

QUESTCOR PHARMACEUTICALS INC

FORM 8-K (Current report filing)

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Address	1300 NORTH KELLOGG DRIVE SUITE D ANAHEIM, CA 92807
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 22, 2012

QUESTCOR PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Charter)

California
**(State or Other Jurisdiction
of Incorporation)**

001-14758
**(Commission
File Number)**

33-0476164
**(I.R.S. Employer
Identification No.)**

1300 Kellogg Drive, Suite D, Anaheim, California
(Address of Principal Executive Offices)

92807
(Zip Code)

Registrant's telephone number, including area code: (714) 786-4200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operation and Financial Condition.

On February 22, 2012, Questcor Pharmaceuticals, Inc. (the "Company") announced via press release certain operating and financial results for the quarter and year ended December 31, 2011. A copy of the Company's press release is attached hereto as Exhibit 99.1.

Also on February 22, 2012, the Company held a conference call with analysts and investors, the transcript and presentation slides of which are filed as Exhibit 99.2 and Exhibit 99.3, respectively, and both of which are incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Questcor Pharmaceuticals, Inc. press release dated February 22, 2012.
99.2	Transcript of conference call held on February 22, 2012.
99.3	Presentation slides used during conference call held on February 22, 2012.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 24, 2012

QUESTCOR PHARMACEUTICALS, INC.

By: /s/ Michael H. Mulroy
Michael H. Mulroy
Senior Vice President, Chief Financial Officer, and General Counsel

EXHIBIT INDEX

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Questcor Reports Fourth Quarter and Full Year 2011 Financial Results

- Q4 2011 Net Sales of \$75.5M vs. \$29.3M in Q4 2010-**
- Q4 2011 Net Income per Diluted Share of \$0.48 vs. \$0.10 in Q4 2010-**
- 2011 Net Sales of \$218.2 Million vs. \$115.1M in 2010-**
- 2011 Net Income per Diluted Share of \$1.21 vs. \$0.54 in 2010-**
- Conference Call and Webcast to Be Held Today at 4:30 p.m. ET, 1:30 p.m. PT-**

ANAHEIM, Calif., February 22, 2011 — Questcor Pharmaceuticals, Inc. (NASDAQ: QCOR) today reported financial results for the fourth quarter and full year ended December 31, 2011.

Net sales for the fourth quarter were \$75.5 million, reflecting continued physician acceptance of H.P. Acthar[®] Gel (Acthar) for treating serious, difficult-to-treat medical conditions. Net sales in the fourth quarter 2010 were \$29.3 million.

GAAP net income for the fourth quarter of 2011 was \$31.6 million or \$0.48 per diluted common share. GAAP net income for the fourth quarter of 2010 was \$6.4 million, or \$0.10 per diluted common share. Non-GAAP net income (which excludes non-cash share-based compensation expense, depreciation and amortization expense, tax adjustments and a goodwill impairment charge) for the quarter ended December 31, 2011 was \$31.6 million or \$0.47 per diluted common share. Non-GAAP net income for the year ago quarter was \$8.0 million, or \$0.12 per diluted common share.

For the year ended December 31, 2011, net sales totaled \$218.2 million, compared to \$115.1 million in the prior year. GAAP net income for the year ended December 31, 2011 was \$79.6 million or \$1.21 per diluted share, compared to GAAP net income of \$35.1 million or \$0.54 per diluted share for the year ended December 31, 2010. Non-GAAP net income was \$84.0 million or \$1.27 per diluted share for the year ended December 31, 2011, compared to non-GAAP net income of \$39.0 million or \$0.60 per diluted share for the year ended December 31, 2010.

“Net sales growth in the fourth quarter was driven by the increasing numbers of physicians who are recognizing the potential for Acthar to help patients with MS and NS,” said Don M. Bailey, President and CEO of Questcor. “We are particularly encouraged by the growing number of physicians who recognize the therapeutic value of Acthar in their practices, particularly for those patients who have not adequately responded to other treatments. At the same time, we are continuing to build our understanding of the potential immune-modulating properties of Acthar, and are considering how best to study the broader possible therapeutic applications in other inflammatory and autoimmune diseases, many of which are already in the list of approved indications on the Acthar label.”

“The planned expansion of our nephrology sales force from 28 to 58 representatives is underway and should be completed during the second quarter, ahead of our original

schedule,” noted Steve Cartt, Chief Operating Officer. “We are also planning to increase the number of neurology representatives after the nephrology expansion is complete. Furthermore, a possible pilot commercial effort in rheumatology is being carefully considered for the fourth quarter of this year.”

“Paid prescriptions in IS were higher in the fourth quarter, reflecting a growing recognition of the important role of Acthar in treating this devastating condition. As announced yesterday, we were pleased to accept the award from the Child Neurology Foundation (CNF) for outstanding corporate responsibility and leadership, and have further increased our funding to CNF so that they can continue their important research and education efforts related to childhood neurological conditions like IS,” added Steve Cartt.

“Our scientific research and investments continue to expand. In addition to our ongoing studies in NS and MS, we are planning new efforts in Lupus, Diabetic Nephropathy and other auto-immune and inflammatory conditions with unmet medical need,” commented Dr. David Young, Chief Scientific Officer. “We have also increased our investigation into better understanding how Acthar works and how its biological activity differs from that of corticosteroids such as methylprednisolone and prednisone.”

The Company continues to invest in its management systems and infrastructure, including those related to scientific research, medical affairs, and compliance. Last week, Questcor announced the appointment of Scott Whitcup, M.D., Chief Scientific Officer of Allergan, Inc., to Questcor’s Board of Directors. Also, the Company has recently promoted:

- Steve Cartt to Chief Operating Officer
- Dave Medeiros to Executive Vice President and Chief Technical Officer
- Eldon Mayer to Senior Vice President of Commercial Operations
- Ray Furey to Vice President, Compliance and Chief Compliance Officer
- Gary Hogge, PhD, to Vice President, Medical Affairs.

In addition, Questcor has recently hired Darlene Romine in the position of Vice President, Sales Operations.

“These promotions and additions reflect the expanded needs of Questcor as our sales and headcount have grown and are expected to continue to grow,” noted Don Bailey. “I want to congratulate all of these executives on their well-deserved promotions.”

Acthar Label Information

The label for Acthar was modernized in October 2010 and has 19 approved indications. Substantially all of the Company’s net sales result from prescriptions written by physicians for the following on-label indications for Acthar:

- **Multiple Sclerosis (MS)**: “for the treatment of acute exacerbations of multiple sclerosis in adults. Clinical controlled trials have shown H.P. Acthar Gel to be effective in speeding the resolution of acute exacerbations of multiple sclerosis. However, there is no evidence that it affects the ultimate outcome or natural history of the disease.” Typically Acthar is used as second line treatment for patients with MS exacerbations.
- **Nephrotic Syndrome (NS)**: “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.” NS can result from several underlying conditions, and prescribing physicians indicate that Acthar is most commonly being used in patients who suffer from NS due to idiopathic membranous nephropathy, focal segmental glomerulosclerosis (FSGS), IgA nephropathy, minimal change disease and lupus.
- **Infantile Spasms (IS)**: “as monotherapy for the treatment of infantile spasms in infants and children under 2 years of age.”

The Company is currently planning to explore the potential initiation of a commercial effort in rheumatology in late 2012, as Acthar is approved for the following rheumatology-related conditions:

- **Collagen Diseases**: “during an exacerbation or as maintenance therapy in selected cases of: systemic lupus erythematosus, systemic dermatomyositis (polymyositis).”
- **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), Ankylosing spondylitis.”

Shipped Acthar Vial and Prescription Trend Information

During the fourth quarter of 2011, Questcor shipped 3,360 vials of Acthar, compared to 1,680 vials in the year ago quarter. For the full year of 2011, Questcor shipped 10,710 vials of Acthar compared to 6,696 vials in 2010. The Company’s quarterly vial shipments continue to be subject to significant variation due to the size and timing of individual orders received from Questcor’s distributor, and the timing of when these orders are received and filled can significantly affect net sales and net income in any particular quarter. Fourth quarter-ending inventory levels in the channel appear to have remained relatively unchanged compared to the levels at the end of the third quarter of 2011. The Company believes that investors should consider the Company’s results over several quarters when analyzing the Company’s performance.

Because Acthar prescriptions are filled at specialty pharmacies, the Company does not receive complete information regarding either the number of prescriptions or the number

of vials by therapeutic area for all of the patients being treated with Acthar. However, Questcor is able to monitor trends in payer mix and areas of therapeutic use for new Acthar prescriptions based on data it receives from its reimbursement support center. Questcor estimates that over 90% of new Acthar prescriptions are processed by this support center, but believes that very few refill prescriptions are processed there.

In an effort to help investors better understand historical trends in the prescriptions written for Acthar within each of its current three key therapeutic areas, MS, NS, and IS, Questcor has grouped prescriptions processed by its reimbursement center into two groups — “Paid” and “Fully Rebated.” “Paid” prescriptions include those prescriptions for which Questcor retains its full selling price for Acthar, as well as Tricare prescriptions that subject Questcor to a rebate obligation of up to 24% of its selling price. “Fully Rebated” prescriptions are those for which Questcor can identify that it has recorded a rebate liability approximately equal to (or for periods prior to January 1, 2010 greater than) Questcor’s selling price. From time to time during the past several years, the rebate liability for some government insurance programs has shifted between these two categories.

Therefore, the prescriptions that fall into the “Paid” and “Fully Rebated” categories have also shifted over time as follows:

“Paid” prescriptions (Rxs) include all prescriptions in the following payer categories:

- Commercial—For all time periods.
- Tricare—For 2010 and 2011, but not 2009.
- Medicaid Managed Care—For all time periods through March 22, 2010 (see Note 1 below the tables).

“Fully Rebated” prescriptions (Rxs) include:

- Those reimbursed by fee-for-service Medicaid insurance and other state programs eligible for full rebates as Medicaid Waivers Programs for all time periods.
- Tricare—For 2009.
- Medicaid Managed Care—For all time periods beginning March 23, 2010 (see Note 1 below the tables).

