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**Questcor Pharmaceuticals, Inc. Acthar Update - Final**

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OPERATOR: Welcome to the Questcor Pharmaceuticals Acthar update conference call. At this time, all participants are in a listen-only mode. We will be conducting a question-and-answer session towards the end of today's conference. (OPERATOR INSTRUCTIONS). As a reminder, this call is being recorded for replay purposes.

Now I'd like to turn the call over to your host for today's presentation, Mr. Matthew Selinger of the EVC Group. Sir, please proceed.

MATTHEW SELINGER, IR CONTACT, EVC GROUP: Thank you, operator. Good morning, everyone. And thank you for joining us at the Questcor conference call and webcast to provide an update on the status of Acthar Gel product. By the way, this call is being webcastlive at [www.questcor.com](http://www.questcor.com). An audio replay of this call will be available for seven days following the call at 800-405-2236 for US callers or 303-590-3000 for those calling outside the US. The pass code required to access this replay is 11105564. An archived webcast will also be available at [www.questcor.com](http://www.questcor.com) for 90 days.

During the course of this conference call, the Company may make projections and other forward-looking statements. Such forward-looking statements are subject to many risks and uncertainties that could cause actual results to differ materially from expectations. Detailed discussion of these risks and uncertainties are contained in the Company's SEC filings, particularly under the headings Risk Factors described in the Company's annual report on Form 10-K. Copies of Questcor's SEC filings are available online from the SEC or by clicking on Investor Relations on the Questcor website.

Company projections and forward-looking statements are based on factors that are subject to change. Therefore, these statements speak only as of the date they are given. The Company does not undertake any duty to update any projections or forward-looking statements.

Now I would like to turn the call over to Don Bailey, President and CEO of Questcor Pharmaceuticals. Don?

DON BAILEY, PRESIDENT AND CEO, QUESTCOR PHARMACEUTICALS, INC.: Thanks, Matt. Good morning, everyone. Thanks for joining us this morning on such short notice and happy New Year to everybody. We like doing calls early in January because it's the only time of year where we can be certain that we're on plan for the year. I'm happy to report we're on plan for the year 2008 at this point.

This morning, we filed an 8-K with the SEC that provides an update on the progress of the implementation of our new strategy for Acthar Gel. As you may recall, back in August, we implemented a new strategy for Acthar. The strategy is designed to enable Acthar, under a new pricing structure, to be self-supporting and provide the resources to explore other potential indications for the drug.

During the early stages of the new strategy's implementation, we have disclosed the actual, unaudited number of Acthar vials sold to our US distributor during October and November of 2007. This morning we provided this number for December, which was 510 vials. In November, the number of vials was 520, and in October it was 540. For a complete comparison, it's also useful to note that there were 23 shipping days in October, 21 shipping days in November, and 20 shipping days in December, though the shipments per day were pretty much equal for all three months.

Our distributors ship these vials to US hospitals and specialty pharmacies as orders from these institutions are received. The institutions base orders on their end-user demand and their own inventory policies. We continue to estimate that since the implementation of our new strategy, patient demand for Acthar has been between 425 and 475 vials per month. Our experience to date indicates that approximately 30% of this estimated 425 to 475 monthly Acthar vial demand is used by patients covered by Medicaid and other government-related programs.

I'd like to note that we have experienced a consistent level of ordering and insurance reimbursement for Acthar since the inception of the new strategy. While the consistent pattern of ordering and insurance

reimbursement is continuing to date, future Acthar orders may be impacted by inventory practices, as specialty and household pharmacies; greater use of the safety net established for Acthar patients; a pattern of usage by the health-care community; and reimbursement policies of insurance companies. Accordingly, there could be volatility in our shipment levels and financial results in future periods.

We recognize Acthar gross revenue when product has been received by our US distributor. While it is too early to determine the long-term success of our strategy for Acthar, we are certainly off to a very good start. We've been spending a great deal of time working with health-care professionals to address their operational concerns and are making good progress in this area.

