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

# FORM 10-Q

**(MARK ONE)**

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010**

**OR**

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

**FOR THE TRANSITION PERIOD FROM _____ TO _____**

**COMMISSION FILE NUMBER: 001-14758**

# 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 of Identification No.)** |

**1300 North Kellogg Drive, Suite D**
**Anaheim, CA 92807**
**(Address of Principal Executive Offices)**

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

**FORMER ADDRESS: 3260 Whipple Road, Union City, CA 94587-1217**

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 ☒ No ☐

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

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

As of September 30, 2010 there were 62,169,516 shares of the Registrant's common stock, no par value per share, outstanding.

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**QUESTCOR PHARMACEUTICALS, INC.**

**CONSOLIDATED BALANCE SHEETS**
**(In thousands)**

| | September 30, 2010 (unaudited) | December 31, 2009 (Note 2) |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 45,622 | $ 45,829 |
| Short-term investments | 65,776 | 29,878 |
| Total cash, cash equivalents and short-term investments | 111,398 | 75,707 |
| Accounts receivable, net of allowances of $77 in both 2010 and 2009 | 13,925 | 14,833 |
| Inventories | 3,250 | 3,378 |
| Prepaid expenses and other current assets | 2,114 | 1,162 |
| Deferred tax assets | 8,083 | 8,180 |
| Total current assets | 138,770 | 103,260 |
| Property and equipment, net | 585 | 407 |
| Purchased technology, net | 3,149 | 3,372 |
| Goodwill | 299 | 299 |
| Deposits and other assets | 710 | 710 |
| Deferred tax assets | 3,392 | 3,392 |
| Total assets | $ 146,905 | $ 111,440 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 8,363 | $ 12,921 |
| Accrued compensation | 3,029 | 2,140 |
| Sales-related reserves | 22,102 | 14,922 |
| Income taxes payable | — | 477 |
| Other accrued liabilities | 1,839 | 1,751 |
| Total current liabilities | 35,333 | 32,211 |
| Lease termination, deferred rent and other non-current liabilities | 597 | 1,226 |
| Total liabilities | 35,930 | 33,437 |
| Shareholders' equity: | | |
| Preferred stock, no par value, 7,500,000 shares authorized; none outstanding | — | — |
| Common stock, no par value, 105,000,000 shares authorized 62,169,516 and 61,726,609 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively | 72,025 | 67,793 |
| Retained earnings | 38,878 | 10,224 |
| Accumulated other comprehensive income (loss) | 72 | (14) |
| Total shareholders' equity | 110,975 | 78,003 |
| Total liabilities and shareholders' equity | $ 146,905 | $ 111,440 |

See accompanying notes.

**QUESTCOR PHARMACEUTICALS, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**
**(In thousands, except per share data)**
**(unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Revenue** | | | | |
| Net sales | $31,274 | $13,851 | $85,834 | $62,415 |
| Cost of sales (exclusive of amortization of purchased technology) | 2,292 | 2,006 | 6,290 | 5,119 |
| Gross profit | 28,982 | 11,845 | 79,544 | 57,296 |
| Operating expenses: | | | | |
| Selling, general and administrative | 9,895 | 7,676 | 28,242 | 22,109 |
| Research and development | 2,178 | 2,215 | 7,868 | 6,991 |
| Depreciation and amortization | 137 | 123 | 392 | 359 |
| Total operating expenses | 12,210 | 10,014 | 36,502 | 29,459 |
| Income from operations | 16,772 | 1,831 | 43,042 | 27,837 |
| Other income: | | | | |
| Interest and other income, net | 171 | 120 | 386 | 585 |
| Gain on sale of product rights | — | — | — | 225 |
| Total other income | 171 | 120 | 386 | 810 |
| Income before income taxes | 16,943 | 1,951 | 43,428 | 28,647 |
| Income tax expense | 5,423 | 728 | 14,774 | 10,439 |
| Net income | $11,520 | $ 1,223 | $28,654 | $18,208 |
| Net income per share: | | | | |
| Basic | $ 0.19 | $ 0.02 | $ 0.46 | $ 0.28 |
| Diluted | $ 0.18 | $ 0.02 | $ 0.45 | $ 0.27 |
| Shares used in computing net income per share: | | | | |
| Basic | 62,105 | 64,009 | 62,019 | 64,570 |
| Diluted | 64,815 | 65,993 | 64,292 | 66,753 |

See accompanying notes.

**QUESTCOR PHARMACEUTICALS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2010 | 2009 |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 28,654 | $ 18,208 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Share-based compensation expense | 2,795 | 2,394 |
| Deferred income taxes | 46 | 587 |
| Amortization of investments | 516 | 81 |
| Depreciation and amortization | 392 | 359 |
| Gain on sale of product rights | — | (225) |
| Income tax benefit realized from share-based compensation plans | 352 | 573 |
| Excess tax benefit from share-based compensation plans | (348) | (572) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 908 | (180) |
| Inventories | 128 | (975) |
| Prepaid income taxes | — | (1,940) |
| Prepaid expenses and other current assets | (953) | (139) |
| Accounts payable | (4,557) | 8,393 |
| Accrued compensation | 888 | (88) |
| Sales-related reserves | 7,180 | 2,140 |
| Income taxes payable | (477) | — |
| Other accrued liabilities | 88 | (557) |
| Other non-current liabilities | (628) | (222) |
| Net cash flows provided by operating activities | 34,984 | 27,837 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (347) | (100) |
| Purchase of short-term investments | (89,992) | (50,300) |
| Proceeds from maturities of short-term investments | 53,715 | 55,135 |
| Net proceeds from sale of product rights | — | 225 |
| Net cash flows (used in) / provided by investing activities | (36,624) | 4,960 |
| **FINANCING ACTIVITIES** | | |
| Issuance of common stock, net | 1,085 | 859 |
| Repurchase of common stock | — | (11,189) |
| Excess tax benefit from share-based compensation plans | 348 | 572 |
| Net cash flows provided by / (used in) financing activities | 1,433 | (9,758) |
| **(Decrease) increase in cash and cash equivalents** | (207) | 23,039 |
| Cash and cash equivalents at beginning of period | 45,829 | 13,282 |
| **Cash and cash equivalents at end of period** | $ 45,622 | $ 36,321 |

See accompanying notes.

**QUESTCOR PHARMACEUTICALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(unaudited)**

## 1. The Company

Questcor Pharmaceuticals, Inc. ("Questcor," the "Company," "we," "our," or "us") is a biopharmaceutical company whose products help patients with serious, difficult-to-treat medical conditions. Our primary product is H.P. Acthar® Gel (repository corticotropin injection), or Acthar, an injectable drug that is approved by the U.S. Food and Drug Administration, or FDA, for the treatment of 19 indications. Of these 19 indications, we currently generate substantially all of our net sales from two indications: the treatment of acute exacerbations of multiple sclerosis, or MS, in adults, and the treatment of infantile spasms, or IS, in infants and children under two years of age. We are also implementing plans to commercialize Acthar for use in treating nephrotic syndrome, or NS. Specifically with respect to NS, the FDA has agreed with us that there is enough evidence to maintain the indication to induce a diuresis or a remission of proteinuria in the nephrotic syndrome without uremia of the idiopathic type or that due to lupus erythematosus.

We also market Doral® (quazepam), which is indicated for the treatment of insomnia characterized by difficulty in falling asleep, frequent nocturnal awakenings, and/or early morning awakenings.

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation*

We have prepared our unaudited consolidated financial statements in accordance with the instructions to Form 10-Q and Article 10 of Regulations S-X. The accompanying unaudited consolidated financial statements do not include certain footnotes and financial presentations normally required under generally accepted accounting principles, or GAAP, and, therefore you should read them in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009. The accompanying consolidated balance sheet has been derived from the audited consolidated financial statements at that date.

In the opinion of our management, we have made all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the interim financial statements. The interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year or any future interim period.

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Actual results could differ from those estimates

We have evaluated events that have occurred after September 30, 2010 through the date the unaudited consolidated financial statements were issued.

### *Revenue Recognition*

We recognize revenue in accordance with Accounting Standards Codification, or ASC, 605, "Revenue Recognition-Products," or ASC 605, from sales of Acthar and Doral. Pursuant to ASC 605, we recognize revenue when we have persuasive evidence that an arrangement, agreement or contract exists, when title for our product and risk of loss has passed to our customer, the price we charge for our product is fixed or is readily determinable, and we are reasonably assured of collecting the amounts owed under the resulting receivable. For sales of both of our products, we do not require collateral from our customers.

In the U.S., our exclusive customer for Acthar is CuraScript, Inc., which has a specialty distributor subsidiary, CuraScript Specialty Distribution, Inc., or CuraScript SD. We sell Acthar at a discount from our list price to CuraScript SD, which then sells Acthar primarily to specialty pharmacies (approximately twelve), including CuraScript Specialty Pharmacy, or CuraScript SP, and to many hospitals. We sell Acthar to CuraScript SD at $23,032 per vial and CuraScript SD sells Acthar at its stated list price of $23,239. In addition to Acthar, we sell Doral to pharmaceutical wholesalers, who in turn sell Doral primarily to retail pharmacies and hospitals.

**QUESTCOR PHARMACEUTICALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

International sales of our products are immaterial.

*Net Sales*

We record net sales after establishing reserves for the following:

- Medicaid rebates;
- Tricare retail program rebates;
- Chargebacks due to other government programs;
- Questcor-sponsored co-pay assistance programs; and
- Payment discounts.

We currently provide our products to Medicaid participants under an agreement with the Center for Medicare and Medicaid Services, or CMS. Under this agreement, states are eligible to receive rebates from us for Medicaid patients in accordance with CMS regulations. States typically provide us with rebate invoices for their reimbursements between sixty to ninety days after the end of that calendar quarter in which our products were provided. We estimate the end of period liability and the sales reserve needed for these Medicaid rebates based on the following multi-step process:

- Using a predictive model, we review national Medicaid statistics as well as internal information received from the Acthar reimbursement support center and from CuraScript SP for the most recent completed quarter to develop an estimate of future Medicaid rebate invoices that we expect to receive for the most recently completed quarter. This includes an estimate for both future Medicaid Managed Care and Medicaid Fee for Service rebate invoices.
- We review the Medicaid rebate invoices received during the last 90 days and compare those invoices to the reserve that we had previously set at the end of the prior quarter. Based on this comparison and using the predictive model, which is updated quarterly, we estimate the remaining liability that we believe is still outstanding for periods prior to the most recently completed quarter.
- Based on estimated end-of-quarter inventory held at CuraScript SD, all specialty pharmacies and hospitals, we calculate the expected future rebate liability for that portion of the inventory which we will eventually use to fill prescriptions for Medicaid patients.

Using a similar process, we estimate the end of period liability and the sales reserve needed for Tricare program rebates and chargebacks from other government programs.

We also sponsor co-pay assistance programs for Acthar patients which are administered by the National Organization for Rare Disorders, or NORD, and the Chronic Disease Fund. We account for these payments as a reduction to our revenue.

Our resulting total sales reserve for the quarter includes the sum of the Medicaid sales reserve, the Tricare sales reserve, the chargeback sales reserve, co-pay assistance payments, and payment discounts provided.

We believe that the assumptions used to estimate these sales reserves are reasonable considering known facts and circumstances. However, our Medicaid rebates and other government program rebates and chargebacks could differ significantly from our estimates because of unanticipated changes in prescription trends or patterns in the states' submissions of Medicaid claims, adjustments to the amount of product in the distribution channel, or if our estimate of the number of Medicaid patients with IS and MS are incorrect. If actual Medicaid rebates, or other government program rebates and chargebacks are significantly different from our estimates, we would account for such differences in the period in which they become known. If actual future payments for such reserves exceed the estimates we made at the time of sale, our financial position, results of operations and cash flows may be negatively impacted.

Significant judgment is inherent in the selection of assumptions and the interpretation of historical experience as well as the identification of external and internal factors affecting the estimate of our reserves for Medicaid rebates and other government program rebates and chargebacks. Since the fourth quarter of 2009, we have used the process described above to estimate the end of period sales reserve liability and the sales reserve that we apply in the quarter. Prior to that, we used a different method to estimate our

sales reserves for each quarter. Historically, actual amounts have generally been consistent with our estimates; however, during the three months ended September 30, 2009, we received higher than anticipated amounts of Medicaid rebates related to prior period Acthar usage. As a result of the rebates, we increased our rebate reserve which reduced net sales in that quarter by approximately $4.6 million.

*Medicaid Rebates and the New National Health Care Legislation*

In March 2010, Congress passed, and the President signed into law, health care legislation entitled the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Affordability Reconciliation Act of 2010, and subsequent changes passed during the third quarter of 2010, which we refer to collectively as the Healthcare Reform Acts. The Healthcare Reform Acts contain a number of provisions that have impacted, both positively and negatively, our financial position, results of operations and cash flows. The provisions of the Healthcare Reform Acts have reduced our rebate provided to states for prescriptions filled for Medicaid patients to 100% of the Average Manufacturer's Price, or AMP, which approximates the amount we charge to CuraScript SD. Before the passage of the Healthcare Reform Acts, the formula used to calculate the per vial rebate required us to rebate 110% of our AMP for Acthar. Effective March 23, 2010, the Healthcare Reform Acts extended required Medicaid rebates to Medicaid Managed Care plans. Medicaid Managed Care plans provide for the delivery of Medicaid health benefits and additional services through an arrangement between a state Medicaid agency and managed care organizations. Our provision for expected Medicaid rebate liability and our quarterly sales reserves have included an estimate for Medicaid Managed Care usage since March 23, 2010. In the quarter ended September 30, 2010, we increased our liability by $3.2 million for expected Medicaid Managed Care rebates.

*Other Impacts from the National Health Care Legislation*

In addition to the aforementioned impact to our required Medicaid rebates, the Healthcare Reform Acts contain a number of provisions that we expect to continue to impact, both positively and negatively, our financial position, results of operations and cash flows.

- *Positive Impact*. The Healthcare Reform Acts contain provisions that create a national high-risk insurance pool, temporarily extend health coverage to individuals with pre-existing medical conditions, prohibit the denial of health coverage to children with pre-existing conditions, prohibit the denial of health coverage to adults with pre-existing conditions and place limits on insurers with respect to lifetime and annual caps on health coverage, and increase the number of patients with private insurance.
- *Negative Impact.* The Healthcare Reform Acts contain the following provisions that we have identified as having a negative or potential negative impact on our overall financial position, results of operations and cash flows:
    - Effective January 1, 2011, pharmaceutical companies, including Questcor, must provide rebates to cover a portion of the Medicare Part D "donut hole," which is the gap between Medicare funding and Medicare recipient's drug deductibles. Approximately 25% of our sales for MS are to Medicare insureds. We estimate our obligation could be as much as $1,800 per Medicare insured per year. At current sales levels, we estimate this obligation would be less than $0.5 million.
    - Effective January 1, 2011, the U.S. Federal government will allocate an annual fee among manufacturers of branded prescription drugs based on market share, in the aggregate, for specified government programs. The Healthcare Reform Acts define market share as our aggregate sales of branded prescription drugs during the preceding calendar year as a percentage of the aggregate branded prescription drug sales for all covered entities. We do not anticipate this annual fee will be material for 2011, but such annual fees may become material in future periods.
    - We expect the number of Medicaid patients to increase gradually through 2014. We further expect this expansion more likely to impact the number of adults in Medicaid because many states have already set their eligibility criteria for children at or above the level designated in the Healthcare Reform Acts. An increase in the proportion of patients who receive Acthar and who are covered by Medicaid could adversely affect our net sales.

Many of the provisions of the Healthcare Reform Acts require rulemaking action by governmental agencies to implement. As various agencies implement these rules and regulations, our business may be negatively impacted other than as described above. In addition, Congress and the President may make additional refinements to the Healthcare Reform Acts which may have an additional, potential negative impact on our overall financial position, results of operations and cash flows. At this time, we cannot predict the full

impact of the Healthcare Reform Acts, or the timing and impact of any future rules or regulations promulgated to implement the Healthcare Reform Acts. We believe that the Healthcare Reform Acts and related rulemaking actions will likely have an overall negative effect on our net sales over time; however, at this time, we cannot determine the timing and magnitude of various positive and negative effects upon our business.

