursue the worldwide development and commercialization of Hypnostat(TM) (intranasal triazolam) for insomnia and Panistat(TM) (intranasal alprazolam) for panic disorders, two of our product candidates. The Letter of Understanding anticipates the formation of a joint venture, with funding of all joint venture development costs by Fabre Kramer.

On July 31, 2001, we announced that we had signed an agreement with Aventis Pharmaceuticals, Inc. to acquire the worldwide rights to HP Acthar(R) Gel. HP Acthar(R) Gel is a corticotropin product that has been used, as part of a special program administered by the National Organization for Rare Disorders (NORD), to treat seriously ill children with a seizure complex, referred to as West Syndrome or infantile spasm, a potentially fatal disorder, and patients with multiple sclerosis who experience severe and painful episodes of "flare".

RESULTS OF OPERATIONS

Three months ended June 30, 2001 compared to the three months ended June 30, 2000

For the quarter ended June 30, 2001, we incurred a net loss of $1,997,000, or $0.07 per share, as compared to a net loss of $3,747,000, or $0.15 per share for the quarter ended June 30, 2000.

Revenues for the quarter ended June 30, 2001 increased $490,000, representing a 90% increase over the comparable quarter in 2000. Product sales increased $468,000 or 93%, from the comparable quarter in 2000. The increase in revenue from product sales consists of a combined $692,000 increase from Ethamolin(R), Glofil(TM)-125 and Inulin sales, and a $224,000 decrease in revenue from Neoflo(TM) sales. The Neoflo(TM) product has not been profitable for us. We closed the Neoflo(TM) manufacturing facility and discontinued the Neoflo(TM) product. We are currently in negotiations for the sale of the Neoflo(TM) product and related assets.

Cost of product sales decreased 40% to $276,000 during the quarter ended June 30, 2001 from $460,000 in the comparable quarter ended June 30, 2000. This decrease was due to a reduction in overhead and material costs associated with the manufacturing of Neoflo(TM).

Sales and marketing expenses for the three months ended June 30, 2001 were $834,000, which increased by $173,000 or 26%, compared to $661,000 in the quarter ended June 30, 2000. The increase is primarily due to salary and other costs associated with the expansion of our sales force in late 2000. We do not expect sales and marketing expenses to increase appreciably through the end of 2001.

General and administrative expenses for the three months ended June 30, 2001 were $1,011,000, which decreased by $385,000 or 28%, compared to $1,396,000 in the quarter ended June 30, 2000. The decrease was related to our cost reduction program which resulted in a decrease in personnel and related expenses, facility, professional services and travel costs.

Research and development expenses for the three months ended June 30, 2001 were $787,000, which decreased $295,000 or 27%, compared to $1,082,000 in the quarter ended June 30, 2000 due to lower development expenses for Emitasol(R). We expect to fund future clinical trials from our anticipated increased revenues. Should our revenue projections differ from actual results, we would expect our research and development costs to increase or decrease accordingly.

A decrease in interest expense on the notes payable partially offset by a decrease in interest income during the quarter ended June 30, 2001, resulted in an increase in net interest and other income to $25,000, from $1,000 in the comparable quarter ended June 30, 2000.

Net rental income increased to $406,000 during the quarter ended June 30, 2001, from a net rental expense of ($135,000) in the comparable quarter ended June 30, 2000, primarily due to the receipt of a one-time payment for vacating our Hayward facility and the sublease of the entire premises commencing in May 2001. From July 2000 through April 2001, only a portion of the facility was subleased. Additionally, during the quarter ended June 30, 2000, we incurred expenses associated with the subleasing of our Hayward facility.

Six months ended June 30, 2001 compared to the six months ended June 30, 2000

During the six months ended June 30, 2001, we incurred a loss of $3,869,000 (or $0.14 per share) compared to a loss of $8,998,000 or ($0.36 per share) for the six months ended June 30, 2000.