Finally, as we noted in the 8-K this morning, we currently have a cash position of approximately \$30 million, up about \$20 million from the end of the third quarter, and accounts receivable of approximately \$23 million.

I'd also like to note that we will be filing another 8-K this afternoon regarding a minor technical change to the Board of Director's stock option plan. The change does not involve any increase in the number of options granted to Board members.

And now, with those opening remarks behind us, I would like to open up the call to questions. Vince?

OPERATOR: (OPERATOR INSTRUCTIONS) Kevin Tang, Tang Capital.

KEVIN TANG, ANALYST, TANG CAPITAL: Congrats to you and the team. A couple of questions. It doesn't appear that you've paid any of the Medicaid rebate yet? Is that correct, as of December 31st?

DON BAILEY: George, do you want to answer that?

GEORGE STUART, CFO AND SVP OF FINANCE, QUESTCOR PHARMACEUTICALS, INC.: Sure. This is George Stuart. The way the Medicaid works is they'll submit their invoices during the latter part of the fourth quarter for the previous quarter. So for the third quarter, they'll submit their invoices near the end of the fourth quarter. We have been paying some of those. But they certainly have not all been processed at this time.

KEVIN TANG: Okay. So, let me understand what you're saying. So you've paid some of the third quarter rebate during the fourth quarter?

GEORGE STUART: That's right.

KEVIN TANG: But you've paid none of the fourth quarter?

GEORGE STUART: That's exactly right.

KEVIN TANG: And can you give me a sense of the order of magnitude that you've paid out?

GEORGE STUART: Well, again, all that information is subject to part of our year-end audit and review, so we certainly would rather delay any answers to those questions until we've had a chance to get through our audit and are involved in the actual announcement of our Q4 end-year results.

DON BAILEY: Kevin, what we can tell you is that the payments we're making in Q4 for Q3 are at the old rebate price.

GEORGE STUART: They're very modest.

KEVIN TANG: Okay, very modest.

DON BAILEY: That's right. So that's probably what's important.

KEVIN TANG: Okay, great. And then what is -- so, but I should assume going forward, is it a one quarter lag? So the --?

DON BAILEY: Right.

KEVIN TANG: If the third quarter -- if the fourth quarter rebate amount is X million dollars, will that be more or less fully paid out in the first quarter?

DON BAILEY: That's right. It will be paid out in January.

GEORGE STUART: No. For the Medicaid rebate, the rebates that relate to the fourth quarter demand will be paid in the February/March timeframe of '08. So basically, we're getting some permanent financing on Medicaid, one way to look at it.

KEVIN TANG: Yes, that's great. Okay. And then can you give me some insight? Your demand estimate of 425 to 475. Are there any data points since your last update to confirm that range?

DON BAILEY: Yes, let me explain how we developed that estimate. There's three pieces to this estimate. The first piece are prescriptions that we see that come through our reimbursement support center. So for those prescriptions we have an actual count. We receive that data on about a 30-day delay basis.

The second piece are prescriptions that come into the main specialty pharmacy that we deal with, CuraScript. And those prescriptions we get a report on, on about a 30 day delay. The third piece are prescriptions that come directly into other specialty pharmacies. We never see those. And I guess there's also the fourth piece -- I said three, so there's really four pieces -- are prescriptions that come into hospital pharmacies, and we never see those either.

So this is an estimate based on two of the four pieces of data that we do see on a delayed basis and two of the four that we never see.

KEVIN TANG: And the two pieces that you do see are what percentage of the total?

DON BAILEY: Probably 75%.

KEVIN TANG: Okay. So it's a pretty good sample size (multiple speakers)?

DON BAILEY: Yes, but you know -- right. It's a pretty good sample size. And the numbers are very consistent, so far.