*TRICARE Retail Pharmacy Programs*

The Department of Defense, or DoD, Tricare Retail Pharmacy program became effective on May 26, 2009, pursuant to section 703 of the National Defense Authorization Act of 2008. This program and its regulations require manufacturers to pay rebates, retroactive to January 28, 2008, to the DoD on products distributed to Tricare beneficiaries through retail pharmacies. The regulation further requires that pharmaceutical products paid for by the DoD through the Tricare Retail Pharmacy program be subject to the Federal Ceiling Price program, which requires manufacturers to provide the DoD with a refund on pharmaceutical products utilized through the Tricare Retail Pharmacy program. As a result, we established a sales reserve of $3.5 million for Tricare rebates as of the year ended December 31, 2009 which covered 100% of our estimated liability for the time period January 28, 2008 through December 31, 2009.

Effective January 1, 2010, we entered into a new pricing agreement with the Veterans Administration, resulting in a rebate for pharmaceutical products utilized through the Tricare Retail Pharmacy program of $5,670 per vial, or a reduction of $14,925 from the previous rebates of $20,535. Consequently, we recorded sales reserves of $0.3 million and $0.9 million for the three and nine months ended September 30, 2010, respectively, and $1.4 million for both the three and nine months ended September 30, 2009.

*Government Chargebacks*

We permit certain other government-supported entities, such as those covered by our contract with the Veterans Administration or eligible Public Health Service, or PHS, 340(B) entities, to purchase Acthar from CuraScript SD based on a contractual amount. Because our payment terms with CuraScript SD are approximately 30 to 45 days, we include actual chargebacks taken plus an estimate applied to the units in channel when estimating the sales reserve related to government chargebacks. Sales to the Veteran Administration and PHS 340(B) entities are generally immaterial to our financial position as a whole.

*Co-Pay Assistance Programs*

We sponsor co-pay assistance programs for Acthar patients which are administered by NORD and the Chronic Disease Fund. We account for these co-pay assistance program payments as a reduction to our revenue.

*Total Sales-related Reserves*

At September 30, 2010 and December 31, 2009, sales-related reserves included in the accompanying Consolidated Balance Sheets were as follows (in thousands):

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Medicaid rebates | $ 17,659 | $ 11,070 |
| Tricare rebates | 4,437 | 3,530 |
| Government chargebacks | 6 | 322 |
| Total | $ 22,102 | $ 14,922 |

*Product Sales Returns*

On a limited basis, we generally authorize Acthar exchanges for expiring and expired product in accordance with our stated return policy, which allows CuraScript SD to return product within one month of its expiration date and for a period up to three months after such product has reached its expiration date. We exchange returns for replacement product and we include in the cost of sales the estimated costs for such exchanges, which include actual product material costs and related shipping charges. Product exchanges have been insignificant since we began utilizing the services of CuraScript SD to distribute Acthar.

***Concentration of Credit Risk***

Financial instruments that potentially subject us to a significant concentration of credit risk principally consist of cash and cash equivalents, short-term investments, and accounts receivables. One specialty distributor, CuraScript SD, accounts for a substantial portion of our account receivables. For the nine months ended September 30, 2010, revenue from CuraScript SD accounted for 99% of our revenue. We maintain an immaterial amount of reserves for bad debt and such losses, in the aggregate, have not exceeded our estimates.

**QUESTCOR PHARMACEUTICALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

***Inventories***

Inventories at September 30, 2010 consisted of $3.2 million of raw materials and $0.1 million of finished goods. Inventories at December 31, 2009 consisted of $2.9 million of raw materials and $0.5 million of finished goods. We state inventories, net of allowances, at the lower of cost or market. We determine cost by the first-in, first-to-expire method.

We review inventory periodically for slow-moving or obsolete status. We adjust our inventory to reflect situations in which we do not expect to recover the cost of inventory. We would record a reserve to adjust inventory to its net realizable value: (i) when a product is close to expiration and we do not expect it to be sold, (ii) when a product has reached its expiration date or (iii) when we do not expect a product to be saleable. In determining the reserves for these products, we consider factors such as the amount of inventory on hand and its remaining shelf life, and current and expected market conditions, including management forecasts and levels of competition. We have evaluated the current level of inventory considering historical trends and other factors, and based on our evaluation, have recorded adjustments to reflect inventory at its net realizable value. These adjustments are estimates, which could vary significantly from actual results if future economic conditions, customer demand, competition or other relevant factors differ from expectations. These estimates require us to assess the future demand for our products in order to categorize the status of such inventory items as slow-moving, obsolete or in excess-of-need. These future estimates are subject to the ongoing accuracy of our forecasts of market conditions, industry trends, competition and other factors. Differences between our estimated reserves and actual inventory adjustments have been immaterial, and we account for such adjustments in the current period as a change in estimate.

***Supply Concentration Risks***

We obtain some materials used in our products from a single source. We have a supply agreement with BioVectra dcl, for the active pharmaceutical ingredient, or API, in Acthar. Currently, BioVectra dcl, or BioVectra, is our sole source supplier for the API contained in Acthar. We also have a supply agreement with Cangene bioPharma, Inc., or Cangene, pursuant to which Cangene will continue to manufacture supplies of Acthar for us. Cangene is our sole source for Acthar final product. We have a supply agreement with Meda Pharmaceuticals, or Meda, to manufacture commercial quantities of Doral. Currently, Meda is our sole source for Doral.

***Cash Equivalents and Short-Term Investments***

A summary of cash equivalents and short-term investments, classified as available-for-sale, and carried at fair value is as follows (in thousands):

| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized (Loss) | Estimated Fair Value |
|---|---|---|---|---|
| **September 30, 2010** | | | | |
| Cash equivalents | $ 29,335 | $ — | $ — | $ 29,335 |
| Short-term investments: | | | | |
| Certificates of deposit | $ 7,400 | $ 37 | $ — | $ 7,437 |
| Government-sponsored enterprises | 35,265 | 44 | — | 35,309 |
| Municipal bonds | 7,455 | 9 | (6) | 7,458 |
| Corporate bonds | 15,562 | 15 | (5) | 15,572 |
| | $ 65,682 | $ 105 | $ (11) | $ 65,776 |
| **December 31, 2009** | | | | |
| Cash equivalents | $ 34,445 | $ — | $ — | $ 34,445 |
| Short-term investments: | | | | |
| Certificates of deposit | $ 5,360 | $ — | $ (7) | $ 5,353 |
| Government-sponsored enterprises | 14,066 | 3 | (45) | 14,024 |
| Municipal bonds | 10,474 | 40 | (13) | 10,501 |
| | $ 29,900 | $ 43 | $ (65) | $ 29,878 |

**QUESTCOR PHARMACEUTICALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

The amortized cost and fair value of short-term investment securities at September 30, 2010, by contractual maturity, are as follows (in thousands):

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| Due in one year or less | $ 12,085 | $ 12,100 |
| Due after one through two years | 53,597 | 53,676 |
| Total short-term investments | $ 65,682 | $ 65,776 |

As of September 30, 2010, the average contractual maturity of our short-term investments was approximately 17 months.

As of September 30, 2010 we had the following available-for-sale securities that were in an unrealized loss position but were not deemed to be other-than-temporarily impaired (in thousands):

| | Less Than 12 Months | | 12 Months or Greater | |
|---|---|---|---|---|
| | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value |
| Municipal bonds | $ — | $ — | $ (6) | $ 1,360 |
| Corporate bonds | — | — | (5) | 7,368 |
| Total | $ — | $ — | $ (11) | $ 8,728 |

The gross unrealized losses reported above for September 30, 2010 were caused by general fluctuations in market interest rates from the respective purchase date of these securities through September 30, 2010. No significant facts or circumstances have occurred to indicate that these unrealized losses are related to any deterioration in the creditworthiness of the issuers of the marketable securities we own. Based on our review of these securities, including our assessment of the duration and severity of the related unrealized losses, we have not recorded any other-than-temporary impairments on these investments.

***Fair Value of Financial Instruments***

Our financial instruments include cash and cash equivalents, short-term investments, and accounts receivable. We consider the carrying amount of cash and cash equivalents, short-term investments, and accounts receivables to be representative of their respective fair values because of the short-term nature of those investments.

***Fair Value Measurements***

We account for fair value measurements under ASC 820 “Fair Value Measurements and Disclosures”, or ASC 820, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

We have segregated all assets and liabilities measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below. As of September 30, 2010, we valued all of our assets and liabilities using Level 1inputs, except for our short-term investments. We have valued the short-term investments based on quoted market prices obtained from third party pricing services, which generally use Level 1 or Level 2 inputs for the determination of fair value. Third party pricing services normally derive the security prices through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. For securities not actively traded, the third party pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in valuation methodologies include, but are not limited to, benchmark yields, reported trades,

broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data. While we utilize multiple third party pricing services to obtain fair value, we generally obtain one price for each individual security. We perform monthly analyses on the prices received from third parties to determine whether the prices are reasonable estimates of fair value. The analyses include a review of month-to-month price fluctuations and, as needed, a comparison of pricing services' valuations to other pricing services' valuations for the identical security. We also review the fair value hierarchy classification. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The following table summarizes the basis used to measure certain assets at fair value on a recurring basis in the accompanying Consolidated Balance Sheet at September 30, 2010 (in thousands):

| | | Basis of Fair Value Measurements | | |
|---|---|---|---|---|
| | Balance at September 30, 2010 | Quoted prices in active markets for identical items (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Money market funds | $ 29,335 | $ 29,335 | $ — | $ — |
| Corporate bonds | 15,572 | — | 15,572 | — |
| Government-sponsored enterprises | 35,309 | — | 35,309 | — |
| Certificates of deposit | 7,437 | — | 7,437 | — |
| Municipal bonds | 7,458 | — | 7,458 | — |
| | $ 95,111 | $ 29,335 | $ 65,776 | $ — |

We do not have any liabilities that are measured at fair value on a recurring basis. We measure certain assets and liabilities at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). There were no assets or liabilities measured at fair value on a nonrecurring basis during the nine months ended September 30, 2010.

***Comprehensive Income***

ASC 220 "Comprehensive Income", or ASC 220, requires reporting and displaying comprehensive income and its components, which includes net income and unrealized gains and losses on investments. The following table summarizes comprehensive income (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Net income | $11,520 | $1,223 | $28,654 | $18,208 |
| Change in unrealized gains or losses on available-for-sale securities, net of related tax effects | 9 | (58) | 86 | (245) |
| Comprehensive income | $11,529 | $1,165 | $28,740 | $17,963 |

***Stock-Based Compensation***

We recognize compensation expense for all stock-based awards made to employees and directors. We estimate the fair value of stock-based awards at the grant date using an option pricing model and we recognize the portion that we ultimately expect to vest as compensation cost over the requisite service period.

Since we recognize stock-based compensation only for those awards that we ultimately expect to vest, we have applied an estimated forfeiture rate to unvested awards for the purpose of calculating compensation cost. These estimates will be revised, if necessary, in future periods if actual forfeitures differ from estimates. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs.

We use the Black-Scholes option-pricing model to estimate the fair value of stock-based awards. The determination of fair value using the Black-Scholes option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility, risk-free interest rate, expected dividends and expected employee stock option exercise behaviors. We estimate the expected term based on the contractual term of the awards and employees' exercise and expected post-vesting termination behavior.

**QUESTCOR PHARMACEUTICALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

At September 30, 2010, there was $7.0 million of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a remaining weighted average vesting period of approximately 2.8 years.

Stock-based compensation cost is summarized below (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Selling, general and administrative | $737 | $512 | $2,097 | $1,896 |
| Research and development | 150 | 157 | 698 | 478 |
| Total | $887 | $669 | $2,795 | $2,374 |

***Net Income Per Share***

We compute basic net income per common share by dividing the net income for the period by the weighted average number of common shares outstanding during the period. We compute diluted net income per share by dividing the net income for the period by the weighted-average number of common and common equivalent shares, such as stock options and unvested restricted shares outstanding during the period. Diluted earnings for common stockholders per common share considers the impact of potentially dilutive securities.

Basic and diluted net income per share was calculated as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Net income | $11,520 | $ 1,223 | $28,654 | $18,208 |
| Shares used in computing net income per share: | | | | |
| Basic | 62,105 | 64,009 | 62,019 | 64,570 |
| Effect of dilutive potential common shares: | | | | |
| Stock options | 2,698 | 1,977 | 2,259 | 2,171 |
| Restricted stock | 12 | 7 | 14 | 12 |
| Diluted | 64,815 | 65,993 | 64,292 | 66,753 |
| Net income per share: | | | | |
| Basic | $ 0.19 | $ 0.02 | $ 0.46 | $ 0.28 |
| Diluted | $ 0.18 | $ 0.02 | $ 0.45 | $ 0.27 |

The following table presents the shares excluded from the computation of diluted net income per share as the inclusion of these securities would have been anti-dilutive (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Stock options | 375 | 2,413 | 458 | 2,397 |

***Purchased Technology, Goodwill and Other Long-Lived Assets***

As of September 30, 2010, our purchased technology, goodwill and other long-lived assets consisted of the following:

- *Purchased Technology* – In May 2006, we purchased the rights in the United States to Doral from MedPointe Healthcare Inc (now Meda Pharmaceuticals) pursuant to an Assignment and Assumption Agreement, or Agreement. We made a $2.5 million cash payment on the transaction closing date and a second cash payment of $1.5 million in December 2006 related to our receipt of written notification from the FDA of the FDA's approval of an alternative source to manufacture and supply the active ingredient quazepam for Doral. In addition, under the terms of the Agreement, we acquired the finished goods inventories of Doral existing at the closing date and assumed an obligation to pay a royalty to IVAX Research, Inc., or IVAX, on net sales of Doral. In January 2007, we made a cash payment of $0.3 million to IVAX to eliminate the royalty obligation. We amortize the purchased technology on a straight-line basis over Doral's expected life of 15 years. Accumulated amortization for the Doral purchased technology was $1.2 million and $1.0 million as of September 30, 2010 and December 31, 2009, respectively.

**QUESTCOR PHARMACEUTICALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

- *Goodwill* – In 1999, we merged with RiboGene, Inc. and recorded goodwill in the amount of $1.0 million. Goodwill, net of accumulated amortization, was $0.3 million for both September 30, 2010 and December 31, 2009, respectively.
- *Other Long-Lived Assets* – Other long-lived assets generally consists of property and equipment, net of accumulated depreciation. Property and equipment, net was $0.6 million and $0.4 million as of September 30, 2010 and December 31, 2009, respectively. Accumulated depreciation was $2.1 million and $2.0 million as of September 30, 2010 and December 31, 2009, respectively.

We must exercise significant judgment when determining whether or not our purchased technology, goodwill and other long-lived assets are impaired as well as the expected useful life of purchased technology. Changes in strategy or market conditions could significantly impact these judgments and require a write-down of our recorded asset balances and a reduction in the expected useful life of our purchased technology. Such a write-down of our recorded asset balances or reduction in the expected useful life of our purchased technology would increase our operating expenses. In accordance with ASC 350 “Intangibles-Goodwill and Other,” or ASC 350, we review goodwill for impairment on an annual basis or whenever events occur or circumstances change that could indicate a possible impairment may have occurred. Our fair value is compared to the carrying value of our net assets, including goodwill. If the fair value is greater than the carrying amount, then no impairment is indicated. In accordance with ASC 360 “Property Plant and Equipment,” or ASC 360, we review long-lived assets, consisting of property and equipment and purchased technology, for impairment whenever events or circumstances indicate that the carrying amount may not be fully recoverable. Recoverability of assets is measured by comparing the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the use or disposition of the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, we adjust the assets’ carrying value to fair value. As of September 30, 2010, there were no impairment indicators.

***Commitments, Indemnifications and Contingencies***

We are involved in legal proceedings incidental to our business from time to time. We do not believe that pending actions or proceedings, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows, and adequate provision has been made for the resolution of such actions and proceedings.

***Segment Reporting***

We currently operate in only one segment, biopharmaceutical products.