During the six months ended June 30, 2001, we reported revenues of $2,049,000, a 65% increase from the $1,241,000 reported in the comparable period ended June 30, 2000. This increase is primarily due to an increase in product sales of Ethamolin(R), Glofil(TM)-125 and Inulin totaling $1,041,000 offset by a $392,000 decrease in revenue from Neoflo(TM) sales. The Neoflo(TM) product has not been profitable for us. We closed the Neoflo(TM) manufacturing facility and discontinued the Neoflo(TM) product. We are currently in negotiations for the sale of the Neoflo(TM) product and related assets. Other factors contributing to the increase in revenue for the six months ended June 30, 2001 as compared to the six months ended June 30, 2000, include $90,000 in technology revenue relating to the License Agreement with Tularik and $282,000 in grant revenue for the GERI (Glial Excitotoxin Release Inhibitors) compound research projects. The final support payments totaling $206,000 for the antibacterial research collaboration with Dainippon were recognized during the six months ended June 30, 2000.

Cost of product sales decreased 39% to $637,000 during the six months ended June 30, 2001 from $1,046,000 in the comparable period ended June 30, 2000. This decrease was due to a reduction in overhead and material costs associated with the manufacturing of Neoflo(TM).

Sales and marketing expense increased 26% to $1,478,000 during the six months ended June 30, 2001 from $1,172,000 in the comparable period ended June 30, 2000. The increase is principally due to salary and other costs associated with the expansion of our sales force in late 2000. We do not expect sales and marketing expenses to increase appreciably through the end of 2001.

General and administrative expense decreased 37% to $1,857,000 during the six months ended June 30, 2001 from $2,937,000 in the comparable period ended June 30, 2000. This decrease was related to our cost reduction program which resulted in a decrease in personnel and related expenses, facility, and professional services and travel costs, as well as a reduction in bad debt expense.

Research and development expense decreased 61% to $1,537,000 during the six months needed June 30, 2001 from $3,967,000 in the comparable period ended June 30, 2000. This was due to lower development expenses for Emitasol(R). We expect to fund future

clinical trials from our anticipated increased revenues. Should our revenue projections differ from actual results, we would expect our research and development costs to increase or decrease accordingly.

Depreciation and amortization expenses increased slightly to $1,112,000 during the six months ended June 30, 2001 from $1,093,000 in the comparable period ended June 30, 2000 due to a slight increase in tangible assets.

In addition, net interest and other income for the current period decreased slightly to $52,000 from the $59,000 in the prior-year period, principally due to a decrease in interest expense offset by a decrease in interest income.

Net rental income increased to $651,000 for the current period from a net rental expense of $83,000 in the prior year period due to the receipt of a one-time payment for vacating our Hayward facility and the sublease of the entire premises, commencing in May 2001. From July 2000 through April 2001, only a portion of the facility was subleased. Additionally, during the quarter ended June 30, 2000, we incurred expenses associated with the sublease of our Hayward facility.

LIQUIDITY AND CAPITAL RESOURCES

We have principally funded our activities to date through various issuances of equity securities and to a lesser extent through product sales and collaborative research efforts.

At June 30, 2001, we had cash, cash equivalents and short-term investments of $6.8 million compared to $8.2 million at December 31, 2000, including a compensating balance of $5.0 million in each period. At June 30, 2001, working capital was $318,000 as compared to working capital of $1.2 million at December 31, 2000. The decrease in working capital was principally due to the loss from operations for the current year.

For the six months ended June 30, 2001, cash used in operating activities was $3.2 million as compared to $8.2 million for the comparable period in 2000. The decrease was primarily due to the net loss from operations in 2001 improving as compared to the net loss in 2000. In addition, in the six months ended June 30, 2000, we also remitted payments for accrued compensation costs resulting from the acquisition of RiboGene, Inc.

On April 12, 2001, we issued and sold to Sigma-Tau an aggregate of 2,873,563 shares of common stock. We also sold a warrant to Sigma-Tau to purchase an additional 2,873,563 shares of common stock. On July 30, 2001, Sigma-Tau exercised the warrant. On July 31, 2001 in a separate transaction, we sold an additional 5,279,034 shares of common stock to Sigma-Tau. The cash proceeds from these investments total $6.5 million (see Sigma-Tau Investment), including $4.9 million received subsequent to June 30, 2001.

On April 30, 2001, we closed a financing that totaled $442,000. This investment came from a group of individual investors. We issued an aggregate of 816,800 shares of common stock and warrants to purchase an additional 408,400 shares of common stock with an exercise price of these warrants of $0.64 per share. The warrants are exercisable from the date of issuance until the close of business on April 30, 2006.