The following tables show, for each of the three key Acthar therapeutic uses, the number of new prescriptions shipped grouped into “Paid” and “Fully Rebated”:

Multiple Sclerosis (and related conditions) New Rxs

	Paid	Year-Over-Year Growth in Paid Rx	Fully Rebated	Total
2009				
Q1-09	78	225%	8	86
Q2-09	124	254%	17	141
Q3-09	141	176%	20	161
Q4-09	213	209%	15	228
Total 2009	<u>556</u>	<u>211%</u>	<u>60</u>	<u>616</u>
2010				
Q1-10	231	196%	12	243
Q2-10	304	145%	24	328
Q3-10	323	129%	19	342
Q4-10	354	66%	24	378
Total 2010	<u>1,212</u>	<u>118%</u>	<u>79</u>	<u>1,291</u>
2011				
Q1-11	508	120%	49	557
Q2-11	751	147%	58	809
Q3-11	886	174%	46	932
Q4-11	945	167%	44	989
Total 2011	<u>3,090</u>	<u>155%</u>	<u>197</u>	<u>3,287</u>

Nephrotic Syndrome (and related conditions) New Rxs *

	Paid	Fully Rebated	Total
2010			
Q1-10	11	0	11
Q2-10	4	1	5
Q3-10	8	0	8
Q4-10	7	0	7
Total 2010	<u>30</u>	<u>1</u>	<u>31</u>
2011			
Q1-11	18	1	19
Q2-11	45	4	49
Q3-11	60	2	62
Q4-11	146	19	165
Total 2011	<u>269</u>	<u>26</u>	<u>295</u>

* Questcor commenced commercial efforts in NS in the second quarter of 2011.

Infantile Spasms (and related conditions) New Rxs**

	<u>Paid</u>	<u>Fully Rebated</u>	<u>Total</u>
2009			
Q1-09	104	75	179
Q2-09	91	68	159
Q3-09	60	58	118
Q4-09	94	45	139
Total 2009	<u>349</u>	<u>246</u>	<u>595</u>
2010			
Q1-10	89	48	137
Q2-10	95	66	161
Q3-10	92	78	170
Q4-10	91	68	159
Total 2010	<u>367</u>	<u>260</u>	<u>627</u>
2011			
Q1-11	89	71	160
Q2-11	106	79	185
Q3-11	112	69	181
Q4-11	120	51	171
Total 2011	<u>427</u>	<u>270</u>	<u>697</u>

** Questcor commenced commercial efforts in IS in the fourth quarter of 2010.

Notes:

(1) Because the March 2010 health care legislation made Medicaid Managed Care Organization (MCO) prescriptions rebate eligible effective March 23, 2010, a rebate liability for the MCO prescriptions estimated to be filled on or after March 23, 2010 has been accrued. The Company does not have the ability to accurately identify every Medicaid Managed Care prescription so it is possible that some prescriptions identified as "Paid" in the tables may subsequently be reclassified as "Fully Rebated."

(2) "Related Conditions" includes diagnoses that are either alternate descriptions of the medical condition or are closely related to the medical condition which is the focus of the table. For example, a prescription for "demyelinating disease of the central nervous system" would be included as an MS-related condition for purpose of this table. About 5% of the prescriptions in the tables are for related conditions.

(3) A prescription may or may not represent a new patient or a new therapy for the patient receiving the prescription. This can more frequently be the case for NS prescriptions due to the longer treatment regimen for NS. Questcor uses business rules to determine whether a prescription should be included in this table. From time to time the Company may modify these rules which could cause some changes to the historic numbers in the tables above.

(4) Historical trend information is not necessarily indicative of future results. Additionally, paid prescriptions should not be viewed as predictive of Questcor's net sales due to a variety of factors, including changes in the number of vials used in connection with each prescription.

Cash and Share Repurchase Program

As of February 15, 2012, Questcor's cash, cash equivalents and short-term investments totaled \$226 million, and its accounts receivable totaled \$44 million.

The Company did not repurchase any shares during the fourth quarter. As of December 31, 2011, Questcor had 63.6 million shares of common stock outstanding, with 4.3 million shares remaining under its common stock repurchase program.

Sales Reserves

Questcor's sales reserves during the quarter ended December 31, 2011, including the Company's reserves for Medicaid rebates, represented 12% of gross sales of \$86.1 million.

As required by federal regulations, Questcor provides rebates to state Medicaid programs for Acthar dispensed to Medicaid patients covered under Medicaid rebate-eligible insurance plans. Since the Company does not receive rebate claims from the various state Medicaid agencies until well after the close of the quarter in which the underlying sales of vials to its distributor took place, the Company establishes reserves for expected rebate claims on a quarterly basis. As a result of the adoption of health care reform, for periods after March 23, 2010, the Company has also included in this reserve an estimate for the liability due to states related to prescriptions of Acthar for patients covered under state Medicaid Managed Care Organizations (Medicaid MCO), which prescriptions were not previously rebate eligible.

Questcor experienced a decrease in sales reserves as a percentage of gross sales during each of the four quarters of 2011. The principal reasons for these decreases have been (1) an increase in the percentage of total Acthar prescriptions written to treat adults suffering from MS and NS relative to the percentage used to treat infants suffering from IS, as there is a very high percentage of infants enrolled in Medicaid, and (2) an increase in the number of IS prescriptions being fulfilled through the Acthar free drug program administered by the National Organization for Rare Disorders. Since September 2007, Questcor has provided \$124 million in value through this free drug program.

Conference Call Details

The Company will host a conference call and slide presentation via webcast today, February 22, 2012, at 4:30 p.m. ET/ 1:30 p.m. PT, to discuss fourth quarter and full year 2011 results. Don Bailey, President and Chief Executive Officer, and other members of the management team will host the call.

To participate in the live call by telephone, please dial (877) 941-0844 for domestic participants and (480) 629-9835 for international participants. Participants are asked to call the above numbers 5-10 minutes prior to the start time. A listen-only webcast of the conference call including the presentation slides will be accessible in the "Investor Relations" section under "Events & Presentations" at <http://ir.questcor.com/events.cfm>. If listening via telephone, to view the accompanying presentation slides, navigate to the live webcast as noted above and choose the "No Audio — Slides Only" option to view the slides in conjunction with the live conference call. Listeners should go to the website at least 15 minutes prior to the live conference call to install any necessary software.

An audio replay of the call will be available for 7 days following the call. This replay can be accessed by dialing (800) 406-7325 for domestic callers and (303) 590-3030 for international callers, both using passcode 4509827#. An archived webcast will also be available at <http://ir.questcor.com/events.cfm>.

Use of Non-GAAP Net Income

The Company believes it is important to share non-GAAP financial metrics with shareholders as these metrics may better represent the ongoing economics of the business and reflect how we manage the business. Accordingly, management believes investors' understanding of the Company's financial performance is enhanced as a result of our disclosing these non-GAAP financial metrics. Non-GAAP net income should not be viewed in isolation, or as a substitute for, or as superior to, reported GAAP net income. The reconciliation between GAAP and Non-GAAP net income is provided with the financial tables included with this release.

About Questcor

Questcor Pharmaceuticals, Inc. is a biopharmaceutical company whose primary product helps patients with serious, difficult-to-treat medical conditions. Questcor's primary product is H.P. Acthar[®] Gel (repository corticotropin injection), an injectable drug that is approved by the FDA for the treatment of 19 indications. Questcor currently generates substantially all of its net sales from: the treatment of patients with acute exacerbations of multiple sclerosis in adults, the treatment of patients with nephrotic syndrome, and the treatment of patients with infantile spasms in children under two years of age. With respect to nephrotic syndrome, the FDA has approved Acthar 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." Questcor is also currently planning to explore the potential initiation of a commercial effort in rheumatology, as Acthar is approved for several rheumatology-related conditions including Lupus, and Dermatomyositis (Polymyositis). Questcor is also exploring the possibility of developing markets for other

on-label indications and the possibility of pursuing FDA approval of additional indications not currently on the Acthar label where there is high unmet medical need. In October 2011, Forbes magazine ranked Questcor number one in its annual rankings of America's Best Small Companies. For more information about Questcor, please visit www.questcor.com.

Note: Except for the historical information contained herein, this press release contains forward-looking statements that have been made pursuant to the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "believes," "continue," "could," "estimates," "expects," "growth," "may," "plans," "potential," "should," "substantial" or "will" or the negative of such terms and other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Factors that could cause or contribute to such differences include, but are not limited to, the following:

- Our reliance on Acthar for substantially all of our net sales and profits;
- Reductions in vials used per prescription resulting from changes in treatment regimens by physicians or patient compliance with physician recommendations;
- The complex nature of our manufacturing process and the potential for supply disruptions or other business disruptions;
- The lack of patent protection for Acthar; and the possible FDA approval and market introduction of competitive products;
- Our ability to continue to generate revenue from sales of Acthar to treat on-label indications associated with NS, and our ability to develop other therapeutic uses for Acthar;
- Research and development risks, including risks associated with Questcor's work in the area of NS and potential work in the area of Lupus, and our reliance on third-parties to conduct research and development and the ability of research and development to generate successful results;
- Our ability to comply with federal and state regulations, including regulations relating to pharmaceutical sales and marketing practices;
- Regulatory changes or other policy actions by governmental authorities and other third parties in connection with U.S. health care reform or efforts to reduce federal and state government deficits;
- Our ability to receive high reimbursement levels from third party payers;
- An increase in the proportion of our Acthar unit sales comprised of Medicaid-eligible patients and government entities;
- Our ability to estimate reserves required for Acthar used by government entities and Medicaid-eligible patients and the impact that unforeseen invoicing of historical Medicaid prescriptions may have upon our results;
- Our ability to effectively manage our growth, including the expansion of our NS selling effort, and our reliance on key personnel;
- The impact to our business caused by economic conditions;
- Our ability to protect our proprietary rights;

- The risk of product liability lawsuits;
- Unforeseen business interruptions and security breaches;
- Volatility in Questcor's monthly and quarterly Acthar shipments and end-user demand, as well as volatility in our stock price; and
- Other risks discussed in Questcor's annual report on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission, or SEC, on February 22, 2012, and other documents filed with the SEC.