***Income Taxes***

We account for income taxes under ASC 740, “Income Taxes”, or ASC 740. We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our current tax exposure under the most recent tax laws and assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets.

Utilization of our net operating loss and research and development credit carryforwards may still be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions for ownership changes after December 31, 2009. Such annual limitations could result in the expiration of the net operating loss and research and development credit carryforwards available as of December 31, 2009 before utilization.

Income tax expense for the three months ended September 30, 2010 and 2009 was $5.4 million and $0.7 million, respectively, and our effective tax rate for financial reporting purposes was approximately 32.0% and 37.3%, respectively. For the nine months ended September 30, 2010 and 2009, income tax expense was $14.8 million and $10.4 million, respectively, and our effective tax rate for

**QUESTCOR PHARMACEUTICALS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

financial reporting purposes was approximately 34.0% and 36.4%, respectively. The decrease in our effective income tax rate is due to the Internal Revenue Code, or IRC, Section 199 Income Attributable to Domestic Production Activities deduction credit which increased to 9% in 2010 as compared to 6% in 2009.

***Equity Transactions***

On February 29, 2008, our Board of Directors approved a stock repurchase plan that provides for the Company's repurchase of up to 7 million of our common shares. Stock repurchases under this program may be made through either open market or privately negotiated transactions in accordance with all applicable laws, rules and regulations. On May 29, 2009, our Board of Directors increased the common share repurchase program authorization by an additional 6.5 million shares. Under this stock repurchase plan, we have repurchased a total of 8.4 million shares of our common stock for $36.7 million through September 30, 2010, at an average price of $4.39 per share. There were no repurchases in the three and nine months ended September 30, 2010. As of September 30, 2010, there are 5.1 million shares authorized remaining under our stock repurchase plan.

***Related Party Transactions***

An immediate family member of the CEO was hired as an employee effective September 8, 2009. In accordance with our Related Party Transaction Policy, this transaction was approved by the disinterested members of our Board of Directors. We paid this immediate family member of the CEO compensation totaling approximately $40,000 and $0.2 million for the three and nine months ended September 30, 2010, respectively. In addition, an immediate family member of one of our Vice Presidents is a Senior Vice President for a company that provided certain consulting services to us totaling approximately $0.2 million and $0.5 million for the three and nine months ended September 30, 2010, respectively.

***Recent Accounting Pronouncements***

In January 2010, the FASB issued updated standards related to additional requirements and guidance regarding disclosures of fair value measurements. The guidance requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. In addition, companies will be required to disclose quantitative information about the inputs used in determine fair values. We adopted these standards in the first quarter of 2010. The adoption did not have a material impact on our consolidated financial statements.

In February 2010, the FASB issued amended guidance on subsequent events. Under this amended guidance, U.S. Securities and Exchange Commission, or SEC, filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements upon issuance of this guidance. The adoption did not have a material impact on our consolidated financial statements.

In April 2010, the FASB issued ASU 2010-17, which establishes a revenue recognition model for contingent consideration that is payable upon the achievement of an uncertain future event, referred to as a milestone. The scope of the ASU is limited to research or development arrangements and requires an entity to record the milestone payment in its entirety in the period received if the milestone meets all the necessary criteria to be considered substantive. However, entities would not be precluded from making an accounting policy election to apply another appropriate accounting policy that results in the deferral of some portion of the arrangement consideration. The ASU is effective for fiscal years (and interim periods within those fiscal years) beginning on or after June 15, 2010. We adopted this guidance in the third quarter of 2010. The adoption of this guidance did not have an impact on our consolidated financial statements.

***Subsequent Events***

On October 15, 2010, the FDA approved our supplemental New Drug Application, or sNDA, for Acthar for the treatment of IS, an ultra-rare orphan disorder affecting approximately 2,000 American children annually. IS is a devastating and potentially life-threatening form of epilepsy seen in infancy and early childhood. In conjunction with the approval of the IS indication, and as a result of the FDA's orphan designation for Acthar in the treatment of IS, the FDA has also granted Acthar a seven-year exclusivity period during which the FDA is prohibited from approving any other adrenocorticotropic hormone (ACTH) product for IS unless the other product is demonstrated to be clinically superior to Acthar. Also, along with the approval notice for IS, the FDA modernized the label for Acthar. Prior to the approval for IS, the Acthar label included 52 approved indications. The new Acthar label now includes 19 indications. The FDA has also finalized a medication guide for Acthar in the treatment of IS. We will provide this guide with each Acthar prescription for IS and assess the guide's usefulness and usage by caregivers of IS patients.

## 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. 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, in Item 1A "Risk Factors" of Part II of this Quarterly Report, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2009, including Item 1 "Business of Questcor," and Item 1A "Risk Factors" of Part I of that report, as well as factors discussed in any documents incorporated by reference herein or therein. Whenever used in this Quarterly Report, the terms "Questcor," "Company," "we," "our," "ours," and "us" refer to Questcor Pharmaceuticals, Inc.

### *Overview*

We are a biopharmaceutical company whose products help patients with serious, difficult-to-treat medical conditions. Our primary product is H.P. Acthar® Gel (repository corticotropin injection), or Acthar, an injectable drug that is approved by the U.S. Food and Drug Administration, or FDA, for the treatment of 19 indications. Of these 19 indications, we currently generate substantially all of our net sales from two indications: the treatment of acute exacerbations of multiple sclerosis, or MS, in adults, and the treatment of infantile spasms, or IS, in infants and children under two years of age. We are also implementing plans to commercialize Acthar for use in treating nephrotic syndrome, or NS. Specifically with respect to NS, the FDA has agreed with us that there is enough evidence to maintain the indication to induce a diuresis or a remission of proteinuria in the nephrotic syndrome without uremia of the idiopathic type or that due to lupus erythematosus. Brief descriptions of the indications we treat are as follows:

- MS causes the immune system to attack the protective covering of the nerves, leading to impaired sensory and motor nerve function, and, in most cases, some degree of disability. The myelin sheath is a protective covering around a portion of nerve cells that allows the cells to transmit impulses quickly and effectively. In MS, the myelin sheath is damaged, causing varying symptoms that include increased difficulty moving and progressive weakness. An exacerbation is a sudden worsening of these symptoms. The goal of treatment by neurologists of an MS exacerbation is to return the patient to the level of functionality that existed before the exacerbation occurred. Neurologists generally do not prescribe Acthar unless the MS patient has not adequately responded to, cannot tolerate or cannot take intra-venous steroids. Acthar has been used as a second line treatment to treat MS exacerbations for the last several years. Treatment for MS exacerbations using Acthar generally requires two vials.
- IS is a specific type of epilepsy seen in infancy and very early childhood; it is also known as West Syndrome. IS is characterized by spasms and a specific pattern of electroencephalography, or EEG, called hypsarrhythmia. The onset of infantile spasms is usually in the first year of life. IS is considered a medical emergency because the normal developmental process for the baby is adversely impacted by IS. The prognosis for infants with IS is generally poor, with significant developmental delay, and potentially death, if it is not treated successfully. The goal of child neurologists in treating IS is to eliminate both the spasms and hypsarrhythmia. We believe child neurologists who treat IS often consider Acthar the treatment of choice even though other treatments are available. Acthar has been used to treat IS for many decades. Treatment for IS using Acthar generally requires four to five vials, although sometimes fewer vials are used. Due to recent action by the FDA, Acthar is now approved for the treatment of IS.
- NS occurs when there is a malfunction in the kidney's filtering system (glomeruli) causing protein in the blood to leak into the urine (proteinuria). This results in fluid accumulating in the body; prolonged proteinuria has been shown to cause kidney failure, or end-stage renal disease. Patients who reach end stage renal disease require kidney dialysis or kidney transplantation surgery. NS can be classified by the damage occuring to different cells in the kidney, for example, idiopathic membraneous nephropathy (IMN) or focal segmented glomerular sclerosis (FSGS). The goal of nephrologists in treating proteinuria is to reduce the level of proteinuria by 50% or more. Proteinuria associated with IMN, FSGS and lupus nephritis are included in the labeled indication for Acthar. To date, physicians have used Acthar to treat approximately one hundred NS patients. While physicians have not yet developed a common dosing administration protocol for Acthar in treating NS, treatment regimens for NS have historically used six to ten vials of Acthar in treating each NS patient.

In addition to the preceding indications, Acthar is also indicated for the treatment of the following disease states:

- *Rheumatic Disorders*: As adjunctive therapy for short-term administration (to tide the patient over an acute episode or exacerbation) in Psoriatic arthritis; Rheumatoid arthritis, including juvenile rheumatoid arthritis (selected cases may require low-dose maintenance therapy); and Ankylosing spondylitis.
- *Collagen Diseases*: During an exacerbation or as maintenance therapy in selected cases of systemic lupus erythematosus and systemic dermatomyositis (polymyositis).
- *Dermatologic Diseases*: Severe erythema multiforme and Stevens-Johnson syndrome.
- *Allergic States*: Serum sickness.
- *Ophthalmic Diseases*: Severe acute and chronic allergic and inflammatory processes involving the eye and its adnexa such as keratitis, iritis, iridocyclitis, diffuse posterior uveitis and choroiditis; optic neuritis; chorioretinitis; and anterior segment inflammation.
- *Respiratory Diseases*: Symptomatic sarcoidosis.

We also market Doral® (quazepam), which is indicated for the treatment of insomnia characterized by difficulty in falling asleep, frequent nocturnal awakenings, and/or early morning awakenings.

***Results of Operations***

*Three months ended September 30, 2010 compared to the three months ended September 30, 2009:*

***Recorded Net Sales***

| | Three Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | (in $000's) | |
| **Revenue** | $43,687 | $31,337 | $ 12,350 | 39% |
| Less sales reserves: | | | | |
| Provision for Medicaid rebates | 11,646 | 14,107 | (2,461) | (17)% |
| Provision for chargebacks | 72 | 1,807 | (1,735) | (96)% |
| Provision for Tricare rebates | 346 | 1,400 | (1,054) | (75)% |
| Co-payment assistance and other | 349 | 172 | 177 | 103% |
| Total sales reserves | 12,413 | 17,486 | (5,073) | (29)% |
| **Net sales** | $31,274 | $13,851 | $ 17,423 | 126% |

Net sales for the three months ended September 30, 2010 and 2009 were comprised of net sales of our products Acthar and Doral. Net sales of Acthar for the three months ended September 30, 2010 totaled $31.3 million as compared to $13.6 million during the same period in 2009. Net sales for the three months ended September 30, 2009 were negatively affected by the combination of a lower number of prescriptions for the treatment of IS, unusually high amounts of Medicaid rebates related to Acthar usage in previous quarters ($4.6 million), and an adjustment to our rebate reserves for Tricare sales. The increase in Acthar net sales as compared to the previous period was also affected by the following factors:

- An increase in Acthar vials shipped (1,890 vials shipped for the three months ended September 30, 2010 as compared to 1,354 vials shipped for the three months ended September 30, 2009);
- A reduction in the per vial rebate liability to U.S. government insurance plans (provision in the recently passed Patient Protection and Affordable Care Act of 2010 which reduced the effective Medicaid rebate from 110% to 100% of the amount we receive for Medicaid prescriptions);
- An increase in our Medicaid Managed Care rebate, which became effective March 23, 2010; and
- An improvement in pricing with Tricare, which resulted in an increase in net sales of $1.1 million in the three months ended September 30, 2010

.

On a sequential basis, net sales increased by $3.0 million to $31.3 million in the three months ended September 30, 2010, compared to $28.3 million in the three months ended June 30, 2010.

During 2009, we expanded our MS sales force to support our increased sales efforts related to the use of Acthar for the treatment of exacerbations associated with MS. Since then, our increased sales efforts and our initiatives to educate MS specialists about the treatment benefits of Acthar have resulted in a significant increase in sales of Acthar to treat select MS exacerbation patients in the three months ended September 30, 2010 as compared to the same period in 2009. During the three months ended September 30, 2010, new paid Acthar prescriptions processed by our reimbursement support center for the treatment of MS exacerbations increased by approximately 129% as compared to the three months ended September 30, 2009. In order to build upon these positive prescription trends, we further expanded our sales organization during the three months ended September 30, 2010, resulting in a sales organization of 77 sales representatives as of the end of the quarter.

There can be no guarantee that this prescription growth trend will continue or that our sales force expansion will be successful. . The process of significantly expanding a sales force in the biopharmaceutical industry is complex. Individual sales territories are modified and re-allocated across the enlarged sales force, which can cause disruption in the selling effort. Additionally, while the cost of the new sales representatives impacts our operating expenses immediately, there can be a delay in the new representatives' expected positive impact on our net sales due to the time it takes for us to train the new representatives and for the new representatives to establish relationships with prescribing physicians within their territories. As such, even if our sales force expansion is successful in the long-term, there can be a near-term negative impact on our financial results from the expansion.

There has been significant variability in prescription activity on a quarterly basis in the use of Acthar in the treatment of IS. Acthar shipments may be affected by seasonality as well as quarter-to-quarter fluctuations driven by the relatively small IS patient population. We believe these fluctuations are principally due to the low incidence of IS, as a relatively small number of cases can create meaningful fluctuations. We will continue to monitor these factors as there may be volatility in our Acthar shipments and end user demand in future periods. During the three months ended September 30, 2010, prescription levels for Acthar for the treatment of IS were within the normal historic range.

In addition, we initiated a small pilot selling effort in April for NS, and in October have begun to hire a limited number of sales representatives who will market Acthar exclusively to nephrologists.

Acthar orders may be affected by several factors, including inventory levels at specialty and hospital pharmacies, greater use of patient assistance programs, the overall pattern of usage by the health care community, including Medicaid and government-supported entities, the use of alternative therapies for the treatment of IS, and the reimbursement policies of insurance companies. Our specialty distributor ships Acthar to specialty pharmacies and hospitals to meet end user demand. We track our own Acthar shipments daily, but those shipments vary compared to end user demand because of seasonal usage and changes in inventory levels at specialty pharmacies and hospitals. We also review the amount of inventory of Acthar at CuraScript SD and Doral at wholesalers in order to help assess the demand for our products.

***Cost of Sales and Gross Profit***

| | Three Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| | (in $000's) | | | |
| Cost of sales | $ 2,292 | $ 2,006 | $ 286 | 14% |
| Gross profit | $28,982 | $11,845 | $ 17,137 | 145% |
| Gross margin | 93% | 86% | | |

Cost of sales for the three months ended September 30, 2010 increased $0.3 million as compared to the three months ended September 30, 2009. Cost of sales includes material costs, packaging, warehousing and distribution, product liability insurance, royalties, quality control (which primarily includes product stability testing), quality assurance and reserves for excess or obsolete inventory. The increase in cost of sales was primarily due to an increase in product stability testing and royalties on Acthar net sales, offset by a reduction in distribution costs.

***Selling, General and Administrative***

| | Three Months Ended September 30, 2010 | 2009 | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | | (in $000's) | | |
| Selling, general and administrative expense | $ 9,895 | $ 7,676 | $ 2,219 | 29% |

The increase in selling, general and administrative expense for the three months ended September 30, 2010 as compared to the same period in 2009 was due primarily to increases in headcount-related costs and costs associated with an expanded sales and marketing effort.

Headcount-related costs included in selling, general and administrative expense increased by approximately $2.0 million as compared to the same period in 2009. The increase primarily reflects the 2009 expansion of our sales force to 38 representatives and additional managers in order to build upon continued positive growth trends in prescriptions of Acthar for the treatment of exacerbations associated with MS. To further build on these positive prescription trends, we doubled the size of our sales organization during the three months ending September 30, 2010, increasing the sales force to 77 Acthar specialists. There can be no guarantee that this prescription growth trend will continue or that our sales force expansion will be successful, and, even if it is successful in the long-term, our sales force expansion may cause near-term volatility in our financial results.

***Research and Development***

| | Three Months Ended September 30, 2010 | 2009 | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | | (in $000's) | | |
| Research and development | $ 2,178 | $ 2,215 | $ (37) | (2)% |

Costs included in research and development relate primarily to the resubmission of our Acthar sNDA for IS to the FDA (which was approved by the FDA on October 15, 2010), the funding of medical research projects to better understand the therapeutic benefit of Acthar in current and new therapeutic applications, product development efforts and compliance activities. The slight decrease in research and development expenses was due primarily to decreases in the costs related to our resubmission of our sNDA, partially offset by increases in headcount-related costs and funding of medical research projects.

