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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

OR

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

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER: 001-14758

QUESTCOR PHARMACEUTICALS, INC.
(Exact name of Registrant as specified in its charter)

CALIFORNIA	**33-0476164**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer of Identification No.)**

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

(714) 786-4200
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter prior that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

As of June 30, 2013 there were 59,993,867 shares of the Registrant’s common stock, no par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)
(unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 81,765	$ 80,608
Short-term investments	10,221	74,705
Total cash, cash equivalents and short-term investments	91,986	155,313
Accounts receivable, net of allowances for doubtful accounts of $345 and $0 at June 30, 2013 and December 31, 2012, respectively	70,659	61,417
Inventories, net of allowances of $1,040 and $52 at June 30, 2013 and December 31, 2012, respectively	16,828	9,909
Current portion of restricted cash	25,000	—
Prepaid expenses and other current assets	5,082	4,900
Deferred tax assets	4,908	5,737
Total current assets	214,463	237,276
Property and equipment, net	33,704	2,073
Purchased technology, net	—	1,493
Goodwill	20,811	—
Other Intangibles, net	32,130	—
In process R&D asset, net	175,777	—
Restricted cash, less current portion	50,000	—
Deposits and other assets	1,324	70
Deferred tax assets	11,519	11,519
Total assets	$ 539,728	$ 252,431
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,365	$ 13,069
Accrued compensation	10,520	21,300
Sales-related reserves	35,590	37,376
Dividend payable	15,000	—
Accrued royalties	16,862	9,802
Current portion of contingent consideration in conjunction with acquisition of BioVectra	4,364	—
Current portion of in process R&D liability in conjunction with acquisition of Synacthen	25,000	—
Income taxes payable	4,277	7,360
Current portion of long-term debt	1,662	—
Other accrued liabilities	4,776	1,492
Total current liabilities	130,416	90,399
Long-term debt, less current portion	15,125	—
Contingent consideration in conjunction with acquisition of BioVectra	25,399	—
In process R&D liability in conjunction with acquisition of Synacthen	91,046	—
Non current deferred tax liability	11,351	—
Other non current liabilities	4,143	203
Total liabilities	277,480	90,602
Shareholders' equity:		
Preferred stock, no par value, 5,334,285 shares authorized; none outstanding	—	—
Common stock, no par value, 105,000,000 shares authorized, 59,993,867 and 58,544,206 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	40,733	15,938
Retained earnings	224,149	145,851
Accumulated other comprehensive (loss) income	(2,634)	40
Total shareholders' equity	262,248	161,829
Total liabilities and shareholders' equity	$ 539,728	$ 252,431

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except net income per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
Pharmaceutical net sales	$ 177,045	$ 112,452	$ 303,817	$ 208,421
Contract manufacturing net sales	7,528	—	15,885	—
Total net sales	184,573	112,452	319,702	208,421
Cost of sales (exclusive of amortization of purchased technology and IPR&D asset)	17,221	6,379	33,410	11,900
Gross profit	167,352	106,073	286,292	196,521
Operating expenses:				
Selling and marketing	37,900	27,609	73,362	49,324
General and administrative	13,126	8,647	25,675	14,089
Research and development	12,240	8,485	23,033	14,150
Depreciation and amortization	1,014	321	2,084	612
Impairment of purchased technology	—	—	719	—
Total operating expenses	64,280	45,062	124,873	78,175
Income from operations	103,072	61,011	161,419	118,346
Interest and other (expense) income, net	20	218	(322)	434
Foreign currency transaction loss	—	—	(488)	—
Income before income taxes	103,092	61,229	160,609	118,780
Income tax expense	33,969	19,724	52,424	38,732
Net income	$ 69,123	$ 41,505	$ 108,185	$ 80,048
Change in unrealized gains or losses on available-for-sale securities, net of related tax effects and changes in foreign currency translation adjustments.	(1,480)	(14)	(2,674)	77
Comprehensive income	$ 67,643	$ 41,491	$ 105,511	$ 80,125
Net income per share:				
Basic	$ 1.17	$ 0.68	$ 1.86	$ 1.28
Diluted	$ 1.12	$ 0.65	$ 1.79	$ 1.23
Shares used in computing net income per share:				
Basic	58,938	61,112	58,075	62,308
Diluted	61,498	64,113	60,581	65,305
Dividends declared per share of common stock	$ 0.25	$ —	$ 0.50	$ —

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.
CONDENSDED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended June 30,	
	2013	**2012**
OPERATING ACTIVITIES		
Net income	$ 108,185	$ 80,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	12,679	6,014
Deferred income taxes	962	234
Amortization of investments	245	928
Depreciation and amortization	4,645	612
Impairment of purchased technology and goodwill	719	—
Loss on disposal of property and equipment	95	10
Changes in operating assets and liabilities, net of business acquisition:		
Accounts receivable	(2,883)	(18,873)
Inventories	4,270	(1,191)
Prepaid income taxes	—	2,948
Prepaid expenses and other current assets	1,175	381
Accounts payable	(2,569)	6,780
Accrued compensation	(10,780)	(106)
Accrued royalties	7,060	1,015
Sales-related reserves	(1,786)	4,605
Income taxes payable	(2,684)	—
Contingent consideration	1,082	—
Other accrued liabilities	2,555	920
Other non-current liabilities	21	(221)
Net cash flows provided by operating activities	122,991	84,104
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,138)	(548)
Purchase of short-term investments	(52,001)	(96,631)
Proceeds from maturities of short-term investments	116,206	139,438
Restricted cash	(75,000)	—
Acquisition of BioVectra, net of cash acquired	(46,692)	—
Acquisition of Synacthen	(60,000)	—
Proceeds from sale of Doral	700	—
Deposits and other assets	—	(1)
Net cash flows (used in) / provided by investing activities	(117,925)	42,258
FINANCING ACTIVITIES		
Repayment of funded long-term debt	(613)	—
Repayment of other long-term debt	(212)	—
Income tax benefit realized from share-based compensation plans	5,173	4,261
Dividends paid	(14,887)	—
Issuance of common stock, net	6,943	2,663
Repurchase of common stock	—	(185,093)
Net cash flows used in financing activities	(3,596)	(178,169)
Effect of cash on changes in exchange rates	(313)	—
Increase (decrease) in cash and cash equivalents	1,157	(51,807)

Cash and cash equivalents at beginning of period	80,608	88,469
Cash and cash equivalents at end of period	$ 81,765	$ 36,662
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 380	$ 12
Cash paid for income taxes	$ 49,234	$ 31,285
Supplemental Disclosures of Investing and Financing Activities:		
Dividend payable	$ 15,000	$ —
In conjunction with the acquisition of BioVectra at January 18, 2013:		
Incremental fair value of assets acquired, net	$ 80,698	
Less: fair value of contingent consideration	(30,383)	
	50,315	
Loss on foreign exchange rate	488	
Total cash paid for acquisition of BioVectra	$ 50,803	

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share data)	Common Stock		Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Total Shareholders' Equity
	Shares	Amount			
Balances at December 31, 2012	58,544,206	$ 15,938	$ 145,851	$ 40	$ 161,829
Stock compensation for equity incentives and restricted common stock granted to employees	699,858	12,679			12,679
Issuance of common stock pursuant to employee stock purchase plan	83,559	2,050			2,050
Dividends declared on shares of common stock			(29,887)		(29,887)
Issuance of common stock upon exercise of stock options	671,967	5,042			5,042
Repurchase of common stock	—	—	—	—	—
Cancellation of shares related to tax liability	(5,723)	(149)			(149)
Income tax benefit realized from share-based compensation plans		5,173			5,173
Comprehensive income (loss):					
Net unrealized gain on investments				(34)	(34)
Foreign currency translation adjustments				(2,640)	(2,640)
Net income			108,185		108,185
Total comprehensive income	—	—	—	—	105,511
Balances at June 30, 2013	59,993,867	$ 40,733	$ 224,149	$ (2,634)	$ 262,248

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. The Company

Questcor Pharmaceuticals, Inc. ("we", "our", "us", or the "Company") is a biopharmaceutical company primarily focused on the treatment of patients with serious, difficult-to-treat autoimmune and inflammatory disorders. We also supply specialty contract manufacturing services to the global pharmaceutical and biotechnology industry through our wholly-owned subsidiary, BioVectra Inc. We also have agreed to acquire certain international rights for Synacthen® (tetracosactide) and Synacthen Depot®, and have licensed the right to develop and seek approval by the U.S. Food and Drug Administration, or FDA, for these products in the United States. Our primary product is H.P. Acthar® Gel (repository corticotropin injection), or Acthar, an injectable drug that is approved by the FDA for the treatment of 19 indications. Of the 19 FDA approved indications, we currently generate substantially all of our pharmaceutical net sales from the use of Acthar in connection with the following indications:

- Nephrotic Syndrome (NS): Acthar is indicated “to induce a diuresis or a remission of proteinuria in the nephrotic syndrome without uremia of the idiopathic type or that due to lupus erythematosus.” According to the National Kidney Foundation, nephrotic syndrome can result from several idiopathic type kidney disorders, including idiopathic membranous nephropathy, focal segmental glomerulosclerosis, IgA nephropathy and minimal change disease. Nephrotic syndrome can also occur due to lupus erythematosus. In this Form 10-Q, the terms “nephrotic syndrome” and “NS” refer only to the proteinuria in nephrotic syndrome conditions that are covered by the Acthar label of approved indications.
- Multiple Sclerosis (MS): Acthar is indicated “for the treatment of acute exacerbations of multiple sclerosis in adults. Controlled clinical trials have shown H.P. Acthar Gel to be effective in speeding the resolution of acute exacerbations of multiple sclerosis. However, there is no evidence that it affects the ultimate outcome or natural history of the disease.”
- Infantile Spasms (IS): Acthar is indicated “as monotherapy for the treatment of infantile spasms in infants and children under 2 years of age.” We continue to support this vulnerable patient population. We believe that a significant percentage of the $360 million in free drug that we have provided from September 2007 through June 30, 2013, has been used to treat IS. We support the IS community through other initiatives. In February 2012, we were awarded the first-ever Corporate Citizenship Award presented by the Child Neurology Foundation. This award honors our long-term commitment to support the child neurology community as well as our specific efforts to fund education and research related to IS.
- Rheumatology Related Conditions: Acthar is approved for the following rheumatology related conditions: (i) Collagen Diseases: Acthar is indicated "during an exacerbation or as maintenance therapy in selected cases of systemic lupus erythematosus, systemic dermatomyositis (polymyositis)" and (ii) Rheumatic Disorders: Acthar is indicated as "adjunctive therapy for short-term administration (to tide the patient over an acute episode or exacerbation) in: Psoriatic arthritis, Rheumatoid arthritis, including juvenile rheumatoid arthritis (selected cases may require low-dose maintenance therapy), and Ankylosing spondylitis."