The risk factors and other information contained in these documents should be considered in evaluating Questcor's prospects and future financial performance.

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

For more information, please visit www.questcor.com or www.acthar.com.

Contact Information:

Company: Don Bailey 714-786-4210

Investor Relations: Greg Gin/Doug Sherk 415-896-6820

Media: Janine McCargo 646-688-0425

Questcor Pharmaceuticals, Inc.

Consolidated Statements of Income
(In thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2011	2010	2011	2010
Revenue				
Net sales	\$ 75,535	\$ 29,296	\$ 218,169	\$ 115,131
Cost of sales (exclusive of amortization of purchased technology)	4,013	1,723	12,459	8,013
Gross profit	71,522	27,573	205,710	107,118
Operating expenses:				
Selling and marketing	16,998	11,163	56,728	31,519
General and administrative	5,766	2,393	17,743	10,279
Research and development	5,730	3,066	16,778	10,934
Depreciation and amortization	292	154	1,044	546
Impairment of goodwill	—	—	299	—
Total operating expenses	28,786	16,776	92,592	53,278
Income from operations	42,736	10,797	113,118	53,840
Interest and other income, net	145	147	627	533
Income before income taxes	42,881	10,944	113,745	54,373
Income tax expense	11,240	4,527	34,154	19,302
Net income	\$ 31,641	\$ 6,417	\$ 79,591	\$ 35,071
Net income per share:				
Basic	\$ 0.50	\$ 0.10	\$ 1.27	\$ 0.56
Diluted	\$ 0.48	\$ 0.10	\$ 1.21	\$ 0.54
Shares used in computing net income per share:				
Basic	63,236	62,252	62,498	62,112
Diluted	66,565	65,390	66,010	64,741
Reconciliation of Non-GAAP Adjusted Financial Disclosure				
Adjusted net income	\$ 31,584	\$ 8,021	\$ 83,956	\$ 38,988
Share-based compensation expense (1)	(1,416)	(598)	(5,128)	(2,649)
Depreciation and amortization expense (2)	(216)	(90)	(731)	(352)
Tax adjustments (3)	1,689	(916)	1,703	(916)
Impairment of goodwill (4)	—	—	(209)	—
Net income – GAAP	\$ 31,641	\$ 6,417	\$ 79,591	\$ 35,071
Adjusted net income per share – basic	\$ 0.50	\$ 0.13	\$ 1.34	\$ 0.63
Share-based compensation expense (1)	(0.02)	(0.01)	(0.08)	(0.04)
Depreciation and amortization expense (2)	(0.00)	(0.00)	(0.01)	(0.01)
Tax adjustments (3)	0.03	(0.01)	0.03	(0.01)
Impairment of goodwill (4)	(0.00)	(0.00)	(0.00)	(0.00)
Net income per share – basic	\$ 0.50	\$ 0.10	\$ 1.27	\$ 0.56
Adjusted net income per share – diluted	\$ 0.47	\$ 0.12	\$ 1.27	\$ 0.60
Share-based compensation expense (1)	(0.02)	(0.01)	(0.08)	(0.04)
Depreciation and amortization expense (2)	(0.00)	(0.00)	(0.01)	(0.01)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Tax adjustments (3)	0.03	(0.01)	0.03	(0.01)
Impairment of goodwill (4)	(0.00)	(0.00)	(0.00)	(0.00)
Net income per share – diluted	<u>\$ 0.48</u>	<u>\$ 0.10</u>	<u>\$ 1.21</u>	<u>\$ 0.54</u>

Net income per share – basic and diluted may not foot due to rounding.

Use of Non-GAAP Financial Measures

Our “non-GAAP adjusted net income” excludes the following items from GAAP net income:

1. Share-based compensation expense.
2. Depreciation and amortization expense
3. Tax adjustments include: (1) the valuation allowance we established in the fourth quarter of 2010 relating to our single sales factor apportionment election which was made in 2011 for California; (2) the recording of a one-time tax credit in 2011 for the orphan drug designation; and (3) the reserve for the liability associated with the Ohio Commercial Activity Tax for the period 2007 – 2010 (the expense associated with this reserve is included in operating expenses).
4. Impairment of goodwill related to the write-off of goodwill associated with an acquisition transaction completed in 1999.

Questcor Pharmaceuticals, Inc.
 Consolidated Balance Sheets
 (In thousands, except share amounts)

	December 31,	December 31,
	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 88,469	\$ 41,508
Short-term investments	121,680	73,324
Total cash, cash equivalents and short-term investments	210,149	114,832
Accounts receivable, net of allowances of \$0 and \$25 at December 31, 2011 and 2010, respectively	27,801	11,128
Inventories, net of allowances of \$0 and \$158 at December 31, 2011 and 2010, respectively	5,226	3,726
Prepaid income taxes	6,940	3,532
Prepaid expenses and other current assets	3,391	1,864
Deferred tax assets	12,093	8,417
Total current assets	265,600	143,499
Property and equipment, net	1,970	872
Purchased technology, net	2,778	3,074
Goodwill	—	299
Deposits and other assets	56	65
Deferred tax assets	5,404	4,184
Total assets	<u>\$ 275,808</u>	<u>\$ 151,993</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,503	\$ 3,869
Accrued compensation	11,590	4,158
Sales-related reserves	34,119	21,511
Other accrued liabilities	4,509	1,973
Total current liabilities	55,721	31,511
Lease termination, deferred rent and other non-current liabilities	261	355
Total liabilities	<u>55,982</u>	<u>31,866</u>
Shareholders' equity:		
Preferred stock, no par value, 7,500,000 shares authorized; none outstanding	—	—
Common stock, no par value, 105,000,000 shares authorized, 63,645,781 and 62,418,464 shares issued and outstanding at December 31, 2011 and 2010, respectively	94,976	74,809
Retained earnings	124,886	45,295
Accumulated other comprehensive income	(36)	23
Total shareholders' equity	219,826	120,127
Total liabilities and shareholders' equity	<u>\$ 275,808</u>	<u>\$ 151,993</u>

Questcor Pharmaceuticals, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2011	2010
OPERATING ACTIVITIES		
Net income	\$ 79,591	\$ 35,071
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	7,326	3,739
Deferred income taxes	(4,896)	(1,029)
Amortization of investments	1,250	678
Depreciation and amortization	1,044	546
Impairment of goodwill	299	—
Loss on disposal of property and equipment	11	—
Changes in operating assets and liabilities:		
Accounts receivable	(16,673)	3,705
Inventories	(1,500)	(348)
Prepaid income taxes	(3,408)	(3,532)
Prepaid expenses and other current assets	(1,527)	(702)
Accounts payable	1,634	(9,052)
Accrued compensation	7,432	2,018
Sales-related reserves	12,608	6,589
Other accrued liabilities	2,526	(255)
Other non-current liabilities	(118)	(871)
Net cash flows provided by operating activities	<u>85,599</u>	<u>36,557</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,823)	(713)
Purchase of short-term investments	(162,301)	(106,647)
Proceeds from maturities of short-term investments	112,636	62,560
Deposits and other assets	9	645
Net cash flows used in investing activities	<u>(51,479)</u>	<u>(44,155)</u>
FINANCING ACTIVITIES		
Income tax benefit realized from share-based compensation plans	17,712	1,335
Issuance of common stock, net	6,582	1,942
Repurchase of common stock	(11,453)	—
Net cash flows provided by financing activities	<u>12,841</u>	<u>3,277</u>
Increase (decrease) in cash and cash equivalents	<u>46,961</u>	<u>(4,321)</u>
Cash and cash equivalents at beginning of period	41,508	45,829
Cash and cash equivalents at end of period	<u>\$ 88,469</u>	<u>\$ 41,508</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	<u>\$ 16</u>	<u>\$ 7</u>
Cash paid for income taxes	<u>\$ 25,278</u>	<u>\$ 23,185</u>
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Capital lease obligation	<u>\$ 34</u>	<u>\$ —</u>

Questcor Pharmaceuticals, Inc. (Nasdaq: QCOR) Q4 and 2011 Earnings Call
February 22, 2012

MANAGEMENT DISCUSSION

Operator:

Good day, ladies and gentlemen. Thank you for standing by. Welcome to the Questcor Fourth Quarter and Fiscal Year 2011 Earnings Conference Call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be opened for questions. If you have a question, please press the star, followed by the one on your touch-tone phone. Please press star, zero for operator assistance at any time. For participants using speaker equipment, it will be necessary to pick up your handset before making your selection. This conference is being recorded today, Wednesday, February 22nd of 2012.

I would now like to turn the conference over to Doug Sherk, EVC Group. Please go ahead, sir.

Doug Sherk:

Thank you, Operator. Good afternoon, everyone. Thank you for joining us today for the Questcor Pharmaceuticals conference call to discuss the fourth quarter and full year 2011 financial results and earnings. This afternoon at the market close, Questcor issued its earnings release, which is posted on the Company's website at www.questcor.com.

Today's call is also being broadcast live via webcast, which is available at the Questcor website. A slide presentation will accompany today's remarks by management. To access both the webcast and the presentation slides, go to Questcor's website at www.questcor.com, click the Investor Relations link and then click on Events and Presentations. If you're listening via telephone today to today's call, to review the accompanying presentation slides, navigate to the live webcast, as I've just reviewed, and choose the no audio slides only option to review the slides in conjunction with the live conference call. There will be a taped replay of this call, which will be available approximately one hour after the call's conclusion and will remain available for seven days. The Operator will provide the replay instructions at the end of today's call.

Before we get started, I'd like to remind you that during the course of this conference call, the Company will make projections and forward-looking statements regarding future events. We encourage you to review the Company's past and future filings with the SEC, including without limitation, the Company's Forms 10-K and 10-Q, which identify the specific factors that may cause actual results or events to differ materially from those described in these forward-looking statements. These factors include Questcor's reliance on Acthar for substantially all of its net sales and profits. During the question-and-answer session today, please keep your questions to two, and then re-queue for any additional questions.

With those logistical items out of the way, let me turn the call over to Don Bailey, President and Chief Executive Officer of Questcor Pharmaceuticals.

