Global Hunter Securities, LLC
Institutional Sales & Trading: (949) 274-8050
Research: (949) 274-8052
660 Newport Center Dr. Suite 950
Newport Beach, CA 92660
www.ghsecurities.com
Director of Research: Justin Cable
Direct: (949) 274-8055

June 5, 2008
Initiation of Coverage
Special Situations: Healthcare
Research Provided by California Equity Research

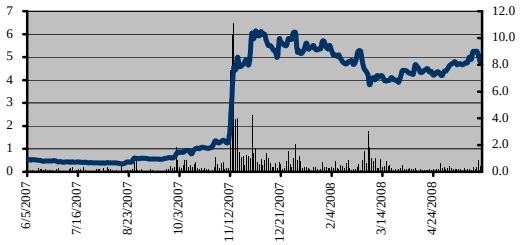
Analyst: Bud Leedom
bleedom@ghsecurities.com
Direct: (949) 274-8036

Rating:	**Buy**
Price Target:	**$8.50**

Price Target Metrics: 11.5x EV/EBITDA based on 2008 estimates

Current Price:	**$5.08**
Diluted Shares:	74.1MM
Float:	44.0MM
Short Interest:	3.4MM
Average Daily Volume:	361k
52-week Range:	$0.21 - $6.6
Market Cap:	**$376MM**
Cash & Investments:	$32MM
Debt:	$0MM
Enterprise Value:	$344MM
Net Cash/Sh:	$0.43
Tangible Book Value/Sh:	$0.67

PRICE CHART



ESTIMATES - US $ (MMs except multiples & EPS)

		2007		2008		2009	
Revenues							
Q1	Mar	$3.7	A	$19.1	A		
Q2	Jun	$4.1	A	$21.6	E		
Q3	Sep	$14.8	A	$24.8	E		
Q4	Dec	$27.1	A	$22.9	E		
FY		$49.8	A	$88.4	E	$99.3	E
EV/Sales		**6.9x**		**6.9x**		**3.9x**	
EPS							
Q1	Mar	($0.05)	A	$0.09	A		
Q2	Jun	($0.02)	A	$0.09	E		
Q3	Sep	$0.12	A	$0.11	E		
Q4	Dec	$0.47	A	$0.10	E		
FY		$0.52	A	$0.39	E	$0.48	E
P/E		**9.7x**		**13.1x**		**10.7x**	
EBITDAS							
Q1	Mar	($3.3)	A	$12.7	A		
Q2	Jun	($2.0)	A	$12.6	E		
Q3	Sep	$9.5	A	$14.7	E		
Q4	Dec	$20.7	A	$12.1	E		
FY		$23.9	A	$52.0	E	$55.9	E
EV/EBITDA		**14.4x**		**6.6x**		**6.2x**	

Questcor Pharmaceuticals, Inc.

(NasdaqGM: QCOR)

Event: Initiating coverage with a Buy Rating. Turnaround in core Acthar franchise and significant growth opportunity in new indications.

Summary: We are initiating coverage of Questcor Pharmaceuticals, Inc ("Questcor") with a Buy rating and 12-month price target of $8.50. We believe the turnaround is complete and management is positioning the company for long-term growth based on an extensive on-label position for lead drug Acthar. In FY08, we believe the company will continue to grow Acthar in the Infantile Spasm market at its new price point, drive incremental sales growth in Multiple Sclerosis treatments and position itself for long-term growth by targeting new indications. We believe the company is currently undervalued relative to peer valuations in the pharmaceutical and biotechnology industry.

Investment Considerations

Reemerged as a player in the pharmaceutical industry. As a result of new management's decision to raise the pricing of its core product, Acthar, Questcor has experienced a dramatic financial recovery. 1Q08 revenue surged 417% to $19.1 million following the August 2007 Acthar price increase from $1,650 to $23,269 per treatment.

We expect strong revenue growth. We estimate FY08 revenue will grow 78% year-over-year to $88.4 million based on a full year of Acthar sales at its new ASP. Growth will be driven additionally by incremental sales gains in the refractory MS flare market.

Questcor plans to file a supplemental NDA for Acthar by the end of 2008 for Infantile Spasms (IS). Sales to the IS market, while off-label, account for more than 80% of the company's total revenue. We believe Questcor could receive FDA approval by mid-2009 and begin marketing Acthar directly to physicians for IS treatment in 2H09.

The company is retargeting the MS market with the additions to its sales force. We believe the refractory market for MS flare is in excess of 5x the IS opportunity and provides a solid market opportunity for patients that do not respond to top-line treatment. The company plans to add seven new salespeople by mid-year 2008 to pursue its opportunity in MS.

Acthar was FDA approved in 1952 and is on-label for 53 indications. We believe this represents a significant call option on the company's growth. Management is undergoing a review of existing data related to these indications and plans to announce the strategy to penetrate new markets in early 2009.

The company recently announced a seven million share buyback. Questcor has authorized the repurchase of almost 10% of its total outstanding diluted shares. To-date, the company has repurchased approximately 1.5 million shares in the range of $4.00-4.50, providing a theoretical level of support for the stock.

Questcor ranks among the leading values among pharmaceutical companies based on operating margins. The company currently generates gross margins in excess of 90%, EBITDA margins of 55% and base cash flow from operations that we estimate will exceed 50% of revenue in FY08. The current free cash flow yield is 13.8%, amongst the strongest margins in the sector.

Initiating coverage with a Buy rating and $8.50 price target. While Questcor shares have risen significantly since the Acthar price increase in August 2007, we believe these continue to trade at a sizable discount relative to peer valuations. We believe Questcor shares are worth $8.50 per share based on an EV/EBITDA multiple 11.5x our $52.0 million FY08 EBITDAS estimate.

Company Description: *Questcor is a pharmaceutical company specializing in inflammatory diseases through its lead product Acthar. The company sells Acthar to treat Infantile Spasm and Multiple Sclerosis and is FDA approved for 53 additional indications in the inflammatory market.*

Investment Highlights

Questcor returned from the brink in 2007. After suffering through years of losses on anemic revenue growth, the company faced a bleak outlook for growth and then further uncertainty upon the departure of its CEO in May 2007. Under a bold strategy proposed by the company's current CEO, Don Bailey, while serving as a board member, Questcor moved to dramatically raise the price of its core product, Acthar, based on perceived pricing power in the Infantile Spasms (IS) market. **In August 2007, the company implemented a price increase from approximately $1,650 per vial to more than $23,000 per vial.** Despite a subsequent plunge in prescriptions to patients suffering from refractive Multiple Sclerosis flare, a secondary market for the company, prescriptions in IS suffered only a minor downturn. The impact to the company's financial health was immediate, however, as Questcor posted a 266% surge in 3Q07 revenue, its first reported quarter following the price increase, and profit of $8.6 million.

Just three quarters into the price increase, Questcor has reemerged as a growth story. The company is rebuilding its sales force, investing in R&D and repackaging its NDA submission to the FDA for the on label approval of Acthar in the treatment of IS. We believe IS, at only 2,000 patients per year in the U.S., represents a captive market for the company with Acthar as the best in class treatment. The company's plan to resubmit data to the FDA to gain on-label approval for IS follows a non-approvable letter it received in May 2007 due to an inadequate submission. With competitor **Ovation Pharmaceuticals** expected to win on label approval for **Vigabatrin** in IS by this summer, we believe Acthar can achieve on-label status by mid 2009 with only a negligible hit to market share. We estimate FY08 Acthar revenue in the IS market of $87.0 million with a slight rise to $89.5 million in FY09.

We believe near-term growth will come from incremental sales of Acthar in the MS market. Following the steep price increase of Acthar in 2007, patient prescriptions for MS plummeted as physicians switched to other treatments. We estimate that the company sells approximately 35 vials of Acthar for the treatment of MS per quarter. However, we believe the company has the ability to rebuild its presence in this market as an alternative to patients that do not respond to other treatments. These treatments receive full insurance coverage. While we anticipate only minor incremental gains in MS sales of Acthar in FY08 as new sales hires ramp up and estimate total MS revenue of $4.0 million. In FY09, we believe the company can grow MS revenue to $11.8 million on the incremental sale of 360 vials.

One of the most compelling aspects of the Questcor story is the treasure trove of on-label uses of Acthar and corresponding clinical data amassed over several decades. Acthar, approved by the FDA in 1952, was purchased in 2001 from **Aventis Pharmaceuticals** (now CSL Behring). The drug sees wide use today in only two indications, IS and refractory MS Flare. Part of the initiative of new management is to cull through the extensive data records on Acthar to determine viable new markets for the drug. The company plans to present a new strategic plan based on these findings in early 2009 and we believe certain target markets have already been identified. We believe these attributes of Acthar present investors with a potential home run for long-term growth.