We continue to explore the possible use of Acthar to provide therapeutic benefit to patients suffering from other serious, difficult-to-treat autoimmune and inflammatory disorders that are included on the Acthar label. For example, we recently announced our intent to initiate a pilot commercialization effort for Acthar for the treatment of respiratory manifestations of symptomatic sarcoidosis, a potentially serious, difficult-to-treat disorder. In addition, we are exploring the possibility of pursuing FDA approval for additional indications not currently on the Acthar label, for other serious, difficult-to-treat autoimmune and inflammatory disorders.

In order to improve outcomes for patients with difficult-to-treat autoimmune and inflammatory disorders, we are expanding our research to better understand the mechanism(s) of action of Acthar as well as the pharmacology of Acthar across and within each indication. We are also conducting studies to expand our understanding of why Acthar acts differently than steroids and potentially other melanocortin peptides.

Acquisition of Synacthen

On June 11, 2013, the Effective Date, we acquired from Novartis AG and Novartis Pharma AG, collectively Novartis, a license to develop, market, manufacture, distribute, sell and commercialize Synacthen and Synacthen Depot for all uses in humans in the U.S. Subject to certain conditions and limitations in the License Agreement, the license is exclusive, perpetual and irrevocable. Synacthen is a synthetic melanocortin agonist approved in various countries outside of the United States for certain autoimmune and inflammatory conditions, but has never been developed or approved for patients in the U.S.

Subject to certain closing conditions, we also will acquire from Novartis a license and certain assets to develop, market, manufacture, distribute, sell and commercialize Synacthen and Synacthen Depot in certain countries outside the U.S. for all uses in humans. Subject to certain conditions and limitations, these rights and assets are exclusive, perpetual and irrevocable.

Under the terms of the transaction agreements, we paid Novartis an upfront consideration of $60.0 million. We will also be making annual cash payments of $25 million on each of the first, second and third anniversaries of the Effective Date, a potential additional annual cash payment on each anniversary subsequent to the third anniversary until we obtain the first approval of the FDA related to the products, or the FDA Approval, and a milestone payment upon our receipt of the FDA Approval. If we successfully obtain the FDA Approval, we will pay an annual royalty to Novartis based on a percentage of the net sales of the product in the U.S. market until the maximum payment is met. The first three annual payments aggregating to $75.0 million are secured by a letter of credit and classified as restricted cash on the Condensed Consolidated Balance Sheets. In no event will the total payments related to this transaction exceed $300 million.

Acquisition of BioVectra Inc.

On January 18, 2013, we completed our acquisition of BioVectra Inc. BioVectra is located in Prince Edward Island, Canada, and is a supplier of specialty contract manufacturing services to the global pharmaceutical and biotechnology industry. BioVectra manufactures active pharmaceutical ingredients, or API, chemical intermediates, and bioprocessing reagents. BioVectra has been our manufacturing partner for the API in Acthar since April, 2003. BioVectra's facilities are staffed by 178 employees including chemists, engineers and technicians.

We acquired 100% of the issued and outstanding shares of BioVectra for $50.3 million utilizing cash on hand. The former shareholders of BioVectra could receive additional cash consideration of C$50.0 million based on BioVectra's financial results over the next three years, which consideration is payable annually with a final true-up payment in the third year. Contingent consideration in conjunction with the acquisition of BioVectra of $30.4 million was recorded on our condensed consolidated balance sheet at the acquisition date. Any differences between our estimate and actual payments or subsequent adjustments will be recorded in interest and other (expense) income, net.

As of June 30, 2013, there were no changes in the recognized amount or range of outcomes for the contingent consideration recognized as a result of our acquisition of BioVectra. As of June 30, 2013, the estimated value of the contingent consideration of $29.8 million has been recorded as a liability in our condensed consolidated balance sheets ($4.4 million has been recorded as the current portion of the contingent consideration).

For the six months ended June 30, 2013, we recorded $0.2 million of acquisition-related expenses associated with the BioVectra acquisition within general and administrative expenses in our condensed consolidated statements of income and comprehensive income.

The acquisition was recorded by allocating the estimated value of consideration paid by us for the BioVectra acquisition to the assets acquired including intangible assets, and liabilities assumed, based on their estimated fair values at the acquisition date in accordance with the acquisition method of accounting. We are in the process of finalizing the estimated amounts shown below and such amounts are provisional measurements that are subject to change.

The following table reflects the fair value of consideration transferred at the acquisition date (in thousands):

Allocation of Purchase Price:		
Current assets excluding inventory	$	11,691
Inventory		11,774
Property and equipment		35,221
Other non-current assets		1,708
Current deferred tax asset		141
Intangibles		35,581
Goodwill		21,914
Current liabilities		(6,451)
Non-current liabilities, excluding long-term debt		(1,994)
Non-current deferred tax liability		(12,012)
Long-term debt		(16,875)
Total net assets acquired	$	80,698
Cash consideration paid to BioVectra shareholders	$	50,315
Estimated fair value of contingent consideration		30,383
Total purchase consideration	$	80,698

The following unaudited pro forma financial information for the six months ended June 30, 2013 and 2012 presents the combined results of operations of Questcor and the BioVectra acquisition described above, as if the acquisition had occurred as of January 1 of the year prior to acquisition. The unaudited pro forma financial information is not intended to represent or be indicative of the Company's consolidated results of operations or financial condition that would have been reported had this acquisition been completed as of the beginning of the periods presented and should not be taken as indicative of the Company's future consolidated results of operations or financial condition. Pro forma adjustments are tax-effected at the applicable statutory tax rates.

	Six Months Ended June 30,			
	2013		2012	
Net sales	$	321,561	$	214,112
Net income	$	107,578	$	76,157

The above pro forma results could change if the provisional measurements change.

2. Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments) considered necessary for the fair presentation of interim financial information have been included.

The financial statements of our subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities, historical exchange rates for shareholders' equity and weighted average exchange rates for operating results. Translation gains and losses are included in accumulated other comprehensive income in stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations in our condensed consolidated statements of income and comprehensive income.

Use of Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles, or GAAP, requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could materially differ from those estimates. Our significant estimates include our estimates for sales-related reserves, impairment of intangibles, deferred tax assets and tax liabilities and share-based compensation, among others.

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification 605, “Revenue Recognition-Products,” or ASC 605. Pursuant to ASC 605, we recognize revenue when we have persuasive evidence that an arrangement, agreement or contract exists, when title for our product and risk of loss have passed to our customer, the price we charge for our product is fixed or is readily determinable, and we are reasonably assured of collecting the amounts owed under the resulting receivable. We do not require collateral from our customers. In order to ensure that patients who need Acthar are able to obtain it regardless of ability to pay, we support the patient assistance programs administered by the National Organization of Rare Disorders, or NORD, and the Chronic Disease Fund, by providing free drug with a commercial value of over $360 million to patients from September 2007 through June 30, 2013. We do not recognize any revenue from the Acthar free drug program.

In the U.S., our exclusive customer for Acthar is CuraScript Specialty Distributor, or CuraScript SD. For our sales to CuraScript SD, a sale of Acthar occurs when CuraScript SD accepts a shipment of Acthar based on its order of Acthar from Integrated Commercial Services, which we have engaged to act as our exclusive agent for commercial shipment of Acthar to CuraScript SD. We sell Acthar at a discount from our list price to CuraScript SD, which then sells Acthar primarily to approximately 12 specialty pharmacy companies, including CuraScript Specialty Pharmacy, or CuraScript SP, and to many hospitals.

International sales of our products are immaterial.

Net Sales

We record net sales after establishing reserves for the following:

- Medicaid rebates;
- TRICARE retail program rebates;
- Medicare Part D Coverage Gap Discount Program rebates;
- Chargebacks due to other government programs;
- Questcor-sponsored co-pay assistance programs;
- Exchanges, which have historically been immaterial; and
- Other deductions, such as payment discounts.