KEVIN TANG: And consistent meaning there's actually -- not to split hairs, but there seems to be a slight uptrend in the shipments if you derivatize to the number of days. Is that consistent with the end user demand, or has the end user demand been more constant?

DON BAILEY: The end user demand is more constant so far. But your uptake is 23 days in October to 25 in November, 26 in December. So you're right; there's a slight uptick. That's such a small difference at this point; we can't attribute any trend to that.

KEVIN TANG: Okay, great. And then lastly, back to the balance sheet, I forgot to ask. Excluding the Medicaid rebate, was there any material change in your liabilities?

DON BAILEY: We don't think so. There's no reason for there to be.

KEVIN TANG: They were small, to begin with, and remain small?

DON BAILEY: And the cash kind of -- if you take the cash back to September 30th, we have an increase in cash of about \$19 million; a slight increase of -- well, \$9 million increase in receivables. And that pretty well reconciles to the vial count.

KEVIN TANG: Yes. That's what I was trying to -- okay. Great. Thank you very much.

OPERATOR: (OPERATOR INSTRUCTIONS) [Bernard Levine, BBL BioMedical].

BERNARD LEVINE, ANALYST, BBL BIOMEDICAL: Good morning, happy New Year to all. Can you tell us if the SG&A has remained constant for this quarter, as compared to the previous quarters?

DON BAILEY: We would say it's approximately comparable. We don't have that information yet. It will be higher because of year-end compensation.

BERNARD LEVINE: In your estimate, about how high will it be? Will it be around \$5 million?

DON BAILEY: We don't really have that number at this time, so. It should be in the \$4.5 million to \$6 million range.

OPERATOR: Jon Borzilleri, GRT Capital.

JON BORZILLERI, ANALYST, GRT CAPITAL: Just a couple of questions. One, can you remind me what the average number of vials per patient is in the treatment course? I know that they're treated for a month or two, but can you give me a guess on that and whether it's changed or not since the price change?

DON BAILEY: Yes, I'm going to ask Steve Cartt, our Executive Vice President, to answer that question.

STEVE CARTT, EVP, CORPORATE DEVELOPMENT, QUESTCOR PHARMACEUTICALS, INC.: Yes. It varies by patient, and some doctors use different dosing schedules, but you typically see in the 3 to 6 vial range. Most typical is 4 to 4.5 is what we typically see for IS patients. Of course, opsoclonus myoclonus is another rare disease where Acthar is used quite a bit. They can use anywhere from 10 to 15 vials over the course of a year. In the MS cases where Acthar is still used, we still do see a few of those; you typically have usage of 1 to 2 vials in that range.

JON BORZILLERI: Okay. So, and you don't think it's changed too much since the pricing strategy change?

STEVE CARTT: No. Overall, we haven't seen much of a change there. We're still continuing to monitor that. Of course, it's still early. But we have four months under our belt at this point, but we haven't really seen a change.

JON BORZILLERI: Okay. And then the second, in your statement in the last couple of 8-K's about the rebates potentially from the government, you know, I mean, you have a statement that says you may result -- 30% may result in minimal, if any, sales from the Company. I'm just not sure how we should forecast that 30% of units going forward. Should we be being conservative and presume that you get very little for it? Or is it just standard Medicaid whatever it is, 15%, 20% discount? I mean, what would be a ballpark for forecasting that?

DON BAILEY: Well, there's two pieces there. The first piece is VA and other 340B programs. For those sales, basically we net zero on those sales.

For Medicaid, which is approximately two-thirds of that 30% or a total of 20%, it's more complicated. We will -- as we just discussed, on a delayed basis, we will be paying a rebate back to Medicaid, to the states that incurred those costs. So they pay us -- they will pay \$23,000, and eventually, three to six months later, we will be paying them a rebate amount that's calculated by law. Oddly enough, the rebate amount that we're going to be paying is slightly higher than the \$23,000; it will be about \$24,000. So we'll actually lose about \$1,000 on each Medicaid vial.