Don Bailey:

Thanks, Doug. Good afternoon, everyone. With me today are several other members of our management team; including Steve Cartt, who has recently been promoted to Chief Operating Officer of the Company; Dr. David Young, Chief Scientific Officer; and Mike Mulroy, our Chief Financial Officer. Several other members of the executive team are available to answer questions.

During the fourth quarter, our focus on helping more patients with unmet medical needs led to record financial results, as an increasing number of neurologists and nephrologists believe that MS and MS patients benefit from Acthar. As a result, paid prescriptions are rising, and, as we reported last week, the favorable paid prescription growth trends have continued into January of this year. The growth in the number of patients using and benefiting from Acthar led to solid increases in shipments of Acthar, net sales, earnings and free cash generation.

As we look ahead to 2012 and beyond, we believe we can sustainably grow our business due to three key factors. First, Acthar provides benefits to many difficult-to-treat patients not responding to other treatments. Second, our market penetration in terms of the total number of neurologists and nephrologists prescribing Acthar, while growing, remains relatively small. And third, we have assembled an excellent, experienced commercial team to pursue our growth plans.

Our focus remains on helping patients with serious difficult-to-treat medical conditions. This focus includes continued support of our patient assistance program. Since August 2007, this program has provided a \$124 million of Acthar free of charge to uninsured or under-insured patients. The program provided over \$50 million in free Acthar to patients in need during 2011 alone.

Our financial performance is also enabling us to double our research and development budgets for 2012, to further build our understanding of the potential immune modulating properties of Acthar and study other inflammatory and autoimmune diseases, such as lupus, that are already on the Acthar label. David Young will provide an update on the studies we have underway in a few moments.

This increase in demand from nephrologists led us to the decision in January to expand our nephrology sales force from 28 to 58 representatives. We plan on completing this effort during the second

quarter of this year. We are also adding sales management, marketing, reimbursement and compliance staffing and programs. Implementation of this plan is well underway and the recruiting effort is ahead of plan. A smaller expansion of the MS sales team is also planned, and Steve will provide more detail on that plan in a few moments.

To manage our continued sustainable growth plan, we've recently made several well deserved promotions. As I mentioned, Steve Cartt has been named COO, and will work closely with me on all aspects of Questcor's growth strategy. In addition to Steve's promotion, Dave Medeiros has been promoted to Executive Vice President and Chief Technical Officer, and Eldon Mayer, who has worked alongside Steve for the past three plus years, has been promoted to Senior Vice President, Commercial Operations. Also, Dr. Gary Hogge has been named Vice President of Medical Affairs, and Ray Furey has been promoted to Vice President, Compliance and Chief Compliance Officer. Ray will now report to me.

In addition, Ray will have an open line of communication to a newly established compliance committee of our Board of Directors. This committee is comprised of three independent directors with compliance experience who will provide focused board oversight of our compliance program. A recent compliance review confirm that our promotional programs and activities meet all applicable laws and regulations. With our outlook for sustained growth, this new committee is part of our effort to put the infrastructure in place to make sure we continue to build Questcor the right way, as we have been doing since the new management team was put in place in 2007.

I'd like to turn the call over to Steve Cartt who will provide some more detail on our fourth quarter operating highlights and our plan for 2012.

Steve Cartt:

Thanks, Don. Good afternoon, everyone. Before providing a commercial update, I'd like to build on some of Don's comments regarding Questcor's development.

I joined Questcor in early 2005 after spending 17 years with other much larger pharmaceutical companies, including Elan and ALZA. At the time, Questcor was a struggling company with a great asset, Acthar, with an unclear business strategy. We've certainly come a long way and we are a very different company today. But one thing has remained constant throughout, our deep sense of caring for patients and their families and a real sense of stewardship of our unique pharmaceutical product, Acthar. We often disclose the amount of free Acthar we provide, which in total is now up to \$124 million, and has recently surpassed about \$5 million every month. While this is a significant dollar amount, our focus day-to-day is on serving patients, both children and adults and the families behind that number. This is just one of the many reasons that our employees, myself included, are proud to be part of Questcor.

I'll now provide a review of fourth quarter paid prescriptions for the three key markets we're focused on serving.

The chart now on the screen shows MS prescription growth for Acthar on a quarterly basis. A key priority of ours continues to be educating both physicians and patients about how Acthar is a viable treatment option for MS exacerbations or relapses, particularly in those patients not well served by steroids, which are generally considered first-line therapy by most neurologists. This focus drove our year-over-year increase in the number of paid Acthar prescriptions for MS. In the fourth quarter of 2011, there were 945 paid and shipped Acthar MS prescriptions, up from 354 scripts in the fourth quarter of 2010. This is a 167% year-over-year increase. There were several factors behind this growth: positive patient outcome, increasing awareness among neurologists about how best to incorporate Acthar into their practices, continued excellent Acthar insurance coverage for MS relapses, and the increase in productivity of our MS commercial team, all combined to generate this growth.

On the next slide we show the same MS paid prescription data on a monthly basis. While some months are sequentially down and others up, the overall trend shows a sustained growth rate over the last four years. As Don mentioned earlier, we believe our growth is sustainable since we are still in the early stages of penetrating the MS market. Based on the estimated 200,000 relapses annually in the U.S., and the annualized fourth quarter MS prescription count of about 4,000 Acthar MS prescriptions, we believe we have only modestly penetrated this market so far. Clearly we have a lot of work to do. We are currently planning to modestly expand the neurology sales force by another two dozen or so representatives. We are currently finalizing our exact numbers for this expansion. As with our commercial effort in nephrology, we are expanding the marketing, reimbursement and compliance programs for our neurology-focused sales team. Because of the real benefit seen by MS patients and their doctors that we hear about from doctors and patients themselves on a regular basis, we are optimistic that our expanded and increasingly productive MS sales team will generate healthy growth in 2012 and beyond. And we are already off to a good start in 2012 with 338 paid MS prescriptions in January.

Let's now discuss our substantial early progress in nephrology. At the end of the third quarter, we completed the expansion of our dedicated nephrology sales force from five to 28 representatives. The nephrology commercial team performed extremely well during the fourth quarter, which was the first full quarter on territory for our nephrology sales force, and 146 paid Acthar prescriptions were shipped to nephrotic syndrome patients during the quarter. Our nephrology sales force also got 2012 off to an excellent start with 72 paid prescriptions in January alone. Insurance coverage for Acthar and MS continues to be very good, with over 85% of

prescriptions covered. Our reimbursement team speaks with insurers multiple times daily and all indicators are that insurance coverage for Acthar and nephrotic syndrome should remain very strong. We believe this encouraging early growth is due to a more immediate recognition by nephrologists regarding the need for additional treatment options in nephrotic syndrome patients, particularly those whose proteinuria is not responding adequately to first-line treatment.

As we've discussed with you in the past, an Acthar nS prescription generates more net sales than our other promoted on-label indications due to the larger number of vials needed to complete a course of treatment. With the early but encouraging success we're having in nephrology, we announced in early January that we would be expanding our nephrology sales force from the current 28 to 58 representatives during 2012. There has been significant interest in Questcor expressed by potential new hires around the country and we continue to attract highly experienced, high caliber pharmaceutical sales personnel, so we are moving quickly and are presently ahead of schedule, to build out this team, and we presently expect to complete hiring and training during the second quarter of this year. As Don mentioned, in addition to the sales team, we are investing in the infrastructure to support this team with new hires in marketing, reimbursement and compliance so that we can continue to successfully grow the Company from all perspectives. Our expanded nephrology sales force will continue to be 100% focused on the nephrology audience. Once the current expansion is complete, we will be able to dramatically increase the number of nephrologists that we call on regularly.

Turning now to infantile spasms. There were a total of 120 paid prescriptions for Acthar in the fourth quarter of 2011. This represents the highest quarterly paid IS prescription level since our tracking began in the first quarter of 2008. While paid IS prescriptions have varied quarter to quarter over time, we're encouraged with the solid prescription levels we have seen during the past two quarters. And in January, this strength continued, as 48 paid prescriptions were shipped for IS. Importantly, we continue to actively support IS research and education efforts and in helping children with IS and their parents. For example, over time, we have steadily increased our financial support for important research and educational efforts by both the Child Neurology Foundation, and the Child Neurology Society. As noted in our press release yesterday, Questcor was given an award for Outstanding Corporate Responsibility and Leadership this last Saturday by the Child Neurology Foundation for our partnership efforts in research and education with both of these important organizations.

In addition to supporting important outside research projects, we are also investing in our own research programs. To bring you up-to-date on our comprehensive efforts in research and development, I'd like to turn the call over to Dr. David Young, our Chief Scientific Officer. David?

Dr. David Young:

Thanks, Steve. Good afternoon, everybody. Our scientific efforts and investments continue to expand. In addition to our ongoing research in nephrotic syndrome and multiple sclerosis, we're planning new efforts in lupus and other on-label indications which have autoimmune and inflammatory components, as well as an unmet medical need. In order to better understand how Acthar works in the many on-label indications, we will continue to significantly expand our non-clinical pharmacology efforts. This includes investigating how Acthar's biological activity differs from that of corticosteroids, such as methylprednisolone and prednisone. We've also received an IND from FDA to investigate the potential effects of Acthar in diabetic nephropathy, and plan to start the Phase IIa clinical study in the first half of this year.

Now, Mike Mulroy, our CFO, will discuss our financial highlights. Mike?

Mike Mulroy:

Thanks, David. Net sales for the fourth quarter were \$75.5 million, up from 29.3 million in the fourth quarter of 2010; with the increase driven primarily by increased physician acceptance of Acthar to treat serious difficult-to-treat medical conditions. In the fourth quarter of 2011, our government sales reserve rate, which primarily relates to Medicaid, dropped to 12%. This decline was mostly due to two factors. First, infantile spasms, which has a higher Medicaid incidence rate, continues to account for a smaller percentage of our overall business mix, as our MS and nephrotic syndrome market continued their higher level of growth. Second, a greater number of potential Medicaid vials were processed through our free drug program. As a reminder, we do not generate any net sales on Medicaid business due to our 100% rebate position.

While our operating expenses grew significantly throughout 2011, due to the growth of both our commercial operation and our research and development program, as well as an expanded infrastructure to support a larger company, the growth in opex was more than offset by the growth in net sales. This resulted in an operating margin of 57% in the fourth quarter of 2011, up from 37% in the year ago period.