We currently provide our products to Medicaid participants under an agreement with the Centers for Medicare & Medicaid Services, or CMS. Under this agreement, states are eligible to receive rebates from us for Medicaid patients in

accordance with CMS regulations. For the three and six months ended June 30, 2012, the rebate amount equaled 100% of the Average Manufacturers' Price, or AMP, which approximates the amount we charge to CuraScript SD. During the three months ended March 31, 2013, the rebate amount in the Medicaid system was reset from 100% of the AMP of Acthar to the basic 23.1% of AMP. States have historically provided us with rebate invoices for their Medicaid Fee for Service reimbursements between 60 and 90 days after the end of the calendar quarter in which our products were provided. Certain states are taking longer to submit complete rebate invoices for the Medicaid Managed Care utilization that became rebate eligible on March 23, 2010, as a result of the enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, or the Health Care Reform Acts.

We estimate the end of period liability and the sales reserve needed for Medicaid rebates, TRICARE retail program rebates, Medicare Part D Coverage Gap Discount Program rebates, or Coverage Gap Discount rebates (commonly referred to as the Medicare Part D "donut hole"), and chargebacks due to other government programs.

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

Significant judgment is inherent in the selection of assumptions and the interpretation of historical experience as well as the identification of external and internal factors affecting the determination of our reserves including those related to rebates and chargebacks such as Medicaid, Medicare, TRICARE, VA, 340B, and product returns. Of these, the largest reserves relate to rebates for participation in the Medicaid program which is governed by a complex set of regulations. We believe that the assumptions used to determine these reserves are reasonable considering known facts and circumstances at the time the estimates are made. However, the eventual incurred and paid rebates and chargebacks could materially differ from our reserve amounts because of, among other factors, unanticipated changes in prescription trends or patterns in the states' submissions of Medicaid claims, adjustments to the amount of product in the distribution channel, estimates of the number of Medicaid patients treated with Acthar, estimates of the number of vials used by such patients, are incorrect. If actual Medicaid rebates, or other government program rebates and chargebacks, or interpretation of the regulations are materially different from our estimates and assumptions, we would account for such differences as a change in estimate in the period in which they become known. If actual future payments for such reserves exceed the estimates we made at the time of sale, our consolidated financial position, results of operations and cash flows may be negatively impacted. Our reserves for rebates and chargebacks can also be affected by interpretations of regulations taken by regulatory agencies with respect to historical periods. During the three months ended June 30, 2013, we received correspondence from CMS that indicates that Questcor should have maintained the existing baseline AMP as used by the prior owner of Acthar before Questcor acquired the drug in 2001. We have no indication that CMS' assertion is without merit and have, therefore, accrued an estimated liability for 2002 - 2009, the prior years affected by this item. This item does not impact periods following 2009. Specifically, we accrued an estimated liability for rebates totaling $11.5 million because the amount is estimable and it is probable that we will pay such amount. This had the effect of reducing our net sales in the quarter ended June 30, 2013 by $11.5 million.

Total Sales-related Reserves

At June 30, 2013 and December 31, 2012, sales-related reserves included in the accompanying condensed consolidated balance sheets were as follows (in thousands):

	June 30, 2013	December 31, 2012
Medicaid rebates	$ 30,542	$ 33,921
Tricare rebates	4,019	3,222
Medicare Part D Coverage Gap Discount Program rebates	673	194
Government chargebacks	40	38
Other discounts	316	1
Total	$ 35,590	$ 37,376

The following table summarizes the activity in the account for sales-related reserves for Medicaid rebates (in thousands):

	2013	2012
Balance at January 1	$ 33,921	$ 29,874
Actual Medicaid payments for sales made in prior year	(21,463)	(16,625)
Actual Medicaid payments for sales made in current year	(6,923)	(8,382)
Current Medicaid provision for sales made in prior year	11,497	1,039
Current Medicaid provision for sales made in current year	13,510	27,802
Balance at June 30	$ 30,542	$ 33,708

The following table summarizes the activity in the account for sales-related reserves for TRICARE rebates (in thousands):

	2013	2012
Balance at January 1	$ 3,222	$ 4,095
Actual TRICARE payments for sales made in prior year	(3,380)	(571)
Actual TRICARE payments for sales made in current year	(507)	(1,046)
Current TRICARE provision for sales made in prior year	—	—
Current TRICARE provision for sales made in current year	4,684	2,234
Balance at June 30	$ 4,019	$ 4,712

Product Exchanges and Returns

Acthar has a shelf life of 18 months from the date of manufacture. We authorize Acthar exchanges for expiring and expired product in accordance with our stated return policy, which allows CuraScript SD to return product within one month of its expiration date and for a period up to three months after such product has reached its expiration date. Product exchanges have been insignificant since we began utilizing the services of CuraScript SD to distribute Acthar.

For our contract manufactured finished goods sold through our BioVectra subsidiary, we warrant that our products conform to the applicable product specifications. Each product is shipped with a Certificate of Analysis stating the conditions and results of product performance tests. Our customers must determine the suitability of our product. We do not accept liability for any incidental, direct or indirect consequential or contingent damages arising out of the use, result of use, or the inability to use our products. Should any of our products fail to meet its described specifications for reasons other than misuse or mishandling, at our option, we will either replace the product free of charge or refund the purchase price. We reserve the right to deny a return when the date of the invoice is greater than 30 days from the return request date, or for any other reason as covered by our warranty.

Concentration of Credit Risk

Financial instruments that subject us to a significant concentration of credit risk principally consist of cash and cash equivalents, short-term investments and accounts receivable. We invest our cash in high credit quality government and corporate debt instruments and believe the financial risks associated with these instruments are minimal.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. Beginning January 1, 2013, all of our non-interest bearing cash balances were insured up to $250,000 per depositor at each financial institution. We did not have any non-interest-bearing amounts on deposit in excess of federally insured limits at June 30, 2013.

We extend credit to our customer, CuraScript SD, which accounts for approximately 95% of our gross product sales and 90% of our accounts receivable. We have not experienced material credit losses on our customer accounts.

Inventories

We state inventories, net of allowances, at the lower of cost or market value. For our Acthar product, cost is determined by the first-in, first-out method. For our production materials and supplies, work-in-process and finished goods at our contract manufacturer, cost is determined on an average cost basis.

We review inventory periodically for slow-moving or obsolete status. We adjust our inventory if we do not expect to recover the cost of inventory. We would record a reserve to adjust inventory to its net realizable value when any of the following occur: (i) a product is close to expiration and we do not expect it to be sold, (ii) a product has reached its expiration

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

The components of inventory are as follows (in thousands):

	June 30, 2013	December 31, 2012
Raw material	$ 9,626	$ 9,271
Work-in-process	1,948	—
Intermediates	1,848	—
Finished goods	4,446	690
	17,868	9,961
Less: Reserve for obsolescence	(1,040)	(52)
	$ 16,828	$ 9,909

Included in inventories at June 30, 2013 is $9.3 million held at BioVectra, in Canada.

Property, Plant and Equipment

Equipment, building, land and leasehold improvements and related accumulated depreciation and amortization are as follows (in thousands):

	June 30, 2013	December 31, 2012
Equipment (including manufacturing, laboratory and office)	$ 24,599	$ 3,466
Building	12,665	—
Land	390	—
Leasehold improvements	1,446	1,349
	39,100	4,815
Less accumulated depreciation and amortization	(5,396)	(2,742)
	$ 33,704	$ 2,073

Total depreciation and amortization expense amounted to $2.8 million and $0.6 million for the six months ended June 30, 2013 and 2012 respectively. The increase in depreciation and amortization expense was due to the increase in property, plant and equipment as a result of our acquisition of BioVectra on January 18, 2013. We depreciate our property and equipment and amortize our leasehold improvements using the straight-line method of depreciation. Included in property, plant and equipment at June 30, 2013 is $31.6 million held at BioVectra, in Canada.

Supply Concentration Risks

Acthar is derived from the extraction and purification of porcine pituitary glands through complicated processes, and is difficult to manufacture. Acthar bulk concentrate, the API used in Acthar, is processed at our BioVectra subsidiary, in several stages to produce a highly purified raw material for formulation. We have a supply agreement with Cangene bioPharma, Inc., or Cangene, to manufacture commercial quantities of Acthar finished product. Currently, Cangene is our sole source supplier of Acthar finished product. Additionally, we use a sole source provider for potency testing. The processes used to manufacture and test Acthar are complex and subject to FDA inspection and approval. Acthar finished product has a shelf life of 18 months from the date of manufacture.

Cash Equivalents and Short-Term Investments

We consider highly liquid investments with maturities from the date of purchase of three months or less to be cash equivalents. We classify available-for-sale debt instruments with maturities at the date of purchase of greater than three months as short-term investments.

We carry available-for-sale securities at fair value, with the unrealized gains and losses, if any, reported in the Condensed Consolidated Statements of Income and Comprehensive Income. If we deem the decline in value to be other-than-temporary and we intend to sell such securities before their full cost can be recovered, we write down such securities to fair value and we charge the loss to net realized losses on investments. We use significant judgment in the determination of when an other-than-temporary decline in value has occurred. We evaluate our investment securities for other-than-temporary declines based on quantitative and qualitative factors. As of June 30, 2013, none of our investments had an other-than-temporary decline in valuation, and no other-than-temporary losses were recognized during the three and six months ended June 30, 2013 and 2012, respectively. We base the cost of securities sold on the specific identification method. We include realized gains and losses, if any, in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income, in Interest and Other Income.