We believe Questcor currently trades at an attractive discount to market. With a stable market in IS, a near-term growth opportunity in MS and a valuable call option on the long-term growth of Acthar in new indications, we believe there is significant opportunity for the company to grow over the next several years. Questcor has a strong cash flow generating business model with some of the strongest margins among its peer group. And while we believe the company remains focused on growth of its Acthar franchise, the company is in a position build added value as its developmental treatment for pain, QSC-001, moves into pivotal trials this year. The company also implemented an aggressive buyback earlier in the year, for a total of seven million shares, almost 10% of its diluted shares outstanding. With the repurchase of 1.5 million shares in the $4.00-4.50 range, this can be considered a theoretical floor for the stock. We believe the core business of Questcor, the treatment of IS and MS, is presently worth $8.50 per share based on a 11.5x EV/EBITDA multiple, which is discounted by 30% to its peer group.

Valuation

In our view, Questcor presents two opportunities. The core opportunity is the Acthar franchise in IS and the second opportunity is a call option on the company's 53 on-label indications. We believe the company's core opportunity offers significant value as a high margin/high cash flow business with a stable patient population. The call option opportunity is a bet that Questcor will be able to capitalize on its vast on-label portfolio of approved indications.

Based on the strength of Questcor's core business, we believe the company is currently undervalued at current prices on a number of metrics. With no direct public competitors in the IS vertical, we compiled

biotechnology and pharmaceutical companies with similar gross and EBITDA margins to compare valuations. While Questcor ranks among the highest in margins, the company ranks among the lowest in valuation. We believe this valuation gap is related to the company's small size relative to competitors in this group, single product profile, and the early stage of its turnaround. We also believe the market is discounting the fact that the company retains significant leverage on pricing within IS and, following our expectation of FDA approval in mid-2009, will be able to market Acthar directly to physicians to both grow and expand its IS market opportunity. We are valuing the core business of Acthar, the opportunity in IS, OMS and MS, at $8.50 per share based on an 11.5x EV/EBITDA multiple discounted by 30% from peer multiples of 15x. We believe a compelling metric that highlights the company's tremendous cash flow relative to value is a current free cash flow yield of 13.8%.

The Questcor "call option" is a far more challenging opportunity to value. The company is currently assessing its future opportunities among 53 on-label and 27 off-label indications with a definitive strategic plan to pursue these opportunities slated for release in early 2009. While we believe the company has identified particular indications that it intends to explore with Acthar, management has provided no hint of these potential indications to-date. We have outlined some likely opportunities based on available clinical data in the following pages and we believe the company will generate revenue from its new market strategy in 2009. We are conservatively valuing this opportunity at zero until specific end markets are identified. We believe, however, that this opportunity could possibly reach several hundered million in incremental revenue and be worth several dollars per share in valuation based on a comparative penetration in the MS market by Questcor, pre-price increase.

Exhibit 1

Comparable Valuations

($MM, except percentage and multiples)

					LTM Results				LTM Operating Margin				Forward Multiples		
Company	**Ticker**	**Stock Price**	**Mkt. Cap**	**Ent. Value**	**EV/ Sales**	**EV/ EBITDA**	**EV/ TBV**	**P/E**	**Gross Margin %**	**EBIT Margin %**	**EBITDA Margin %**	**Net Margin %**	**EV/ Sales**	**EV/ EBITDA**	**P/E**
Gilead Sciences Inc.	GILD	$56.24	51,013	51,519	11.6	22.1	7.9	31.3	81.2%	51.0%	52.2%	38.2%	15.0	715.5	NM
Genentech Inc.	DNA	$72.47	76,400	74,603	6.2	14.7	16.8	25.5	87.0%	38.1%	42.5%	25.5%	5.7	13.3	21.3
Amgen Inc.	AMGN	$44.50	48,066	50,596	3.4	7.7	20.5	15.2	83.8%	36.4%	44.7%	21.7%	3.5	7.9	10.6
Celgene Corporation	CELG	$62.83	26,723	24,893	15.8	20.0	NM	NM	90.3%	28.4%	31.0%	(93.5)%	34.6	377.2	NM
OSI Pharmaceuticals Inc.	OSIP	$39.04	2,198	2,213	6.2	17.2	7.5	20.3	97.3%	34.2%	36.4%	25.1%	5.8	14.8	21.9
Biogen Idec Inc.	BIIB	$62.25	17,914	18,142	5.3	13.6	27.4	28.5	89.6%	27.6%	39.3%	19.7%	4.7	NM	18.2
Sepracor, Inc.	SEPR	$21.14	2,219	2,238	1.8	28.5	NM	46.2	90.5%	5.1%	6.5%	4.2%	1.7	13.7	13.9
Genzyme Corp.	GENZ	$68.41	17,894	17,740	4.4	15.2	3.7	39.8	75.3%	20.3%	29.0%	11.6%	3.9	10.1	17.0
Amylin Pharmaceuticals Inc.	AMLN	$31.28	4,189	4,055	5.0	NM	NM	NM	91.0%	(31.7)%	(28.9)%	(28.6)%	4.4	NM	NM
Low		$21.14	2,198	2,213	1.8	7.7	3.7	15.2	75.3%	(31.7)%	(28.9)%	(93.5)%	1.7	7.9	10.6
Mean		**$50.91**	**27,402**	**27,333**	**6.7**	**17.4**	**14.0**	**29.6**	**87.3%**	**23.3%**	**28.1%**	**2.7%**	**8.8**	**164.7**	**17.1**
Median		**$56.24**	**17,914**	**18,142**	**5.3**	**16.2**	**12.4**	**28.5**	**89.6%**	**28.4%**	**36.4%**	**19.7%**	**4.7**	**13.7**	**17.6**
High		$72.47	76,400	74,603	15.8	28.5	27.4	46.2	97.3%	51.0%	52.2%	38.2%	34.6	715.5	21.9
Questcor Pharmaceuticals, Inc.	QCOR	$5.08	329	297	4.6	7.9	3.0	8.3	91.2%	56.6%	57.3%	73.4%	3.5	6.7	10.6

Source: Company data, Global Hunter Securities, LLC

Risks & Considerations

Competition: Questcor competes with several companies in the Infantile Spasm and Multiple Sclerosis market. One such competitor is **Ovation Pharmaceuticals**, maker of Vigabatrin, which holds an estimated 25% market share in the IS market. Ovation has filed for FDA approval of Vigabatrin in the treatment of IS and, following approval, can market its drug directly to physicians that treat IS. Successful FDA approval of Vigabatrin could impact the company's market share and our estimates.

Risk of denial or delay in receiving FDA approval of Acthar in IS: Questcor is expected to file a supplemental NDA filing for the approval of Acthar in the treatment of IS by year end 2008. Our estimates assume the FDA approval of Acthar by mid-year 2009. Any denial or delay in gaining FDA approval for Acthar could impact our EPS estimates.

Potential failure of new markets to materialize for Acthar: Our long-term growth expectations for Questcor assume that the company will be able to identify new markets for Acthar among its 53 on-label approved uses. Failure of the company to identify or penetrate these new markets could impact our estimates.

Insurance reimbursement risk: Our financial model assumes that insurance companies will continue to reimburse the treatments of Acthar at its full list price. Any change in reimbursement policy towards Acthar could materially impact our earnings estimates.

Medicaid rebate: As outlined in our discussion of the company's sales reserve, the company records a loss on the sale of each vial of Acthar sold to treat Medicaid eligible patients. The company is subject to further losses on future price increases applied to Acthar due to the formula applied under Medicaid. Any significant increase in usage of Acthar by Medicaid patients or unforeseen negative influences as a result of price increases could impact our estimates.

Single source suppliers. The company relies on FDA-approved single source suppliers for part of the production of Acthar. Any manufacturing disruption or FDA action related to manufacturing could disrupt the company's source of supply for Acthar and impact sales to customers.

Acthar Commercial Opportunity: Summary

Acthar is a highly purified preparation of the adrenal corticotropin hormone (ACTH). It is primarily used to treat Infantile Spasms (IS) - an age-specific seizure disorder of infants. We view Acthar as an attractive commercial opportunity for Questcor owing to the combination of: (1) a stable, addressable patient population; (2) more than 50 years of history with child neurologists; (3) compelling clinical data compared to the competing products; and (4) the strategic initiative to expand to one or more of Acthar's 53 on-label and 27 other off-label indications.

We believe that Questcor's most important growth catalyst is the planned late-2008 resubmission of a Supplemental New Drug Application (sNDA) to the FDA for the use of Acthar in the treatment of IS. We expect possible FDA labeling for IS use by mid-2009. We believe that such labeling should lead to further penetration of the IS market by the company, driving its growth.

Acthar: Market Opportunity

We believe that Acthar will continue to be the gold standard treatment in its current uses. Questcor's market strength in Infantile Spasms is solid and possible FDA approval will drive the company's growth.

Acthar is highly purified preparation of the adrenal corticotropin hormone (ACTH) from porcine pituitary glands. Questcor acquired it from Aventis Pharmaceuticals (now CSL Behring) in July 2001. Acthar was approved by the FDA in 1952 and is used in a wide variety of conditions with an inflammatory component, including the treatment of IS, opsoclonus myoclonus syndrome (OMS) and periodic flares associated with MS.