Turning to the bottom line, earnings per share for the quarter were \$0.48 diluted based on 66.6 million diluted shares outstanding. We gained \$0.03 a share from a one-time tax credit. The tax adjustments are discussed in detail in our 10-K, which is being filed today.

I won't spend too much time on the annual results, but note that for 2011, operating expenses were up 74% from opex in 2010. This increased spending fueled a greater than 90% growth in net sales, net income and EPS. We currently expect operating expenses to increase again in 2012, principally due to a planned doubling of R&D expenses and the planned growth in the number of Acthar representatives. Our current estimate is that first quarter 2012 opex will increase in the range of 20 to 25% over Q4 2011, increase again, somewhat, in Q2, and then level out for the remainder of 2012.

Operating cash flow during the fourth quarter was \$31 million, driven primarily by net income of \$31.6 million for the fourth quarter. As of February 21st, Questcor's cash, cash equivalents and short term investments totaled \$224 million, and accounts receivable were \$47 million. Return on equity was 64.5% for the fourth quarter. We did not repurchase any shares in the fourth quarter, but remain committed to returning cash to shareholders. We have returned \$78.5 million through share repurchases under this program since the beginning of 2008, representing approximately 32% of our operating cash flow over that same period.

Now, I'll turn the call back to Don.

Don Bailey:

Thanks, Mike. So to summarize our fourth quarter and full year 2011, our focus on helping more patients with unmet medical needs led to record financial performance for both the quarter and the year. We believe that because Acthar provides real and substantial benefits to many patients who would otherwise continue to suffer the effects of serious difficult-to-treat disorders, our growth should be sustainable. We are expanding the organization and associated infrastructure to address the significant growth opportunities in front of us. At the same time we are off to a good start to 2012 with January MS, NS and IS paid prescriptions each having a good month.

Before providing a little overall perspective on the value drivers for Questcor, I wanted to briefly address some of the rumors that we are being told are being spread by members of the short-selling community.

First was the rumor that we cancelled the RBC Conference due to bad news we did not want to share. Actually, we cancelled the RBC Conference because we were double-booked with the Citi Conference. We presented at the Leerink Conference last week and we'll present again next Monday, February 27th at the Citi Conference.

The next rumor was that Questcor was the subject, or soon to become the subject, of one or more government investigations. In reality, we have no knowledge of any government investigation. We have not been contacted by any government agency regarding an actual or potential investigation. Furthermore, our recent compliance review found no violations of policy, guidance or law.

The third rumor is that our success is due to just a couple of docs writing Acthar scripts. Actually as we continue to educate physicians on how Acthar works to treat serious medical conditions, the number of physicians prescribing Acthar continues to grow. This number has more than doubled year-over-year, resulting in almost 900 doctors writing almost 1,800 Acthar prescriptions in the fourth quarter.

An associated rumor is that only a few reps are making sales. Actually all Acthar MS reps generate scripts and three quarters of all Acthar MS reps met or exceeded their goal in Q4.

We have also heard the rumor that insurance companies are stopping their coverage of Acthar for nephrotic syndrome. As Steve reported, coverage of Acthar for nephrotic syndrome continues to be above 85%.

And we are asked about the rumor that our accounts receivable is up because payers have stopped approving Acthar. Accounts receivable are up mainly because sales are up. The day after the 8-K with our Leerink Swann Investor Conference presentation was filed, \$13 million in checks were received and cleared payment. Payers do not pay us directly so insurance issues would not affect AR in any case.

There have been other rumors as well, but in the interest of time I will not attempt to cover all of them. I think you get the idea.

Before opening up for questions and answers, I think that it may be helpful to investors for me to put our current efforts and investments into the longer term context of the history of Acthar, the science surrounding the drug and its ability to help patients.

The reason I want to spend some time talking about this subject is that it explains the real value equation for Acthar and Questcor to investors. When Questcor purchased Acthar in 2001, we were rescuing an old drug that was being abandoned by big pharma. The manufacture of Acthar was in the process of being discontinued. Literally, it was ending. Its prior manufacturer was experiencing significant problems making Acthar and was losing significant money trying to do so. The situation resulted in shortages that had severely affected the availability of Acthar for infants with infantile spasms and other patients. This was a serious public health concern to the FDA. When Questcor acquired Acthar, we knew that we would have to spend millions of dollars on transferring the manufacturing of the drug to contract manufacturers and that we might fail in doing so. We also knew that if we were to create a viable business from the drug we would have to invest in commercial activities to grow the drug, go through a learning curve to make sure that those efforts worked, and also invest in a more modern scientific understanding of the drug. That scientific investment would of course include working with the FDA to modernize the drug's label and add infantile spasms to the label.

Today, I'm happy to say that all of these efforts succeeded. Not to say that they all succeeded quickly, or without serious setbacks along the way, financial and otherwise. In mid 2007, after losing tens of millions of

dollars on Acthar for six years, Questcor was rapidly running out of cash. Even before that, the manufacturing transfer process took years of work and significant financial investments to be successful. Also, the effort to work with the FDA to modernize the label and achieve approval of the infantile spasms indication failed twice before it was successful in 2010. And our commercial efforts encountered setbacks until 2008. Over the last 10 years we have overcome all of these challenges so that Acthar has remained available to patients and Questcor is now a successful company. Now we're investing back into the medical communities to support important research and education.

We believe two very important things about Acthar. First, Acthar can help more patients than it has so far. And second, Acthar has the potential to play a larger role in addressing the autoimmune and inflammatory processes in many serious diseases. A better understanding of these processes could lead to additional breakthroughs and treatment over time. In order to better understand this value driver, it is worth taking a minute to discuss the emerging science behind Acthar.

Acthar was approved in 1952 during one of the most exciting periods of scientific advancement in biomedical research. From the 1940s to the 1960s, the developing understanding of hormones led to many important new pharmaceutical products, including hormone replacement therapy, such as Premarin, Acthar, sex hormone products, such as birth control pills, and synthetic steroids like prednisone. Acthar was initially regarded as an important product, but after synthetic steroids were introduced, scientific and medical interest in Acthar waned. Much of the medical community mistakenly regarded Acthar as merely a different way of giving steroids, so R&D spending on Acthar stopped. But we now know that Acthar contains a very broad active hormone, ACTH, as well as many other active peptides that emerging science indicates bind to a variety of receptors in the human body including in the central nervous system, the kidney and certain immune cells. For this reason, Acthar seems to be able to successfully treat some patients for which steroids fail. This is the core of our opportunity and also our challenge in rescuing and reviving an old drug. Acthar has been misunderstood and underestimated and what many physicians think they know about the drug is not up-to-date.

We have been addressing this opportunity and challenge in two ways.

First, we have invested heavily in developing an experienced and well trained commercial team to educate physicians about our growing understanding of Acthar and its ability to help their patients. Our average representative has 10 years of pharma or biotech sales experience, and they are supported by a growing team of medical science liaisons, many of whom have PhDs who interact with physicians to answer their questions regarding the emerging science behind Acthar.

Second, we have been rapidly increasing our research and development spending, focused on the science of Acthar rather than on building a pipeline of unrelated products. In 2007, we spent less than \$5 million on R&D. By 2011, we had tripled that spending. Today, we announced the spending could double again in 2012. This represents very rapid growth in our spending for scientific, clinical and regulatory efforts.

So what is the potential for Acthar? Well, it is a bit different from the situation that most pharmaceutical companies have. We have an approved product that has been on the market for 60 years. So its safety is very well known and is supported by decades of clinical use. However, we need more modern efficacy data and more information about how Acthar works. So we have increased our R&D spending in these areas. Unlike most pharmaceutical companies, Questcor is not conducting clinical trials of novel compounds whose safety and efficacy in the human body are unknown. Rather, we are working to better understand a very complex biologic drug that has multiple active ingredients and multiple mechanisms of action, and through that understanding, we expect to gain a better understanding of the potential of Acthar to treat certain diseases in which those mechanisms of action may be particularly important.

As you may know, recent scientific papers by our academic collaborators have shown some important results in these areas. For example, one paper showed that the efficacy of Acthar in reducing proteinuria and nephrotic syndrome appears to relate to its ability to suppress production of antibodies to the PLA2 receptor. This was a brand new finding that was previously unknown. Other scientific studies have indicated that there are still other mechanisms of action that appear to impact various portions of the immune system involved in the autoimmune process, as well as other organ systems. These mechanisms are completely separate from Acthar's stimulation of the adrenal gland to make cortisol.

This is the frontier of science. When Acthar was originally developed, only the most basic understanding of biochemistry had yet been achieved. The developers of Acthar thought they had merely come up with a way of obtaining the ACTH hormone which could then be used to make cortisol in the body. But it turns out that what they created was actually far more important and more complex and more promising.

With the tools of science today, we are in the process of unlocking the true nature of Acthar. These efforts may, over time, lead to a strong understanding of how Acthar can help far more patients and address a far broader set of serious autoimmune and inflammatory diseases than we see today. It may also lead to the development of new related products that could have even better safety and efficacy profiles in the treatment of these diseases. We look forward to realizing this opportunity to help many patients who suffer from serious autoimmune and inflammatory diseases over the next decade.

QUESTION AND ANSWER

Operator, we are now ready for questions.

Operator:

Thank you, sir. We will now begin the question and answer session. As a reminder, if you would like to ask a question, please press the star, followed by the one on your touchtone phone. If you would like to withdraw your question, press the star, followed by the two. If you are using speaker equipment, you will need to lift the handset before making your selection.

Our first question comes from the line of Tim Chiang of CRT Capital. Please go ahead.

Tim Chiang:

Hi. Thanks. Don, I wanted to ask you a little bit about the sales reserve. I think it was about 12% in the fourth quarter. Was that a number that you're comfortable with going forward?

Don Bailey:

I'll let Mike answer that question.