As a result of the merger with RiboGene, we assumed $5 million of long-term debt financing with a bank. The note required monthly interest payments, at prime plus 1% (7.0% at June 30, 2001), with the principal payment due at the end of the three-year term (December 2001). The note was collateralized by a perfected security interest in all our unencumbered assets and required that we maintain depository balances. We were also required to comply with financial covenants based on certain ratios. At June 30, 2000, we were not in compliance with at least one such financial covenant. Hence, we reclassified the $5 million note payable from long-term to short-term debt. In November 2000, the $5 million note payable was converted into a $5 million cash secured facility, the financial covenants were removed and the blanket lien on all assets was released.

We lease four buildings with lease terms ranging from three to fifteen years and annual rent payments for 2001 are estimated to be $1,332,000. Additionally, we have equipment lease commitments with estimated 2001 payments of $96,000. We have subleased our Hayward facility and laboratory equipment under a sublease with a term of six years, representing estimated sublease revenue of $757,000 for 2001. Additionally, we are committed to fund Emitasol(R) development costs up to a maximum of $7 million, of which $4.6 million had been incurred through June 30, 2001, consisting of $4.1 million paid to Shire and approximately $500,000 paid to other parties for allowable expenses including patent and trademark costs. The additional commitment to Shire of $2.4 million

requires mutual consent from both Shire and us prior to being spent. At this time, no additional work is currently being performed nor anticipated for the immediate future.

Based upon funds received from equity financings together with expected sales revenues from our marketed products, we believe we will have sufficient capital to fund our operating requirements at least through the end of 2001. Assuming sales forecasts are met, of which there can be no assurance, we believe we will have enough capital to fund our operating requirements through the end of 2002.

Our future funding requirements will depend on many factors, including: any expansion or acceleration of our development programs; the results of preclinical studies and clinical trials conducted by us or our collaborative partners or licensees, if any; the acquisition and licensing of products, technologies or compounds, 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; the timing and extent of product sales and other factors.

We may seek additional funds through public or private equity financing 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 whenever conditions in the financial markets are favorable, even if we do not have an immediate need for additional cash at that time.

SIGMA-TAU INVESTMENT

On April 12, 2001, we issued and sold to Sigma-Tau an aggregate of 2,873,563 shares of common stock. The purchase price was $0.522 per share, for an aggregate purchase price of $1.5 million. We also sold a warrant to Sigma-Tau to purchase an additional 2,873,563 shares of common stock. The purchase price of such warrant was $100,000. On July 30, 2001, Sigma-Tau exercised the warrant to purchase these common stock shares for an aggregate purchase price of $1.4 million. In a separate transaction, on July 31, 2001, we sold Sigma-Tau an additional 5,279,034 shares of common stock at $0.663 per share for a total purchase price of $3.5 million. As a result of these transactions, Sigma-Tau and its affiliates now own approximately 28% of the voting power of our issued and outstanding capital stock.

HP ACTHAR(R) GEL ACQUISITION

On July 31, 2001, we announced that we had signed an agreement with Aventis Pharmaceuticals, Inc. to acquire the worldwide rights to HP Acthar(R) Gel. HP Acthar(R) Gel is a corticotropin product that has been used, as part of a special program administered by the National Organization for Rare Disorders (NORD), to treat seriously ill children with a seizure complex, referred to as West Syndrome or infantile spasm, a potentially fatal disorder, and patients with multiple sclerosis who experience severe and painful episodes of "flare".

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk at June 30, 2001 has not changed materially from December 31, 2000, and reference is made to the more detailed disclosures of market risk included in our 2000 Form 10-K/A as filed with the Securities and Exchange Commission on April 30, 2001.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On April 12, 2001, the Company issued and sold to Sigma-Tau Finance Holding S.A. ("Sigma-Tau") an aggregate of 2,873,563 shares of Company common stock. The purchase price was $0.522 per share, for an aggregate purchase price of $1.5 million. The Company also sold a warrant to Sigma-Tau to purchase an additional 2,873,563 shares of the Company's common stock. The purchase price of the warrant was $100,000. On July 30, 2001, Sigma-Tau exercised the warrant to purchase these common stock shares for an aggregate purchase price of $1.4 million. In a separate transaction, on July 31, 2001, the Company sold an additional 5,279,034 shares of common stock at $0.663 per share to Sigma-Tau for a total purchase price of $3.5 million. As a result of these transactions, Sigma-Tau and its affiliates now own approximately 28% of the voting power of our issued and outstanding capital stock.