ACTH, as the name implies, stimulates the adrenal cortex (outer portion of the adrenal gland located on top of each kidney) and leads to the secretion of *natural* corticosteroids such as cortisol. *Synthetic* corticosteroids are among the most frequently used drugs, and are often prescribed for their anti-inflammatory and immunosuppressive properties. Natural corticosteroids secreted after Acthar injections are believed to lead to similar therapeutic effects in the treatment of inflammatory and autoimmune diseases like MS.

In addition to the indication for treatment of MS flares, Acthar has 52 other labeled indications for various dermatologic diseases, endocrine disorders, rheumatic disorders, collagen diseases, allergic states, ophthalmic diseases, respiratory diseases, hematologic disorders, neoplastic diseases, edematous states, and gastrointestinal diseases.

Exhibit 2

Acthar Indications

On-label Indications			
• Atopic dermatitis • Bronchial asthma • Contact dermatitis • Seasonal or perennial allergic rhinitis • Serum sickness • Acute rheumatic carditis • Systemic dermatomyositis • Systemic lupus erythematosus • Bullous dermatitis herpetiformis • Exfoliative dermatitis • Mycosis fungoides	• Pemphigus • Severe erythema multiform • Severe psoriasis • Severe seborrheic dermatitis • Nonsuppurative thyroiditis • Hypercalcemia associated with cancer • Regional enteritis • Ulcerative colitis • Acquired hemolytic anemia • Congenital hypoplastic anemia	• Acute exacerbations of multiple sclerosis • Allergic conjunctivitis • Allergic corneal marginal ulcers • Herpes zoster ophthalmicus • Optic neuritis • Uveitis* • Aspiration pneumonitis • Berylliosis • Loeffler's syndrome • Sarcoidosis • Tuberculosis	• Acute and subacute bursiti • Acute gouty arthritis • Acute nonspecific tenosyno • Ankylosing spondylitis • Epicondylitis • Post-traumatic arthritis • Psoriatic arthritis • Rheumatoid arthritis • Synovitis of osteoarthritis • Erythroblastopenia • Secondary thrombocytopenia in adults • Nephrotic syndrome
Off-label Indications			
• Adrenal insufficiency • Panhypopituitarism • Other anterior pituitary disorders • Opsoclonus myoclonus • Lennox-Gastaut syndrome	• Landau-Kleffner syndrome • Electrical status epilepticus in sleep • Myasthenia gravis • Partial cerebral palsy • Transplant	• Migraine • Chr inflamm demyel polyneuropathy • Acute dissem encephalomyelitis • Encephalopathy • Anencephaly	• Transverse myelitis • Charcot-marie tooth disease • Angioedema • Fibromyalgia • Lumbalgia (back pain) • High risk pregnancy

Source: Company data

Acthar is primarily used for two off-label indications – IS and OMS. Of the total Acthar prescriptions in 2007, 84% went towards IS and 10% towards OMS, neither of which are mentioned as FDA-approved indications on Acthar package labeling. Of the remaining prescriptions 4% were for MS flares and 2% for other miscellaneous indications.

IS, a rare form of epilepsy, is an age-specific seizure disorder that typically occurs in children less than two years old. The incidence of IS varies from 0.25 to 0.60 per 1000 live births and **an estimated 2000 IS cases occur annually in the U.S.** The spasms are usually sudden, brief muscle contractions of neck, trunk and limbs with brief lapse in consciousness. The spasms are accompanied by an abnormal EEG (electroencephalogram) pattern known as hypsarrythmia. The continuing spasms and hypsarrythmia lead to poor brain maturation and cognitive development. Many inadequately treated infants become severely disabled, physically and intellectually, and develop multiple types of seizure.

Currently, there is no FDA approved IS drug in the market. Conventional antiepileptic drugs do not work in IS. ACTH has been the main therapy since 1958 and has become the standard-of-care in IS. Therapeutic objective in IS is to control the seizures and normalize EEG pattern. In more than 14 clinial trial studies of ACTH since 1966, response rates for cessation of spasms has been shown to range from 39% to 100% and normalization of EEG pattern from 21% to 100%. Based on these studies, **a 2004 report of the American Academy of Neurology and the Child Neurology Society concluded that Acthar has the most compelling data in the treatment of IS.** We believe that Acthar yields the best response and relief in majority of IS cases and continues to remain the gold standard IS treatment.

Aprroximately 10% of total Acthar prescriptions in 2007 went towards opsoclonus myoclonus syndrome (OMS). OMS is a rare neurological disorder that appears to be the result of an autoimmune process. It usually affects infants and young children and occurs at an average age of 19 months. "Opsoclonus" is an unusual disorder of eye movement in which both eyes dart involuntarily (‘dancing eyes’). "Myoclonus" means brief muscle jerks. OMS is characterized by the sudden onset of brief, repeated, shock-like spasms of muscles within the arms, legs, or entire body (myoclonus), an impaired ability to control voluntary movements (ataxia), and continual, involuntary, rapid eye movements (opsoclonus). **ACTH is the gold standard for the treatment of OMS and is associated with the best response.**

According to a recent company survey of child-neurologists, Acthar is prescribed to treat about 40% of the IS cases in the U.S. We believe that the market strength of Acthar in IS is stable because of its best clinical response and more than 50 years of history with neurologists.

Competition

Competing Infantile Spasms drugs, in various stages of development, have been filed for approval with the FDA.

The company does not have a patent on Acthar, but there are high barriers to entry due to complex, multi-step manufacturing processes involving proprietary knowledge. The processes used to manufacture and test Acthar are also subject to FDA inspection and approval. Questcor began the transition of the manufacturing of Acthar API and of Acthar finished vials from Aventis (now CSL Behring) to new contract manufacturers in early 2003. The company has successfully transferred most of the processes and bioassays from CSL Behring to **Chesapeake Biological Laboratories**, **Bio Vectra** and a contract laboratory and has obtained FDA approvals for these transfers. Only the potency bioassay for Acthar is still conducted by CSL Behring and is waiting for a transfer to a new contract laboratory. We believe that it is very difficult for a competitor or a generic company to reproduce Acthar's manufacturing processes with FDA approval.

Currently there is no FDA approved IS drug in the market. Some drugs, in various stages of development, have been filed for approval with the FDA for IS or have been approved by regulatory authorities in other countries:

Vigabatrin: Vigabatrin is an antiepileptic drug that is currently approved for use in Canada. **Ovation Pharmaceuticals** announced in February 2008 that the FDA has accepted the company's new drug applications (NDA) for Sabril (vigabatrin) in two types of epilepsies: IS and CPS (Refractory complex partial seizures) and assigned a priority NDA review for Sabril for the treatment of IS. Vigabatrin was synthesized in 1974 as the first designer drug for epilepsy. It produces a two- to three-fold increase in brain levels of GABA, a substance in the brain that acts to inhibit epileptic seizures. Vigabatrin is not available in the U.S. and has to be imported from overseas (mainly from Canada, Mexico) for each individual case.

Vigabatrin is used to treat about 25% of the IS cases in the U.S. It is regarded by many as the first choice in the treatment of IS where the specific cause of spasms is tuberous sclerosis (TS), that leads to growth of benign tumors in the brain and on other vital organs. **An estimated 20% of IS cases are caused by TS**. Vigabatrin's efficacy in IS with causes other than TS was found to be only 27% in a May 2008 study by Camposano et al. (Vigabatrin in the treatment of childhood epilepsy: A retrospective chart review of efficacy and safety profile, Epilepsia).

Synacthen: Synacthen is the synthetic version of ACTH containing 24 amino-acids (Natural ACTH contains 39 amino-acids). Synacthen is approved in the European Union for use in treating MS flares. Synacthen is not available in the U.S. and has to be imported from overseas for each individual case.

Ganaxolone: Marinus Pharmaceutical started Phase IIb clinical trials of Ganaxolone for IS and complex partial seizures in 2007. Ganaxolone is a synthetic neuroactive steroid and has been shown to be an efficacious anticonvulsant agent in animal models. In various pediatric studies with numbers ranging from 13 to 27 children, the response rates for refractory infantile spasms (>50% reduction in spasms) ranged from 30%-45%.

In the MS flares market, the primary competitive product is **Pfizer's** Solu-Medrol (Methylprednisolone). Methylprednisolone is a potent anti-inflammatory steroid but Acthar continues to be used in MS patients who do not respond to or cannot tolerate intravenous methylprednisolone.

Advantages of Acthar over Other Products

We believe that Acthar has substantial competitive advantage because of its superior clinical response and more than 50 years of history with neurologists.