JON BORZILLERI: I mean I guess I'm trying to understand how that -- because I always -- I mean I haven't spent time in the Medicaid rebate program in awhile, but I always thought that it was kind of a 16% rebate on average or something. How do you end up having such a huge rebate?

DON BAILEY: The regulations include a complicated -- not complicated, but a somewhat complex formula. And your 15%, 16%, 15.1% or wherever that number is, is the basic rebate. There's an additional rebate that relates to drugs that undergo a price increase. Because of a large amount of increase, the formulas when they were designed really didn't have a break on them. And we went right past the drug's price when we got to the rebate amount. It's just an anomaly in the regulations. We're stuck with it, we believe. We're looking into the fact to see if we can find out a way to appeal this or get around it. But so far, it looks to us like we're going to be stuck paying a slightly higher rebate amount than the price of the drug.

JON BORZILLERI: Okay. Now, should we presume that 30% is what -- it will remain in the same range, the government portion of the sales?

DON BAILEY: 30% represents our experience since the price increase. We have very little experience here. We have finished four months now. So we're not, on any of these numbers, going forward, we're not recommending any specific projection. Our policy here is to tell you what has happened and give you all the factors that could cause those numbers to go up or down.

JON BORZILLERI: No, I appreciate that. Now, last thing I want to ask you is just kind of your strategy for growth. Because -- given that this drug is the long-standing standard for infantile spasms, in particular, I certainly understand that you're able to get it reimbursed and all that stuff. But what I have trouble running is kind of the growth. Once you get this uptick, it's hard to imagine that people are looking for new uses at the higher price. I mean, is growth in the future dependent upon further price increases? Or what's the growth strategy once this levels out?

DON BAILEY: Well, our immediate priority is to try to maximize this current level of demand. This involves

some customer service issues that we're working on that are natural fallout from the strategy that we've implemented to date. That, we hope, will allow us to have the highest possible starting point, and that's where we're going to get the most leverage on the bottom line in the next, say, three to six months.

Then we want to look for any other possible uses for Acthar. It does turn out that we're getting some usage for some of the 53 on-label indications. This was a pleasant surprise to us, and we are just in the process of investigating why that is occurring. But we've seen usage for Crohn's disease; we're continuing to get usage for MS flares. We're seeing usage for connective tissue disorder; myasthenia gravis; gout. So we need to find out why -- and migraines is another one -- so we need to find out why that's happening and see if there's any -- if that offers any opportunity for expansion.

JON BORZILLERI: Do you get any sense -- are you able to get any data about how much of the 425 to 475 is stuff other than infantile spasms?

DON BAILEY: Yes. We believe a total of about 20% of the end demand is coming from other than infantile spasms and opsoclonus myoclonus. So it's -- about 20% of the vial count is on-label.

JON BORZILLERI: Okay. All right, now, the last thing -- I'm sorry to take so much of your time, but have you had any more discussions about getting the approved label for infantile spasms?

DON BAILEY: Yes. We had a meeting with the FDA on November 9. And at that meeting, we left that meeting with a game plan that requires us to go out and obtain efficacy data that already exists and safety data that already exists. Now, in the case of the efficacy data, we have obtained that data and are analyzing it. In the case of the safety data, we have to undertake going into some institutions that have been treating infantile spasm patients and have hospital personnel go back through records and pull out the safety adverse event information. And we then have to compile that information and submit all that data to the FDA.

Fortunately, in that process, if we are successful in being able to get all that data and the data that shows the results we think it will show, we will not have to do a trial. However, it's an extensive amount of data gathering that has to occur here.

JON BORZILLERI: Any timing on more feedback about this progress?

DON BAILEY: We're not making a projection on when this will occur. And the big reason is that a major part of this task is obtaining the safety data from some of the institutions that have been treating infantile spasm. That work has to be done by personnel at those institutions, and we have no control over how long that will take.