On April 30, 2001, the Company closed a financing which totaled $442,000. This investment came from a group of individual investors. The Company issued an aggregate of 816,800 shares of common stock and sold warrants to purchase an additional 408,400 shares of common stock with an exercise price of these warrants of $0.64 per share. The warrants are exercisable from the date of issuance until the close of business on April 30, 2006.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

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

The Company held its annual meeting of shareholders on May 30, 2001. The following matters received the votes set forth across from them at the meeting:

1. Election of Directors to hold office until the 2002 Annual Meeting of Shareholders

	Votes For	Votes Withheld
Charles J. Casamento	22,734,667	1,720,665
Robert F. Allnutt	23,762,628	692,704
Frank J. Sasinowski	23,405,050	1,050,282
Jon S. Saxe	23,401,100	1,054,232
John T. Spitznagel	23,394,900	1,060,432
Roger G. Stoll	23,762,928	692,404
Virgil Thompson	23,771,753	683,579

2: To approve the possible issuance of 711,811 shares of Company common stock no par value per share, to Sigma-Tau Finance Holding S.A. pursuant to a warrant agreement dated April 5, 2001 exercisable for the aggregate of 2,873,563 shares at a purchase price of $0.522 per share

For	9,846,753
Against	1,334,613
Abstain	17,133

3. To amend the Company's 1992 Employee Stock Option Plan (the "1992 Plan") to increase the number of shares of the Company's common stock authorized for issuance under the 1992 Plan by 5,000,000 shares, from 7,500,000 shares to 12,500,000 shares

For	8,180,028
Against	2,989,695
Abstain	28,776

4. To amend the Company's 1993 Non-Employee Director's Equity Incentive Plan (the "Director's Plan") to increase the aggregate number of shares of the Company's common stock authorized for issuance under the Director's Plan by 500,000 shares from 750,000 shares to 1,250,000 shares

For	8,122,556
Against	3,041,470
Abstain	34,473

5. To approve the Board of Directors' selection of Ernst & Young LLP as the Company's independent accountants for the fiscal year ending December 31, 2001.

For	24,302,899
Against	51,449
Abstain	100,984

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

4.1 Stock Purchase Agreement dated July 31, 2001 between Registrant and Sigma-Tau Finance Holding S.A.

(b) Reports on Form 8-K

A current report on Form 8-K was filed with the Securities and Exchange Commission on April 4, 2001 to announce the agreement with Sigma-Tau to purchase 2,873,563 shares of the Company's common stock at $0.522 per share. Additionally, Sigma-Tau paid $100,000 for a warrant to purchase an additional 2,873,563 shares at $0.522 per share.

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.

By: /s/ Charles J. Casamento

Charles J. Casamento
Chairman, President & CEO

Date: August 10, 2001

By: /s/ Michael D. Rose

Acting Chief Accounting Officer
Principal Financial and
Chief Accounting Officer

Date: August 10, 2001

EXHIBIT INDEX

4.1 Stock Purchase Agreement dated July 31, 2001 between Registrant and Sigma-Tau Finance Holding S.A.

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is made as of July 31, 2001 between Questcor Pharmaceuticals, Inc., a California corporation (the "Company"), and Sigma-Tau Finance Holding S.A. (the "Purchaser").

WHEREAS, the Company wishes to sell and the Purchaser desires to purchase an aggregate of 5,279,034 newly authorized shares (the "Shares") of the Company's Common Stock, no par value per share (the "Common Stock").

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Purchase and Sale of the Shares.

1.1 Aggregate Sale. Subject to the terms and conditions hereof, the Company shall issue and sell to Purchaser an aggregate of 5,279,034 Shares of Common Stock. The purchase price will be $0.663 per share, for an aggregate purchase price of $3,500,000.

1.2 Payment of Purchase Price. On or prior to the Closing Date (as hereinafter defined), Purchaser will deliver to the Company $3,500,000 (the "Purchase Price").