ACTH has been the main therapy for IS since 1958 and has become the standard-of-care in the U.S. It has more than 50 years of history with child neurologists and its safety profile is well known. This brand recognition in itself provides Acthar substantial advantage over other competing products, especially because no IS drug can be actively marketed in the U.S. due to a lack of FDA approval. Specific comparisons with different drugs regarding the therapeutic efficacy are highlighted in Exhibit 3 and discussed here:

ACTH vs. Vigabatrin: Based on more than 14 clinical trial studies of ACTH since 1966, a 2004 report of the American Academy of Neurology (AAN) and the Child Neurology Society (CNS) concluded that Acthar has

the most compelling data in the treatment of IS. The AAN recommended the use of ACTH for treatment of IS with a level B rating compared to a level C rating recommendation for Vigabatrin. Level B rating requires more convincing studies than level C and provides Acthar with the best practice staus for treatment of infantile spasms in children.

More specifically, ACTH response rates for cessation of spasms was shown to range from 39% to 100% and normalization of EEG pattern from 21% to 100%, whereas Vigabatrin response rates for cessation of spasms was shown to range from 11% to 75% and normalization of EEG pattern from 11% to 83%. In a study directly comparing ACTH and Vigabatrin in IS (Vigevano et al., Epilepsia, 1997), the total efficacy results were 81% for ACTH and 46% for Vigabatrin.

Vigabatrin is also associated with retinal toxicity - the most significant adverse effect of Vigabatrin treatment is the development of concentric visual field defect, which has been reported in approximately 30% of adults and 19% to 30% of treated children.

ACTH vs. Prednisone: Four studies directly compared ACTH and prednisone in the treatment of IS (cited in the 2004 report of AAN and CNS). High dose ACTH (150 U/day) was found to be superior to prednisone. In one of the studies, 100% cessation of spasms was achieved with ACTH compared to 59% with prednisone, and 97% normalization of EEG was achieved compared to 50% in the prednisone group, demonstrating superior efficacy of high dose ACTH therapy. No statistically signifant difference (42% vs. 33%) in efficacy was seen between low-dose ACTH (20 U/day) and prednisone.

ACTH vs. Cortrosyn: Acthar is specially formulated in 16% geleatin to provide prolonged release after intramuscular or subcutaneous injection. After injection in humans, Acthar is absorbed over 8-16 hours. The elimination half-life of circulating ACTH is about 15 minutes, but because of the slow absorption after injection of the gel, effects may persist up to 24 hours. This long-acting property differentiates it from the short-acting, immediate release ACTH (Cortrosyn, Amphastar Pharmaceuticals).

ACTH vs. Synacthen: Safety profile of Synacthen (Synthetic ACTH with 24 amino acids) is not completely known. Some researchers have reported that synthetic ACTH has more adverse effects than natural ACTH. In 1983, Ito et al. (Dev Med Child Neurol 25, pp. 475–480) found that 100% (24/24) patients exhibited a decreased brain volume after 10–20 IU/day of synthetic ACTH. These findings were supported by Glaze et al. (Pediatr Neurol 2 (1986), pp. 23–27), who reported that computerized tomography (CT) findings in 71% (5/7) of patients treated with 20 U/day of natural ACTH for 2 weeks revealed decreased brain volumes. In 2000, Rikonen (Steroid or vigabatrin in the treatment of infantile spasms? Pediatr Neurol 23, pp. 403–408) reported a higher rate of severe adverse effects in synthetic ACTH-treated children than in children treated with natural ACTH. We believe that the possible increase in adverse effects along with no availability or approval in the U.S. provide Acthar with substantial advantage over Synacthen.

ACTH vs. other agents: Some other agents including valproic acid (Depakote), nitrazepam, pyridoxine, zonisamide, topiramate (Topamax) and novel therapies like IV immunoglobulin, liposteroid, ketogenic diet, thyrotropin-releasing hormone have been used for IS. According to the 2004 joint AAN-CNS report, the data is insufficient or inadequate to determine their effectiveness in the treatment of IS. The response rate for cessation of spasms in IS after treatment with these agents ranged from 11% to 50%, compared to 39% to 100% response for ACTH.

Exhibit 3

Acthar's Competitive Advantage in Infantile Spasms

Company	Product	Acthar's competitive Advantages
Ovation Pharmaceutical	Vigabatrin	• Stronger AAN and CNS recommendation for ACTH in IS • 81% vs. 46% total efficacy results for ACTH vs. Vigabatrin in a direct comparison study • Vigabatrin efficacy appears to be limited to tuberous scelerosis caused IS cases (~20% of the total cases) • ~30% retinal toxicity events reported after Vigabatrin treatment in adults, in 19%-30% of treated children • Acthar's U.S. availability • Acthar's 50 years of history with child neurologists and familiar safety profile
Apotex Qualitest Pharmaceutical Watson Pharmaceuticals	Prednisone	• AAN and CNS recommendation for ACTH in IS, no evidence for prednisone • 100% cessation of spasms achieved with high-dose ACTH compared to 59% with prednisone
Amphastar Pharmaceutical	Cortrosyn	• Long-acting property of ACTH, with effects persisting for up to 24 hours • No safety or dosage profile of Cortrosyn in IS
Novartis UK	Synacthen	• More adverse effects reported for Synthetic ACTH • Acthar's 50 years of history with child neurologists and familiar safety profile • Acthar's U.S. availability

Source: Company data, Global Hunter Securities, LLC

Regulatory Status

Acthar is FDA approved for sale in the U.S. with 53 on-label indications. The company has successfully transferred the manufacturing processes to new contract manufacturers and has obtained FDA approvals for these transfers.

Acthar is currently approved in the U.S. for the treatment of MS flares and many other conditions with an inflammatory component. In addition to the indication for treatment of MS flares, Acthar has 52 other FDA approved labeled indications for various dermatologic diseases, endocrine disorders, rheumatic disorders, collagen diseases, allergic states, ophthalmic diseases, respiratory diseases, hematologic disorders, neoplastic diseases, edematous states, and gastrointestinal diseases.

Questcor has successfully transferred the manufacturing of Acthar API and of Acthar finished vials from Aventis (now CSL Behring) to new contract manufacturers and has obtained FDA approvals for these transfers. The Acthar final fill and packaging process transfer to the contract manufacturer Chesapeake

Biological Laboratories was approved in January 2004. The FDA approved the Acthar API manufacturing site transfer to Bio Vectra in June 2005. Two bioassays were successfully transferred to the contract laboratory, with the FDA approval in June 2005.

The FDA granted Orphan Designation to Acthar for the treatment of IS in 2003. In August 2006, Questcor submitted a Supplemental New Drug Application (sNDA) to the FDA for the use of Acthar in the treatment of IS. An action letter from the FDA was received in May 2007, indicating that the sNDA was not approvable in its current form. In November 2007, the company met with the FDA to further discuss the application. The company is now gathering additional information in preparation for their intended submission to the FDA by the end of 2008. **No further clinical trials are required.**

We believe that Questcor's most important growth catalyst is the planned 2008 resubmission of a Supplemental New Drug Application (sNDA) to the FDA for the use of Acthar in the treatment of IS. We expect possible FDA labeling for IS use by mid-2009. We believe that such labeling should lead to further penetration of the IS market by the company.

Partners

The company has established several strategic partnerships for manufacturing and international distribution.

Questcor does not have substantial operations outside the U.S. The company has an agreement with **Beacon Pharmaceuticals**, UK for the exclusive marketing and distribution of Acthar in the UK on a named patient basis and with **IDIS limited**, U.K. for the exclusive distribution of Acthar on a named patient basis in all countries of the world except - the U.S., Australia, New Zealand and the UK.

The company has partnered with Chesapeake Biological Laboratories for the Acthar final fill and packaging process. **Bio Vectra** is its Acthar API manufacturing partner. Two bioassays are conducted in a contract laboratory, with the FDA approval in June 2005. The potency bioassay for Acthar is still conducted by CSL Behring and is waiting for a transfer to a new contract laboratory.

Acthar: Likely Drivers of Long Term Growth

We believe that the strategic initiative to expand to one or more of Acthar's 53 on-label and 27 other off-label indications will be the driver of Questcor's long term growth.

Questcor is undertaking a significant strategic initiative to develop long-term growth opportunities for Acthar in therapeutic areas other than IS. The company is evaluating the uses that are currently a part of Acthar's extensive list of on-label indications. The steps in the process of Questcor's strategic innovation initiatives include the evaluation of -

- Significant unmet medical needs
- Continued usage for certain indications
- Pattern of re-ordering with the continued usage
- Availability of supporting clinical data/literature for promotion/FDA approval
- Indications that are refractory to the first-line treatment
- Pricing

Some promising on-label indications, meeting the above strategic profile, are discussed here:

Multiple Sclerosis: MS is a chronic, potentially disabling disease that affects the central nervous system, i.e, the brain and spinal cord. Multiple Sclerosis is a common disease in the US affecting 0.5 to 1 individual per 1,000 young adults. About 25,000 new cases are diagnosed every year. Currently 350,000 to 500,000 people in the US have been diagnosed to be suffering from MS.