We currently fund pre-clinical and clinical investigator-initiated studies, many of which are examining the use of Acthar in the treatment of NS and MS. We are also now beginning to fund exploratory pre-clinical research evaluating whether Acthar could have potential value in the management of amyotrophic lateral sclerosis (also known as ALS or Lou Gehrig's Disease) and traumatic brain injury. Efforts to identify additional potential new uses for Acthar are ongoing and we expect to incur increased expenses in 2011 related to such research and development efforts.

***Depreciation and Amortization***

| | Three Months Ended September 30, 2010 | 2009 | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | | (in $000's) | | |
| Depreciation and amortization | $ 137 | $ 123 | $ 14 | 11% |

Depreciation and amortization expense for the three months ended September 30, 2010 was consistent with depreciation and amortization expense for the same period in 2009.

***Total Other Income***

| | Three Months Ended September 30, 2010 | 2009 | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | | (in $000's) | | |
| Total other income | $ 171 | $ 120 | $ 51 | 43% |

Total other income for the three months ended September 30, 2010 remained relatively consistent with other income for the same period in 2009.

*Nine months ended September 30, 2010 compared to the nine months ended September 30, 2009:*

***Net Sales***

| | Nine Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| | | (in $000's) | | |
| **Revenue** | $115,985 | $100,630 | $ 15,355 | 15% |
| Less sales reserves: | | | | |
| Provision for Medicaid rebates | 27,996 | 32,435 | (4,439) | (14)% |
| Provision for chargebacks | 72 | 4,157 | (4,085) | (98)% |
| Provision for Tricare rebates | 907 | 1,400 | (493) | (35)% |
| Co-payment assistance and other | 1,176 | 223 | 953 | 427% |
| Total sales reserves | 30,151 | 38,215 | (8,064) | (21)% |
| **Net sales** | $ 85,834 | $ 62,415 | $ 23,419 | 38% |

Net sales for the nine months ended September 30, 2010 and 2009 were comprised of our products Acthar and Doral. Net sales of Acthar for the nine months ended September 30, 2010 totaled $85.5 million as compared to $61.9 million during the same period in 2009. Net sales for the nine months ended September 30, 2009 were negatively affected by the following events in the third quarter of 2009: a lower number of prescriptions for the treatment of IS, unusually high amounts of Medicaid rebates related to Acthar usage in previous quarters ($4.6 million), and an adjustment to our rebate reserves for Tricare sales. The increase in Acthar net sales as compared to the previous period was also affected by the following:

- An increase in Acthar vials shipped (5,016 vials shipped for the nine months ended September 30, 2010 as compared to 4,347 vials shipped for the nine months ended September 30, 2009);
- A reduction in the per vial rebate liability to U.S. government insurance plans (provision in the recently passed Patient Protection and Affordable Care Act of 2010 which reduced the effective Medicaid rebate from 110% to 100% of the amount we receive for Medicaid prescriptions); and
- An improvement in pricing with Tricare which resulted in an increase in net sales of $0.5 million in the nine months ended September 30, 2010.

Additionally, during the nine months ended September 30, 2010, new paid Acthar prescriptions for the treatment of MS exacerbations increased by approximately 142% as compared to the same period of 2009.

***Cost of Sales and Gross Profit***

| | Nine Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| | | (in $000's) | | |
| Cost of sales | $ 6,290 | $ 5,119 | $ 1,171 | 23% |
| Gross profit | $79,544 | $57,296 | $ 22,248 | 39% |
| Gross margin | 93% | 92% | | |

Cost of sales for the nine months ended September 30, 2010 increased $1.2 million as compared to the nine months ended September 30, 2009. The increase in cost of sales was primarily due to an increase in product stability testing and royalties on Acthar net sales, offset by a reduction in distribution costs.

***Selling, General and Administrative***

| | Nine Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| | (in $000's) | | | |
| Selling, general and administrative expense | $28,242 | $22,109 | $ 6,133 | 28% |

The increase in selling, general and administrative expense for the nine months ended September 30, 2010 as compared to the same period in 2009 was due primarily to increases in headcount-related costs and costs associated with an expanded sales and marketing effort to increase Acthar sales in MS, including preparation for the anticipated launch of IS upon approval by the FDA.

Headcount-related costs included in selling, general and administrative expense increased by approximately $4.6 million as compared to the same period in 2009. The increase reflects the 2009 expansion of our sales force to 38 representatives and additional managers in order to build upon continued positive growth trends in prescriptions of Acthar for the treatment of exacerbations associated with MS. Building further on these positive prescription trends, we doubled the size of our sales organization during the three months ending September 30, 2010, increasing the sales force to 77 Acthar specialists. There can be no guarantee that this prescription growth trend will continue or that our sales force expansion will be successful.

Costs associated with the support of our Acthar strategy increased by approximately $1.5 million in the nine months ended September 30, 2010 as compared to the same period in 2009. The increase is due primarily to our sales and marketing program for MS and the costs associated with the anticipated launch of IS.

***Research and Development***

| | Nine Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| | (in $000's) | | | |
| Research and development | $7,868 | $6,991 | $ 877 | 13% |

The increase in research and development expenses was due primarily to increases in headcount-related costs and funding of medical research projects, offset by the costs incurred during the nine months ended September 30, 2009 related to the resubmission of our Acthar sNDA for IS to the FDA, which included outside research and consulting costs.

***Depreciation and Amortization***

| | Nine Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| | (in $000's) | | | |
| Depreciation and amortization | $392 | $359 | $ 33 | 9% |

Depreciation and amortization expense for the nine months ended September 30, 2010 was consistent with depreciation and amortization expense for the same period in 2009.

***Total Other Income***

| | Nine Months Ended September 30, | | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| | 2010 | 2009 | | |
| | (in $000's) | | | |
| Total other income | $386 | $810 | $ (424) | (52)% |

Total other income for the nine months ended September 30, 2010 decreased $0.4 million as compared to total other income for the same period in 2009. The decrease was due primarily to lower interest income resulting from a lower yield on our cash, cash equivalent and short-term investment balances during the nine months ended September 30, 2010 as compared to the same period in 2009, and the inclusion of a $0.2 million gain on the sale of product rights during the nine months ended September 30, 2009.

***Liquidity and Capital Resources***

At September 30, 2010, we had cash, cash equivalents and short-term investments of $111.4 million and working capital of $103.4 million, compared to cash, cash equivalents and short-term investments of $75.7 million and working capital of $71.0 million at December 31, 2009.

For the nine months ended September 30, 2010, we generated $35.0 million of cash from operations, primarily the result of net income of $28.7 million, plus the total change in operating assets and liabilities of $2.6 million (which included an increase in our sales-related reserves of $7.2 million, offset by a decrease in accounts payable of $4.6 million), $2.8 million in share-based compensation expense, $0.5 million in amortization of investments and $0.4 million in depreciation and amortization expense. For the nine months ended September 30, 2009, we generated $27.8 million of cash from operations, primarily the result of net income of $18.2 million, plus the total change in operating assets and liabilities of $6.4 million (which included an increase in our sales-related reserves of $2.1 million, an increase in accounts payable of $8.4 million, offset by a decrease in prepaid income taxes of $1.9 million), $2.4 million in share-based compensation expense, $0.6 million in deferred income taxes, $0.4 million in depreciation and amortization expense offset by ($0.2) million for the gain on sale of product rights.

For the nine months ended September 30, 2010, we used $36.6 million of cash from investing activities, primarily due to the purchase of short-term investments ($90.0 million), offset by the maturities of short-term investments ($53.7 million). For the nine months ended September 30, 2009, we received $5.0 million from investing activities, primarily due to the maturities of our short-term investments ($55.1 million), offset by the purchase of short-term investments ($50.3 million).

For the nine months ended September 30, 2010, we received $1.4 million from financing activities, primarily due to the issuance of common stock associated with our Employee Stock Purchase Plan and the exercise of stock option. For the nine months ended September 30, 2009, we used $9.8 million primarily for the repurchase of common stock ($11.2 million), offset by the issuance of common stock ($0.9 million).

In February 2008, our board of directors approved a stock repurchase plan that provides for our repurchase of up to 7 million of our common shares in either open market or private transactions, which will occur from time to time and in such amounts as management deems appropriate. In May 2009, our board of directors increased our common share repurchase program authorization by an additional 6.5 million shares. We did not repurchase any shares of our common stock under our share repurchase program during the first nine months of 2010. As of September 30, 2010, there are 5.1 million shares authorized remaining under the stock repurchase plan.

*Recent Accounting Pronouncements*

In January 2010, the FASB issued updated standards related to additional requirements and guidance regarding disclosures of fair value measurements. The guidance requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. In addition, companies will be required to disclose quantitative information about the inputs used in determine fair values. We adopted these standards in the first quarter of 2010. The adoption did not have a material impact on our consolidated financial statements.

In February 2010, the FASB issued amended guidance on subsequent events. Under this amended guidance, U.S. Securities and Exchange Commission, or SEC, filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements upon issuance of this guidance. The adoption did not have a material impact on our consolidated financial statements.

In April 2010, the FASB issued ASU 2010-17, which establishes a revenue recognition model for contingent consideration that is payable upon the achievement of an uncertain future event, referred to as a milestone. The scope of the ASU is limited to research or development arrangements and requires an entity to record the milestone payment in its entirety in the period received if the milestone meets all the necessary criteria to be considered substantive. However, entities would not be precluded from making an accounting policy election to apply another appropriate accounting policy that results in the deferral of some portion of the arrangement consideration. The ASU is effective for fiscal years (and interim periods within those fiscal years) beginning on or after June 15, 2010. We adopted this guidance in the third quarter of 2010. The adoption of this guidance did not have an impact on our consolidated financial statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk at September 30, 2010 has not changed materially from December 31, 2009, and reference is made to the more detailed disclosures of market risk included in our Annual Report on Form 10-K for the year ended December 31, 2009.

## ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Accounting Officer, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance that the controls and procedures would meet their objectives.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Principal Accounting Officer concluded that our disclosure controls and procedures were effective as of September 30, 2010, 2010.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to affect materially, our internal controls over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are involved in legal proceedings incidental to our business from time to time. We do not believe that pending actions or proceedings, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows, and adequate provision has been made for the resolution of such actions and proceedings.

### ITEM 1A. RISK FACTORS

Information about material risks related to the Company's business, financial condition and results of operations for the quarterly period ended September 30, 2010, does not materially differ from that set out in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as updated in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

***Forward Looking Statements***

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to:

- the Company's ability to continue to successfully implement its Acthar-centric business strategy, including its expansion in the MS marketplace and other therapeutic areas;
- FDA approval of and the market introduction of competitive products;
- the Company's ability to operate within an industry that is highly regulated at both the Federal and state level;

- regulatory changes or other policy actions by governmental authorities and other third parties as recently adopted U.S. healthcare reform legislation is implemented;
- the complex nature of the Company's manufacturing process and the potential for supply disruptions or other business disruptions;
- the Company's ability to receive high reimbursement levels from third party payers;
- the Company's ability to estimate reserves required for Acthar used by government entities and Medicaid-eligible patients;
- the inventories carried by the Company's distributor, CuraScript Specialty Distributor, as well as inventories carried by specialty pharmacies and hospitals;
- research and development risks, including risks associated with the Company's preliminary work in the area of nephrotic syndrome;
- the lack of patent protection for Acthar;
- volatility in the Company's monthly and quarterly Acthar shipments and end-user demand;
- the Company's ability to attract and retain key management personnel and sales representatives; and
- the impact to the Company's business caused by economic conditions.

These and other risks are described in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

## ITEM 6. EXHIBITS

| Exhibit No | Description |
|---|---|
| 10.1 | Supply Agreement, by and between Questcor Pharmaceuticals, Inc. and BioVectra, Inc., dated July 14, 2010. + |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. |
| 31.2 | Certification of Principal Accounting Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. |
| 32.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. |
| 32.2 | Certification of Principal Accounting Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. |

+ The Company has requested confidential treatment with respect to portions of this exhibit.

**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 2, 2010

By: /s/ Don M. Bailey
**Don M. Bailey**
**President and Chief Executive Officer**

By: /s/ Kristine Engelke
**Kristine Engelke**
**Principal Accounting Officer**

## Exhibit Index

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| 32.2 | Certification of Principal Accounting Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. |

+ The Company has requested confidential treatment with respect to portions of this exhibit.

**Exhibit 10.1**

**SUPPLY AGREEMENT**

THIS SUPPLY AGREEMENT (the "Agreement") is as entered into as of this July 14, 2010 ("Effective Date") between Questcor Pharmaceuticals, Inc., a corporation organized under the laws of the State of California and having a place of business at 3260 Whipple Road, Union City, California 94587 U.S.A. ("Questcor") and BioVectra Inc., a corporation organized under the laws of Prince Edward Island and having a place of business at 11 Aviation Avenue, Charlottetown, Prince Edward Island, C1E 0A1 Canada ("BioVectra") (each individually a "Party" and collectively the "Parties").

**WITNESSETH:**

WHEREAS, Questcor wishes to purchase from BioVectra and BioVectra desires to sell to Questcor the Product (as hereinafter defined); and

WHEREAS, BioVectra represents that it has the technical and scientific experience and expertise necessary to perform manufacturing, packaging, analytical testing and/or quality assurance services for the manufacturing and bulk packaging of such Product, and to handle materials associated with manufacture of such Product in a safe and environmentally sound manner; and

WHEREAS, Questcor desires BioVectra to perform such services as set forth herein and manufacture such Product for Questcor, and BioVectra desires to perform such services and manufacture such Product for supply to Questcor or its designee, all on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, the Parties agree as follows:

1. **DEFINITIONS**

The following terms, whether used in the singular or plural, shall have the meanings assigned to them below for purposes of this Agreement:

1.1 "Act" shall mean the United States Federal Food, Drug and Cosmetics Act, as amended, and the regulations promulgated under such Act.

1.2 "Affiliate" shall mean any corporation or non-corporate entity that controls, is controlled by, or is under common control with a Party. For purposes of this Section 1.2, "control," whether used as a noun or a verb, means the possession, directly or indirectly, of the power to affirmatively direct, or affirmatively cause the direction of, the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise.

1.3 "Agreement" shall mean this Supply Agreement and any Schedules appended hereto, as may be amended from time to time.

1.4 "API" shall mean Active Pharmaceutical Ingredient.

1.5 "Certificate of Compliance" shall mean a document indicating that each batch of Product was manufactured in compliance with cGMP, and that all Deviations were evaluated for impact on Product.

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[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

1.6 "COA" shall mean Certificate of Analysis.

1.7 "Confidential Information" shall mean all proprietary information, data and know-how of each Party, whether disclosed orally or visually or in written, graphic, electronic or other tangible form, which is disclosed by a Party or any of its Affiliates (the "Disclosing Party") to the other Party or any of its Affiliates (the "Receiving Party") or which the Receiving Party obtains in the course of its performance pursuant to this Agreement, and which: (a) if in written, graphic, electronic or other tangible form, is labeled as confidential or proprietary; (b) if disclosed orally or visually, is identified as confidential or proprietary at the time of disclosure and is confirmed to be confidential or proprietary by the Disclosing Party in writing to the Receiving Party within thirty (30) calendar days of such disclosure; or (c) should reasonably be considered to be confidential or proprietary. With respect to Questcor, "Confidential Information" shall be deemed to also include (i) the Specifications; (ii) the Questcor Technology; and (iii) all business, financial and technical data of Questcor including, but not limited to information regarding Questcor's plans, plants, processes, products, costs, equipment, operations, marketing plans, forecasts, customers or suppliers. With respect to BioVectra, "Confidential Information" shall be deemed to also include (i) its manufacturing processes and practices; (ii) the BioVectra technology; and (iii) all business, financial and technical data of BioVectra including, but not limited to information regarding BioVectra's plans, plants, processes, products, costs, equipment, operations, marketing plans, forecasts, customers or suppliers.

1.8 "Delivery Point" shall mean the Questcor ship-to location specified in the applicable Purchase Order for shipment of the ordered Product.