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Loss)	Estimated Fair Value
June 30, 2013				
Cash and cash equivalents	$ 12,504	$ —	$ —	$ 12,504
Short-term investments:				
Certificates of deposit	$ 480	$ —	$ —	$ 480
Corporate bonds	6,632	3	(2)	6,633
Government-sponsored enterprises	1,283	—	(2)	1,281
Municipal bonds	1,827	1	(1)	1,827
	$ 10,222	$ 4	$ (5)	$ 10,221
December 31, 2012				
Cash and cash equivalents	$ 7,740	$ —	$ —	$ 7,740
Short-term investments:				
Certificates of deposit	$ 720	$ 2	$ —	$ 722
Corporate bonds	47,857	29	(8)	47,878
Government-sponsored enterprises	24,699	13	—	24,712
Municipal bonds	1,395	1	(3)	1,393
	$ 74,671	$ 45	$ (11)	$ 74,705

The amortized cost and fair value of short-term investment securities at June 30, 2013, by contractual maturity, are as follows (in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 9,412	$ 9,413
Due after one through two years	810	808
Total short-term investments	$ 10,222	$ 10,221

As of June 30, 2013, the average contractual maturity of our short-term investments was approximately 12 months months.

As of June 30, 2013, we had the following available-for-sale securities that were in an unrealized loss position but were not deemed to be other-than-temporarily impaired (in thousands):

	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ (1)	$ 2,534	$ (1)	$ 354
Government-sponsored enterprises	—	—	(2)	998
Municipal bonds	—	—	(1)	204
Total	$ (1)	$ 2,534	$ (4)	$ 1,556

The gross unrealized losses reported above for June 30, 2013 were caused by general fluctuations in market interest rates from the respective purchase date of these securities through June 30, 2013. No significant facts or circumstances have occurred to indicate that these unrealized losses are related to any deterioration in the creditworthiness of the issuers of the marketable securities we own. Based on our review of these securities, including our assessment of the duration and severity of the related unrealized losses, we have not recorded any other-than-temporary impairments on these investments. For the three months ended June 30, 2013, we did not realize any gains or losses.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable, dividends payable and accrued liabilities. We believe that the fair value of these financial instruments approximate the reported carrying amounts.

Fair Value Measurements

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

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

We have segregated all assets and liabilities measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below. As of June 30, 2013, assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

Balance Sheet Classification		Basis of Fair Value Measurements			
		Balance at June 30, 2013	Level 1	Level 2	Level 3
Cash and cash equivalents	Cash and cash equivalents	$ 12,504	$ 12,504	$ —	$ —
Short-term investments	Certificates of deposit	480	480	—	—
Short-term investments	Corporate bonds	6,633	6,633	—	—
Short-term investments	Government-sponsored enterprises	1,281	1,281	—	—
Short-term investments	Municipal bonds	1,827	1,827	—	—
	Total assets	$ 22,725	$ 22,725	$ —	$ —
Current liabilities	Current portion of contingent consideration in conjunction with acquisition of BioVectra	4,364	—	—	4,364
Non-current liabilities	Contingent consideration in conjunction with acquisition of BioVectra	25,399	—	—	25,399
	Total liabilities	$ 29,763	$ —	$ —	$ 29,763

The fair value of contingent consideration in conjunction with the acquisition of BioVectra was determined to be Level 3 under the fair value hierarchy. The following table presents the fair value, valuation technique and related unobservable input for the Level 3 measurements:

	Fair Value	Valuation Technique	Unobservable Input	Rate
Contingent consideration estimate	$ 29,763	Probability weighted discounted future cash flows	Discount rate	5%

Investment securities are exposed to various risk factors, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in these risk factors in the near term could have an adverse material impact on our results of operations or shareholders' equity.

The following table represents a roll forward of the fair value of Level 3 instruments, comprised solely of the contingent consideration, including the current portion of the contingent consideration:

	June 30, 2013
Balance at beginning of period	$ —
Amounts acquired or issued	30,383
Changes in fair value	(620)
Balance at end of period	$ 29,763

Certain assets and liabilities are measured at fair value on a nonrecurring basis. In other words, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment).

Doral® (quazepam), is indicated for the treatment of insomnia characterized by difficulty in falling asleep, frequent nocturnal awakenings, and/or early morning awakenings. At March 31, 2013, we had determined that a portion of the value of our purchased technology associated with our prior acquisition of Doral was impaired. This determination was based on a signed purchase agreement dated April 30, 2013 for the disposition of Doral. Based on the agreement, we did not recover and therefore wrote off $0.7 million as of March 31, 2013. During the quarter ended June 30, 2013, we sold the asset for $0.7 million, the residual net book value. There were no other assets or liabilities measured at fair value on a nonrecurring basis during the three months ended June 30, 2013 and 2012, respectively.

Long-term Debt

Funded long-term debt

Our subsidiary, BioVectra, has a supply agreement with a customer to supply a pharmaceutical product for a period of 10 years. Per the supply agreement, BioVectra financed and constructed a facility for the manufacturing of the pharmaceutical product to be supplied under the agreement. BioVectra entered into a term loan agreement with Prince Edward Island Century 2000 Fund Inc. to finance $14.8 million of the construction costs of the facility. The term loan has an interest rate of 4%, is due in full by February 2022 and is secured by certain of our BioVectra assets. Under the supply agreement, the customer agreed to reimburse BioVectra for the quarterly financing payments of $450,743 during the term of the loan.

	June 30, 2013	
4% Term Loan, due February 2022, payable in quarterly installments of $450,743 including principal and interest	$	12,895
Less: Current Portion		1,216
Funded long-term debt, less current portion	$	11,679

Long-term debt

Our subsidiary, BioVectra, has a 2.85% term loan. The loan is payable monthly and is due April 2016. The loan is secured with BioVectra accounts receivable and inventory.

	June 30, 2013	
2.85% Term Loan, due April 2016, payable in monthly installments of $48,170 including principal and interest	$	3,892
Less: Current Portion		446
Long-term debt, less current portion	$	3,446

Share-based Compensation

We recognize compensation expense for all share-based awards made to employees and directors. The fair value of share-based awards is estimated at grant date using an option pricing model and the portion that is ultimately expected to vest is recognized as compensation expense over either (1) the requisite service period or (2) the performance period.

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

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

We use the intrinsic method to account for restricted stock awards. The restricted stock awards are valued based on the closing stock price on the date of grant and amortized ratably over the life of the award.

Additionally, we are required to disclose in our consolidated statements of cash flows the income tax effects resulting from share-based payment arrangements. We adopted the simplified method to calculate the beginning balance of the additional paid-in capital, or APIC, pool of excess tax benefits, and to determine the subsequent effect on the APIC pool and consolidated statements of cash flows of the tax effects of employee share-based compensation awards.

At June 30, 2013, we had $60.5 million of total unrecognized compensation expense related to unvested stock options and unvested restricted awards, which is expected to be recognized over a remaining weighted average vesting period of approximately 2.3 years.

Share-based compensation expense is summarized below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Selling and marketing	$ 2,570	$ 1,095	$ 5,024	$ 1,882
General and administrative	2,685	1,916	5,223	2,962
Research and development	1,276	706	2,432	1,170
Total	$ 6,531	$ 3,717	$ 12,679	$ 6,014

Net Income Per Share

Basic net income per share applicable to common shareholders is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common and common equivalents shares, such as stock options and restricted stock outstanding during the period. Diluted earnings for our common shareholders per common stock considers the impact of potentially dilutive securities and excludes the impact of potential common shares related to our stock options and restricted stock in periods in which the option exercise or conversion price is greater than the average market price of our common stock during the period.

The following table presents the amounts used in computing basic and diluted net income per share applicable to common shareholders for the three and six months ended June 30, 2013 and 2012 and the effect of dilutive potential common shares on the number of shares used in computing dilutive net income per share applicable to common shareholders. Diluted potential common shares resulting from the assumed exercise of outstanding stock options and restricted stock are determined based on the treasury stock method (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income applicable to common shareholders	$ 69,123	$ 41,505	$ 108,185	$ 80,048
Shares used in computing net income per share applicable to common shareholders:				
Basic	58,938	61,112	58,075	62,308
Effect of dilutive potential common shares:				
Stock options	2,238	2,971	2,276	2,971
Restricted stock	322	30	230	26
Diluted	61,498	64,113	60,581	65,305
Net income per share applicable to common shareholders:				
Basic	$ 1.17	$ 0.68	$ 1.86	$ 1.28
Diluted	$ 1.12	$ 0.65	$ 1.79	$ 1.23

The following table presents the amounts excluded from the computation of diluted net income per share applicable to common shareholders for the three and six months ended June 30, 2013 and 2012 as the inclusion of these securities would have been anti-dilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock options	2,010	1,207	2,004	900
Restricted stock awards	—	—	—	—

Basic and diluted net income per share also takes into consideration the two-class method. Under the two-class method, undistributed net income is allocated to common stock and unvested participating securities based on their respective rights to

share in dividends. We have determined that restricted stock awards represent participating securities and, therefore, require the use of the two-class method for the calculation of basic and diluted earnings per share. The following table sets forth the calculation of unallocated undistributed earnings, both basic and diluted, using the two-class method for amounts attributable to our common stock and our restricted stock awards (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income applicable to common shareholders	$ 69,123	$ 41,505	$ 108,185	$ 80,048
Less: Dividends declared	15,000	—	29,887	—
Undistributed earnings	$ 54,123	$ 41,505	$ 78,298	$ 80,048
Common stock undistributed earnings	53,172	41,451	76,648	79,951
Unvested restricted stock award undistributed earnings	951	54	1,650	97
Total undistributed earnings	$ 54,123	$ 41,505	$ 78,298	$ 80,048

Dividend Program

During September 2012, our Board of Directors adopted a policy to pay a regular quarterly dividend in such amounts as the Board of Directors may determine from time to time. The Board of Directors declared an initial quarterly cash dividend of $0.20 per common share to all shareholders of record at the close of business on October 31, 2012. In February 2013, we announced an increase in our quarterly cash dividend from $0.20 per share to $0.25 per share, with such increase occurring with the quarterly cash dividend paid on April 30, 2013. In May 2013, we announced our most recent quarterly cash dividend of $0.25 per share and such dividend was paid on July 30, 2013.