2. Closing Date and Delivery.

2.1 Closing Date. The closing of the purchase and sale of the Shares hereunder (the "Closing") will be held at such time (the "Closing Date") as shall be agreed upon by the Company and the Purchaser and shall occur at the offices of the Company, 3260 Whipple Road, Union City, CA 94587, but in no event shall the Closing Date be later than August 6, 2001.

2.2 Deliveries at Closing. At the Closing, the Company shall deliver to the Purchaser a stock certificate registered in Purchaser's name representing the Shares purchased by Purchaser. At the Closing, Purchaser shall deliver to the Company proper payment of the Purchase Price in lawful money of the United States of America in the form of a check or wire transfer of immediately available funds. Purchaser's obligation to purchase the Shares shall be subject to the following conditions:

(a) the accuracy of the representations and warranties made by the Company herein and the fulfillment of those undertakings of the Company to be fulfilled prior to Closing; and

delivery of the certificates representing the Shares.

The Company's obligation to sell the Shares shall be subject to the following conditions:

(a) the accuracy of the representations and warranties made by Purchaser herein and the fulfillment of those undertakings of Purchaser to be fulfilled prior to the Closing; and

(b) Purchaser's payment of the Purchase Price to the Company.

3. Representations and Warranties by the Company. The Company represents and warrants to and covenants and agrees with Purchaser that, except as set forth in the Disclosure Schedule attached hereto as Schedule II (the "Disclosure Schedule") or in the SEC Reports (as hereinafter defined):

3.1 Organization and Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company is qualified

to do business and is in good standing as a foreign corporation in every jurisdiction in which the failure to so qualify would have a material adverse effect on the financial condition or business of the Company.

3.2 Changes. Except as set forth in the SEC Reports, since March 31, 2001, the Company has not, to the extent material to the Company: (a) incurred any debts, obligations or liabilities, absolute, accrued or contingent, whether due or to become due, other than in the ordinary course of business; (b) mortgaged, pledged or subjected to lien, charge, security interest or other encumbrance any of its assets, tangible or intangible, other than in the ordinary course of business; (c) waived any debt owed to the Company or its subsidiaries, other than in the ordinary course of business; (d) satisfied or discharged any lien, claim or encumbrance or paid any obligation other than in the ordinary course of business; (e) declared or paid any dividends, other than in the ordinary course of business; or (f) entered into any transaction other than in the usual and ordinary course of business.

3.3 Litigation. Except as set forth in the Disclosure Schedule or the SEC Reports, there are no legal actions, suits, arbitrations or other legal, administrative or governmental proceedings pending or, to the Company's knowledge, threatened against the Company or its properties, assets or business, and the Company is not aware of any facts which might result in or form the basis for any such action, suit or other proceeding, in each case which, if adversely determined, would individually or in the aggregate have a material adverse effect on the financial condition or business of the Company.

3.4 Compliance with Other Instruments. The execution and delivery of, and the performance and compliance with, this Agreement and the transactions contemplated hereby, with or without the giving of notice or passage of time, will not (a) result in any breach of, or constitute a default under, or result in the imposition of any lien or encumbrance upon any asset or property of the Company pursuant to any agreement or other instrument to which the Company is a party or by which it or any of its properties, assets or rights is bound or affected, except for such matters which, either individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company, (b) violate the Amended and Restated Articles of Incorporation (the "Articles") or Bylaws (the "Bylaws") of the Company, or any law, rule, regulation, judgment, order or decree; or (c) except for (i) the listing of the Shares on the AMEX and such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (ii) applicable state securities laws in connection with the purchase of the Shares by the Purchaser, require any consent, approval, authorization or order of or filing with any court or governmental agency or body, except for such matters which, either individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company. The Company is not in violation of its Articles or Bylaws nor in violation of, or in default under, any lien, mortgage, lease, agreement or instrument, except for such defaults which would not, individually or in the aggregate, have a material adverse effect on the financial condition or business of the Company. The Company is not subject to any restriction which would prohibit the Company from entering into or performing its obligations under this Agreement, except for such restrictions which would not, individually or in the aggregate, have a material adverse effect on the ability of the Company to perform its obligations under this Agreement.