Mike Mulroy:

Yes. Tim, you know, there's several drivers for that, and we build it up from bottoms-up every quarter. The trend line we would expect to continue to move directionally as the adult populations that use Acthar continue to grow more rapidly than the infant population. But there will be volatility around that. So I wouldn't expect us to—I wouldn't take the 19% of a quarter ago and the 12% this quarter and straight-line it from there. So, you know, again, it's—the one driver will continue to move in our direction but everything else we'd expect to see volatility from quarter to quarter.

Tim Chiang:

Okay, great. And maybe, Mike, just want to follow-up. You know, you highlighted that R&D spending is probably going to double in 2012 from 2011, is there any sort of target you're looking at for SG&A expenses in 2012?

Mike Mulroy:

Yes, I mean that will grow as well. I don't know if we're giving guidance on that particularly but.

Don Bailey:

Well the overall operating expense, so the total of all operating expenses, we expect to grow 20 to 25% in Q1. You know, maybe another 5 to 10% in Q2 and then roughly level the rest of the year.

Tim Chiang:

Okay, great. Thanks a lot.

Don Bailey:

Whatever that works out to. You know, and we adjust that spending as we go depending on how sales are growing.

Tim Chang: Okay. I'll get back in queue. Thanks.

Operator: Thank you. Our next question comes from the line of Steve Yoo of Leerink Swann. Please go ahead.

Steve Yoo: Thanks for taking the question. I was wondering, in the nephrotic syndrome sales, do you—from your reps do you get a sense that doctors had been warehousing patients, if there was a bit of a bolus in the first couple of quarters?

Don Bailey: That's an excellent question, Steve. And I'll let Steve Cartt answer that question.

Steve Cartt: Yes, hi, Steve. Yes, we don't—you know, there clearly are patients that are under-served currently and doctors, you know, in some cases know who those are that are in their practice and they see them, you know, periodically, so there's some patients that the doctors are aware of, there's others that just come in as new patients, you know, they've transferred from other practices, they've moved, et cetera. So there's a little bit of that. You know, it's still very early in this whole process for nephrotic syndrome. The feedback that we're getting from the docs is very, very positive overall. You know, I think we're helping a lot of patients who were—didn't really have many treatment options previously. So all that's good news and we're just scratching the surface in terms of the number of potential prescribers. So a lot of work still to do and going forward we're optimistic that we'll be growing in 2012 and forward.

Steve Yoo: Okay. And could you remind me about the timing of the vials shipped for nephrotic syndrome. So when a prescription comes in, how many vials get shipped at what time?

Steve Cartt: Yes, it's usually one or two vials shipped initially. Of course the six month course of treatment, you know, sometimes longer, sometimes a little shorter, but six is pretty typical. And so those vials are—it's kind of a tail to NS in that there's some vials shipped initially in the quarter when the script is written and approved but there's also vials that kind of flow into the additional next one to two quarters depending on when that script comes in. So, yes, there's—it's not all shipped in a lump sum upfront, if that's what your question is.

Steve Yoo: Okay. So there's pretty much one or two vials shipped at a time, is that how it works?

Steve Cartt: That's usually how it works. You know, definitely varies by payor. Some will ship one, some will ship two, that's pretty typical either of those scenarios. What we virtually never see is 10 vials shipped upfront or even five vials. It's the first couple of vials, see how the patient does on drug for the first month or so, then continue the treatment from there, and the additional vials will ship in the form of refills.

Steve Yoo: Great. Thank you very much for taking the question.

Steve Cartt: Sure.

Operator: Thank you. Ladies and gentlemen, if there are any additional questions, please press the star followed by the one on your touch tone phone at this time. As a reminder, if you are using speaker equipment, you will need to pick up the handset before making your selection.

Our next question comes from the line of Yale Jen with Maxim Group. Please go ahead.

Yale Jen: Thanks for taking the questions. Here we have two. The first one is, could you give us a little bit breakup, Don, in the revenue for each of these indications, NS, IS and MS as well as miscellaneous?

Don Bailey: Sure. It's roughly, very roughly speaking, 55% MS, 25% NS, 15% IS and 5% miscellaneous.

Yale Jen: Okay, and—thanks. And the second question is that so far at this moment how many prescribing physicians, nephrologists as well as neurologists for each of those indications that you have generated?

Don Bailey: Well, let's see, we had about 900 overall. I don't have the breakdown in front of me but I'm going to guess it was probably almost 600 in MS, 150 in nephrology and 150 in IS, roughly speaking.

Yale Jen: Okay, great. Thanks a lot and congrats on the very good quarter.

Operator: Thank you. Our next question comes from the line of Chris Holterhoff with Oppenheimer. Please go ahead.

Chris Holterhoff: Hi, guys. Thanks for taking the question. Just on MS, I was wondering if you can talk about if you think additional sales growth will come, you know, primarily from new prescribers, or do you think you'll have a lot more room for growth just by adding new patients in doctor's offices that you're already in?

Don Bailey: That's an excellent question, Chris, and I think the answer is all of the above. Let me let Steve elaborate.

Steve Cartt: Yes. Chris, so the answer is all the above. We're continuing to generate incremental business from doctors who've already started to write and of course they're getting experience with the drug, they're seeing the benefits in their patients and, you know, we're seeing incremental business from

those doctors. We're obviously constantly working on generating new prescribers. Sometimes that really takes a lot of time. You know, some docs we call on for, you know, 18 months, two years, two and a half years before we get the first prescriptions generated from them, and we see that type of pattern is continuing. So it's a matter of, you know, generating incremental business from our existing prescribers and generating some new prescribers. And that's really what the reps are focused on.

Chris Holterhoff:

Okay, that's helpful. Thanks. And then on nephrotic syndrome, you know, now that you have a bit more experience selling there just wondering what the latest data shows in terms of the average number of vials per script that were written? I know it's historically been in the seven to eight range, just wanted to kind of confirm if it's staying flat in that range.

Don Bailey:

Chris, it's probably dropped somewhat. I think the last number we gave was in the high 6s and we don't really have any information to substantiate any number different than that. But we would expect that to drop a little bit over time initially due to behavior from the payers maybe wanting a new script after a little while on a patient but then we would expect that to increase because we've hired a new adherence, we started a new adherence program. Maybe, Steve, you could just briefly touch on that.

Steve Cartt:

Yes. So obviously, you know, it's in the best interest of the patient to complete the course of therapy. It gives them the greatest chance of seeing the therapeutic benefits from Acthar. And so we're starting off a pilot program in conjunction with our reimbursement hub in the specialty pharmacies that will help to support the patients so they continue on their treatment. Some patients, you know, think that if they skip doses and if they don't complete a full course, and this goes with any drug, right, such as Acthar, it's very common in drugs that are used for prolonged periods. In looking at a six month course, it's easy for patients to drop out, drop off treatment, not comply with their full dosage regimen, so we're working on a compliance program and a patient adherence program that will be in contact with the patients and help them understand the importance of continuing with their full course of therapy. And we're optimistic, you know, we haven't kicked this off yet, we're optimistic that that will provide some benefit and keep patients on the appropriate treatment regimen.

Chris Holterhoff:

Okay, perfect. Thanks. Maybe if I can just sneak one last question here. Can you just give us a sense of what portion of your current NS reps are achieving their targeted quota?

Steve Cartt:

Yes, still very early. Yes, still very early. We have a lot of them getting up to speed on the drug but roughly half right now we expect that to increase. Of course with the expansion we'll add in a whole, you know, cohort of new reps who've just gone through training by the end of Q2, so we'll have to get those reps up to speed and get them generating business as well.

Chris Holterhoff: Perfect Okay. Well, thanks a lot for taking the questions and congratulations on the progress.

Steve Cartt: Thanks, Chris.

Operator: Thank you. Our next question comes from the line of Juan Sanchez with Ladenburg Thalmann & Co. Please go ahead.
And pardon me, Mr. Sanchez, your line is open at this time. Please check to see if you have yourself on mute.
And our next question comes from the line of Jim Molloy with ThinkEquity. Please go ahead.

Jim Molloy: Hey, guys. Thanks for taking the question. I had a—just looking at the rebate numbers, percentage rebated, it looks like it jumps around a little bit this quarter from last quarter, and I know that number can move, but is there anything there with regards to particularly NS jumping up a bit and IS coming down that are using the free drug program? Can you walk through how the free drug program is impacting that or potentially, you know, finding more Medicaid patients in those—in the NS or the MS space?

Don Bailey: Sure. So what happens, if a prescription comes in, especially with infantile spasms, and we think it's a Medicaid and our—the hub, our reimbursement support center, which we call a 'hub' thinks it's a Medicaid patient, they'll check for Medicaid eligibility for that patient. Sometimes there's a delay in getting a response to that inquiry. If that delay lasts more than, you know, just a little bit of time, a few hours, then that prescription is sent over to the free drug program. Since it's very important to get these IS prescriptions filled quickly, it's basically considered a medical emergency. So if there's any delays in determining whether Medicaid's going to cover this patient, then the prescription's moved over to the free drug program. Any prescription filled from the free drug program just doesn't show up in our financials; other than the cost of the product, of course, is in the cost of goods sold. So the vial count that we give out at the end of the quarter does not include those vials and of course there's nothing in gross sales or net sales associated with the free drug.

Does that help understand—help explain that, Jim?

Jim Molloy: Sure. And then just on NS a bit of a jump, was there, you know, up in the 11% of scripts were rebated back, is that something you expect to see going forward or is that kind of an anomaly or are you still trying to figure out that space as you go?

Don Bailey: Yes, I think that's—there's approximately 10 to 12% of adults are enrolled in Medicaid, so that kind of matches, just the adult population statistics for Medicaid. So we would expect that to continue. You know, there's volatility around it but as an average that probably is about the right number.

Jim Molloy: And just a last question then. Looking at the numbers you guys reported, you pre-released for January, and just (inaudible) very simple, multiplied by three to get the whole quarter, and it's four to get the whole year, kind of at the price you guys have, it's, you know, I know you guys don't give projections on the top line, but it looks like that's a number that comes in well ahead of sort of street consensus estimates in the—almost towards 400 million from the high 300 millions with no growth. Is that—does my math seem correct on that or am I missing something that's going to happen in 2012 to bring numbers down?

Don Bailey: Jim, respectfully, I can't answer that question and I think that's a question for you and your colleagues to answer. We just run the business and try to generate sales, so the numbers will fall out the way they fall out.