Purchased Technology, Goodwill and Intangibles

Purchased technology consists of the following (in thousands):

	June 30, 2013	December 31, 2012
Purchased technology	$ 4,386	$ 4,386
Less accumulated amortization	(4,386)	(2,893)
Purchased technology, net	$ —	$ 1,493

Purchased technology at June 30, 2013 and December 31, 2012 consists of our acquisition costs for Doral. At March 31, 2013, we determined that a portion of the value of our purchased technology associated with the acquisition of Doral was impaired. As discussed above, during the quarter ended June 30, 2013 we entered into a purchase agreement to sell Doral. The agreed upon purchase price was $0.7 million. Based on the value established by the purchase agreement, we determined that the asset was impaired and wrote off $0.7 million of the asset value as of March 31, 2013. We subsequently wrote off the remaining asset value during the quarter ended June 30, 2013. During the quarter ended June 30, 2013, we sold the asset for $0.7 million.

Goodwill and intangibles acquired in conjunction with the acquisition of BioVectra, consists of the following (in thousands):

	June 30, 2013	December 31, 2012
Acquired intangibles	$ 33,677	$ —
Less accumulated amortization	(1,547)	—
Acquired intangibles, net	$ 32,130	$ —
Goodwill	$ 20,811	$ —

The following table summarizes the changes in the carrying amount of goodwill (in thousands):

Balance at December 31, 2012	$	—
Goodwill resulting from the acquisition of BioVectra		21,914
Currency translation		(1,103)
Balance at June 30, 2013	$	20,811

The following table summarizes the changes in the carrying amount of intangibles (in thousands):

Balance at December 31, 2012	$	—
Intangibles resulting from the acquisition of BioVectra		35,581
Amortization expense		(1,547)
Currency translation		(1,904)
Balance at June 30, 2013	$	32,130

Amortization expense for BioVectra's intangibles totaled $1.5 million for the six months ended June 30, 2013. The estimated annual amortization expense for intangible assets is approximately $1.5 million for the remainder of 2013, $3.3 million in 2014, $3.3 million in 2015, $3.1 million in 2016 and $2.9 million in 2017 and $10.3 million thereafter. Amortizable intangible assets are amortized over 8 to 10 years (9 years average). Customer relationships are amortized on an accelerated basis over their useful lives.

Intangibles acquired in conjunction with the acquisition of Synacthen, consists of the following (in thousands):

		June 30, 2013		December 31, 2012
In process R&D asset	$	176,046	$	—
Less accumulated amortization		(269)		—
In process R&D asset, net	$	175,777	$	—

Amortization expense for the intangible acquired in conjunction with the acquisition of Synacthen totaled $0.3 million for the six months ended June 30, 2013. The estimated annual amortization expense for the intangible asset is approximately $4.4 million in 2013, $8.8 million in 2014, $8.8 million in 2015, $8.8 million in 2016 and $8.8 million in 2017 and $136.2 million thereafter. The in process R&D asset will be amortized over 20 years.

Commitments and Contingencies

BioVectra receives funding from the Atlantic Canada Opportunities Agency (“ACOA”) which is contingently repayable on a royalty basis upon sales of commercialized products resulting from 4 projects. In the event that the products are not commercialized under the program or do not continue to generate revenues, the royalty agreement will be terminated without future obligation to BioVectra. Royalties paid under this agreement in the three and six months ended June 30, 2013 were immaterial.

We operate in a highly regulated industry. We are subject to the regulatory authority of the SEC, the FDA and numerous other federal, state and foreign governmental agencies including state attorney general offices, which have become more active in investigating the business practices of pharmaceutical companies.

As permitted under California law and in accordance with our Amended and Restated Bylaws, we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The potential future indemnification limit is to the fullest extent permissible under California law. However, we have a director and officer insurance policy that limits our exposure and may enable us to recover a portion of any future amounts paid. We believe the fair value of these indemnification agreements in excess of applicable insurance coverage is minimal. Accordingly, we have no liabilities recorded for these agreements as of June 30, 2013 and December 31, 2012.

Glenridge Litigation

In June 2011, Glenridge Pharmaceuticals LLC, or Glenridge, filed a lawsuit against us in the Superior Court of California, Santa Clara County, alleging that we had underpaid royalties to Glenridge, in connection with the timing of the impact of various offsets in the calculation of net sales. We are defending this lawsuit vigorously. In October 2012, a Judge of the Superior Court denied Glenridge's motion for summary judgment on its claims. In March 2013, Glenridge amended its complaint and added causes of action for breach of contract and breach of the implied covenant of good faith and fair dealing. In April 2013, we filed our answer to this amended complaint.

In August 2012, we filed a separate lawsuit in the Superior Court of California, Orange County, against the three principals of Glenridge, as well as Glenridge, challenging the enforceability of our agreement with Glenridge, and alleging breach of fiduciary duty, as well as aiding and abetting of the breach, by the principals. In November 2012, a Judge of the Superior Court of California, Orange County, transferred this lawsuit to the Superior Court of California, Santa Clara County. In February 2013, a Judge of the Superior Court denied Glenridge's motion to stay this lawsuit in favor of the accounting lawsuit described in the immediately preceding paragraph. In February 2013, we filed a motion for summary judgment on issues related to the fiduciary duty claim. In June 2013, a Judge of the Superior Court granted the motion in part, and denied it in part, and found that Glenridge's main principal owed fiduciary duties to Questcor during the relevant period. On June 18, 2013, we filed an amended complaint to introduce new allegations of concealment against Glenridge. Glenridge's responsive pleading is expected to be filed no later than August 22, 2013.

USAO Investigation

On September 21, 2012, we became aware of an investigation by the United States Attorney's Office for the Eastern District of Pennsylvania (the "USAO") regarding our promotional practices. Following our September 24, 2012 announcement of this investigation, we received a subpoena from the USAO for information relating to our promotional practices. We are cooperating with the USAO with regard to this investigation.

Putative Class Action Securities Litigation

On September 26, 2012, a putative class action lawsuit was filed against us and certain of our officers and directors in the United States District Court for the Central District of California, captioned *John K. Norton v. Questcor Pharmaceuticals, et al.*, No. SACv12-1623 DMG (FMOx). The complaint purports to be brought on behalf of shareholders who purchased our common stock between April 26, 2011 and September 21, 2012. The complaint generally asserts that we and certain of our officers and directors violated sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, by making allegedly false and/or misleading statements concerning the clinical evidence to support the use of Acthar for indications other than infantile spasms, the promotion of the sale and use of Acthar in the treatment of MS and nephrotic syndrome, reimbursement for Acthar from third-party insurers, and our outlook and potential market growth for Acthar. The complaint seeks damages in an unspecified amount and equitable relief against the defendants. This lawsuit has been consolidated with four subsequently-filed actions asserting similar claims under the caption: *In re Questcor Securities Litigation*, No. CV 12-01623 DMG (FMOx). On January 4, 2013, the district court issued an order appointing the West Virginia Investment Management Board and Plumbers & Pipefitters National Pension Fund as Lead Plaintiffs in the consolidated securities action. In March 2013, the Lead Plaintiffs filed a consolidated amended complaint for the consolidated securities action. We filed a motion to dismiss the consolidated amended complaint in May 2013. A hearing on the motion is currently scheduled on September 13, 2013.

Federal Shareholder Derivative Litigation

On October 4, 2012, another alleged shareholder filed a derivative lawsuit in the United States District Court for the Central District of California captioned *Gerald Easton v. Don M. Bailey, et al.*, No. SACV12-01716 DOC (JPRx). The suit asserts claims substantially identical to those asserted in the *do Valle* derivative action described below against the same defendants. This lawsuit has been consolidated with five subsequently-filed actions asserting similar claims under the caption: *In re Questcor Shareholder Derivative Litigation, CV 12-01716 DMG (FMOx).* In March 2013, the parties entered into a stipulation to stay the consolidated federal derivative lawsuit, pending resolution of the motion to dismiss the consolidated securities action.

State Shareholder Derivative Litigation

On October 2, 2012, an alleged shareholder filed a derivative lawsuit purportedly on behalf of the Company against certain of our officers and directors in the Superior Court of the State of California, Orange County, captioned *Monika do Valle v. Virgil D. Thompson, et al.*, No. 30-2012-00602258-CU-SL-CXC. The complaint asserts claims for breach of fiduciary duty, abuse of control, mismanagement and waste of corporate assets arising from substantially similar allegations as those contained in the *Norton* case described above, as well as from allegations relating to sales of our common stock by the defendants and repurchases of our common stock. The complaint seeks an unspecified sum of damages and equitable relief. On October 24, 2012, an other alleged shareholder filed a derivative lawsuit purportedly on behalf of the Company against certain of our officers and directors in the Superior Court of the State of California, Orange County, captioned *Jones v. Bailey, et al.*, Case No. 30-2012-00608001-CU-MC-CXC. The suit asserts claims substantially identical to those asserted in the *do Valle* derivative action. On February 19, 2013, the court issued an order staying the state derivative actions until the putative federal securities and federal derivative actions are resolved.