Despite the significant price increase of Acthar, Questcor has seen some continued usage and favorable insurance coverage in the segment of MS patients, who do not respond to or cannot tolerate intravenous methylprednisolone, the first-line treatment for MS flares. An estimated 10%-14% of MS flares patients may be in this segment. **Acthar's current market penetration for this segment is low, with prescriptions issued for only 100-150 MS patients annually.** There is significant room for growth, and the company is in the process of evaluating whether this could become an area for further Acthar promotion and revenue

increase.

Crohn's disease: Crohn's disease is a chronic, episodic, inflammatory bowel disease (IBD) and is considered an autoimmune disease. About **500,000 people** in the U.S. have Crohn's disease, which usually causes diarrhea, fever and internal bleeding.

Intravenous ACTH has been used effectively in patients with moderately to severely active Crohn's disease, including those with an abdominal mass, usually in patients who have not responded to oral therapy.

Dermatomyositis: Dermatomyositis is a connective-tissue disease that is characterized by inflammation of the muscles and the skin. Incidence rates for dermatomyositis are estimated to be **5.5 cases per million** population.

The first-line therapy for dermatomyositis is systemically administered corticosteroids. ACTH has been used in the symptomatic treatment of dermatomyositis because corticotropin stimulates the secretion of adrenal androgens, which may minimize the myopathic effect (muscle damage) by corticosteroids.

Hemolytic Anemia: Hemolytic anemia is anemia due to hemolysis, the abnormal breakdown of red blood cells. Incidence rates for autoimmune hemolytic anemia are estimated to be **1-2.6 cases per 100,000** people in the U.S.

In a study by Dameshek et al. (The Present Status of Treatment of Autoimmune Hemolytic Anemia with ACTH and Cortisone, Blood, 1956, 11: 648-664), immediate favorable response to ACTH treatment was seen in 90% of the autoimmune hemolytic anemia cases. In about 65% of the cases complete clinical remission was seen.

Myasthenia Gravis: Myasthenia gravis is an autoimmune disease in which the neuromuscular junction functions abnormally, resulting in episodes of muscle weakness. Incidence rates for Myasthenia gravis are estimated to be **5-14 cases per 100,000** people in the U.S.

ACTH has been used effectively to increase muscle strength in patients with severe myasthenia gravis who were refractory to conventional therapy with anticholinesterase drugs.

In our opinion, the above medical conditions represent some of the most promising on-label indications for Acthar's expansion. MS and Crohn's disease are significant unmet medical needs, with around 500,000 patients in the U.S. All the listed indications have a segment of patients that are refractory to the first-line treatment but still respond to ACTH. Clinical data is available for the efficacy of ACTH in these diseases and Acthar is in continued usage for some of these.

The company has set up an advisory panel to prioritze the indications for further development. We believe that further promotion of Acthar in the selected indication/s will lead to substantial increase in Acthar's usage. We believe that the Acthar's increased usage in one or more of its 53 on-label and 27 off-label indications will be the driver of Questcor's long-term growth.

Management

Don Bailey, President, CEO: Mr. Bailey joined Questcor's Board of Directors in May 2006. Mr. Bailey was appointed interim President in May 2007 and President and Chief Executive Officer in November 2007. Mr. Bailey is currently the non-executive Chairman of the Board of **STAAR Surgical Company**. Mr. Bailey was the Chairman of the Board of **Comarco, Inc.** from 1998 until 2007 and was employed by Comarco, Inc., where he served as its Chief Executive Officer from 1991 to 2000. Mr. Bailey has been Chairman of the Board of STAAR since April 2005. Mr. Bailey holds a B.S. degree in mechanical engineering from the **Drexel Institute of Technology**, an M.S. degree in operations research from the **University of Southern California**, and an M.B.A. from **Pepperdine University**.

George Stuart, SVP, Finance, CFO. Mr. Stuart joined the company in September 2005. Prior to joining Questcor, from April 2001 to June 2005, Mr. Stuart served as Vice President, Finance, Chief Financial Officer and Treasurer of **Xcel Pharmaceuticals, Inc.** Mr. Stuart was a co-founder of Xcel, a private start-up company. Prior to Xcel, from May 1999 to April 2001, Mr. Stuart was Director of Corporate Accounting for **Ligand Pharmaceuticals, Inc.** Mr. Stuart holds a B.S. degree from **San Diego State University** in accounting and is a certified public accountant.

Stephen Cartt, VP-Corporate Development. Mr Cartt is Executive Vice President, Corporate

Development, having joined the company in March 2005. Mr. Cartt was a private consultant from August 2002 until March 2005. From March 2000 through August 2002, Mr. Cartt was the Senior Director of Strategic Marketing for **Elan Pharmaceuticals.** Mr. Cartt holds a B.S. degree from the **University of California at Davis** in biochemistry, and an M.B.A. from **Santa Clara University**.

Steven Halladay, Ph.D., SVP, Clinical and Regulatory Affairs. Dr. Halladay joined the company in October 2006. Prior to joining the company, Dr. Halladay served as Vice President, Clinical and Regulatory Affairs of **Durect Corporation** from September 2002 to October 2006. Prior to joining Durect, Dr. Halladay served as Senior Executive Vice President of **Clingenix, Inc.** from 2000 to 2002 and as President and Chief Executive Officer of its wholly-owned subsidiary, **Research Services, Inc.** from 1995 to 2001. Dr. Halladay holds a B.S. from **Southern Utah University** in zoology, an M.S. from the **University of Arizona** in toxicology and a doctorate of Philosophy from the University of Arizona Medical Center in clinical pharmacology.

David Medeiros, SVP, Pharmaceutical Operations. Mr. Medeiros joined the company in June 2003 as Vice President, Manufacturing. Prior to joining the company, Mr. Medeiros served as Senior Director, Manufacturing at **Titan Pharmaceuticals, Inc.** from November 2000 to June 2003. Mr. Medeiros holds a B.S. degree in chemical engineering from **San Jose State University**, a Master's degree in chemical engineering and an M.B.A. from **University of California, Berkeley**.

Financial Analysis

1Q08 Results:
Questcor shipped **1,260 Acthar vials in the 1Q08**, slightly below its monthly vial count range of 425-475. However, the first quarter is seasonally the company's weakest typically running 15% below average quarterly revenue for the full year. Questcor generated 1Q08 net revenue of $19.1 million versus $3.7 million in 1Q07. The gain in revenue was largely due to higher ASPs for Acthar at $22,222, post CuiraSign discount, versus $1,650 in the year ago period. Sales of Acthar accounted for 98% of net revenue in the quarter of which 84% was in infantile spasm, 10% in opsoclonus myoclonus syndrome and 6% MS flare. Doral generated 1Q08 revenue of approximately $200,000.

Questcor's **gross margins rose to 93.1%** versus 77.0% in the year ago period. The increase in gross margin was due to significantly higher ASPs for Acthar and $470,000 in savings related to lower product stability testing expenses and inventory obsolescence.

Selling, general and administrative expenses fell to $5.07 million versus $5.55 million in 1Q07 despite higher revenue. The lower SG&A expense level was the result of $1.4 million in savings related to headcount reductions in the sales field organization and lower outside service expenses. This was offset by higher share based compensation expense of $1.6 million in SG&A versus $400,000 one year ago as employees maximized contributions in company's stock purchase plan due to the low share price.

Research and development expenses rose to $1.97 million in 1Q08 versus $1.14 million last year. R&D expense rose as a result of increases in product development and the hiring of additional medical science liaisons in 2Q07. Headcount increases in the quarter added $256,000 with product development adding $230,000 versus last year. Stock based compensation rose $166,000 to $233,000 in the quarter.

Depreciation and amortization, largely related to the company's Doral drug, was flat at $122,000 in the quarter. Interest income increased to $375,000 in 1Q08 versus $203,000 last year due to higher cash balances. The company booked income tax expense of $4.5 million in the quarter versus nil last year for financial reporting purposes using an estimated annual effective federal and state tax rate of approximately 41%. The company's actual tax payments for 2008 are expected to approximate 18% due to **$29.4 million in federal and $17.4 million in state NOLs**. As a result, Questcor generated net income of $6.5 million, or $0.08 per share during 1Q08 versus a loss of $3.8 million, or $0.05 last year.

The company paid a deemed dividend on its Series A Preferred Stock of $5.3 million resulting from the **repurchase of 2,155,715 shares of its Series A Preferred Stock from Shire Pharmaceuticals in February 2008** for $10.3 million. The deemed dividend reconciles the difference between the repurchase payment and $5.1 million in balance sheet carrying value.

CuraScript Distributor Amendment
In April 2008 Questcor amended its agreement with its primary U.S. distributor, **CuraScript** for the sale of Acthar effective June 1, 2008. The company reduced the discount offered to CuraScript from $1,047 to $230 on its $23,269 list price for Acthar. In addition, the company reduced payment terms from 60 to 30 days. As a result, Questcor will receive $23,039 per vial on sales of Acthar and substantially reduce its

accounts receivable by $10 million. This amendment is reflected in the company's updated guidance below.