Jim Molloy: Thanks for taking the questions, guys.

Operator: Thank you. Our next question comes from the line of Biren Amin with Jefferies & Company. Please go ahead.

Biren Amin: Yes. Thanks, guys, for taking my question. The Company provided I guess strong January prescription numbers last week for IS/NS, and I was just wondering if maybe you could provide trends over the last three weeks and whether you've continued to observe sustained growth across the three indications?

Don Bailey: We'll release February numbers within the first 10 days of March, so we don't want to get into the habit of giving out daily reports here. So we're not going to provide any information on this call or at the Citi Conference but we will provide information some time during the first 10 days of March in an 8-K.

Biren Amin: Okay. And I was just looking through the press release, it seems over the last two weeks the Company's observed an increase in about \$12 million in cash compared to I guess an increase of about 5 million over the previous three weeks, so I just wanted to understand the lumpiness.

Don Bailey: I think the lumpiness just has to do with payments of payroll and taxes and the receipt of when our single customer pays us. So I wouldn't read anything into that. It's just the normal variations in the, cash received and cash payments.

Biren Amin: All right. And then I guess...

Don Bailey: Medicaid's another set of big checks to goes out periodically. So, you know, we receive big checks, we send out big checks, so.

Biren Amin: Okay. And I guess one last question on the diabetic nephropathy study that's about to get underway. Could you maybe provide us with the study design?

Don Bailey: I don't think we're ready to do that at this time until it's published in clinicaltrials.gov, which I don't think it is yet. So you'll have to wait until it's published 'cause things can change (inaudible), you know, in the last little parts of the negotiation.

Biren Amin: Great, thanks.

Operator: Thank you. Our next question comes from the line of Mario Corso with Caris & Company. Please go ahead.

Mario Corso: Hi, good evening. Thanks for taking my question. Congratulations on a good quarter. And Don, thanks for going over some of the rumors and enlightening us on the good things that are really going on. A couple of things I wanted to ask. In terms of the additional nephrology reps, will any of them be in the field in the second quarter or will those all be entering the field beginning in the third quarter? And then in terms of the share buyback you mentioned nothing in the quarter but still committed to returning cash to shareholders, so should we assume that that means that there is plans for buying back shares in the current quarter? Thanks very much.

Don Bailey: I'm going to ask Steve Cartt to answer the first question on the timing of the NS expansion and Mike can answer the question on the buyback.

Steve Cartt: Yes, Mario, this is Steve. We'll probably start seeing reps in the field being trained towards the end of the second quarter. So, yes, we would expect to have everybody up and running and making calls in their new territories for the full third quarter for sure, but we'll start seeing some impact from that late in the second quarter.

Don Bailey: Mike, can you talk about the buyback?

Mike Mulroy: Yes. On the buyback, we're not going to comment on current activity. You know, I think the statement on our commitment, I would read that as a long term commitment. We'll obviously report after the fact on a quarterly basis what we have done looking backwards, but that's about as far as we'd go discussing it.

Don Bailey: Yes, we will say that we, you know, during the duration of this program, which is about a little bit under four years, we have bought back 20% of the outstanding shares, so when we jump in, we jump in pretty big usually.

Operator: Thank you. Our next question is a follow-up question from the line of Tim Chiang of CRT Capital. Please go ahead.

Tim Chiang: Hi, Don. Maybe just a follow-up to that question about the cash. Have you and the Board ever considered possibly issuing a special dividend or something else to sort of reward shareholders given the fact that you continue to build cash at this point?

Don Bailey: Well we certainly discuss that topic and obviously we haven't reached a conclusion to do so. So I think that's about all I can say on that but it does get discussed and we get various opinions from investors of to do it and not do it, how to do it and so forth.

Tim Chiang: Maybe just one follow-up on the diabetic nephropathy trial. Is there any sort of timeframe as to when you expect to have results from that trial?

Don Bailey: Well, we expect to get the trial going fairly soon, sometime in the first half of this year. But past that I don't think we have any expectations that we can provide you at this time.

Operator: Thank you. Our next question comes from the line of Patrick Lin with Primarius Capital. Please go ahead.

Patrick Lin: Hi, guys. Thanks for taking my question. The first one is just a real quick update in terms of what do you guys have planned currently for either investment conferences or potentially non-deal road shows in the various cities, just so I can kind of get an idea, you know, where we might be able to hook up.?

Don Bailey: Well, we'll be doing the Citi Conference next week. We're signed up for the Maxim Conference, which I think is in late March. The BofA Conference sometime in May. And of course we have a regular program of non-deal road shows that begun—we'll be doing throughout the year. I don't think I have a schedule in front of me, so. But, you know, we'll be out and amongst investors as we always have been.

Patrick Lin: Great. And Don, the explanation or background you gave was very, very helpful, I was just curious if you could also just add a little color to, you know, after you overcome some of the challenges there, how does it feel sitting in your office looking at the dashboard now in terms of your confidence level and visibility for the business versus let's say a year ago and versus two years ago, please?

Don Bailey: That's an excellent question. It seems as we move along in time the entire management team gets more and more enlightened about Acthar and the possibilities, and hence, gets more excited. Clearly Acthar is a drug that's helping patients and if there are some broader uses here for helping autoimmune and inflammatory conditions, the future is very, very bright for Acthar, and hence, for Questcor and, you know, there's hope for patients in all kinds of diseases. So it's very exciting. We think we have an excellent team of people to execute on both the commercial front and the scientific front as well as the manufacturing of this drug, which is very complex. So we feel good all around with our resources, and our opportunity, and it gets better all the time.

Patrick Lin: Thank you very much.

Operator: Thank you. Ladies and gentlemen, we have time for two last questions.

And our next question comes from the line of Yale Jen with Maxim Group. Please go ahead.

Yale Jen: Thanks for taking the follow-up question. Just about the lupus development, could you give us a little bit more color in terms of both potential Phase IV study as well as thinking about the marketing and other efforts for the year and maybe next year?

Don Bailey: Well, I'll let Steve answer the second question, but briefly on the first question we are interested in obtaining some data with respect to Acthar and lupus as in the most expeditious manner we can, so we're looking at both physician sponsored studies and Phase IV studies, and we're not ready to talk about those studies yet but we've been spending quite a bit of time in looking at both of those topics, as well as trying to get a case series together.

Steve, can you answer the second part of that question?

Steve Cartt: Yale, was your question related to timing for commercial activities?

Yale Jen: It's more commercial activity and what type of effort, at least at this moment, contemplated toward the end of the year or maybe next year.

Steve Cartt: Yes, we're kind of looking at the same model. Good question, by the way. We're looking at the same model that we used in nephrology a while back, which was to take a group of experienced rheumatology reps and have a pilot selling effort with some initial sets of data. So we're, you know, Don mentioned we're in the process of generating the data, and we'll be doing that over the next several months, getting some experience with the drug

in lupus patients, and we're targeting, you know, somewhere towards the end of the year to start a pilot effort with maybe half a dozen or so reps similar to what we did in nephrology. And if that goes well, you know, we could expand from there. So we're looking at a very, very similar model to what we did in nephrology.

Yale Jen: Okay, great. Thanks a lot for the coloring (ph) of the subject.

Operator: Thank you. Our last question is a follow-up question from the line of Jim Molloy with ThinkEquity. Please go ahead.

And pardon me, Mr. Molloy, your line is open. Please check to see if you're on mute.'

And there are no further questions in the queue at this time. I'd like to turn the call back to management for any closing remarks.

Don Bailey: Thank you, everybody, for calling in and we look forward to reporting on our progress next time at the end of the first quarter. Take care. Bye-bye.

Operator: Thank you. Ladies and gentlemen, this concludes the Questcor Fourth Quarter and Fiscal Year 2011 Earnings Conference Call. If you'd like to listen to a replay of today's conference, please dial 303-590-3030 or 1-800-406-7325, and enter the access code of 4509827, followed by the pound sign. We thank you for your participation. You may now disconnect.

END

NASDAQ **QCOR**

Fourth Quarter 2011

Conference Call



Conference Call Logistics

- Today's webcast, accompanying slide presentation and archived replay is available online at <http://ir.questcor.com/events.cfm>
- Telephone replay is available by dialing:
 - U.S.: 800-406-7325
 - International: 303-590-3030
 - Replay Passcode: 4480054

Safe Harbor Statement

Note: Except for the historical information contained herein, this press release contains forward-looking statements that have been made pursuant to the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "believes," "continue," "could," "estimates," "expects," "growth," "may," "plans," "potential," "should," "substantial" or "will" or the negative of such terms and other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Factors that could cause or contribute to such differences include, but are not limited to, the following: Our reliance on Acthar for substantially all of our net sales and profits; Reductions in vials used per prescription resulting from changes in treatment regimens by physicians or patient compliance with physician recommendations; The complex nature of our manufacturing process and the potential for supply disruptions or other business disruptions; The lack of patent protection for Acthar; and the possible FDA approval and market introduction of competitive products; Our ability to continue to generate revenue from sales of Acthar to treat on-label indications associated with NS, and our ability to develop other therapeutic uses for Acthar; Research and development risks, including risks associated with Questcor's work in the area of NS and potential work in the area of Lupus, and our reliance on third-parties to conduct research and development and the ability of research and development to generate successful results; Our ability to comply with federal and state regulations, including regulations relating to pharmaceutical sales and marketing practices; Regulatory changes or other policy actions by governmental authorities and other third parties in connection with U.S. health care reform or efforts to reduce federal and state government deficits; Our ability to receive high reimbursement levels from third party payers; An increase in the proportion of our Acthar unit sales comprised of Medicaid-eligible patients and government entities; Our ability to estimate reserves required for Acthar used by government entities and Medicaid-eligible patients and the impact that unforeseen invoicing of historical Medicaid prescriptions may have upon our results; Our ability to effectively manage our growth, including the expansion of our NS selling effort, and our reliance on key personnel; The impact to our business caused by economic conditions; Our ability to protect our proprietary rights; The risk of product liability lawsuits; Unforeseen business interruptions and security breaches; Volatility in Questcor's monthly and quarterly Acthar shipments and end-user demand, as well as volatility in our stock price; and Other risks discussed in Questcor's annual report on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission, or SEC, on February 22, 2012, and other documents filed with the SEC.