Put Options Securities Action

In March 2013, individual traders of put options filed a securities complaint in the United States District Court for the Central District of California captioned *David Taban, et al. v. Questcor Pharmaceuticals, Inc.*, No. SACV13-0425. The complaint generally asserts claims against us and certain of our officers and directors for violations of the Exchange Act and for state law fraud and fraudulent concealment based on allegations similar to those asserted in the *Norton* case described above. The complaint seeks compensatory damages in an amount equal to $5 million and punitive damages of an unspecified amount. Pursuant to a stipulation of the parties, our response to the complaint is due in September 2013.

Segment Reporting

We have historically operated in one business segment. On January 18, 2013, we acquired 100% of the issued and outstanding shares of BioVectra Inc. We now manage our operations through two operating segments which are defined by our separate companies - Questcor Pharmaceuticals, Inc., or Questcor Pharmaceuticals, and BioVectra. Each segment is operated as an independent business under its own management team, and has responsibility for its commercial activities, operations, and research and development activities related to its products. We intend to have BioVectra continue to operate independently under its existing management team for the foreseeable future.

Questcor Pharmaceuticals is headquartered in Anaheim, California, and is a biopharmaceutical company focused on the treatment of patients with serious, difficult-to-treat autoimmune and inflammatory disorders. Questcor Pharmaceuticals' primary product is Acthar. Questcor Pharmaceuticals currently generates substantially all of its net sales from the use of Acthar in connection with the following: the treatment of proteinuria in idiopathic types of nephrotic syndrome, the treatment of acute exacerbations of multiple sclerosis in adults, the treatment of certain rheumatology-related conditions, and the treatment of infantile spasms in infants and children under two years of age.

BioVectra is located in Prince Edward Island, Canada, operating from three facilities. BioVectra is a supplier of contract manufacturing services to the global pharmaceutical and biotechnology industry. BioVectra manufactures active pharmaceutical ingredients (API's), chemical intermediates, and bioprocessing reagents, and is our manufacturing partner for the API in our H.P. Acthar® Gel (repository corticotropin injection). BioVectra is proficient in synthetic organic chemistry, natural extraction of bioactive compounds, PEGylation and conjugation chemistry, and fermentation of chemical and biologic molecules. BioVectra has submitted 10 product filings, including ANDA, DMF, VMF, and CMC section preparations for both the FDA and Health Canada. These filings have been made for both synthetic and biologic molecules, and include a human injectable API, as well as a final drug product.

Segment results for net sales are presented in the same manner as we present our operations internally to make operating decisions and assess performance. Net income, which includes the negative impact of purchase price adjustments related to our January 18, 2013 acquisition of BioVectra, is the primary responsibility of segment operating management and therefore all activities remain in the segment in which incurred for performance assessment by our chief operating decision maker.

For the three and six months ended June 30, 2013 and 2012, information regarding our net sales and net income for our operating segments is as follows (in millions):

	Questcor Pharmaceuticals	BioVectra	Intersegment Eliminations	Consolidated
Net Sales				
For the three months ended June 30, 2013	$ 177,045	$ 7,693	$ (165)	$ 184,573
For the three months ended June 30, 2012	$ 112,452	$ —	$ —	$ 112,452
Net Income				
For the three months ended June 30, 2013	$ 70,125	$ (1,015)	$ 13	$ 69,123
For the three months ended June 30, 2012	$ 41,505	$ —	$ —	$ 41,505

	Questcor Pharmaceuticals	BioVectra	Intersegment Eliminations	Consolidated
Net Sales				
For the six months ended June 30, 2013	$ 303,817	$ 16,078	$ (193)	$ 319,702
For the six months ended June 30, 2012	$ 208,421	$ —	$ —	$ 208,421
Net Income				
For the six months ended June 30, 2013	$ 110,948	$ (2,770)	$ 7	$ 108,185
For the six months ended June 30, 2012	$ 80,048	$ —	$ —	$ 80,048

As of June 30, 2013 and December 31, 2012, information regarding total assets for our operating segments is as follows (in millions):

	Questcor Pharmaceuticals	BioVectra	Intersegment Eliminations	Consolidated
Total Assets				
June 30, 2013	$ 510,972	$ 109,454	$ (80,698)	$ 539,728
December 31, 2012	$ 252,431	$ —	$ —	$ 252,431

As discussed above, our purchase of BioVectra occurred in the first quarter of 2013. For more detailed information regarding the assets acquired through our stock purchase of BioVectra, refer to Note 1 - Company - Acquisition of BioVectra Inc.

Income Taxes

We account for income taxes under the provisions of Accounting Standards Codification, 740 “Income Taxes,” or ASC 740. We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets.

As part of the process of preparing our consolidated financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating our tax exposure under the most current tax laws and assessing temporary and/or permanent differences resulting from differing treatment of items for tax and accounting purposes, which may result in uncertain tax positions.

We regularly assess the likelihood that we will be able to recover our deferred tax assets, which is ultimately dependent on us generating future taxable income. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. If it is not considered “more likely than not” that we will recover our deferred tax assets, we will increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable.

Equity Transactions

On February 29, 2008, our Board of Directors approved a stock repurchase plan that provides for the repurchase of up to 7 million shares of our common stock. Stock repurchases under this plan may be made through either open market or privately negotiated transactions in accordance with all applicable laws, rules and regulations. On May 29, 2009 and May 10, 2012, our Board of Directors increased the stock repurchase plan authorization by an additional 6.5 million shares and 5 million shares, respectively. On September 28, 2012, our Board of Directors increased the remaining shares authorized under the stock repurchase plan to 7 million shares. This authorization included the 3.2 million shares previously outstanding from previous authorizations.

During the six months ended June 30, 2012, we used $185.1 million of our cash to repurchase 4.5 million shares of our common stock. During the six months ended June 30, 2013, we did not repurchase any shares of our common stock. Under this share repurchase plan, we have repurchased a total of 16.0 million shares of our common stock for $309.9 million through June 30, 2013, at an average price of $19.37 per share. As of June 30, 2013, there are approximately 6.3 million shares authorized remaining under our stock repurchase plan. Additionally, we have repurchased 6.2 million shares outside of the approved share repurchase plan, for $30.3 million at an average purchase price of $4.93 per share. Total shares repurchased were 22.2 million for $340.3 million at an average price of $15.36 per share.

Total share-based compensation expenses, related to both stock options and restricted stock awards, for the six months ended June 30, 2013 and 2012 were $12.7 million and $6.0 million, respectively. For the six months ended June 30, 2013, we granted options to employees and non-employee directors to purchase 343,623 shares of our common stock at a weighted average exercise price of $30.06 per share. During the first quarter of 2012, we issued 255,000 performance-based options. These performance-based options include a one-time performance achievement, followed by a time-based vesting of an additional 12 months, should the performance be achieved. During the quarter ended June 30, 2012, we determined that the liability associated with the achievement of the one-time performance milestone was reasonably estimable and probable. As such, we recorded share-based compensation costs related to these performance-based options.

In addition to stock options, we may also grant restricted stock awards to certain employees. For the six months ended June 30, 2013 and 2012, we issued 731,916 and 33,440 restricted stock awards, respectively. For the six months ended June 30, 2013, we issued 471,453 shares of restricted stock to executive officers and certain other employees and issued 194,750 shares of performance-based restricted stock awards. These performance-based restricted stock awards include a one-time performance achievement and vest according to the degree at which the performance milestone was achieved. At June 30, 2013, we determined achievement of the milestone was neither reasonably probable nor estimable and, therefore, did not record stock-based compensation expense associated with such grants. The total share-based compensation costs for the six months ended June 30, 2013 and 2012 included $5.4 million and $0.3 million, respectively, related to restricted stock awards.

Subsequent Events

Subsequent to June 30, 2013, we announced the following:

- our intent to initiate a pilot commercialization effort for Acthar for the treatment of respiratory manifestations of symptomatic sarcoidosis, a potentially serious, difficult-to-treat disorder already included on the Acthar label; and
- the commencement of patient screening in connection with our Phase 2 study to explore the safety and tolerability of Acthar in patients with Amyotrophic Lateral Sclerosis (ALS).

We evaluated subsequent events that have occurred after June 30, 2013, and determined that there were no other events or transactions occurring during this reporting period that require recognition or disclosure in our consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section, in Item 1A "Risk Factors" of Part II of this Quarterly Report, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012, including Item 1 "Business of Questcor," and Item 1A "Risk Factors" of Part I of that Annual Report, as well as factors discussed in any documents incorporated by reference therein.