Guidance:
Questcor has offered detailed guidance for FY08. Overall vial sales for Acthar are projected to be in the range of 425-475 per month. Due to the company's amended terms with CuraScript, the company adjusted its FY08 revenue guidance upward from $80.0-$89.0 million to $82.0-$91.0 million.

Excluding stock-based compensation, the company is guiding for FY08 gross margins of 90%, SG&A of $15.0-$17.0 million, and R&D of $10.0-$14.0 million. FY08 stock-based compensation expense is expected to be $3.5 million in SG&A and $1.0 million in R&D. The company's expected tax rate for the year is 41%. FY08 fully diluted share count is expected to range between 72-75 million. Cash from operations was also adjusted higher as a result of the amended CuraScript terms from $40.0-$50.0 million to $50.0-$60.0 million.

Balance Sheet:
We expect strong operational cash flow generation by the company to lift cash from $32.0 million in 1Q08 to $70.0 million by year-end, assuming the repurchase of an additional 1.0 million shares in FY08. The company holds no auction rate securities and invests in mostly 30-60 day paper.

We expect accounts receivable to fall sharply in FY08 as a result of the CuraScript amendment. A/R fell to $17.9 million in 1Q08 from $23.6 million in 4Q07 as a result of the amendment and we expect A/R to fall to $13.0 million by 3Q08. We expect inventories will hold steady at a nominal $2.3 million.

The other item of note on the company's balance sheet is sales-related reserves. The company's estimated **sales-related reserve** consists of four items as of 1Q08: 1) Product replacement of $33,000 related to product returned to CuraScript between one month prior to expiration to three months post expiration, 2) Product returns to former wholesalers under credit memoranda of $750,000 which includes product that is returned within six months beyond the expiration date, 3) Government chargebacks of $341,000 due to the ability of certain government agencies to purchase product for a nominal price from CuraScript and, 4) Medicaid rebates of $8.8 million related to product used by Medicaid eligible patients.

The Medicaid rebate represents the lion's share of the company's 1Q08 $10.0 million sales-related reserve. The rebate formula establishes a per unit basic rebate on Acthar of 15.1% on the average payment received by the company followed by an onerous per unit rebate that is based on the current sales price compared to an historic inflation adjusted price that serves as a base. Due to the significant increase in the price of Acthar over the past year, we estimate that Questcor currently incurs a loss of more than $2,000 per vial of Acthar when dispensed to Medicaid patients. We estimate that this loss will rise to $2,600 per vial in September following the June 1, 2008 CuraScript discount decrease due to the increase in average payment received by the company.

Estimates & Assumptions:
For FY08, we are assuming sales of Acthar will continue to trend in the range of 425 to 475 vials per month adjusted for seasonality. We believe the physicians prescribing Acthar in the treatment of IS have accepted the 2007 price increase and will continue to prescribe the drug as the best in class treatment for IS. Due to the fact that Acthar is off-label for IS we believe the company will maintain its 40% market share will nominal market growth potential in FY08. Our FY08 vial count estimate for Acthar in the treatment of IS is 1,838. Based on Acthar's current price after CuraScript commission of $22,222 which will rise to $23,039 in 3Q08, we believe Acthar will generate FY08 net revenue of $87.0 million for the treatment of IS.

We believe near-term growth opportunity for Acthar is in the treatment of refractive MS flare. We believe the company will sell 173 vials of Acthar for the treatment of MS in FY08. Fifteen of these vials will come through the addition of salespeople in 2H08. We believe MS market is far more price sensitive than in IS with Acthar situated at the upper range. We believe Acthar in the treatment of MS will generate FY08 net revenue of $3.5 million.

Based on our vial count and pricing estimates for Acthar and Doral revenue of $1 million, we believe Questcor will generate net $88.4 million in FY08 revenue, up 78% from $49.8 million in FY07.

For FY09, we are estimating a flattish Acthar vial count of 1,850 in the treatment of IS. This estimate assumes the FDA approval of rival Vigabatrin for the treatment of IS and its U.S. launch in late FY08. Based on the Questcor's late 4Q08 FDA submission timetable for Acthar in the treatment of IS, we believe Vigabatrin will have a minimum six month lead time advantage in the market in 2009. We therefore look for Vigabatrin to have minor success in claiming market share from Acthar in 1H09 offset by Acthar's on-label entry in the market in 2H09. We estimate by year-end 2009 overall IS market share for Acthar and Vigabatrin will look similar to today. We are estimating FY09 Acthar net revenue in the treatment of IS of

$89.5 million.

We believe FY09 growth for Questcor will come from incremental sales of Acthar in the treatment of MS flare. We believe the addition of new sales people in mid-year 2008 will catalyze growth in the MS market which is more than 5x the company's opportunity in IS. We estimate the incremental sales growth of 360 Acthar vials in FY09 for a total annual count of 515 in the treatment of MS Flare. Our FY09 net revenue estimate for Acthar in the treatment of MS flare is $11.8 million.

Based on Acthar sales in FY09 at a net ASP of $23,039, sales of Doral of $1.5 million and zero contribution (conservatively) from QSC-001 and other indications that may be targeted as part of the company's strategic plan, we estimate overall net revenue of $99.3 million. Upside to our numbers could also come from further prices increases of Acthar.

We believe the company is in a position to beat guidance on FY08 gross margins. We believe the 93.1% generated in 1Q08 will serve as the high water market for the year but the company will be able to maintain or exceed 90% through the remaining three quarters. We believe our FY08 gross margin estimate of 90.7% is conservative. For FY09, we are estimating gross margins of 91.5%.

We believe FY08 selling, general and administrative expenses will rise to $19.7 million from $17.7 million largely as a result of higher stock-based compensation and the addition of seven sales positions in mid-2008. For FY09, we expect a rise of $500,000 in SG&A year-over-year as the addition of sales people and other expenditures is offset by lower stock-based compensation.

We expect a significant rise in FY08 R&D expense to $13.0 million from $4.8 million. This growth in expense is expected to come as QSC-001 moves into pivotal clinical trials, expenses associated with the sNDA submission to the FDA for Acthar in the treatment of IS, and costs associated with the development of the company's strategic plan. In addition, we consider Questcor in a rebuilding mode with additions needed to core personnel and infrastructure. At 14.7% of net FY08 revenue, R&D is expected to move closer to that of its competitors. We are expecting a more modest rise in FY09 R&D expense to $14.7 million as higher expenses are offset by the completion of several of the aforementioned initiatives.

We believe the tremendous cash flow generated from operations will allow the company to yield 100% increases to interest income in FY08 and again in FY09. We believe interest income will grow to $1.5 million in FY08 and $3.0 million in FY09. This estimate assumes the repurchase of an additional 1.0 million shares in FY08 and 2.0 million shares in FY09 as part of the company's 7.0 million share repurchase program. We are assuming a 41% tax rate in both FY08 and FY09 and fully diluted share counts of 73.9 million and 72.5 million, respectively.

Thus, our FY08 fully diluted EPS estimate is $0.39, down from $0.52 in FY07. FY07 EPS results benefited from a tax reversal of $14.7 million, or $0.20 per share, as well as an initial inventory build-in at its new specialty pharmacy network in 4Q07. We estimate FY09 EPS of $0.48.

Questcor Pharmaceuticals, Inc. (QCOR)
Global Hunter Securities, LLC
Bud Leedom: 949-274-8036