3.5 Reports and Financial Statements. As of their respective filing dates, the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on Form 10-K/A with the SEC on April 30, 2001, the Company's Proxy Statement in connection with the 2001 Annual Meeting of Shareholders and all Forms 10-Q and 8-K filed by the Company with the Securities and Exchange Commission (the "SEC") after December 31, 2000, in each case without exhibits thereto (the "SEC Reports") were prepared in all material respects in accordance with the requirements of the Securities Act of 1933 (the "Securities Act") or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such SEC Reports. The SEC Reports, when read as a whole do not contain any untrue statements of a material fact and do not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of the Company included in the SEC Reports have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and fairly present, in all material respects, the financial position of the Company as at the dates thereof and the results of its operations and cash flows for the periods then ended subject, in the case of the unaudited interim financial statements, to normal year-end adjustments and any other adjustments described in such financial statements.

3.6 Shares. The Shares, when issued and paid for pursuant to the terms of this Agreement, will be duly and validly authorized, issued and outstanding, fully paid, nonassessable and free and clear of all pledges, liens, encumbrances and restrictions (other than arising under federal or state securities laws). The issuance of the Shares is not subject to any preemptive or other similar rights.

3.7 Capital Stock. As of June 30, 2001, 29,157,576 shares of the Common Stock were issued and outstanding, 2,155,715 shares of the Company's Series A Preferred Stock, no par value per share (the "Preferred Stock"), were issued and outstanding, which are convertible into 2,155,715 shares of Common Stock, and options and/or warrants to purchase 6,158,329 shares of Common Stock were issued and outstanding. All of the outstanding shares of the Company's capital stock are validly issued, fully paid and nonassessable. Except as set forth in this Section 3.7, as of June 30, 2001, thee are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, conversion rights or other agreements or arrangements of any character or nature whatever under which the Company is or may be obligated to issue its Common Stock, Preferred Stock or warrants or options to purchase the Common Stock or the Preferred Stock. No holder of any security of the Company is entitled to any preemptive or similar rights to purchase any securities of the Company.

3.8 Corporate Acts and Proceedings. This Agreement has been duly authorized by the requisite corporate action and has been duly executed and delivered by an authorized officer of the Company, and is a valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally and as to limitations on the enforcement of the remedy of specific performance and other equitable remedies. The requisite corporate action necessary for the authorization, reservation, issuance and delivery of the Shares has been taken by the Company.

3.9 No Implied Representations. All of the Company's representations and warranties are contained in this Agreement, and no other representations or warranties by the Company shall be implied.

3.10 Filing of Reports. Since the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on Form 10-K/A with the SEC on April 30, 2001, the Company has filed with the SEC all reports and other material required to be filed by it therewith pursuant to Section 13, 14 or 15(d) of the Exchange Act.

3.11 Compliance with Laws. The business and operations of the Company have been conducted in accordance with all applicable laws, rules and regulations of all governmental authorities, except for such violations which would not, individually or in the aggregate, have a material adverse effect on the financial condition or business of the Company.

3.12 Proprietary Rights. To the knowledge of the Company, the Company owns or is licensed to use all patents, patent applications, inventions, trademarks, trade names, applications for registration of trademarks, service marks, service mark applications, copyrights, trade secrets, licenses and rights in any thereof and any other intangible property and assets (herein called the "Proprietary Rights") which are material to the business of the Company. Except as would not have a material adverse effect on the financial condition or business of the Company, the Company does not have any knowledge of, and the Company has not given or received any notice of, any pending conflicts with or infringement of the rights of others with respect to any Proprietary Rights. Except as would not have a material adverse effect on the financial condition or business of the Company, no action, suit, arbitration, or legal, administrative or other proceeding, or investigation is pending or, to the knowledge of the Company, threatened, which involves any Proprietary Rights. Except as would not have a material adverse effect on the financial condition or business of the Company, to the knowledge of the Company, no Proprietary Rights used by the Company, and no services or products sold by the Company, conflict with or infringe upon any proprietary rights owned or licensed by any third party. Except as would not have a material adverse effect on the financial condition or business of the Company, no claims have been asserted by any person with respect to the validity of the Company's ownership or right to use the Proprietary Rights and, to the knowledge of the Company, there is no reasonable basis for any such claim to be successful.