JON BORZILLERI: And I take it you think that the label expansion will help get you more volume? I just wondered because **it's been around for so long and the doctors all seem to know about it very well**. Do you think it actually could spur further demand for IS?

DON BAILEY: That's a good point. Why don't I let Steve address that question?

STEVE CARTT: Presently, of course, we're not able to actively promote Acthar in IS because we don't have a labeled indication. So, the addition of a labeled indication from the FDA would allow us to go out and actively promote Acthar in the treatment of IS. And there are benefits to that. That's why companies will often add new indications to their labels because it kind of takes the handcuffs off and allows them to go and actively promote, have a sales force making calls promoting use of the drug to physicians, conducting a whole -- any number of different promotional activities which would help drive sales.

We would hope that would be the case with an indication for Acthar in IS. We would plan to go out and actively promote it at that time, whereas we're not doing that at the present time. So, yes, I think, in general, companies like to get labels because that allows them to promote, which helps to drive sales. We would hope that would be the case here, but obviously we can't predict the future.

JON BORZILLERI: Okay. Well, thank you very much for all your time.

OPERATOR: Sean McMahon, Kennedy Capital Management.

SEAN MCMAHON, ANALYST, KENNEDY CAPITAL: Did the FDA give you how many patients you're going to need for that study?

DON BAILEY: We have an idea of how many records they want us to try to get. Basically, they said get as many as you can. We think we're going to try to go and get a couple hundred. We'll see -- because we know

we're going to have a lot of -- there's going to be a certain amount of data that's not retrievable from some of these institutions. Some time the records get lost or they're not in good shape or whatever. So we've set up the plan to go after more than we think we'll need.

SEAN MCMAHON: So are you already set up, then, at those institutions? Or is that still kind of in the works?

DON BAILEY: We've started that process, yes. We've done our first part. We've done all the work that we need to do so far. So the first action at each of these institutions is they have to submit a protocol to their IRV, which is their Ethics Board, basically, and that has to get approved; an independent Board that has to approve that, each institution has one. Those Boards meet irregularly, so there's a natural delay there. And then the data extraction step comes after that.

SEAN MCMAHON: If I'm thinking about this right, if you sell 400 vials a month, that's 100 patients a month. Is that correct? So, two months, hopefully, with two to three months you'd have this done after they get it set up with their Ethics Board?

DON BAILEY: No, because those -- first of all, the 100 patients is for all diseases. So for IS it's about 60 patients. Number two, we're only going to a handful of hospitals, and that 60 patients is spread out over 100 hospitals. So, they'll actually have to go back on an average of five to seven years worth of data. A very active hospital in five to seven years might see 100 patients, and then maybe not all of those they can get records for and that kind of thing.

SEAN MCMAHON: Secondly, on the 20%, I guess, on-label usage of the drug, is that the bulk of the MS or Crohn's? Can you give me any color as to where that's coming from?

DON BAILEY: The biggest piece is certainly MS. Probably half of that is MS. The other half is scattered.

SEAN MCMAHON: And then lastly, I just want to understand on the pricing here, this 23,000 kind of vial. I guess, from my understanding speaking with you, IS is a couple thousand patients, of which maybe half would use the drug. Is that correct?

DON BAILEY: We're estimating that, at least based on the records we've seen for the last four months, that we're seeing, we're putting that number probably at closer to 800.

SEAN MCMAHON: Okay, 800. So I mean on these -- why 100,000? I mean, you've seen drugs with bigger populations go for 300, 350. How did we come up with 100,000, I guess, is kind of my last question?

DON BAILEY: Well, we have to go back to the beginning to talk about that. It was a very long, complicated process. At the time, 100,000 felt like an extremely aggressive number. We were trying to ensure the availability of the drug to the patient population, and we felt that that would do it and stable -- and our second goal was to stabilize the Company. And we were in a scenario at the time where we were chewing through cash quite quickly, and we were kind of headed down the drain, so to speak. So in hindsight, maybe but what you're saying is true, but (multiple speakers) --

SEAN MCMAHON: I mean, I guess what I'm trying to get at is (multiple speakers) --

DON BAILEY: -- we took the action we took, yes.