Overview

We are biopharmaceutical company focused on the treatment of patients with serious, difficult-to-treat autoimmune and inflammatory disorders. We also supply specialty contract manufacturing services to the global pharmaceutical and biotechnology industry through our wholly-owned subsidiary, BioVectra Inc. We also have agreed to acquire certain international rights for Synacthen® (tetracosactide) and Synacthen Depot®, and have licensed the right to develop and seek approval by the U.S. Food and Drug Administration, or FDA, for these products in the United States. Our primary product is H.P. Acthar® Gel (repository corticotropin injection), or Acthar, an injectable drug that is approved by the FDA for the treatment of 19 indications. Of these 19 indications, we currently generate substantially all of our pharmaceutical net sales from the use of Acthar in connection with the following indications:

- Nephrotic Syndrome (NS): Acthar is indicated "to induce a diuresis or a remission of proteinuria in the nephrotic syndrome without uremia of the idiopathic type or that due to lupus erythematosus." According to the National Kidney Foundation, nephrotic syndrome can result from several idiopathic type kidney disorders, including idiopathic membranous nephropathy, focal segmental glomerulosclerosis, IgA nephropathy and minimal change disease. Nephrotic syndrome can also occur due to lupus erythematosus. In this Form 10-Q, the terms "nephrotic syndrome" and "NS" refer only to the proteinuria in nephrotic syndrome conditions that are covered by the Acthar label of approved indications.
- Multiple Sclerosis (MS): Acthar is indicated "for the treatment of acute exacerbations of multiple sclerosis in adults. Controlled clinical trials have shown H.P. Acthar Gel to be effective in speeding the resolution of acute exacerbations of multiple sclerosis. However, there is no evidence that it affects the ultimate outcome or natural history of the disease."
- Infantile Spasms (IS): Acthar is indicated "as monotherapy for the treatment of infantile spasms in infants and children under 2 years of age." We continue to support this vulnerable patient population. We believe that a significant percentage of the $360 million in free drug that we have provided from September 2007 through June 30, 2013, has been used to treat IS. We support the IS community through other initiatives. In February 2012, we were awarded the first-ever Corporate Citizenship Award presented by the Child Neurology Foundation. This award honors our long-term commitment to support the child neurology community as well as our specific efforts to fund education and research related to IS.
- Rheumatology Related Conditions: Acthar is approved for the following rheumatology related conditions: (i) Collagen Diseases: Acthar is indicated "during an exacerbation or as maintenance therapy in selected cases of systemic lupus erythematosus, systemic dermatomyositis (polymyositis)" and (ii) Rheumatic Disorders: Acthar is indicated as "adjunctive therapy for short-term administration (to tide the patient over an acute episode or exacerbation) in: Psoriatic arthritis, Rheumatoid arthritis, including juvenile rheumatoid arthritis (selected cases may require low-dose maintenance therapy), and Ankylosing spondylitis."

Our research and development program for Acthar is focused on: (i) the evaluation of the use of Acthar for certain on-label indications; (ii) the investigation of other potential uses of Acthar for indications not currently FDA approved; and (iii) the expansion of our understanding of how Acthar works in the human body (pharmacology), and ultimately, its mechanism(s) of action in the disease states for which it is currently used, or may be used in the future. We manage contract research organizations to conduct our in-house discovery programs, which include the following:

- On-Label Development. We continue to explore additional markets for other on-label indications. Our on-label, in-house clinical development efforts include the following:
    - Nephrotic Syndrome (NS). We are the sponsor of a Phase 4 clinical trial evaluating Acthar for the treatment of proteinuria associated with treatment-resistant idiopathic membranous nephropathy (IMN), which commenced patient dosing in the fourth quarter of 2011.

- Systemic Lupus Erythematosus (SLE). We are conducting Phase 4 clinical trials evaluating Acthar for the treatment of SLE and randomized our first patient in January 2013.

- Other Indications, Not On-Label. We are exploring the possibility of pursuing FDA approval for indications not currently on the Acthar label involving other serious, difficult-to-treat autoimmune and inflammatory disorders with high unmet medical need. Our in-house research and development efforts with respect to the use of Acthar to treat conditions that are not on the label of approved indications for Acthar include the following:

  - Diabetic Nephropathy (DN). We reached agreement with the FDA with respect to our investigational new drug application, or IND, for a small Company-sponsored study to evaluate the safety and efficacy of Acthar in treating DN.

  - Amyotrophic Lateral Sclerosis (ALS). In April 2013, we received a Notice of Allowance from the FDA for our IND relating to a proof-of-concept trial of Acthar in ALS. In July 2013, we commenced patient screening in connection with our Phase 2 study to explore the safety and tolerability of Acthar in patients with ALS.

- Pharmacology. We are conducting in-house non-clinical and clinical pharmacology studies:

  - We seek to expand our understanding of the mechanism(s) of action of Acthar as well as the pharmacology of Acthar across and within each indication. We are also conducting studies to expand our understanding of why Acthar acts differently than steroids and potentially other melanocortin peptides.

We supplement our own research and development activities through third-party collaborations, including investigator initiated studies, which include the following:

- On-Label Development. On-label, third-party clinical development efforts include the following:

  - Nephrotic Syndrome (NS). We are supporting clinical nephrology investigator-initiated studies evaluating: (i) the safety and efficacy of Acthar in IMN; (ii) the safety and efficacy of Acthar in proteinuria in nephrotic syndrome due to focal segmental glomerular sclerosis (FSGS); and (iii) the safety and efficacy of Acthar in treating proteinuria in treatment-resistant nephrotic syndrome (including IMN, FSGS, IgA nephropathy and minimal change disease).

  - Infantile Spasms (IS). We are supporting an investigator-initiated study aimed at establishing quality of care indicators for IS.

- Other Indications, Not On-Label. We are supporting third-party research and development efforts with respect to the use of Acthar to treat conditions that are not on the label of approved indications for Acthar which include the following:

  - Multiple Sclerosis - Pulse Therapy. We are supporting a clinical investigator-initiated study, examining pulse administration of Acthar in multiple sclerosis in conjunction with disease-modifying therapy to evaluate the possible disease modifying effects of Acthar.

  - Multiple Sclerosis - Progressive MS: We are supporting a clinical investigator-initiated study examining the potential therapeutic effects of Acthar in patients diagnosed with progressive multiple sclerosis.

  - Cognitive Protection/Autism. We are supporting a preclinical investigator-initiated study, to determine whether Acthar has protective effects in an animal model of epilepsy with concomitant autism-related cognitive dysfunction.

- Chronic Migraine: We are supporting a clinical investigator-initiated study examining the potential therapeutic effects of Acthar in patients suffering from refractory chronic migraine headaches.

- Pharmacology. We are supporting third-party non-clinical and clinical pharmacology studies:

  - Multiple Sclerosis. We are supporting an investigator-initiated study, evaluating the immune modulating effects of Acthar applied to serum from multiple sclerosis patients and an investigator-initiated study evaluating neuroprotective properties of adrenocorticotropic hormone that are relevant to multiple sclerosis.

We are also in the process of implementing a research and development program for Synacthen. The first step in this process is expected to be the preclinical evaluation of several potential indications the company has identified for which Synacthen could potentially play an important therapeutic role. Following the evaluation of results from this initial effort, and the assessment of further strategic factors, a minimum of 1-2 lead indications for Synacthen will be selected for clinical evaluation with the objective of working with the FDA towards an eventual NDA filing in one or more indications.

We derive net sales of Acthar from our sales of vials to CuraScript Specialty Distributor, or CuraScript SD, which in turn sells Acthar primarily to specialty pharmacies. These specialty pharmacies place orders with CuraScript SD based on their respective levels of sales and inventory practices. End-user demand for Acthar results from physicians writing prescriptions to patients for the treatment of NS, MS exacerbations, IS, rheumatology related conditions and various other conditions. Physicians do not purchase Acthar for resale to patients. Instead, patients purchase Acthar directly from specialty pharmacies after receiving a prescription and, typically, after arranging for third party reimbursement (government or commercial insurance) - most often after satisfying a prior authorization requirement imposed by their insurance carrier. Alternatively, if a patient is uninsured or under-insured, they may receive Acthar under a Questcor sponsored patient assistance program, administered by the National Organization of Rare Disorders.

Healthcare provider understanding of Acthar is facilitated by our experienced team of sales representatives and managers. We have an active compliance program led by our Chief Compliance Officer who reports directly to our Chief Executive Officer and to the Compliance Committee of our Board of Directors. Our compliance program is based on the Office of Inspector General's guidance relating to the following elements of an effective compliance program: (i) written policies and procedures, (ii) compliance officer and compliance committee, (iii) effective training and communication, (iv) effective lines of communication, (v) monitoring and auditing, (vi) enforcement and disciplinary guidelines, and (vii) corrective action process.

Recent Developments

On June 11, 2013, the Effective Date, we acquired from Novartis AG and Novartis Pharma AG, collectively Novartis, a license to develop, market, manufacture, distribute, sell and commercialize Synacthen and Synacthen Depot for all uses in humans in the U.S. Subject to certain conditions and limitations in the License Agreement, the license is exclusive, perpetual and irrevocable.

Subject to certain closing conditions, we also will acquire from Novartis a license and certain assets to develop, market, manufacture, distribute, sell and commercialize Synacthen and Synacthen Depot in certain countries outside the U.S. for all uses in humans. Subject to certain conditions and limitations, these rights and assets are exclusive, perpetual and irrevocable.

The Synacthen transaction leverages our understanding of the different characteristics and biological activity of melanocortin receptor agonists as well as the potential use of melanocortin receptor agonists in the treatment of serious and difficult-to-treat autoimmune and inflammatory disorders. The transaction also provides Questcor with an opportunity to initiate our presence in more than three dozen international markets and to reinvigorate Synacthen in those markets.

Under the terms of the transaction agreements, we paid Novartis an upfront cash payment of $60.0 million. We will also be making annual cash payments of $25 million on each of the first, second and third anniversaries of the Effective Date, a potential additional annual cash payment on each anniversary subsequent to the third anniversary until we obtain the first approval of the FDA related to the products, the FDA Approval, and a milestone payment upon our receipt of the FDA Approval. If we successfully obtain the FDA Approval, we will pay an annual royalty to Novartis based on a percentage of the net sales of the product in the U.S. market until the maximum payment is met. The first three annual payments aggregating to $75.0 million are secured by a letter of credit. In no event will the total payments related to this transaction exceed $300 million.