1.9 "FDA" shall mean the United States Food and Drug Administration or any successor entity thereof having or performing substantially the same function.

1.10 "Firm Order" shall mean a binding commitment in writing made by Questcor to purchase Product in accordance with Section 5.

1.11 "cGMP" shall mean all laws, guidelines and regulations applicable to the manufacture of Product including the current Good Manufacturing Practices as specified in the United States Code of Federal Regulations, as the same may be amended or re-enacted from time to time, and international guidelines and regulations such as ICH Q7A.

1.12 "Non-Process Related Impurities" shall mean any substance that would not be present as a result of the process used to manufacture Product in compliance with cGMP.

1.13 "Product" shall mean the chemical substances or the formulation(s) thereof listed in Schedule 1, attached hereto.


Questcor BioVectra

1.14 “Product Recall” shall mean any recall, withdrawal, field correction or other action to recover possession of quantities of the Product shipped or sold to Third Parties resulting in the event that (i) any government authority or other regulatory agency issues a request, directive or order that any Product or drug products derived from Product be recalled, (ii) a court of competent jurisdiction orders such a recall, (iii) Questcor reasonably determines after consultation with BioVectra that any Products should be recalled because they do not conform to the Specifications or other requirements of this Agreement at the time of shipment by BioVectra or (iv) Questcor reasonably determines that any Products should be recalled for any reason.

1.15 “Purchase Order” shall mean a written order for the purchase of Product duly executed by Questcor and transferred to BioVectra via mail, facsimile or electronically, and setting forth the quantity of Product ordered, the required delivery date, the Delivery Point, the price for the Product, the Purchase Order number, the name of the requester, and any special terms and conditions relevant to the particular Purchase Order (special terms and conditions are those that are not preprinted).

1.16 “Quality Assurance” shall mean the total organized arrangements made with the object of ensuring that Product is of the quality required for its intended use and that quality systems are maintained so that all of the provisions set forth in Section 7.1.1 and in Section 9 of this Agreement are met.

1.17 “Quarter” shall mean the period of three consecutive calendar months ending 31 March, 30 June, 30 September and 31 December.

1.18 “Change” or “Deviation” shall mean any planned or unplanned deviation, variance or change.

1.19 “Specifications” shall mean the specifications and quality assurance and other testing for the Product which will be attached hereto as Schedule 2, and made a part hereof, as determined in accordance with the analytical methodology set forth therein, as such Specifications may be amended from time to time in writing by mutual agreement of the Parties.

1.20 “Third Party” shall mean any party other than Questcor, BioVectra and their respective Affiliates and agents.

1.21 “Section” shall mean a Section of this Agreement.

1.22 “NDA” means a New Drug Application as defined in and contemplated by the Act.

1.23 “DMF” means the Drug Master File pertaining to the manufacture of the Product.


Questcor BioVectra

2. **SUPPLY OF PRODUCT**

2.1 Supply and Purchase. BioVectra agrees to manufacture for and supply to Questcor or its designee on an exclusive basis such quantities of Product as Questcor may order from BioVectra, and Questcor agrees to purchase such quantities of Product from BioVectra, in accordance with the terms and conditions of this Agreement. Questcor shall be obligated to purchase a minimum of [***] kilograms of Product under this Agreement, however, Questcor shall not purchase in excess of [***] of Product in any given year.

2.2 Equipment. Questcor will provide to BioVectra at no cost to BioVectra the equipment required to manufacture Product in accordance with the manufacturing process specified by Questcor, which equipment (and the location thereof) are listed on Schedule 5 attached hereto (the "Questcor Equipment"). BioVectra solely will be responsible for the costs of installation of the Questcor Equipment and providing adequate facilities to house the Questcor Equipment. BioVectra will receive written authorization from Questcor prior to contracting to purchase additional equipment as may be required to produce Product for Questcor hereunder.

2.3 Applicability and Hierarchy of Terms. The terms and conditions of this Agreement shall apply to any Purchase Order issued by Questcor to BioVectra during the term of this Agreement for the Product that is the subject of this Agreement, whether or not this Agreement or its terms and conditions are expressly referenced in the Purchase Order. In the event of a conflict between the pre-printed terms provided in any Purchase Order and the terms of this Agreement, the terms of this Agreement shall prevail.

2.4 Maintenance of Equipment. BioVectra shall be responsible for maintaining Questcor Equipment (and any other BioVectra equipment required to manufacture Product) in good working order. Maintenance required of BioVectra includes, but is not limited to, preventative maintenance, calibration and repairs.

2.5 Use of Questcor Equipment. The Questcor Equipment is to be only used to manufacture the Product for Questcor hereunder.

3. **TERM AND TERMINATION**

3.1 Term. This Agreement shall commence on the Effective Date and shall continue until written notice of no less than twelve (12) months is given by either Questcor or BioVectra to the other (the "Term"). BioVectra will continue to provide manufacturing services and related testing, if notice of termination is given by Questcor or BioVectra, until Questcor transfers the manufacturing to an alternate site and manufacturing at the alternate site is approved by the FDA or until four (4) years from the date of the notice of termination, whichever is shorter.

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[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Questcor BioVectra

3.2 Termination for Cause. Without prejudice to any other available legal or equitable rights or remedies, the Parties may terminate this Agreement immediately upon written notice to the other Party as follows:

3.2.1 Material Breach. Either Party may terminate this Agreement in the event of a material breach by the other Party of any material terms or conditions (including, but not limited to, the non-Specification conformance of the Product) of the Agreement ("Default"), through no fault of the non-Defaulting Party, which remains uncured ninety (90) calendar days after the non-Defaulting Party provides written notice of such Default to the Defaulting Party; provided however, that in the event that the Defaulting Party reasonably believes that the Default is incapable of being cured within such ninety (90) day period, then the Defaulting party shall provide written notice to the non-Defaulting Party within seven (7) calendar days from the date of the notice of such Default, specifying that such Default is not capable of being cured within such period and the actions the Defaulting Party is taking to diligently cure such Default, and the non-Defaulting Party may, in its sole discretion, agree in writing to extend the time period for curing such Default for up to an additional thirty (30) calendar days or such time as is reasonably necessary to cure such Default.

3.2.2 Insolvency; Bankruptcy. Either Party may terminate immediately this Agreement in the event that the other Party (a) becomes insolvent; (b) makes an assignment for the benefit of creditors; (c) files or has filed against it a petition in bankruptcy; (d) has a receiver appointed for its assets; or (e) is dissolved or liquidated.

3.2.3 Continued Manufacture. Termination under this Section 3.3 shall not cause Product to be unavailable to persons who are in need thereof. In the event this Section 3.3 becomes applicable, the Parties agree to collaborate in good faith to develop a new source of manufacture thereof so as to keep Product available in the marketplace for the benefit of the users thereof. Questcor agrees to diligently locate and qualify a new manufacturer of the Product and BioVectra agrees that it will not discontinue manufacture of the Product until such new manufacturer is qualified; provided, however, that if BioVectra's inability to manufacture Specification–conforming Product is the basis for termination under Section 3.3.1 above, then Questcor shall not obligate BioVectra to manufacture further non-conforming Product, but BioVectra agrees that it will, to the best of its ability, correct any deficiencies at its own expense and manufacture Specification-conforming Product hereunder after any such notice of termination is received until such new manufacturer is qualified.

3.2.4 Transfer of Materials and Equipment. If this Agreement is terminated under this Section 3.3, BioVectra shall promptly transfer to Questcor or Questcor's


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designee, at Questcor's written request and expense, all raw materials purchased by Questcor and supplied to BioVectra and all Questcor Equipment.

3.4 Return of Unused Maintenance Fees. Within Thirty (30) days of the effective date of any termination or expiration of the Agreement, Questcor will pay all amounts owing to BioVectra for delivered Products in accordance with Section 4 of the Agreement or BioVectra will return Questcor any amount paid to BioVectra as a Minimum Annual Production Maintenance Fee that is not owed against such Products.

4. **PRICE AND PAYMENT**

4.1 Price of Product. The price for Product provided hereunder shall be as set forth in Schedule 3 to this Agreement. Such prices shall be firm through the entire Term and through any subsequent contract extensions.

4.2 Price Adjustments. The price for Product may only be adjusted as provided in Schedule 3 hereto.

4.3 Billing and Payment. BioVectra will submit invoices to Questcor at the address designated in the applicable Purchase Order. Invoices shall include the following information, where applicable: the description and quantity of Product delivered; the date of shipment of Product; the price for the Product; any applicable taxes, transportation charges or other charges provided for in the applicable Purchase Order; and the applicable Purchase Order number. Questcor shall pay all invoices to BioVectra in U.S. dollars within thirty (30) days from when the Product is delivered to or on behalf of Questcor at the Delivery Point, provided that: i) Questcor has received from BioVectra complete and accurate certificates of analysis and any other Process records required to be provided to Questcor pursuant to the provisions of Section 9 for such lot; ii) Questcor or its designee has actually received the applicable lots of Product; and iii) the lot (or partial lot) is not rejected by Questcor or its designee. In the event that any shipment does not contain the entire invoiced quantity of Product, Questcor shall only be obligated to pay for the quantity of Product actually received by or on behalf of Questcor. Full or partial payment by Questcor shall not result in a waiver of any of its rights under applicable law or this Agreement.

4.4 Documentation Delays. For each day that such complete and accurate required documentation is delayed, the due and payable date of the related invoice will be delayed by one (1) business day. Questcor will notify BioVectra if payment is to be delayed due to incomplete or inaccurate documentation stating in sufficient detail the reasons therefor. Questcor shall not be obligated to make payment for a lot of Product if Product is rejected. If a lot of rejected Product is subsequently approved by Questcor, Questcor shall pay BioVectra for such lot within thirty (30) calendar days following such approval date.

4.5 Disputed Amounts. If Questcor disputes in good faith all or any portion of any

Questcor BioVectra

invoice submitted by BioVectra, Questcor shall be required to pay that portion of the invoiced amount that is not in dispute. In such event, Questcor shall notify BioVectra in writing of the amount and nature of the dispute within thirty (30) calendar days after receipt of the applicable invoice, and the Parties shall promptly attempt in good faith to amicably resolve such dispute. Once the matter is resolved, Questcor shall promptly pay any amount as may be due BioVectra.

**4.6** Taxes. The Prices stated in this Agreement or a Purchase Order include all taxes except such sales and use taxes that BioVectra is required by law to collect from Questcor. Such taxes, if any, will be separately stated in BioVectra's invoice and will be paid by Questcor to BioVectra unless an exemption is available. BioVectra shall be responsible for the timely payment of all such taxes to the applicable taxing authority, and BioVectra shall pay (without reimbursement by Questcor), and shall hold Questcor harmless against, any penalties, interest or additional taxes that may be levied or assessed as a result of the failure or delay of BioVectra to pay any taxes. Questcor shall be responsible for any duties that result from BioVectra shipping Product to any Questcor designated Delivery Point.

## 5. FORECASTS AND FIRM ORDERS

5.1 Forecasts. Questcor shall provide to BioVectra quarterly forecasts of its estimated requirements for Product ("Forecast"). Questcor shall provide such Forecasts to BioVectra at least sixty (60) calendar days before the beginning of each calendar Quarter during the Term of this Agreement (beginning with the first Quarter in which Questcor intends to purchase Product hereunder), and such Forecasts shall provide an estimate of Questcor's requirements for Product for such Quarter and for the next succeeding three (3) Quarters. Such Forecasts shall be estimates for planning purposes only and shall not constitute commitments by Questcor to purchase Product. Questcor shall only be obligated to purchase such quantities of Product as may be ordered by Questcor pursuant to a Purchase Order issued by Questcor to BioVectra, as provided in Section 5.2 below.

5.2 Firm Orders. BioVectra will provide Product to Questcor pursuant to orders placed by Questcor in the form of individual Purchase Orders issued by Questcor to BioVectra. At least forty-five (45) calendar days prior to the beginning of each Quarter during the Term of this Agreement, beginning with the first Quarter in which Questcor intends to purchase Product under this Agreement, Questcor shall issue a Purchase Order for its requirements of Product for such Quarter. Questcor shall ensure that BioVectra has sufficient raw materials therefor in accordance with Section 9.2.1 below.

## 6. DELIVERY; ACCEPTANCE; TITLE; RISK OF LOSS

6.1 Delivery of Product. BioVectra will deliver Product to Questcor FOB, Charlottetown, per UCC § 2-319(1)(a), at the Delivery Point by the date(s) specified in the applicable Purchase Order (the "Delivery Date"). BioVectra may not deliver


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Product more than seven (7) calendar days prior to such Delivery Date without the prior written consent of Questcor. Questcor shall not be obligated to accept any untimely, incomplete shipments less than sixty five percent (65%) of the Purchase Order amount or excessive shipments greater than one hundred thirty five percent (135%) of the Purchase Order amount, and such shipments, in whole or in part, may, at Questcor's option, be returned to BioVectra or held for disposition at BioVectra's expense and risk.

6.2 Timely Delivery. In the event that BioVectra fails to deliver fully conforming Product by the Delivery Date, Questcor, at its option and in addition to any of its other rights or remedies, may: (a) require BioVectra to expedite delivery of Product at BioVectra's own expense; (b) extend the required Delivery Date; or (c) cancel the applicable Purchase Order.

6.3 Transportation. BioVectra will be responsible for routing of all freight, unless Questcor specifies otherwise in writing for a particular Purchase Order. Questcor shall be responsible for all transportation charges on Product shipped from BioVectra to Questcor or its designee, subject to Section 6.2(a) above. BioVectra shall bear the cost of transportation for Product shipped to Questcor or its designee to replace non-conforming or defective Product, and BioVectra shall bear the cost of transportation for Product returned to BioVectra by Questcor due to any defect or non-conformance, whether for the convenience of BioVectra or pursuant to a demand by Questcor as provided herein.

6.4 Title and Risk of Loss. Title to and risk of loss of or damage to the Product sold hereunder shall pass to Questcor upon loading of the Product at BioVectra, Charlottetown. Questcor shall assume the risk of loss of or damage to the Product after such loading of the Product at BioVectra, except to the extent that such loss or damage results from the negligence or willful misconduct of BioVectra or its representatives, for which BioVectra shall retain the risk of loss of or damage to Product.

6.5 Acceptance; Rejection. All Product delivered by BioVectra to Questcor or its designee shall be subject to inspection by or on behalf of Questcor and Final Release (as defined in Section 9 below) by Questcor's Quality Assurance representative. Questcor may, on written notice to BioVectra within sixty (60) calendar days from receipt of delivery, reject any Product that does not fully conform to the Specifications or requirements of this Agreement and the applicable Purchase Order, and Questcor may return any shipment or any portion of any shipment that does not fully conform. Payment for Product by Questcor shall not constitute acceptance thereof. Questcor may revoke its acceptance of any Product in the event that any non-conformance of the Specifications is discovered after acceptance by Questcor.


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7. **REPRESENTATIONS AND WARRANTIES**

7.1 Warranties by BioVectra. BioVectra represents and warrants to Questcor that:

7.1.1 Product. All Product provided to Questcor by BioVectra pursuant to this Agreement:

(a) Will conform in all respects with the Specifications for such Product in effect at the time title to such Product passes from BioVectra to Questcor pursuant to this Agreement;

(b) Will not be adulterated or misbranded within the meaning of the Act or any similar law of any other jurisdiction; will be free from Non-Process Related Impurities; and will be free of any defects;

(c) Will not have been manufactured with Deviation(s) unless approved in writing by Questcor prior to release by BioVectra and subsequent delivery of the Product to Questcor or its designee;

(d) Will conform to and will be manufactured, packaged, labeled, stored and shipped in conformity with FDA regulations, cGMP requirements, the Specifications, the NDA pertaining to the Product, and all applicable national, federal, state, provincial, and local laws, orders, rules and regulations, and

(e) Will be manufactured, packaged and stored in facilities that are approved by the applicable regulatory authorities for the manufacture of Product at the time of such manufacture, packaging and storage, to the extent such approval is required by law or regulation.

7.1.2 Title. BioVectra has good title to all Product provided to Questcor pursuant to this Agreement and passes such title to Questcor free and clear of any security interests, liens, or other encumbrances.