SEAN MCMAHON: Is there room for a price increase here? Or is there a big pushback from kind of the insurers, have you seen?

DON BAILEY: Well, there's a natural pushback from everybody involved in the process. When we did this, we got a pretty strong reaction that we expected and planned for. And frankly, it was very understandable and we explained what we did. We certainly will consider any and all options to improve shareholder value going forward.

SEAN MCMAHON: Great. Thank you, Don.

OPERATOR: Patrick Lin, Primarius Capital.

PATRICK LIN, ANALYST, PRIMARIUS CAPITAL: Good morning and thanks for doing the conference call. I was curious, can you give us an update on what your plans are as far as either investor meetings or meeting with fund managers and what cities you might be going to?

DON BAILEY: Absolutely. Well, of course, next week is the JPMorgan conference. And I think we currently have a day and a half full of meetings, so it's probably getting close to 20 meetings set up for those two

days. We then will -- we have a plan over the next six months to present a goal to present at two conferences. We're looking at quite a few different ones that -- see if we can get an invitation to them.

I believe for the first, most likely one would be the Roth conference in Newport Beach in February. After our fourth quarter and year-end earnings release, which we currently anticipate will be near the end of February, we may take a trip back to the New York metropolitan area. Following -- during the six-month period some time, we'll probably try to get to the Midwest. Of course, since we're right across the street from San Francisco, we can always come over and do a day in San Francisco rather easily.

PATRICK LIN: Great. And then also, just in terms of your sense from investor interest, let's call it three, four months ago, just prior to you guys having the price increases to now, I'm trying to get a gauge. I mean, by my calculation, you guys are still selling at a single digit PE. Are there a lot more interest now with more monthly data coming out?

DON BAILEY: Yes. I'd said the level of investor interest is substantial. My master investor list here is almost three excel spreadsheet pages; it's huge, especially by comparison with my prior experience at other companies. Of course, this particular Company and our particular financial situation is rather straightforward, and the questions that are being asked are being asked by everybody. So I'd say there's tremendous interest.

Now, we're being very cautious about how we are talking about the strategy is unfolding, and we are being careful not to make projections. We're reminding people we only have four months. I think the investor community is just being naturally cautious. They want us to put some numbers on the board. I think that's very smart.

PATRICK LIN: Great. And one final question then. I think in the past with -- I've asked about your opinion on a stock buyback and I was curious in terms of the use of proceeds and whether or not that's something that's still on the table.

DON BAILEY: We haven't had this extensive discussion yet within the Board, but I have experience with a stock buyback at another company and used it during the time period where the stock had a similar run-up and was generating a lot of cash, and I found to be very effective. So it is certainly a reasonable alternative, and it's a good use of excess cash. It's a good way to return the cash to shareholders. I've also experienced a special dividend in that same situation. So I kind of lived through those, and I'm in favor of returning cash to shareholders that we don't need to build the business.

PATRICK LIN: Great, and also congrats on the formal announcement of being the CEO.

OPERATOR: Elemer Piros, Rodman & Renshaw.

ELEMER PIROS, ANALYST, RODMAN & RENSHAW: Happy New Year to you as well. What I'm confused just slightly by -- Don, please straighten me out here -- is the label itself, I believe, mentions IS as a potential indication for the drug. Is that correct?

DON BAILEY: That's not correct.

ELEMER PIROS: That is not correct? So the 50-some odd indications do not include IS?

DON BAILEY: They do not include IS, and they do not include opsoclonus myoclonus.