3.13 Compliance with Environmental Laws. Except as would not, singly or in the aggregate, have a material adverse effect on the financial condition or business of the Company, the Company is not in violation of

any applicable statute, law or regulation relating to the environment or occupational health and safety, and to the Company's knowledge, no expenditures material to the Company are or will be required to comply with any such existing statute, law or regulation. To the Company's knowledge, the Company does not have any liability to any governmental authority or other third party arising under or as a result of any past or existing statute, law or regulation, which liability would be material to the Company.

3.14 Permits, Licenses, Etc. The Company owns, possesses or has obtained, and is operating in compliance with, all governmental and administrative licenses, permits, certificates, registrations, approvals, consents and other authorizations (collectively, "Permits") necessary to own or lease (as the case may be) and operate its properties, whether tangible or intangible, and to conduct its businesses or operations as currently conducted, except such licenses, permits, certificates, registrations, approvals, consents and authorizations the failure of which to obtain would not have a material adverse effect on the financial condition or business of the Company. The Company has not received any notice of proceedings relating to the revocation, modification or suspension of any Permits or any circumstance which would lead it to believe that such proceedings are reasonably likely.

3.15 Insurance. The Company maintains insurance of the type and in the amount which the Company believes is reasonably adequate for its business, including, but not limited to, insurance covering all real and personal property owned or leased by the Company against theft, damage, destruction, acts of vandalism and all other risks customarily insured against by similarly situated companies, all of which insurance is in full force and effect.

3.16 Brokers or Finders. No agent, broker, investment banker or other person (as such term is defined in the Securities Act) is or will be entitled to any broker's or finder's fee or any other commission or similar fee from the Company in connection with any of the transactions contemplated hereby.

4. Representations and Warranties by the Purchaser; Restrictions on Transfer and Future Purchases. Purchaser represents and warrants to, and covenants and agrees with, the Company, as of the Closing Date, as follows:

4.1 Authorization. Purchaser has all requisite legal and corporate or other power and capacity and has taken all requisite corporate or other action to execute and deliver this Agreement, to purchase the Shares to be purchased by it and to carry out and perform all of its obligations under this Agreement. This Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally and as to limitations on the enforcement of the remedy of specific performance and other equitable remedies.

4.2 Investor Status. Purchaser is an "Accredited Investor" as defined in Rule 501 of the Securities Act or a "Qualified Institutional Buyer," as such term is defined in Rule 144A of the Securities Act. Purchaser is aware of the Company's business affairs and financial condition and has had access to and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser has such business and financial experience as is required to give it the capacity to protect its own interests in connection with the purchase of the Shares and is able to bear the risks of an investment in the Shares. Purchaser is not itself a "broker" or a "dealer" as defined in the Exchange Act and is not an "affiliate" of the Company as defined in Rule 405 of the Securities Act.

4.3 Investment Intent. Purchaser is purchasing the Shares for its own account as principal, for investment purposes only, and not with a present view to or for resale, distribution or fractionalization thereof, in whole or in part, within the meaning of the Securities Act. Purchaser understands that its acquisition of the Shares have not been registered under the Securities Act or registered or qualified under any state securities law in reliance on specific exemptions therefrom, which exemptions may depend upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein. Purchaser has, in connection with its decision to purchase the number of Shares set forth in this Agreement, relied solely upon the representations and warranties of the Company contained herein. Purchaser will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or

solicit any offers to buy, purchase or otherwise acquire or take a pledge of any of the Shares, except in compliance with the Securities Act and the rules and regulations promulgated thereunder and all applicable state securities laws.

4.4 Restricted Securities. Purchaser further acknowledges and understands that the Shares may not be resold or otherwise transferred except in a transaction registered under the Securities Act and applicable state securities laws or an exemption therefrom, in each case as set forth in Section 5 below. Purchaser understands that until the Shares have been registered under the Securities Act and all applicable state securities laws, the certificates evidencing the Shares will be imprinted with a legend as provided in Section 5.

4.5 No Legal, Tax Or Investment Advice. Purchaser understands that nothing in this Agreement or any other materials presented to Purchaser in connection with the purchase and sale of the Shares constitutes legal, tax or investment advice. Purchaser has consulted such legal, tax and investment advisors as it, its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Shares.

4.6 Brokers or Finders. Upon the consummation of the transactions contemplated by this Agreement, no agent, broker, investment banker or other Person is or will be entitled to any broker's or finder's fee or any other commission or similar fee from the Purchaser in connection with any of the transactions contemplated hereby.