7.1.3 Debarment. BioVectra represents and warrants that it is not debarred under subsections 306(a) or (b) of the Act and that it has not and will not use in any capacity the services of any person or entity debarred under such law with respect to its performance of this Agreement. BioVectra will immediately notify Questcor in the event that it or any such person or entity is debarred during the term of this Agreement.

7.1.4 No Conflict. The execution, delivery and performance of this Agreement by BioVectra does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, and does not violate any law or regulation of any court, governmental body or administrative or other agency having authority over it; BioVectra is not currently a party to, and during the term of this Agreement will not enter into, any agreements, oral or written, that are inconsistent with its obligations under this Agreement.

7.1.5 Authority. BioVectra is validly existing and in good standing under the laws of the province of its incorporation and has the corporate power and authority

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to enter into this Agreement. This Agreement has been duly executed and delivered by BioVectra and constitutes the valid and binding obligation of BioVectra, enforceable against it in accordance with its terms except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equitable principles. The execution, delivery, and performance of this Agreement have been duly authorized by all necessary action on the part of BioVectra, its officers and directors.


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7.2 Breach of Warranty by BioVectra. In the event that any Product does not meet any of BioVectra's warranties as provided in Section 7.1, in addition to any other rights or remedies available to Questcor, BioVectra shall, at Questcor's option, either use its best efforts to replace the non-conforming Product as soon as practicable or promptly refund the payments by Questcor for such non-conforming Product.

7.3 Independent Laboratory Testing. If Questcor and BioVectra are unable to agree as to whether any Product conforms to the Specifications for such Product, the Parties shall cooperate to have the Product in dispute analyzed by an independent testing laboratory of recognized repute selected by BioVectra and approved by Questcor, which approval shall not be unreasonably withheld, conditioned or delayed. The results of such laboratory testing shall be final and binding on the Parties on the issue of conformance of the Product to the Specifications. If the Product is determined to so conform, then Questcor shall bear the cost of the independent laboratory testing and pay for the Product in accordance with this Agreement. If the Product is determined not to conform, then BioVectra shall bear the cost of the independent laboratory testing, and BioVectra shall, at Questcor's sole discretion, within thirty (30) calendar days of the date of such determination, either replace the rejected Product at no cost to Questcor or promptly refund to Questcor the price paid for such Product.

7.4 Warranties by Questcor. Questcor represents and warrants to BioVectra that:

7.4.1 No Conflict. The execution, delivery and performance of this Agreement by Questcor does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, and does not violate any law or regulation of any court, governmental body or administrative or other agency having authority over it; Questcor is not currently a party to, and during the term of this Agreement will not enter into, any agreements, oral or written, that are inconsistent with its obligations under this Agreement.

7.4.2 Authority. Questcor is validly existing and in good standing under the laws of the state of its incorporation and has the corporate power and authority to enter into this Agreement. This Agreement has been duly executed and delivered by Questcor and constitutes the valid and binding obligation of Questcor, enforceable against it in accordance with its terms except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Questcor, its officers and directors.


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8. **PRODUCT RECALLS**

8.1 Cooperation. In the event of any Product Recall, the Parties shall take all appropriate corrective actions and shall cooperate in the investigations and all necessary activities surrounding the Product Recall.

8.2 Consultation. In the event that BioVectra or Questcor determines that Product should be recalled, the Parties shall consult with each other prior to taking any corrective actions. Given that in the marketplace the Product is or will be associated with Questcor, in no event shall BioVectra institute a Product Recall without the prior written approval of an officer of Questcor.

8.3 Product Recall Caused by BioVectra. To the extent that any Product Recall results from any cause or event arising from the manufacturing, packaging, labeling, testing, storage, or handling of the recalled Product by BioVectra, by any breach of BioVectra's warranties, by any materials or facilities provided by BioVectra, or otherwise by the acts or omissions of BioVectra or its agents, BioVectra shall be responsible for all expenses of such Product Recall.

8.4 Product Recall Caused by Questcor. To the extent that any Product Recall results from any cause or event arising from the Specifications, the raw materials supplied by or on behalf of Questcor, marketing, distribution, shipment, handling (after title passes to Questcor) or sale of the recalled Product by Questcor or its Affiliates or designee at the Delivery Point, or the negligence of Questcor or its Affiliates or designee at the Delivery Point, Questcor shall be responsible for all expenses of such Product Recall, including, without limitation, reasonable and necessary expenses incurred by BioVectra after written notification to Questcor and written approval by Questcor therefor.

8.5 Expenses of Product Recall. In the event that a Product Recall is caused by BioVectra, BioVectra shall be liable to reimburse Questcor for all expenses of such Product Recall, including, without limitation, the following: (i) all amounts paid by Questcor to BioVectra for the Product subject to the Product Recall, (ii) all reasonable costs and expenses incurred and not recovered by Questcor directly resulting from such Product Recall (including, without limitation, shipping charges, hours spent coordinating the Product Recall, expenses of notification and destruction or return of the recalled Product, all costs associated with the distribution of replacement Product, and all other costs incurred in connection with such Product Recall). The foregoing remedies shall be in addition to such other rights and remedies as Questcor may have under this Agreement and applicable law.

8.6 Disputes Regarding Cause of Product Recall. If the Parties are unable to agree as to which Party's acts or omissions gave rise to a Product Recall, such dispute shall be referred for decision to a mutually agreed upon independent expert of recognized repute (acting as an expert and not as an arbitrator, and who may be an attorney knowledgeable in FDA/pharmaceutical product recall law) selected by Questcor and


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approved by BioVectra, which approval shall not be unreasonably withheld, conditioned or delayed. The results of such independent expert shall be final and binding on the Parties on the issue of which Party's acts or omissions gave rise to the Product Recall. The costs of such independent expert shall be borne by the Party determined to be responsible for the Product Recall.

8.7 Notification Regarding Product Recall. Subject to Section 8.2 above, in the event that any Product Recall is required because Product violates applicable laws, regulations, agreed upon Specifications, the NDA pertaining to the Product, or is deemed unacceptable for some other reason, whether or not such action is requested by any governmental agency, the initiating Party shall notify the Quality Assurance Representative of the other Party as soon as possible, but not later than the end of the next business day following the decision to implement such action.

## 9. QUALITY ASSURANCE

9.1 Change Control. BioVectra will utilize a documented system of procedures for the control of changes to raw materials, packaging materials, suppliers, equipment, manufacturing methods, Product, intermediates and raw materials specifications, sampling, test methods, and release requirements, consistent with cGMPs, all applicable laws, rules and regulations, including the NDA pertaining to the Product, and industry standards. BioVectra shall not implement any Change without the express prior written approval of Questcor. BioVectra will submit any proposed Change to Questcor in writing for its review, using the Deviation/Change Form attached hereto as Schedule 4. The Parties will provide written responses to requests from the other pursuant to this Section 9.1 as soon as commercially possible but in no event more than twenty (20) business days from receipt of the request from the other Party hereto. All updates to BioVectra's DMF (and any other of BioVectra's regulatory documents) related to the Product (or manufacture of the Product) are the responsibility of BioVectra. Updates to regulatory applications such as the NDA pertaining to the Product are the responsibility of Questcor

9.2 Raw Materials.

9.2.1 Procurement of Raw Materials. BioVectra will utilize a documented system of procedures to evaluate, qualify and approve raw materials and suppliers.

BioVectra is responsible for procuring suitable raw materials [***] from the approved and qualified sources.

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[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

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Questcor, at Questcor's expense, shall provide [***] to BioVectra in amounts required for BioVectra to fulfill its supply obligations to Questcor hereunder. In this regard, Questcor will provide sufficient quantity of appropriate quality [***] necessary to fulfill Questcor's obligation to purchase minimum quantities of Product as set forth in Section 2.1 above.

9.2.2 Inspection and Testing of Raw Materials. BioVectra must utilize documented material inspection plans and testing procedures. The results of this inspection and testing must be in accordance with BioVectra established specifications and the NDA pertaining to the Product.

BioVectra shall inspect all containers of raw materials [***] promptly upon receipt by BioVectra. BioVectra will inspect and/or test all raw materials on a batch-by-batch basis. BioVectra may accept and release certain starting materials utilizing the COA with abbreviated or no additional testing. However, a minimum of an identification test is required unless the material is too hazardous or reactive to sample.

9.2.3 Storage and Handling of Raw Materials. BioVectra agrees to store and handle the materials under appropriate conditions, consistent with cGMPs, all applicable laws, rules and regulations, including the NDA pertaining to the Product, and industry standards.

BioVectra agrees to store Product labeling materials under appropriate controlled and secured conditions, consistent with cGMPs, all applicable laws, rules and regulations, including the NDA pertaining to the Product, and industry standards.

BioVectra shall have all necessary and appropriate controls in place to prevent cross-contamination of the raw materials and intermediates used in the manufacture of Product from other chemicals stored, used, or manufactured by BioVectra, including but not limited to potent hormones, cytotoxic compounds, beta-lactams, highly potent drugs, biological preparations or non-pharmaceutical chemicals.

9.2.4 Transmissible Spongiform Encephalopathies (TSE) Compliance. Upon request by Questcor, BioVectra will promptly provide a written TSE declaration that all materials [***] used by BioVectra to manufacture Product are free from animal derived material. BioVectra shall obtain such written

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[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.


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TSE declarations from each supplier of raw material used in the manufacturing of Product and shall maintain such TSE declarations for inspection by Questcor upon its request.

If BioVectra is unable to provide the above mentioned declaration(s), BioVectra must comply with applicable TSE laws and regulations and must supply all associated TSE documentation, as requested by Questcor, during the Term. Such documentation may include, but is not limited to, an application for a TSE Certificate of Suitability in accordance with European Directive 75/318/EEC as amended by directive 1999/82/EEC, the note for guidance EMEA/410/01 rev1, as amended and AP-CSP (99)4, Appendix 2, as amended.

9.2.5 Certificate of Compliance for Animal Derived Components. BioVectra is to issue a Certificate of Compliance (signed by BioVectra's Head of Quality Assurance) that states that [***]. This Certificate of Compliance is to be included in each lot batch record. The format of a Certificate of Compliance approved by Questcor is attached hereto as Schedule 6.

9.3 Product Specifications. BioVectra will manufacture, package, label and handle all Product in conformance with, and in order for the Product to be in conformance with, the Specifications and the NDA pertaining to the Product.

9.4 Manufacturing and Packaging of Product. BioVectra shall manufacture, package, and label all Product in accordance with specific procedures and instructions consistent with cGMPs, all applicable laws, rules and regulations, and the NDA pertaining to the Product, and industry standards.

BioVectra will prepare all appropriate and required manufacturing and packaging batch documentation for each batch of Product manufactured pursuant to this Agreement. BioVectra shall retain such batch documentation in accordance with any document retention schedules provided by Questcor and as required in order to comply with applicable regulatory requirements. BioVectra will make any such batch documentation available for review and inspection by Questcor and/or any regulatory personnel, and BioVectra shall provide to Questcor all such batch documentation upon the expiration or termination of this Agreement or upon request by Questcor.

BioVectra shall have all necessary and appropriate controls in place to prevent cross-contamination of Product and intermediates used in the manufacture of Product from other chemicals stored, used, or manufactured by BioVectra, including but not limited to potent hormones, cytotoxic compounds, highly potent drugs, biological

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

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preparations or non-pharmaceutical chemicals. Beta-lactam and cephalosporin antibiotics must be handled in facilities separate from those in which Product is manufactured and packaged.

BioVectra shall assure that materials in its possession containing any potentially hazardous component are sufficiently isolated and segregated from the Product manufactured for Questcor. BioVectra shall make Questcor aware of the presence of any potentially hazardous products and will adhere to all reasonable requests of Questcor with respect to the storage of such materials. BioVectra will adhere to any regulatory requirements or restrictions with respect to the storage of raw materials, intermediates, or Product.

BioVectra will destroy any waste material or labeling materials in a secure and legal manner, in order to prevent unauthorized use and/or environmental problems.

9.5 Inspection and Testing of Product. BioVectra will perform the inspection and testing of Product as provided in Schedule 2 to this Agreement. Questcor reserves the right to inspect and/or test all batches of the Product delivered to Questcor or any Questcor designee.

BioVectra will provide to Questcor a complete copy of the entire batch record that shall include but not be limited to (i) COA, (ii) executed batch record, (ii) all testing results conducted by BioVectra and/or independent testing labs contracted by BioVectra, (iii) Certificate of Compliance concerning animal derived components (per Section 9.2.5 above), (iv) Deviation final reports that have been approved by Questcor, and (v) any other associated documentation mutually agreed to by both Parties for each batch of Product delivered. BioVectra will deliver the complete batch record and associated documents with each batch no later than the time of delivery of the batch by BioVectra to Questcor or its designee.

9.6 Notification and Approval of Deviations. BioVectra will have a documented system for handling Deviations, Deviation investigations, and corrective actions. All Deviations will be investigated and fully documented by BioVectra. BioVectra is to notify Questcor within five (5) business days from the time that BioVectra discovers the Deviation. All Deviations (including the final report which outlines the Deviation, investigation and corrective actions taken) must be reviewed and approved by Questcor. BioVectra will retain such documentation as part of the batch documentation for the batch affected. Shipment of a lot shall not occur until Questcor has approved all Deviations.

9.7 Release and Shipment of Product. BioVectra has the responsibility to release the Product for shipment to Questcor or its designee, provided, however, that if Product does not meet the Specifications in all respects, without any Deviations not approved by Questcor, the Product can be released only with the prior written consent of Questcor.


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BioVectra will not ship any Product to any Delivery Point, as identified by Questcor, until the Product is released.

9.8 Retained Samples of Product. BioVectra shall retain samples of all Product batches in accordance with the retention schedule mutually agreed upon but for no less than seven (7) years. The amount of such retained samples shall be of sufficient quantity to conduct at least full Specification analyses in duplicate. BioVectra shall store the retained samples under appropriate Product label storage conditions in a secure area and in a suitable storage facility, consistent with cGMPs, all applicable laws, rules and regulations, and industry standards. All such samples shall be available for inspection by Questcor during any audit by Questcor of BioVectra's facilities or upon reasonable notice to BioVectra by Questcor.

9.9 Storage of Product. BioVectra agrees to store the Product under appropriate Product storage conditions and in a secure area, consistent with cGMPs, all applicable laws, rules and regulations, and the NDA pertaining to the Product, and industry standards.

9.10 Annual Product Quality Review(s). BioVectra will prepare and provide to Questcor a Product Quality Review Report ("PQRR") on an annual basis, consisting of a systems review to confirm 1) processing, 2) that Product consistently meets the Specifications and limits, 3) identification of any significant trends (data or nonconformance) and 4) continued support for established retest dating. Such PQRR shall be provided by BioVectra to Questcor within thirty (30) calendar days from each one-year anniversary of the Effective Date of this Agreement or such other times as may be mutually agreed upon by the Parties.

9.11 In addition, Questcor and BioVectra will meet as necessary to review quality issues related to the obligations and responsibilities as described in this Agreement. During this review, quality issues related to the past production by BioVectra of Product will be reviewed. The information presented and discussed during this review meeting will be documented by BioVectra and submitted to Questcor for its review and approval.

9.12 Complaints about the Product. BioVectra will have a documented system to receive, communicate with Questcor, investigate, and resolve all complaints related to Product. BioVectra will investigate the complaints as requested by Questcor and provide a written report on the results of the investigation to Questcor within thirty (30) calendar days. If necessary, Questcor will communicate with the customers and/or the regulatory authorities the results of the complaint investigation.

9.13 Returned Goods. BioVectra will have a documented system for handling returned goods, consistent with cGMPs, all applicable laws, rules and regulations, and industry standards.

**9.14** Audits and Inspections of Facilities and Product. BioVectra will notify Questcor of any inspections of BioVectra's facilities used in the manufacture or storage of


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Product, or other actions that could potentially impact Product, by any regulatory agencies or other enforcement entities. BioVectra will provide Questcor with a written summary describing all results of inspections within thirty (30) days after the visit or inquiry. If any inspection is specifically related to the Product, BioVectra shall promptly inform Questcor and give Questcor representatives the opportunity to participate, at Questcor's expense, in the inspection.