ELEMER PIROS: That's very interesting. Now, of the 50 or so indications that is mentioned, is there some, for example, MS, where you could somehow strengthen your presence or increase market share? Have you thought about those strategies besides, obviously, gathering the data for IS and submitting SMDA?

STEVE CARTT: Yes. Elemer, this is Steve Cartt. I'll take that one. Yes, this is something we're exploring, since we are retaining a nice amount of business from MS, which we didn't expect. That's been a pleasant surprise. We're actually seeing continued use in patients who either can't tolerate IV corticosteroids or don't respond well to IV corticosteroids. And that, of course, in the percentage of our previous MS business, that was a small percent. Now it accounts for basically all of it.

We're trying to get a better handle on how big that market is, what percentage of MS player patients do have intolerance to corticosteroids or just don't have efficacy, adequate efficacy from IV steroids. So we're trying to get a better handle on that. That is an area we can actively promote if we choose to, and we may do some test marketing around that in the coming months. But it is a possibility that we could grow the business there. It's something that we're exploring.

ELEMER PIROS: Have you thought about maybe conducting some small trials, some exploratory trials which could be published and which could further strengthen that direction?

STEVE CARTT: Elemer, it sounds like you've been sitting in some of our management meetings. That is, those are -- you bring up a lot of good points. That is an area that we're thinking about for 2008 and beyond, and it's under evaluation right now.

ELEMER PIROS: Okay. And one last question. IS Sigma-Tau still a fairly large shareholder? And do you see anything, any involvement on their part strategically, perhaps?

DON BAILEY: As far as I know, they're large and they should be extremely happy shareholder at this point.

ELEMER PIROS: They had some unhappy years?

DON BAILEY: They had some bad years, and they participated in the December '06 financing. There was some recent activity, some filings, but we believe all those filings were just tax entity juggling on their part. The shares are not actually owned by Sigma-Tau; they're owned by the two brothers that own Sigma-Tau.

ELEMER PIROS: Okay. Do you see a role for Sigma-Tau, perhaps, strategically speaking?

DON BAILEY: It's certainly a possibility.

ELEMER PIROS: Thank you very much, Don.

OPERATOR: Harper Stephens, Thompson Davis Asset Management.

HARPER STEPHENS, ANALYST, THOMPSON DAVIS ASSET MANAGEMENT: Couple quick questions. One is, can you address any sort of international opportunity there might be? And secondly, you only had sales at the new price level for a few weeks in Q3. Assuming a full quarter of that, any indication of what that could do to your gross margins?

DON BAILEY: Okay. As far as international opportunity, we currently believe our international opportunity is very limited. But we will be exploring that because it's a big market and we should explore it. Do you want -- I'm going to let George Stuart, our CFO, answer your other questions.

GEORGE STUART: Sure. You'll see in our report for the third quarter that the margins had increased to 90%, and I think that's probably a good barometer to what we expect to see as well going forward, something in that range.

OPERATOR: Jason Aryeh, JALAA Equities.

JASON ARYEH, ANALYST, JALAA EQUITIES: Don, congratulations on the strategy. It's obviously brilliant. Couple questions. Have you all seen any partial vial use to try -- since the price increase -- to try to conserve on usage of the drug?

DON BAILEY: No. There's a -- the usage of the drug is going to follow what the doctor believes the right administration is. Once a vial is opened, by regulation it has to be used within 28 days.

JASON ARYEH: Right. And I know that you were doing a study to try to evaluate the amount of NOLs that Questcor has. Have you made any progress there?

DON BAILEY: We've made good progress, but we're not ready to report anything. I'll let George Stuart give you a little color.

GEORGE STUART: Sure. We expect to wrap that up this month. As Don said, we are making some progress there, and we would expect to be able to report on that when we come out with our year-end results.

JASON ARYEH: Great. And in your discussions with the FDA, is there a possibility of orphan drug status? I'm thinking, obviously, specifically in light of Ovation's anti-convulsant. Can Questcor get orphan on Acthar?