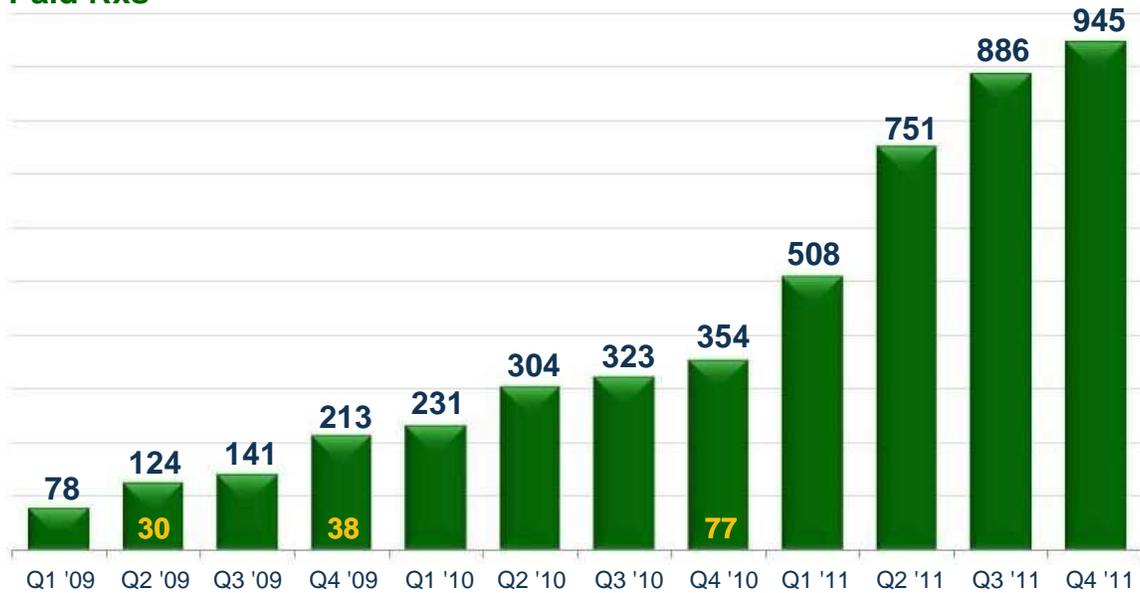
The risk factors and other information contained in these documents should be considered in evaluating Questcor's prospects and future financial performance.

Strong Fourth Quarter Results

- **945 paid MS scripts**
 - Up 167% YOY
- **146 paid NS scripts**
- **120 paid IS scripts**
- **Record financial performance**
 - 3,360 vials
 - \$75.5M in net sales
 - \$0.48 EPS (diluted)

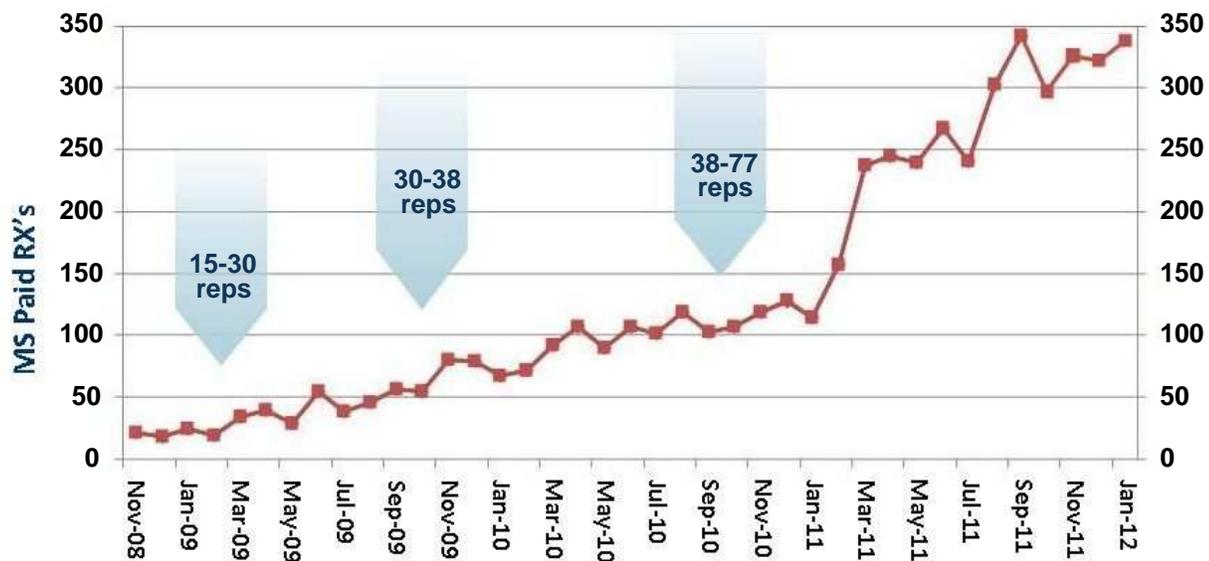
MS Scripts-Record of Consistent Growth

Paid Rx's



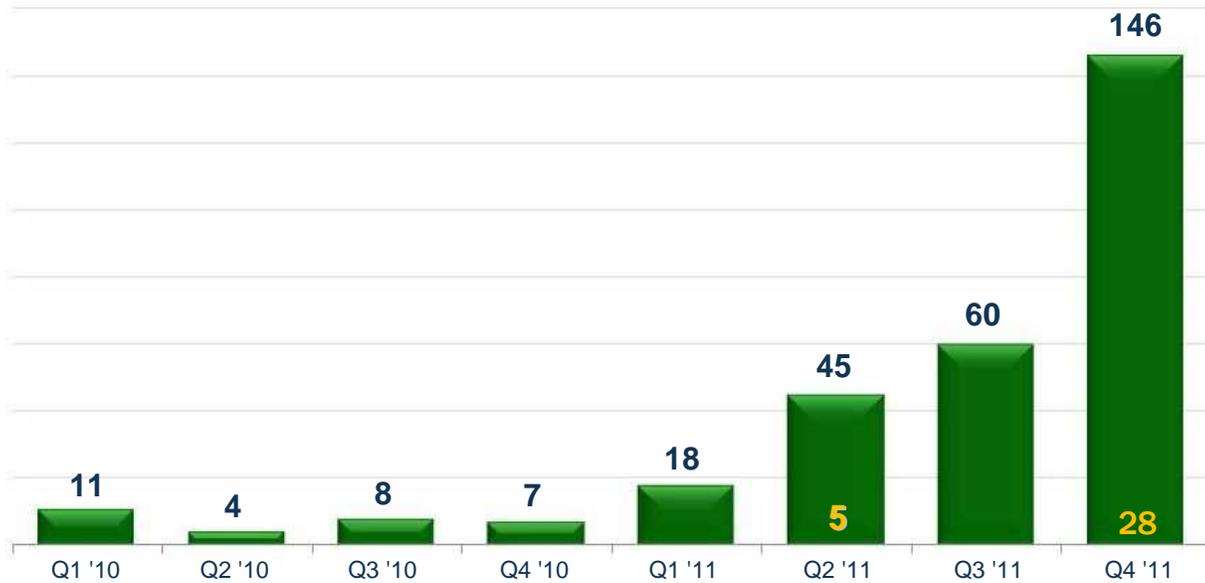
Notes: Historical trend information is not necessarily indicative of future results. Acthar is marketed for the on-label indication of MS exacerbations in adults, though the chart includes "Related Conditions" - diagnoses that are either alternative descriptions of the condition or are closely related to the medical condition which is the focus of the chart. About 5% of the prescriptions in the tables are for related conditions. Yellow numbers in the bars show the number of MS sales representatives making calls for the majority of the quarter.

Monthly MS Scripts History



Notes: Historical trend information is not necessarily indicative of future results. Acthar is marketed for the on-label indication of MS exacerbations in adults, though the chart includes "Related Conditions" - diagnoses that are either alternative descriptions of the condition or are closely related to the medical condition which is the focus of the chart. About 5% of the prescriptions in the tables are for related conditions.

NS Scripts-Strong Q4 Growth



Yellow numbers in the bars show the number of NS sales representatives making calls for the majority of the quarter. Q3 '11 included expansion and training of new sales people.

Paid Rx's



Notes: Historical trend information is not necessarily indicative of future results. Chart includes "Related Conditions" - diagnoses that are either alternative descriptions of the condition or are closely related to the medical condition which is the focus of the chart.

Q4-2011 Financial Results

Record Net Sales (up 158%) and Solid Earnings (EPS up 380%)

	Q4 –2011	Q4 –2010
Net Sales (\$M)	\$75.5	\$29.3
Gross Margin	95%	94%
Operating Income (\$M)	\$42.7	\$10.8
Fully Diluted, GAAP EPS	\$0.48	\$0.10

- Fourth quarter vials shipped: 3,360
- Fourth quarter cash flow from operations: \$31.4M
- Channel inventory estimated to be within historic range
- Medicaid reserves continue to appear adequate
- No shares repurchased

2011 Financial Results

Record Net Sales (up 90%) and Solid Earnings (EPS up 124%)

	2011	2010
Net Sales (\$M)	\$218.2	\$115.1
Gross Margin	94%	93%
Operating Income (\$M)	\$113.1	\$53.8
Fully Diluted, GAAP EPS	\$1.21	\$0.54

- Total vials shipped: 10,710
- Cash flow from operations: \$85.6M
- Channel inventory estimated to be within historic range
- Medicaid reserves continue to appear adequate
- 884,300 shares repurchased

Questcor is Cash Flow Positive

	02/15/12
Cash / ST Investments	\$226M*
Accounts Receivable	\$44M

*After return of \$78million of cashto shareholders through sharerepurchases.

Debt-free balance sheet

Investment Highlights

Acthar has sustainable competitive advantages-without FDA approval risk

Acthar is approved for 19 indications-many in large markets with sizable unmet need

Sales in MS and NS are growing rapidly, yet market penetration is low

Developing new vertical market up

High margins provide good operating leverage

Profitable, cash flow positive, no debt