Questcor reserves the right to audit BioVectra's facilities, systems, and documentation as they relate to the manufacture and control of Product, and to assure compliance with this Agreement, including but not limited to Product manufacturing, storage, quality control, environmental compliance and health and safety compliance. These audits may be performed on a periodic basis at times mutually agreed upon by both Parties. The right to audit will also cover any subcontractors (e.g. a contract laboratory) if utilized by BioVectra. Questcor also reserves the right to be present at BioVectra's facility during the manufacture of Product.

10. **CONFIDENTIALITY**

10.1 Restrictions. Except as otherwise provided in this Section 10, during the Term of this Agreement, including any renewals thereof, and for a period of ten (10) years thereafter: (i) each Party will hold the Confidential Information of the other Party in strict confidence and will protect such Confidential Information with at least the same degree of care that it exercises with respect to its own Confidential Information, which shall be no less than a reasonable degree of care; (ii) neither Party will disclose the Confidential Information of the other without in each instance obtaining the prior written consent of the Disclosing Party; (iii) each Party will use the Confidential Information of the other only as is necessary to fulfill its obligations under this Agreement and for achieving the purposes of this Agreement and not for any other purpose; and (iv) each Party will limit internal disclosure of the other Party's Confidential Information to its and its Affiliates' officers, employees or agents on a need-to-know basis for purposes of fulfilling its obligations under this Agreement and achieving the purposes of this Agreement, provided, however, that each of these officers, employees and agents shall have been advised of the confidential nature of the Confidential Information, are bound by these restrictions, and have been directed to treat such information confidentially and otherwise comply with this Agreement. In any event, the Receiving Party shall be responsible for any breach of the terms of this Agreement by any of its or its Affiliates' officers, employees or agents.

10.2 Exceptions. Notwithstanding the provisions of Section 10.1 above, neither Party shall have any obligations with respect to information which the Receiving Party can demonstrate: (i) is or becomes generally available to the public other than through the Receiving Party's disclosure; (ii) was in the Receiving Party's possession prior to it being furnished by or on behalf of the Disclosing Party, provided that the Receiving Party's source had the legal right to disclose such information; (iii) becomes available to the Receiving Party on a non-confidential basis from a source other than the

Disclosing Party, provided that the Receiving Party's source had the legal right to disclose such information; (iv) is or becomes independently developed by an employee of the Receiving Party without access to the Confidential Information and without violating any of the Receiving Party's obligations under this Agreement; (v) is required to be disclosed to any governmental agency for purposes of obtaining patents or approvals to test or market the Product; or (vi) is required to be disclosed by order of any court of competent jurisdiction or other governmental authority, provided, however, that the Receiving Party shall provide to the Disclosing Party prompt written notice (but in no event less than fourteen (14) calendar days) prior to such disclosure so that the Disclosing Party may attempt by appropriate legal means to limit such disclosure at its cost and expense, and the Receiving Party shall endeavor in good faith to limit the disclosure and maintain the confidentiality of such Confidential Information to the maximum extent possible, provided, however, that nothing in this Agreement shall be deemed to require the Receiving Party to violate and law or judicial order.

10.3 Return of Confidential Information. Each Party agrees to promptly return all Confidential Information and all copies thereof to the Disclosing Party, and to destroy all information created by Receiving Party that contains Confidential Information furnished by Disclosing Party, at the expiration or termination of this Agreement, or at any time prior to the expiration or termination of this Agreement upon the Disclosing Party's written request (provided, however, that the Receiving Party shall not be required to return such Confidential Information to the Disclosing Party prior to the expiration or termination or this Agreement that the Receiving Party reasonably requires in order to perform its obligations under this Agreement). Upon request of the Disclosing Party, the Receiving Party shall provide written certification of such return or destruction. Notwithstanding the foregoing, the Receiving Party may retain one (1) copy of such Confidential Information in its legal archive files solely for purposes of identifying such Party's obligations under this Agreement or complying with other legal requirements, including under the Act. Notwithstanding the Receiving Party's return and destruction of the Confidential Information, Receiving Party will continue to be bound by its obligation of confidentiality as otherwise provided herein.

## 11. **INDEMNIFICATION**

11.1 Indemnification by Questcor. Except as otherwise specifically provided in Section 11.2 below, Questcor shall indemnify, defend and hold harmless BioVectra, its Affiliates, and its and their respective directors, officers, employees, agents, successors and assigns from and against any and all claims, demands, losses, damages, judgments, settlement amounts, suits, actions, liabilities, costs and expenses (including, but not limited to, court costs and reasonable attorneys' fees) arising out of or resulting from: (i) any negligence or willful misconduct of Questcor, its employees or agents in the use, handling (after title has passed to Questcor), shipment, distribution, marketing or sale of any Product; (ii) any injury or death to persons or

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theft of or damage to property resulting from the use, handling (after title has passed to Questcor), shipment, distribution, marketing or sale of any Product unless caused by defective or non-conforming Product; (iii) the material default by Questcor in the performance of any obligation hereunder or Questcor's breach of any of its warranties or representations hereunder; (iv) any labeling of any Product to the extent that such labeling has been supplied by or at the direction of Questcor and applied in accordance with instructions from Questcor; and/or (v) any proceeding instituted by or on behalf of a Third Party based upon a claim that the manufacture, use or sale of the Product infringes any intellectual property right, including any patent, trademark or trade secret of such Third Party.

11.2 Indemnification by BioVectra. Except as otherwise specifically provided in Section 11.1 above, BioVectra shall indemnify, defend and hold harmless Questcor, its Affiliates, and its and their respective directors, officers, employees, agents, successors and assigns from and against any and all claims, demands, losses, damages, judgments, settlement amounts, suits, actions, liabilities, costs and expenses (including, but not limited to, court costs and reasonable attorneys' fees) arising out of or resulting from: (i) any injury or death to persons or theft of or damage to property caused directly or indirectly by defective or non-conforming Product or by the negligence or willful misconduct of BioVectra, its employees or agents; (ii) the material default by BioVectra in the performance of any obligation hereunder or BioVectra's breach of any of its warranties or representations hereunder; (iii) BioVectra's negligent acts or omissions or willful misconduct in the manufacture, labeling, packaging, storage, or handling of Product; and/or (iv) BioVectra's failure to comply with the provisions of any applicable law or regulation, including, but not limited to, the NDA pertaining to the Product, those of the Act and those relating to the environment and health and safety.

11.3 A Party (the "Indemnitee") which intends to claim indemnification under this Section 11 shall promptly notify the other Party (the "Indemnitor") in writing of any action, claim or other matter in respect of which the Indemnitee or any of its Affiliates, or any of their respective directors, officers, employees or agents, or any Third Party entitled to indemnification under Sections 11.1 or 11.2 above, intend to claim such indemnification; provided, however, the failure to provide such notice within a reasonable period of time shall not relieve the Indemnitor of any of its obligations hereunder except to the extent the Indemnitor is prejudiced by such failure. The Indemnitee shall permit, and shall cause its Affiliates, and their respective directors, officers, employees and agents to permit, the Indemnitor, at its discretion, to settle any such action, claim or other matter and the Indemnitee agrees to the complete control of such defense or settlement by the Indemnitor; provided that such settlement does not adversely affect the Indemnitee's rights hereunder or impose any obligations on the Indemnitee in addition to those set forth herein in order for it to exercise such rights. No such action, claim or other matter shall be settled without the prior written consent of the Indemnitee, and the Indemnitee shall not be responsible for any attorneys' fees or other costs incurred other than as provided


Questcor BioVectra

herein. The Indemnitee, its Affiliates, and their respective directors, officers, employees and agents shall reasonably cooperate with the Indemnitor and its legal representatives in the investigation and defense of any action, claim or other matter covered by this indemnification. The Indemnitee shall have the right, but not the obligation, to be represented by counsel of its own selection and at its own expense.

11.4 The provisions of this Section 11 shall survive the expiration or termination of this Agreement.

12. **LIMITATIONS ON LIABILITY**

12.1 In no event shall either Party be liable to the other Party for any indirect, incidental, special, consequential, punitive or exemplary damages (including, but not limited to, damages based upon lost profits, business interruption, lost business, or lost savings) for any acts or failure to act under this Agreement, even if it has been advised of their possible existence. Notwithstanding the foregoing, there shall be no limitation on a Party's liability for claims: a) arising out of a breach of its confidentiality obligations under this Agreement; or b) arising out of its indemnification obligations under this Agreement.

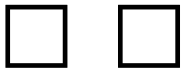
BioVectra shall reimburse Questcor for loss or damage to (i) raw materials purchased by Questcor, supplied to BioVectra and stored at BioVectra and (ii) Questcor Equipment. Reimbursement of raw materials and equipment shall be at replacement value.

13. **INSURANCE**

Each Party shall obtain and maintain at its expense during the term of this Agreement and for a period of at least one (1) year after the expiration or termination of this Agreement, all insurance coverage required by law as well as appropriate insurance coverage to protect against any and all claims or liabilities that may arise directly or indirectly as a result of its performance under this Agreement. In this regard, each Party shall maintain at least three million dollars ($3,000,000) of product liability insurance for the duration of this Agreement and for five (5) years thereafter.

14. **MISCELLANEOUS**

14.1 Independent Contractors. The relationship between Questcor and BioVectra is that of independent contractors and nothing contained in this Agreement shall be deemed to constitute or create any other relationship, including employment, partnership, agency or joint venture, between Questcor and BioVectra. Neither Party shall have any express or implied right or authority to employ any person as agent or employee for or on behalf of the other, or to bind or attempt to bind the other Party to any obligation with any Third Party. BioVectra has and retains full control and supervision over the performance of its obligations hereunder and over the



Questcor BioVectra

employment, direction, compensation and discharge of all employees, agents and subcontractors it utilizes in the performance of such obligations. BioVectra is responsible for its acts and omissions and those of its employees, agents and subcontractors.

14.2 Assignment and Subcontracting. BioVectra shall not assign any of its rights nor delegate or subcontract any of its duties under this Agreement without the prior written consent of Questcor. Any such attempted assignment of rights or delegation or subcontracting of duties without the prior written consent of Questcor shall be void and ineffective. Any such assignment, delegation or subcontracting consented to by Questcor shall not relieve BioVectra of its responsibilities and liabilities hereunder, and BioVectra shall remain liable to Questcor for the conduct and performance of each permitted delegate and subcontractor hereunder. Questcor shall have the right to assign this Agreement to any Third Party, provided, however, that such Third Party assumes in writing the rights, duties and obligations of Questcor as set forth in this Agreement and guarantees such in writing to BioVectra.

14.3 Advertising and Publicity. BioVectra shall not use the name or any trademark, trade name, logo or symbol of Questcor or any Questcor Affiliates, or disclose any matters relating to this Agreement, in any advertising, promotion, press/publicity release, written articles or other form of public written disclosure without the prior written consent of Questcor. Questcor shall not disclose and matters relating to this Agreement nor issue any press/publicity release referring to BioVectra without the prior written permission of BioVectra, which shall not be unreasonably withheld, conditioned or delayed. It is understood by BioVectra that Questcor, as the holder of the Product NDA, will have to make certain disclosures and regulatory filings indicating that BioVectra is manufacturing the Product for Questcor.

**14.4** Force Majeure. Neither Party shall be liable for delays in performance or nonperformance in whole or in part due to any causes that are beyond its reasonable control and not due to its acts or omissions, such as acts of God, fire, strikes, embargo, war, acts of terrorism, acts of the government, or any other similar causes, but not acts which could be anticipated, such as raw material price increases, shortages of raw materials, or an increase in demand for Product. In such event, the Party delayed shall promptly give notice to the other Party, and shall endeavor in good faith to eliminate, cure or overcome any such causes and to resume performance of its obligations as soon as possible. The Party affected by the other Party's delay may elect to: (a) suspend performance and extend the time for performance for the duration of the event, or (b) cancel all or part of any part of the unperformed part of this Agreement or any individual Purchase Order(s) hereunder.

Questcor shall have the right, but not the obligation, to terminate this Agreement under this Section 14.4 upon not less than ninety (90) days written notice to BioVectra if BioVectra cannot, or appears unable in Questcor's good faith opinion, to supply Product hereunder to Questcor to meet Questcor's needs therefor due to a condition of Force Majeure.


Questcor BioVectra

14.5 Notices. Any notice, communication, or statement required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been sufficiently given when delivered to the person(s) listed below in any of the following manners: (i) in person; (ii) by registered or certified mail, postage pre-paid, return receipt requested; (iii) by a nationally-recognized courier service guaranteeing next-day delivery, charges prepaid; or (iv) by facsimile with the original promptly sent by any of the foregoing manners. Notice or receipt of a particular communication shall be considered given or received when actually received. Either Party may, by notice to the other, change the names and addresses given below for receipt of notices.

14.6 If to BioVectra:

BioVectra Inc.
Attn: Chief Executive Officer
11 Aviation Avenue
Charlottetown, Prince Edward Island
C1E0A1 Canada
Facsimile No.: (902) 566-9116

With a copy to:

BioVectra Inc.
Attn: Chief Operating Officer
11 Aviation Avenue
Charlottetown, Prince Edward Island
C1E0A1 Canada
Facsimile No.: (902) 566-9116628-2045

If to Questcor:

Questcor Pharmaceuticals, Inc.
3260 Whipple Road
Union City, California 94587
Attn: Chief Executive Officer
Facsimile No. (510) 400 -0799

With a copy to:

Questcor Pharmaceuticals, Inc.
3260 Whipple Road
Union City, California 94587
Attn: SVP Pharmaceutical Operations
Facsimile No. (510) 400 -0799

14.7 Non-Waiver. The failure of either Party to strictly enforce any of the terms or conditions of this Agreement shall not be considered as a waiver of any right hereunder nor shall it deprive that Party of the right at some other time to insist upon strict adherence to that term or condition or to any other terms or conditions.


Questcor BioVectra

14.8 Severability. If any section, subsection, sentence or clause of this Agreement shall be adjudged illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of this Agreement as a whole or of any section, subsection, sentence or clause hereof not so adjudged, and the remaining terms and provisions of this Agreement shall remain unimpaired and in full force and effect.

14.9 Paragraph Headings. All paragraph headings in this Agreement are for convenience of reference only and shall not be construed as a limitation of the scope of the particular sections to which they refer.

14.10 Governing Law and Arbitration. This Agreement will be governed by the laws of the State of California U.S.A., without regard to its, or any other jurisdictions, conflicts of laws provisions or rulings. Any dispute, claim or controversy that may arise under, out of, in connection with or relating to this Agreement or any breach or default in the performance of the terms and conditions thereof, which cannot be settled by the Parties, shall be settled by final and binding arbitration in the English language in New York, New York, U.S.A. in accordance with the then-existing Rules of Commercial Arbitration (the "Rules") promulgated by the American Arbitration Association (the "AAA"). The arbitrator(s) shall apply the governing law as set forth above in this Section 14.10 and judgment upon the award of the arbitrator(s) may be entered in any court having appropriate jurisdiction.

14.11 Successors and Assigns. This Agreement shall apply to, inure to the benefit of and be binding upon the Parties hereto and upon their respective successors and permitted assigns. The Parties agree that this Agreement is not intended by either Party to give any benefits, rights, privileges, actions or remedies to any person, partnership, firm or corporation as a third party beneficiary or otherwise under any theory of law, except as expressly set forth herein.

14.12 Survival of Obligations. The termination or expiration of this Agreement shall not affect the survival and continuing validity of the Sections entitled "Representations and Warranties; "Product Recalls", "Confidentiality", "Indemnification" and "Limitations on Liability" nor of any other provision that is expressly or by implication intended to continue in force after such termination or expiration. Termination or expiration of this Agreement shall not relieve either Party from full performance of any obligations incurred prior to the Effective Date of such termination or expiration.

14.13 Schedules. All schedules referred to herein form an integral part of this Agreement and are incorporated into this Agreement by such reference.

14.14 Review by Legal Counsel. Each of the Parties agrees that it has had the opportunity to review this Agreement with its legal counsel. Accordingly, the rule of construction that any ambiguity in this Agreement is to be construed against the drafting Party shall not apply.