STEVE CARTT: Oh, yes, this is Steve. I'll answer that one. We already have an orphan designation from the FDA for Acthar in infantile spasms. What that basically means is that if we do end up getting an approval on the indication from FDA, that we would get seven years of exclusivity in the marketplace for the base drug, which is ACTH, adrenocorticotropin. So we already do have orphan designation. While a positive, that's -- we

don't think it would add that much since we believe that Acthar is quite resistant, due to the nature of its manufacturing process, it's quite resistant to generics.

So we think that that would be an added positive, and we do have it. But it's not -- we don't think it adds much over what we already have.

HARPER STEPHENS: How about, though, obviously, if we got the label, that would, I would assume, prevent Ovation from getting the label. Obviously, one worry is that if Ovation gets it at some point this year, they'd be able to market the drug for IS and we wouldn't. So can we block them by getting that label?

STEVE CARTT: Yes. Actually, no, because they're a different molecular entity. Vigabitrin is completely different from ACTH, which is the active ingredient in Acthar. So our pursuit of the NDA would -- if we're successful -- pursuit of the new indication would give us exclusivity for the molecule ACTH, but it would not block other chemical entities such as Vigabitrin.

DON BAILEY: Nor would they block us. It goes both ways.

HARPER STEPHENS: So if we took the scenario that Ovation gets approval at some point this year and has the IS label, what is the scenario that you all have done to say how much market share Acthar can hold on to?

STEVE CARTT: Well, I mean, the two molecules are very different. The two products are very different, and physicians in a competitive marketplace often use one over another for various reasons. Some patients respond well to one and not the other. Some physicians favor use of one drug over another. So we don't -- we wouldn't shy away from a competitive marketplace, but we're not at this time able to project what market share might be retained.

HARPER STEPHENS: Is there any difference? I believe that Acthar works in something like one-third of the IS -- different variations of IS. With Vigabitrin, is there any difference there? Do they work on same third or a different third or --?

STEVE CARTT: Well, there's a lot of literature available looking at both Vigabitrin and at Acthar in terms of efficacy. In the Acthar studies, efficacy ranges anywhere from 50 to close to 90%, depending on the paper you're looking at. Vigabitrin doesn't get quite that high; it seems to be more in the 50 to 60% range. But different studies are designed differently, and they're looking at different end points. So it's hard to compare two separate studies sometimes.

But there are areas where more research has been done on Vigabitrin -- for example, tubular sclerosis patients with IS -- and less research has been done with Acthar. So there's some opportunities to do some additional Acthar research going forward to try to clarify apparent differences throughout the literature.

HARPER STEPHENS: Great. And last question. Don, can you -- I know you talked a little bit about potential stock buyback, potential return of capital. Have you guys as a Board sat down and said, this is our long-term strategy; we want to build the Company, we want to in-license or we want to return all the cash flow to shareholders? Has there been a decision? Are you guys looking at bringing in products to diversify the portfolio?

DON BAILEY: Frankly, we're just getting started with that process. We've been quite busy and focused on the top priority here, which was getting this level of end user demand as high as possible. We have started that process. We have started those discussions, and we expect to be working on that quite extensively during the first half of 2008. But what I am willing to say at this point is there's a very, very strong shareholder value orientation toward those discussions.

HARPER STEPHENS: Great. Thank you very much and congratulations again.

OPERATOR: Thank you. At this time, there are no additional questions. I'll turn it back to management for any closing remarks.

DON BAILEY: Well, thank you all for attending. This has been our first conference call since we've initiated this strategy, and I expect that we will continue to have conference calls going into the future and we'll be speaking to you again at the end of the February. I'm sure that many of you will be calling in to ask questions. Talk to you later. Bye bye.

OPERATOR: Ladies and gentlemen, this concludes the Questcor Pharmaceuticals Acthar update conference call. You may now disconnect. Thank you for using ACT teleconferencing.

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