4.7 Future Purchases. For a period of one year from the Closing Date, Purchaser (on behalf of itself and its Affiliates) agrees not to purchase any additional shares of Company Common Stock, or acquire beneficial ownership thereof, not specifically contemplated by this Agreement, through the open market or otherwise, unless first approved in writing by the Company's Board of Directors.

5. Restrictions on Transferability of Shares; Compliance with Securities Act.

5.1 Restrictive Legend. Each certificate representing the Shares shall bear substantially the following legend (in addition to any legends required under applicable state securities laws):

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

5.2 Transfer of Shares. Purchaser hereby covenants with the Company not to make any sale of the Shares except either (a) a sale of Shares in accordance with Rule 144, in which case the Purchaser covenants to comply with Rule 144 and to deliver such additional certificates and documents as the Company may reasonably request, or (b) in accordance with another exemption from the registration requirements of the Securities Act. Without limiting the generality of the foregoing, it is understood that Purchaser and its Affiliates may transfer the Shares to any other Affiliate; provided that such transfer is in accordance with an exemption from the registration requirements of the Securities Act. "Affiliate" shall mean (i) any corporation or business entity 50% or more of the capital or voting stock of which is owned directly or indirectly by the Purchaser, Claudio Cavazza or Paolo Cavazza; (ii) any corporation or business entity which directly or indirectly owns 50% or more of the capital or voting stock of the Purchaser, or (iii) any corporation or business entity under the direct or indirect control of such corporation or business entity as described in (i) or (ii) above. The legend set forth in Section 5.1 will be removed from a certificate representing Shares following and in connection with any sale of Shares pursuant to subsection (a) hereof but not in connection with any sale of Shares pursuant to subsection (b) hereof.

6. Miscellaneous.

6.1 Survival of Representations and Warranties. All representations and warranties contained herein shall survive the execution and delivery of this Agreement, any investigation at any time made by or on behalf of the Purchaser, and the sale and purchase of the Shares and payment therefor.

6.2 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous arrangements or understandings with respect thereto.

6.3 Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and do not constitute a part of this Agreement.

6.4 Choice of Law. It is the intention of the parties that the internal laws of the State of California, without regard to the body of law controlling conflicts of law, shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties set forth herein.

6.5 Counterparts. This Agreement may be executed concurrently in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.6 Assignment; Parties in Interest. This Agreement may not be pledged, assigned or otherwise transferred by the Purchaser except by operation of law but all the terms and provision of this Agreement shall be binding upon and inure to the benefit of and be enforced by the successors in interest of the parties hereto.

6.7 Amendments. No amendment, modification, waiver, discharge or termination of any provision of this Agreement nor consent to any departure by the Purchaser or the Company therefrom shall in any event be effective unless the same shall be in writing and signed by the party to be charged with enforcement, and then shall be effective only in the specific instance and for the purpose for which given. No course of dealing between the parties hereto shall operate as an amendment of, or a waiver of any right under, this Agreement.

6.8 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid, but if any provision of this Agreement is held to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not render invalid or unenforceable any other provision of this Agreement.

6.9 Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by telecopy, nationally recognized overnight courier or first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by such party to the other party:

If to the Company, to:
Questcor Pharmaceuticals, Inc.
3260 Whipple Road
Union City, California 94587
Attn: Charles J. Casamento

With a copy to:
Latham & Watkins
701 "B" Street, Suite 2100
San Diego, California 92101
Attn: David A. Hahn, Esq.

If to the Purchaser, to:
Sigma-Tau Finance Holding S.A.
administrative office: 19-21 Bd. du Prince Henri
L-1724 Luxembourg
LUXEMBOURG
Attn: Mr. Antonio Nicolai/Mr. Massimo Longoni

With a copy to:
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
Attn: John Mitchell, Esq.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized representatives as of the day and year first above written.

Questcor Pharmaceuticals, Inc.

By: /s/ CHARLES J. CASAMENTO

Name: Charles J. Casamento

Title: Chairman, President & CEO

Sigma-Tau Finance Holding S.A.

By: /s/ GERMAIN BIRGEN

Name: Germain Birgen

Title: Director