Fiscal period	Q1 '06(A)	Q2 '06(A)	Q3 '06(A)	Q4 '06(A)	FY '06(E)	Q1 '07(A)	Q2 '07(A)	Q3 '07(A)	Q4 '07(A)	FY '07(A)	Q1 '08(A)	Q2 '08(E)	Q3 '08(E)	Q4 '08(E)	FY '08(E)	FY '09(E)
Period ends	Mar '06	Jun '06	Sep '06	Dec '06	Dec '06	Mar '07	Jun '07	Sep '07	Dec '07	Dec '07	Mar '08	Jun '08	Sep '08	Dec '08	Dec '08	Dec '09
Income Statement (U.S.$000s)																
Net Sales	**2,010**	**3,329**	**4,045**	**3,404**	**12,788**	**3,701**	**4,144**	**14,809**	**27,114**	**49,768**	**19,132**	**21,619**	**24,750**	**22,912**	**88,413**	**99,300**
Growth Y/Y						*84.1%*	*24.5%*	*266.1%*	*696.5%*	*289.2%*	*416.9%*	*421.7%*	*67.1%*	*-15.5%*	*77.7%*	*12.3%*
Cost of Sales	626	652	945	777	3,000	850	914	1,534	1,997	5,295	1,319	2,162	2,475	2,291	8,247	8,441
Gross Profit	**1,384**	**2,677**	**3,100**	**2,627**	**9,788**	**2,851**	**3,230**	**13,275**	**25,117**	**44,473**	**17,813**	**19,457**	**22,275**	**20,621**	**80,166**	**90,860**
Gross Margin %	*68.9%*	*80.4%*	*76.6%*	*77.2%*	*76.5%*	*77.0%*	*77.9%*	*89.6%*	*92.6%*	*89.4%*	*93.1%*	*90.0%*	*90.0%*	*90.0%*	*90.7%*	*91.5%*
Selling, General and Administrative	4,170	4,241	4,171	4,700	17,282	5,550	4,747	3,322	4,043	17,662	5,066	5,050	4,800	4,825	19,741	20,250
Research and Development	380	708	544	1,401	3,033	1,140	951	1,264	1,403	4,758	1,971	3,100	3,550	4,350	12,971	14,696
Depreciation and Amortization	46	78	94	98	316	123	125	125	125	498	122	122	122	122	488	485
Total Operating Expenses	4,596	5,027	4,809	6,199	20,631	6,813	5,823	4,711	5,571	22,918	7,159	8,272	8,472	9,297	33,200	35,431
Operating Income	**(3,212)**	**(2,350)**	**(1,709)**	**(3,572)**	**(10,843)**	**(3,962)**	**(2,593)**	**8,564**	**19,546**	**21,555**	**10,654**	**11,185**	**13,803**	**11,324**	**46,966**	**55,428**
Interest Income	181	151	137	138	607	210	181	164	207	762	364	310	385	525	1,584	3,000
Other Income, Net	(6)	(16)	51	98	127	(7)	247	(1)	(10)	229	11	-	-	-	11	25
Gain on Sale of Product Rights	-	-	-	-	-	-	448	-	-	448	-	-	-	-	-	-
Net Income Before Taxes	**(3,037)**	**(2,215)**	**(1,521)**	**(3,336)**	**(10,109)**	**(3,759)**	**(1,717)**	**8,727**	**19,743**	**22,546**	**11,029**	**11,495**	**14,188**	**11,849**	**48,561**	**58,453**
Provision for Income Taxes	-	-	-	-	-	-	-	102	(14,694)	(14,592)	4,488	4,713	5,817	4,858	19,876	23,966
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*1.2%*	*-74.4%*	*-64.7%*	*40.7%*	*41.0%*	*41.0%*	*41.0%*	*40.9%*	*41.0%*
Net Income	**(3,037)**	**(2,215)**	**(1,521)**	**(3,336)**	**(10,109)**	**(3,759)**	**(1,717)**	**8,625**	**34,437**	**37,138**	**6,541**	**6,782**	**8,371**	**6,991**	**28,685**	**34,487**
Allocation of Undistributed Earnings to Preferred	-	-	-	-	-	-	-	261	1,035	1,296	-	-	-	-	-	-
Deemed Dividend on Series A Preferred Stock	-	-	-	-	-	-	-	-	-	-	5,267	-	-	-	5,267	-
Net Income Applicable to Shareholders	**(3,037)**	**(2,215)**	**(1,521)**	**(3,336)**	**(10,109)**	**(3,759)**	**(1,717)**	**8,364**	**33,402**	**35,842**	**1,274**	**6,782**	**8,371**	**6,991**	**23,418**	**34,487**
EPS	**(0.06)**	**(0.04)**	**(0.03)**	**(0.06)**	**(0.18)**	**(0.05)**	**(0.02)**	**0.12**	**0.47**	**0.52**	**0.09**	**0.09**	**0.11**	**0.10**	**0.39**	**0.48**
Basic Shares Outstanding	54,562	56,067	56,870	59,373	56,732	68,773	68,989	69,192	69,561	69,131	69,946	69,843	69,843	69,343	69,744	68,500
Diluted Shares Outstanding	54,562	56,067	56,870	59,373	56,732	68,773	68,989	69,224	73,671	70,915	74,103	74,000	74,000	73,500	73,901	72,500
Other Items																
EBIT	(3,212)	(2,350)	(1,709)	(3,572)	(10,843)	(3,962)	(2,593)	8,564	19,546	21,555	10,654	11,185	13,803	11,324	46,966	55,428
Depreciation & amortization	46	78	94	98	316	123	125	125	125	498	122	122	122	122	488	485
Share-Based Compensation	146	431	828	1,154	2,559	496	496	792	1,025	1,811	1,933	1,250	750	650	4,583	-
EBITDAS	**(3,020)**	**(1,841)**	**(787)**	**(2,320)**	**(7,968)**	**(3,343)**	**(1,972)**	**9,481**	**20,696**	**23,864**	**12,709**	**12,557**	**14,675**	**12,096**	**52,037**	**55,913**
Capex	46	15	31	113	205	59	6	2	2	69	6	10	10	100	126	-
Cash Flow From Operations	(3,883)	(1,352)	(2,351)	(2,142)	(9,728)	(3,673)	(1,165)	(3,526)	18,430	10,066	17,767	12,500	19,500	11,500	61,267	-
Share Repurchases	-	-	-	-	-	-	-	-	-	-	(16,549)	-	(6,000)	-	(22,549)	-
Percent of Revenues																
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	31.1%	19.6%	23.4%	22.8%	23.5%	23.0%	22.1%	10.4%	7.4%	10.6%	6.9%	10.0%	10.0%	10.0%	9.3%	8.5%
Gross Profit	**68.9%**	**80.4%**	**76.6%**	**77.2%**	**76.5%**	**77.0%**	**77.9%**	**89.6%**	**92.6%**	**89.4%**	**93.1%**	**90.0%**	**90.0%**	**90.0%**	**90.7%**	**91.5%**
Selling, General and Administrative	207.5%	127.4%	103.1%	138.1%	135.1%	150.0%	114.6%	22.4%	14.9%	35.5%	26.5%	23.4%	19.4%	21.1%	22.3%	20.4%
Research and Development	18.9%	21.3%	13.4%	41.2%	23.7%	30.8%	22.9%	8.5%	5.2%	9.6%	10.3%	14.3%	14.3%	19.0%	14.7%	14.8%
Depreciation and Amortization	2.3%	2.3%	2.3%	2.9%	2.5%	3.3%	3.0%	0.8%	0.5%	1.0%	0.6%	0.6%	0.5%	0.5%	0.6%	0.5%
Total Operating Expenses	228.7%	151.0%	118.9%	182.1%	161.3%	184.1%	140.5%	31.8%	20.5%	46.0%	37.4%	38.3%	34.2%	40.6%	37.6%	35.7%
Operating Income	**-159.8%**	**-70.6%**	**-42.2%**	**-104.9%**	**-84.8%**	**-107.1%**	**-62.6%**	**57.8%**	**72.1%**	**43.3%**	**55.7%**	**51.7%**	**55.8%**	**49.4%**	**53.1%**	**55.8%**
Interest Income	9.0%	4.5%	3.4%	4.1%	4.7%	5.7%	4.4%	1.1%	0.8%	1.5%	1.9%	1.4%	1.6%	2.3%	1.8%	3.0%
Other Income, Net	-0.3%	-0.5%	1.3%	2.9%	1.0%	-0.2%	6.0%	0.0%	0.0%	0.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Gain on Sale of Product Rights	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.8%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income Before Taxes	**-151.1%**	**-66.5%**	**-37.6%**	**-98.0%**	**-79.1%**	**-101.6%**	**-41.4%**	**58.9%**	**72.8%**	**45.3%**	**57.6%**	**53.2%**	**57.3%**	**51.7%**	**54.9%**	**58.9%**
Provision for Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	-54.2%	-29.3%	23.5%	21.8%	23.5%	21.2%	22.5%	24.1%
Net Income	**-151.1%**	**-66.5%**	**-37.6%**	**-98.0%**	**-79.1%**	**-101.6%**	**-41.4%**	**58.2%**	**127.0%**	**74.6%**	**34.2%**	**31.4%**	**33.8%**	**30.5%**	**32.4%**	**34.7%**
Balance Sheet																
Cash and Cash Equivalents	8,679	5,717	4,366	15,937	15,937	6,014	3,931	3,149	15,939	15,939	10,370					
Short-Term Investments	6,497	5,641	4,911	2,488	2,488	8,660	10,142	7,443	14,273	14,273	21,662					
Accounts Receivable	946	1,790	2,022	1,783	1,783	2,531	1,215	14,149	23,639	23,639	17,894					
Inventories, Net	1,697	1,898	2,901	2,965	2,965	2,621	2,414	2,568	2,365	2,365	2,348					
Prepaid Expenses and Other Current Assets	895	512	1,279	811	811	1,008	555	628	778	778	1,522					
Deferred Tax Assets									14,879	14,879	10,391					
Total Current Assets	*18,714*	*15,558*	*15,479*	*23,984*	*23,984*	*20,834*	*18,257*	*27,937*	*71,873*	*71,873*	*64,187*					
Property, Plant and Equipment	655	621	601	665	665	674	618	570	522	522	480					
Purchased Technology, Net		2,557	2,514	3,965	3,965	4,192	4,117	4,042	3,967	3,967	3,893					
Goodwill	299	299	299	299	299	299	299	299	299	299	299					
Deposits and Other Assets	737	712	716	722	722	727	733	738	744	744	748					
Deferred Tax Assets									1,043	1,043	1,043					
Total Assets	*20,405*	*19,747*	*19,609*	*29,635*	*29,635*	*26,726*	*24,024*	*33,586*	*78,448*	*78,448*	*70,650*					
Accounts Payable	1,428	1,624	1,860	2,154	2,154	2,015	1,371	1,926	1,777	1,777	2,748					
Accrued Compensation	565	724	890	1,019	1,019	821	829	716	1,945	1,945	783					
Sales-Related Reserves	2,542	2,841	3,177	2,784	2,784	3,399	2,465	2,141	8,176	8,176	10,007					
Income Taxes Payable					0			102	1,330	1,330	27					
Other Accrued Liabilities	436	539	533	521	521	501	464	846	1,492	1,492	1,176					
Total Current Liabilities	*4,971*	*5,728*	*6,460*	*6,478*	*6,478*	*6,736*	*5,129*	*5,731*	*14,720*	*14,720*	*14,741*					
Lease Termination and Deferred Rent Liabilities	1,494	1,857	1,807	1,961	1,961	1,773	1,974	2,027	1,869	1,869	1,724					
Other Non-Current Liabilities	25	23	20	18	18	16	13	10	7	7	5					
Series A Preferred Stock					5,081					5,081						
Common Stock	91,020	91,460	92,157	105,352	105,352	106,132	106,551	106,826	108,387	108,387	104,497					
Retained Earnings	(82,184)	(84,399)	(85,920)	(89,256)	(89,256)	(93,015)	(94,732)	(86,107)	(51,670)	(51,670)	(50,396)					
Accumulated Other Comprehensive Gain	(2)	(3)	4	1	1	3	8	18	54	54	79					
Total Stockholders' Equity	*8,834*	*7,058*	*6,241*	*16,097*	*16,097*	*13,120*	*11,827*	*20,737*	*56,771*	*56,771*	*54,180*					
Total Liabilities and Stockholders' Equity	*20,405*	*19,747*	*19,609*	*29,635*	*29,635*	*26,726*	*24,024*	*33,586*	*78,448*	*78,448*	*70,650*					

