

## Questcor Pharmaceuticals (QCOR) StSweeper Allegations Possibly Much Ado About Nothing

### Key Takeaway

**StreetSweeper's dialogue yesterday with QCOR reveals its report may possess very little nuggets for QCOR bears and this latest controversy will wane soon. Investor curiosity should be raised by the fact that not only was StSweeper short 80K shares even prior to issuing its first report but that it covered 42K shares within a day. If the unpublished allegations were serious, we would not expect the blog to cover half its position.**

### Marketing Strategies Have Been A Focal Point Of Investor Concern:

Unprecedented Acthar sales and prescription growth in 2011 has led to concerns that possibly the company's sales and marketing practices may be considered aggressive. The latest potential bear attack from StSweeper (in its upcoming report this week) may focus on QCOR's aggressive marketing strategies. We expect the latest controversy may address investor concerns, and prove the company's management has a reliable compliance program that should withstand serious scrutiny from a legitimate entity (such as U.S. Dept of Justice).

**Amateur Hour at StreetSweeper:** It seems StreetSweeper preliminary attacks against QCOR last Wednesday may have very little substance given the line of questioning that occurred between StSweeper and QCOR on Jan 16. The questions appear generated from an entity that has not conducted an extensive investigation nor is familiar with QCOR's business model or regulations that guide the pharmaceutical industry. QCOR bears appear to have been waiting for the day when a whistleblower would come forward to report the company's marketing practices. However, StSweeper in its conversations with QCOR did not raise any specific examples of improper marketing practices. Last week's share decline suggests to us that some view StSweeper with the type of credibility that is afforded to an investigation initiated by the U.S. Dept of Justice or the FDA's Division of Drug Marketing, Advertising, and Communications, and in our view this share reaction was unconscionable given StSweeper's devious reputation.

**We May Expect An SEC Investigation - Of StSweeper:** We were surprised StSweeper initiated a short position on Jan 11 for 80K shares at \$41/share but we were shocked that StSweeper covered nearly half of its 80K position within a day of issuing an announcement to issue a negative report. Without issuing a single page of why investors should sell QCOR shares has yielded StSweeper a profit of ~\$270K. Unfortunately, this type of manipulation of the capital markets is better known as "short and distort", or the converse of a "pump and dump" scheme. Notably, the founder of StSweepers (Hunter Adams) has been twice convicted of securities fraud and another member of StSweeper (Warren Flagg, former FBI agent) was recently charged with extortion.

**BUY**

Price target \$50.00

Price \$36.48

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## Company Description

Questcor is a biopharmaceutical company dedicated to the commercialization of Acthar Gel in the U.S. Acthar is currently approved for 19 indications. Questcor generates a majority of its revenues by focusing on three indications: exacerbations related to multiple sclerosis, infantile spasms, and nephrotic syndrome.

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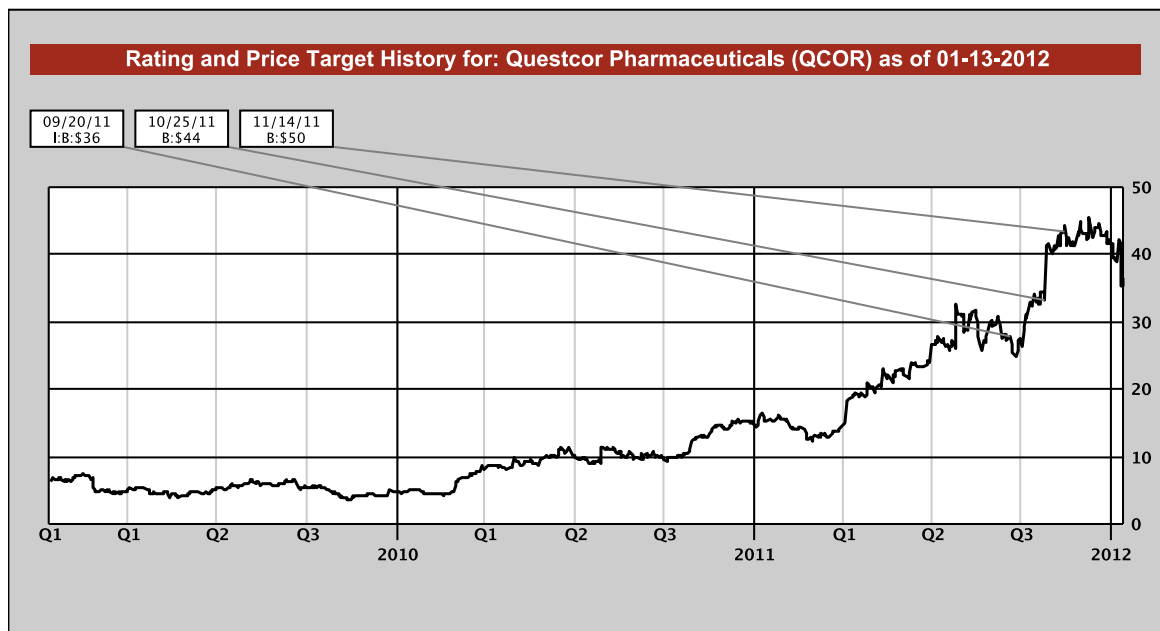
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			Count	Percent
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Company Update

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