Questcor BioVectra

14.15 Amendments. No modification, alteration or amendment of this Agreement or any Purchase Order(s) hereunder shall be binding upon the Parties unless contained in a writing signed and delivered by a duly authorized representative of each respective Party and specifically referring hereto or thereto, as the case may be.

14.16 Counterparts. This Agreement and any amendment or supplement hereto may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. The execution of this Agreement and any such amendment or supplement by any Party hereto will not become effective until counterparts hereof have been executed (i.e., signed and delivered) by both Parties hereto.

14.17 Entire Agreement. This Agreement, together with any documents attached hereto, constitutes the entire agreement of the Parties with respect to its subject matter and merges and supersedes all prior discussions and writings with respect thereto. No modification to this Agreement shall be affected by the acknowledgment or acceptance of any purchase order or shipping instruction forms or similar documents containing terms or conditions at variance with or in addition to those set forth herein.

Notwithstanding the above, the Mutual Nondisclosure Agreement dated July 12, 2010 (a copy of which is attached hereto as Schedule 7) and the Equipment & Materials Transfer Agreement (a signed copy of which is attached hereto as Schedule 8) shall remain in full force and effect for the Term, any Extension Period and the period of Confidentiality as set forth in Section 10.1 above, except for the provisions of the Equipment & Materials Transfer Agreement entitled: “Term; “Termination”, “Development and Supply Agreement” and “Non-Binding Term Sheet”, which shall be superseded hereby. In the event of any direct conflict of the terms and conditions of the Mutual Nondisclosure Agreement and the Equipment & Materials Transfer Agreement with the terms and conditions of this Agreement, the terms and conditions of this Agreement shall control. The period of confidentiality of the Mutual Nondisclosure Agreement shall be as set forth in Section 10.1 hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives to be effective as of the Effective Date set forth above.

QUESTCOR PHARMACEUTICALS, INC.

Signature: _____

BIOVECTRA INC.

Signature: _____

Questcor BioVectra

| | |
|---|---|
| Name: | Name: |
| Title: | Title: |
| Date: | Date: |

Questcor BioVectra

**SCHEDULE 1**

To the Supply Agreement between **Questcor** and **BioVectra**.

**PRODUCT**

[***]

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.


Questcor BioVectra

**SCHEDULE 2**

To the Supply Agreement between **Questcor** and **BioVectra**.

**SPECIFICATIONS**

[***]

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[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.


Questcor BioVectra

**SCHEDULE 3**

To the Supply Agreement between Questcor and BioVectra.

**PRICE**

**All prices in USD**

| | | |
|---|---|---|
| [***] | [***] | [***] |
| [***] | [***] | [***] |
| [***] | [***] | [***] |
| [***] | [***] | [***] |
| [***] | [***] | [***] |
| [***] | [***] | [***] |
| | [***] | |

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.


Questcor BioVectra

**SCHEDULE 4**

To the April 1 2003 Supply Agreement between **Questcor** and **BioVectra** dcl

**DEVIATION/CHANGE FORM**

CP0006-0 BIOVECTRA.

Standard Operating Procedure for Writing and Managing SOPs

**Attachment 1: Document Creation/Change Control Form.**

SOP Title: _____

SOP Form ID: _____ Date: _____

Change Type:
☐ Major
☐ Minor

Check One:
☐ Annual Review
☐ Revision
☐ New issue

Summary of Changes and Justifications
(Attach additional pages as necessary.)

_____

_____

_____

_____

_____

_____

_____

Comments: _____

_____

_____

Signature Date

_____ _____

☐ ☐

Questcor BioVectra

Reviewed by
Approved by
QA/RA Approval

**Document Control**

☐ Revision History Ledger updated _____ _____
Signature Date

☐ Training Requirements Completed _____ _____
Signature Date

☐ Read and Understood

☐ Additional Training Required (Explain) _____

_____

**Attachment 2: Revision History Ledger**

| Form ID | Title | Revision # | Comments | Performed by (Initial and Date) |
|---|---|---|---|---|

☐ Questcor ☐ BioVectra

**SCHEDULE 5**

To the Supply Agreement between **Questcor** and **BioVectra** dcl

**QUESTCOR PROVIDED EQUIPMENT AND LOCATION THEREOF**

**[***]**

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[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.


Questcor BioVectra

Schedule 6
To the Supply Agreement between **Questcor** and **BioVectra**.

FORMAT OF AN APPROVED CERTIFICATE OF COMPLIANCE

To the Supply Agreement between Questcor and BioVectra

(as referred to in Section 9.2.5 of that Agreement)

**CERTIFICATE OF COMPLIANCE**

[***]

BIOVECTRA INC.

By: _____ _____

Signature

Date

_____

Print name and title

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

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Questcor BioVectra

**SCHEDULE 7**

To the Supply Agreement between **Questcor** and **BioVectra**.

MUTUAL NONDISCLOSURE AGREEMENT (dated July 12, 2010)

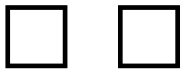
THIS AGREEMENT is made on July 12, 2010, by and between Questcor Pharmaceuticals, Inc., a California Corporation located at 3260 Whipple Road, Union City, CA 94587 ("Questcor") and BioVectra Inc., a corporation organized under the laws of Prince Edward Island and located at ("BioVectra"), 11 Aviation Avenue, Charlottetown, Prince Edward Island, C1E 0A1 Canada ("BioVectra").

1. Purpose. As part of supply agreement between BioVectra and Questcor both companies may disclose information it regards as confidential to the other.

2. Definition. "Confidential Information" means any information, technical data, or know-how, including, but not limited to, that which relates to research, development, products, biological materials, chemical compounds, processes, test data, animal studies, clinical trials, markets, inventions, marketing or finances, which Confidential Information is designated in writing to be confidential or proprietary, or if given orally, is confirmed promptly in writing as having been disclosed as confidential or proprietary. Confidential Information does not include information, technical data or know-how which (i) is in the possession of the receiving party at the time of disclosure as shown by the receiving party's files and records immediately prior to the time of disclosure; or (ii) prior to or after the time of disclosure becomes part of the public knowledge or literature, not as a result of any action or inaction of the receiving party; or (iii) is approved for release by the disclosing party, or (iv) is at any time disclosed to the receiving party by a third party without, to the knowledge of the receiving party, violation of any obligation of confidentiality.

3. Non-Disclosure of Confidential Information. Questcor and BioVectra each agree not to use the Confidential Information disclosed to it by the other party for its own use or for any purpose except as specified in paragraph 1. Neither will disclose the Confidential Information of the other to third parties or to its own employees and advisors except those employees and advisors who are required to have the information in order to evaluate it. Each agrees to advise such employees and advisors of the confidential nature of the information they are receiving, and to take all other reasonable steps to protect the secrecy of and avoid disclosure or use of Confidential Information of the other in order to prevent it from falling into the public domain or the possession of unauthorized persons. Each agrees to notify the other in writing of any misuse or misappropriation of such Confidential Information of the other which may come to its attention.

4. Return of Material. Upon request, any materials or documents which have been furnished by one party to the other will be returned, accompanied by all copies of such documentation. Except that one copy may be retained for legal archival purposes.



Questcor BioVectra

5. Patent or Copyright Infringement. Nothing in this Agreement is intended to grant any rights under any patent or copyright of either party, nor shall this Agreement grant either party any rights in or to the others party's Confidential Information, except the limited right to review such Confidential Information solely for the purpose specified in paragraph 1.

6. Term. The foregoing commitments in this Agreement shall terminate on the later of ten (10) years following the date of this Agreement, or ten (10) years following the termination of any business relationship between the parties.

7. Miscellaneous. This Agreement shall be binding upon and for the benefit of the undersigned parties, their successors and assigns, provided that Confidential Information may not be assigned without consent of the disclosing party. Failure to enforce any provision of this Agreement shall not constitute a waiver of any term hereof.

8. Governing Law and Jurisdiction. This Agreement shall be governed by and construed under the laws of the State of California. The federal and state courts within the State of California shall have exclusive jurisdiction to adjudicate any dispute arising out of this Agreement.

9. Remedies. Each party agrees that its obligations hereunder are necessary and reasonable in order to protect the other party and the other party's business. Accordingly, each party agrees and acknowledges that any such violation or threatened violation may cause irreparable injury to the other party and that, in addition to any other remedies that may be available, in law, in equity or otherwise, the other party shall be entitled to obtain injunctive relief against the threatened breach of this Agreement or the continuation of any such breach.


Questcor BioVectra

**SCHEDULE 8**

To the Supply Agreement between **Questcor** and **BioVectra** dcl

EQUIPMENT & MATERIALS TRANSFER AGREEMENT

| | |
|---|---|
| PARTIES | Questcor Pharmaceuticals, Inc. (“Questcor”)<br>Diagnostic Chemicals Limited, doing business as BioVectra (“BIO”) |
| MATERIAL AND EQUIPMENT TRANSFER | Upon reasonable prior notice to RIO, Questcor will cause to be delivered, and BIO will accept for delivery, the Certain manufacturing equipment (the “Equipment”) and the raw materials (the “Materials”) described and listed on Exhibit A as associated with the commercial production of [***] (the “Concentrate”). Questcor will be responsible for all costs associated with the delivery of the Materials and Equipment to the Storage Location (defined below), including applicable import/export costs actually and reasonably incurred by BIO. BIO will reasonably assist Questcor to arrange for the delivery and receipt of the Materials and Equipment. |
| HANDLING AND STORAGE | BIO will (i) handle, store, maintain and deliver the Materials and Equipment in accordance with the terms and conditions of this Term Sheet and applicable laws and regulations and (ii) take such action as reasonably requested by Questcor in respect of the handling, storage, maintenance or delivery of such Materials and Equipment. BIO will store and maintain the Equipment and the Materials in a secure location within the premises located at BioVectra DCL, Charlottetown Airport Business Park, 328 Brackley Point Road, Charlottetown, PE C1E, 2E6 (the “Storage Location”) and in a manner that preserves the operation and effectiveness of the Materials and Equipment, but in no event in a manner less than the specifications described on Exhibit A. Except as directed in writing by Questcor, BIO will not remove the Equipment from its original shipping packaging or otherwise tamper with, remove or relocate the Equipment or Materials from the Storage Location. BIO will provide Questcor or its designee access to the Equipment and/or Materials in the Storage Location, upon reasonable prior notice. BIO shall immediately notify Questcor at the address provided below of any breach of this Term Sheet or any theft of and/or damage or unauthorized access to the Equipment and/or Materials. |
| OWNERSHIP | Questcor will retain ownership over all rights in and to the Equipment and Materials delivered to BI0. BIO shall not use, retain for itself or grant to any third party any access or rights in or to the Materials or Equipment, including, without limitation, the imposition of any levy, lien or encumbrance of any nature whatsoever. |
| INSURANCE; DAMAGE | Questcor will maintain general commercial liability and property insurance covering the Equipment and Materials during the Term in reasonable and customary amounts as it may determine. BIO will be responsible to Questcor for any loss, damage or destruction of the Equipment and Materials or any claim by any third party with respect to personal injury relating to the Equipment or Materials, in each case to the extent arising out of BIO’s negligence or willful misconduct. |

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Questcor BioVectra

| | |
|---|---|
| TERM; TERMINATION | This Term Sheet will be in effect from the date last written below until the earlier of (a) the execution by the parries of a definitive Development and Supply Agreement or (b) June 30, 2003, unless otherwise earlier terminated by either parry in accordance with this Term Sheet or extended in writing by the mutual agreement of the patties (the "Term").<br><br>Either party may terminate this Term Sheet upon [***] prior written notice to the other for any reason or within [***] upon the uncured material breach by either party; provided however, that Questcor may at any time request the return and delivery of the Materials and/or Equipment to itself or its designee as described below. |
| RETURN DELIVERY | Promptly upon the request of Questcor (but in no event later than five business days), BIO will prepare the Equipment and Materials for shipment and make them available for transfer to Questcor or its designee at the Storage Location. Questcor will reimburse BIO with respect to its reasonable and actual costs incurred in connection with the foregoing and will bear the costs of transporting the Equipment and/or Materials from the Storage Location. |
| FEES | BIO will handle and store the Equipment and Materials in consideration for the negotiation by the parties of a Development and Supply Agreement as described herein and no additional fees or charges will apply, |
| QUALITY AUDIT | At a time as mutually agreed by the parties, BIO will permit Questcor, at no Cost to Questcor, access to its facilities, records and personnel necessary for Questcor to conduct a Quality System Audit. Questcor will bear the costs of conducting such audit. |
| DEVELOPMENT AND SUPPLY AGREEMENT | Subject to the successful completion of the Quality Audit described above, the parties will use their good faith, Commercially reasonable efforts to negotiate a definitive Development and Supply Agreement pursuant to which BIO will provide the Concentrate for Questcor's commercial requirements.<br><br>[***] |
| GOVERNING LAW | This Term Sheet and the terms of the definitive agreement will be governed by the laws of the State of California, United States, without regard to its conflicts of laws. |
| CONFIDENTIALITY | The parties agree that the contents of this Term Sheet and any and all information provided by one party to the other pursuant to this Term Sheet shall be "Confidential Information" subject to the terms of that certain Mutual Nondisclosure Agreement between Questcor and BIO dated as of August 15, 2002. |

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.


Questcor BioVectra

The terms provided in the paragraph entitled “Supply Agreement” are for discussion purposes only, and such terms shall not constitute a binding agreement, an offer to enter into a binding agreement or an amendment to or termination of the certain terms and conditions provided to Questcor by BIO in a letter dated March 18, 2003 (the “Non-Binding Terms”). The Non-Binding Terms and any proposals contained herein are subject to additional due diligence, the negotiation: of a definitive. agreement, the terms and conditions provided to Questcor by BIO in a letter dated March 18, 2003, and approval by the parties’ respective Board of Directors.

Notwithstanding the foregoing, the parties agree and acknowledge that all provisions other than the Non-Binding Terms will constitute a binding agreement between the parties as of the date last written below. It is the intention of BIO and Questcor to promptly and in good faith negotiate and finalize a definitive agreement regarding the terms and conditions set forth herein and other usual and customary terms for transactions of this type. In the event that the parties fail to reach a definitive agreement on or before June 30, 2003 or otherwise extend the term hereof by mutual agreement in writing, this Term Sheet shall terminate as of June 30, 2003 and be of no further force and effect, except for provisions regarding confidentiality. In such event, BIO shall promptly return the Materials and Equipment to Questcor in accordance with the paragraph entitled “Return & Delivery”

| QUESTOR PHARMACEUTICALS, INC. | DIAGNOSTIC CHEMICALS LIMITED |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |
| Address: | Address: |

☐ ☐

Questcor BioVectra

EXHIBIT A

Equipment Description and Inventory:

(see attached list)

[***]

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Questcor BioVectra

EQUIPMENT FOR HP ACTHAR GEL
TRUCK 1

TRUCK I

[***]

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Questcor BioVectra

TRUCK 2

[***]

[***]: Certain confidential information contained in this document marked with [***] has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Questcor BioVectra

**Exhibit 31.1**

**CERTIFICATION**

I, Don M. Bailey, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2010

/s/ Don M. Bailey

Don M. Bailey
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Kristine Engelke, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2010

/s/ Kristine Engelke

Kristine Engelke
Principal Accounting Officer

**Exhibit 32.1**

**CERTIFICATION**

I, Don M. Bailey, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 Section 1350 of Chapter 63 of Title 18 of the United States Code, that the Quarterly Report of Questcor Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended September 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2010 fairly presents in all material respects the financial condition and results of operations of Questcor Pharmaceuticals, Inc.

Date: November 2, 2010

/s/ Don M. Bailey

Don M. Bailey
President and Chief Executive Officer

This certification accompanies the Quarterly Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

**Exhibit 32.2**

**CERTIFICATION**

I, Kristine Engelke, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code, that the Quarterly Report of Questcor Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended September 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2010 fairly presents in all material respects the financial condition and results of operations of Questcor Pharmaceuticals, Inc.

Date: November 2, 2010

/s/ Kristine Engelke

Kristine Engelke
Principal Accounting Officer

This certification accompanies the Quarterly Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.