Questcor Pharmaceuticals, Inc. (QCOR) Disclosures

Analyst Certification

We, Bud Leedom and Justin Cable, certify that the views expressed in this report accurately reflect my personal beliefs about this company and that I have not and will not receive compensation directly or indirectly in connection with my specific recommendations or views contained in this report.

Important Disclosures

- GHS does and seeks to do business with the company covered in this research report.
- As with all employees of GHS, a portion of this analyst's compensation is based on investment banking revenues.
- Bud Leedom owns a position in this security.

Risks & Considerations

Competition: Questcor faces competition from several companies in the Infantile Spasm and Multiple Sclerosis market. One such competitor is Ovation Pharmaceuticals, maker of Vigabatrin, that holds an estimated 25% market share in the IS market. Ovation has filed for FDA approval of Vigabatrin in the treatment of IS and, following approval, can market its drug directly to physicians that treat IS. Successful FDA approval of Vigabatrin could impact the company's market share and our estimates.

FDA approval of Acthar in IS: Questcor is expected to file a supplemental NDA filing for the approval of Acthar in the treatment of IS by year end 2008. Our estimates assume the FDA approval of Acthar by mid-year 2009. Any denial or delay in gaining FDA approval for Acthar could impact our EPS estimates.

Failure of new market to materialize for Acthar: Our long-term growth expectations for Questcor assume that the company will be able to identify new markets for Acthar among its 53 on label approved uses. And failure of the company to identify or penetrate these new markets could impact our estimates.

Insurance reimbursement: Our financial model assumes that insurance companies will continue to reimburse the treatments of Acthar at its full list price. Any change in reimbursement policy towards Acthar could materially impact our earnings estimates.

Medicaid rebate: As outlined in our discussion of the company's sales reserve, the company records a loss on the sale of each vial of Acthar sold to treat Medicaid eligible patients. The company is subject to further losses on future price increases applied to Acthar due to the formula applied under Medicaid. Any significant increase in usage of Acthar by Medicaid patients or unforeseen negative influences as a result of price increases could impact our estimates.

Single source suppliers. The company relies on single source suppliers for part of the production of Acthar which are approved by the FDA. Any manufacturing disruption or FDA action related to manufacturing could disrupt the company's source of supply for Acthar and impact sales to customers.

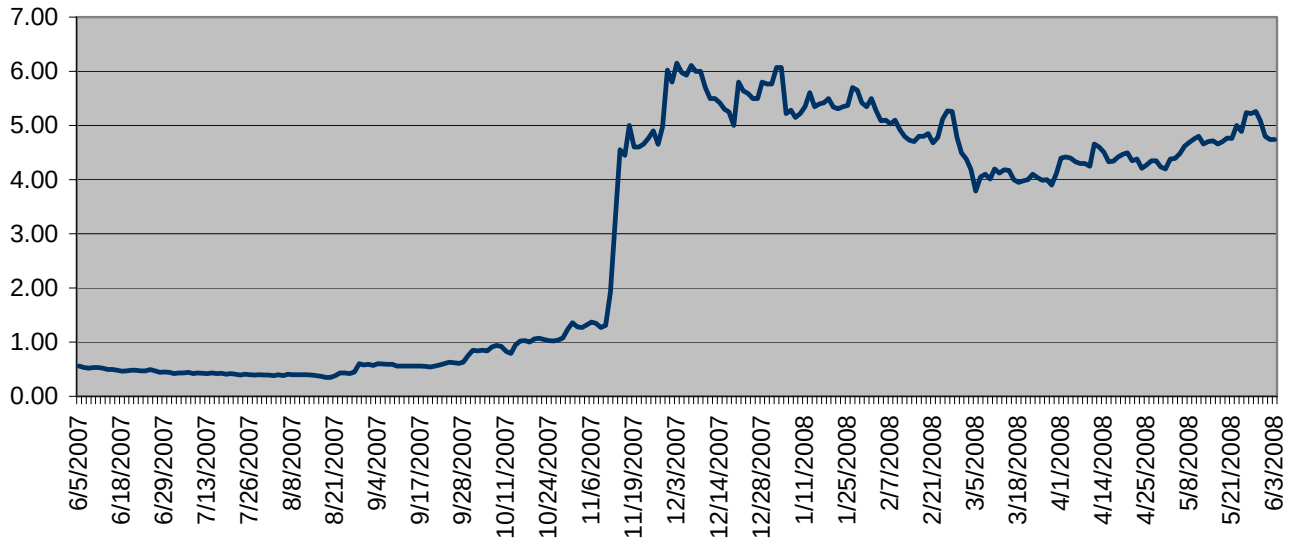
See the Company's most recent SEC filings, including 10-Ks, 10-Qs, 8-Ks and proxy filings, for additional risks and considerations.

Other Companies Mentioned In This Report

- Amgen (NASDAQ: AMGN; $44.50)
- Amylin Pharmaceuticals (NASDAQ; AMLN; $31.26)
- Biogen Idec (NASDAQ: BIIB; $62.25)
- Celgene (NASDAQ: CELG; $62.83)
- Genentech (NYSE: DNA; $72.47)
- Gilead Sciences (NASDAQ: GILD; $56.24)
- Genzyme (NASDAQ: GENZ; $68.41)
- OSI Pharmaceuticals (NASDAQ: OSIP; $39.04)
- Pfizer (NYSE: PFE; $18.80)
- Sepracor (NASDAQ: SEPR; $21.14)

Questcor Pharmaceuticals, Inc. (QCOR) Disclosures (Continued)

Historical Recommendations



Initiated coverage on 6/5/2008 with a Buy rating and price target of $8.50.

Explanation of Ratings

Buy: We expect the stock to outperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Neutral: We expect the stock to perform in line with the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Sell: We expect the stock to underperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.

Ratings Distribution

	Research Coverage		Investment Banking Clients*		
Rating	Count	% of Total	Count	% of Total	% of Rating Category
Buy	42	77.8%	4	100.0%	9.5%
Neutral	11	20.4%	0	0.0%	0.0%
Sell	1	1.9%	0	0.0%	0.0%
Total	54	100.0%	4	100.0%	7.4%

*Investment banking clients are companies from whom GHS or an affiliate received compensation from investment banking services provided in the last 12 months.

Note: Ratings Distribution as of June 5, 2008

Disclaimer & Other Disclosures

This material has been prepared by Global Hunter Securities, LLC ("Global Hunter") a registered broker-dealer, employing appropriate expertise, and in the belief that it is fair and not misleading. Information, opinions or recommendations contained in the reports and updates are submitted solely for advisory and information purposes. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore except for any obligations under law, we do not guarantee its accuracy. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or investment. Any opinion or estimates constitute our best judgment as of this date, and is subject to change without notice. Global Hunter and our affiliates and their respective directors, officers and employees may buy or sell securities mentioned herein as agent or principal for their own account. Not all products and services are available outside of the US or in all US states.