On January 18, 2013, we completed our acquisition of BioVectra. BioVectra is located in Prince Edward Island, Canada, and is a supplier of specialty contract manufacturing services to the global pharmaceutical and biotechnology industry.

BioVectra manufactures active pharmaceutical ingredients (API), chemical intermediates, and bioprocessing reagents. BioVectra has been our manufacturing partner for the API in Acthar since April, 2003. As of January 18, 2013, BioVectra's facilities were staffed by 178 employees including chemists, engineers and technicians.

We acquired 100% of the issued and outstanding shares of BioVectra utilizing cash on hand. The former shareholders of BioVectra could receive additional cash consideration based on BioVectra's financial results over the next three years, which consideration is payable annually with a final true-up payment in the third year.

Results of Operations

Three months ended June 30, 2013 compared to the three months ended June 30, 2012:

Recorded Net Sales

	Three Months Ended June 30,			
	2013	2012	Increase	% Change
	(in $000's)			
Pharmaceutical sales	$ 203,580	$ 131,679	$ 71,901	55 %
Less sales reserves:				
Provision for Medicaid rebates	7,483	15,537	(8,054)	(52)%
Provision for Medicaid rebates - prior	11,500	—	11,500	100 %
Provision for chargebacks	113	200	(87)	(44)%
Provision for Coverage Gap Discount	1,142	431	711	165 %
Provision for TRICARE	3,144	1,157	1,987	172 %
Co-payment assistance and other	3,153	1,902	1,251	66 %
Total sales reserves	26,535	19,227	7,308	38 %
Total pharmaceutical net sales	177,045	112,452	64,593	57 %
Total contract manufacturing net sales	7,528	—	7,528	100 %
Total net sales	$ 184,573	$ 112,452	$ 72,121	64 %

Net sales for the three months ended June 30, 2013 and 2012 were comprised primarily of net sales of Acthar, with net sales for the three months ended June 30, 2013 also including net sales from BioVectra. Net sales of Acthar for the three months ended June 30, 2013 increased 58% to $177.0 million as compared to $112.4 million during the same period in 2012. This growth resulted primarily from increased unit demand from CuraScript SD, our distributor for Acthar. We shipped 7,050 vials for the three months ended June 30, 2013 as compared to 4,710 vials shipped for the three months ended June 30, 2012. While we do not receive complete information regarding prescriptions by therapeutic area, we believe increased demand from CuraScript SD was in part driven by our July 2013 entry into rheumatology with our pilot effort in dermatomyositis and polymyositis and the expansion of our Rheumatology Sales Force, which was completed in February 2013. Increased demand from CuraScript SD was also driven by the expanded usage of Acthar by nephrologists in the treatment of NS and by neurologists in the treatment of MS. Net sales attributable to IS were positively impacted by the reduction in the Medicaid rebate amount for Acthar, as a higher percentage of infants than adults are enrolled in Medicaid.

Our net sales of Acthar are impacted by the amount of our Medicaid and other sales reserves, which are deducted from pharmaceutical sales in the calculation of net sales. For the three months ended June 30, 2013, this provision was impacted by two factors. First, during the three months ended June 30, 2013, the Medicaid rebate amount was reset in the Medicaid system from 100% of the average manufacturing price, or AMP, of Acthar to the basic rebate amount of 23.1% of AMP. Second, we received correspondence from CMS that indicates that Questcor should have maintained the existing baseline AMP as used by the prior owner of Acthar before Questcor acquired the drug in 2001. We have no indication that CMS' assertion is without merit and have, therefore, accrued an estimated liability for 2002 - 2009, the prior years affected by this item. This item does not impact periods following 2009. Specifically, we accrued an estimated liability for rebates totaling $11.5 million because the amount is estimable and it is probable that we will pay such amount. For the three months ended June 30, 2013, we recorded a provision of 12.6% of our gross revenue for sales-related reserves, a decrease from the 14.6% in the three months ended June 30, 2012.

There is limited but growing awareness of Acthar amongst physicians who practice in the relevant medical specialties, due in part to Acthar being under-invested in by its previous owners. As such, we have expanded our sales force across multiple approved therapeutic areas in order to increase our ability to educate physicians about Acthar's potential benefit to their patients. In February 2013, we completed the previously announced expansion of our Rheumatology Sales Force. Most recently, we announced our intent to initiate a pilot commercialization effort for Acthar for the treatment of respiratory manifestations of symptomatic sarcoidosis, which may include the hiring and training of a small pilot sales force of five to ten sales representatives during the third quarter of 2013. It is unclear whether this approach of expanding our sales force will continue to result in increased net sales. The process of significantly expanding a sales force in the biopharmaceutical industry

is complex and results are uncertain. We modify and re-allocate individual sales territories across our enlarged sales force, which can cause temporary disruptions in our selling efforts. Additionally, while the cost of our new sales representatives impacts our operating expenses immediately, there can be a delay in the expected ability of our new representatives to increase our net sales due to the time it takes for us to train the new representatives and for the new representatives to establish professional relationships with prescribing physicians within their territories.

Acthar orders may be affected by several factors, including inventory levels at specialty and hospital pharmacies, greater use of patient assistance programs, the overall pattern of usage by the health care community, including Medicaid and government-supported entities, the use of alternative therapies, and the reimbursement policies of insurance companies. Our specialty distributor ships Acthar to specialty pharmacies and hospitals to meet end user demand. We track our own Acthar shipments daily, but those shipments vary compared to end user demand and because of changes in inventory levels at specialty pharmacies and hospitals. As a result of the variation in order patterns, in channel inventory levels may be positively or negatively affected. We believe that distribution channel inventory was within the normal historic range as of June 30, 2013.

Net sales for BioVectra were $7.5 million representing 4.1% of total net sales. Because we acquired BioVectra on January 18, 2013, there were no comparable sales in the same period 2012.

Cost of Sales and Gross Profit

	Three Months Ended June 30,			
	2013	2012	Increase/ (Decrease)	% Change
	(in $000's)			
Cost of sales	$ 17,221	$ 6,379	$ 10,842	170%
Gross profit	$ 167,352	$ 106,073	$ 61,279	58%
Gross margin	91%	94%		

Cost of sales was $17.2 million for the three months ended June 30, 2013, as compared to $6.4 million for the three months ended June 30, 2012. Our gross margin and gross profit was 91% and $167.4 million, respectively, for the three months ended June 30, 2013, as compared to 94% and $106.1 million, respectively, for the three months ended June 30, 2012.

Cost of sales for the three months ended June 30, 2013 primarily included costs associated with the sale of Acthar ($10.5 million or 61% of the total costs) and costs associated with our manufacturing activity at BioVectra ($6.8 million or 39% of the total costs). We include in cost of sales direct material costs, manufacturing labor, indirect manufacturing costs including plant supplies, packaging, warehousing and distribution, royalties, product liability insurance, quality control (which primarily includes product stability and potency testing), quality assurance, depreciation of manufacturing equipment and facilities and reserves for excess or obsolete inventory.

The increase in gross profit dollars is due to continued growth in vials sold for all of our indications. The increase in cost of sales was primarily due to the following: (1) the inclusion of BioVectra manufacturing costs, (2) an increase in Acthar net sales, (3) an increase in costs associated with the distribution of Acthar, including our hub reimbursement support center, and (4) an increase in royalties on Acthar net sales.

The decrease in the overall gross margin quarter over quarter is due to the inclusion of BioVectra, a manufacturing company, which has a lower gross margin on sales than our sales of Acthar, in our consolidated results.

We continue to expect our cost of sales, in absolute dollars, to increase in future periods due to the inclusion of BioVectra, increased costs associated with our hub reimbursement support center, outside product potency testing, product stability testing and, in the event of increased net sales, higher royalty payments. The manufacturing process for pharmaceutical products, including Acthar, and other pharmaceutical ingredients, is complex and problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors.

Selling and Marketing

	Three Months Ended June 30,			
	2013	2012	Increase/ (Decrease)	% Change
	(in $000's)			
Selling and marketing expense	$ 37,900	$ 27,609	$ 10,291	37%

Selling and marketing expenses were $37.9 million for the three months ended June 30, 2013, as compared to $27.6 million for the three months ended June 30, 2012. The increase of $10.3 million in 2013 as compared to 2012 is due primarily to increases in headcount-related costs and costs associated with our expanded sales and marketing effort. We include in sales and marketing expenses headcount-related costs, promotional costs and physician program costs. We have expanded our sales force and expect selling and marketing expenses to increase in future periods.

General and Administrative

	Three Months Ended June 30,			
	2013	2012	Increase/ (Decrease)	% Change
	(in $000's)			
General and administrative expense	$ 13,126	$ 8,647	$ 4,479	52%

General and administrative expenses were $13.1 million for the three months ended June 30, 2013, as compared to $8.6 million for the three months ended June 30, 2012. We include in general and administrative expenses headcount-related costs, including stock-based compensation expense, legal and accounting expenses. The increase of $4.5 million in 2013 as compared to 2012 is due primarily to increased headcount and headcount-related costs to support our growth, and increased legal costs.

Research and Development

	Three Months Ended June 30,			
	2013	2012	Increase/ (Decrease)	% Change
	(in $000's)			
Research and development	$ 12,240	$ 8,485	$ 3,755	44%

Research and development expenses were $12.2 million in the three months ended June 30, 2013, as compared to $8.5 million for the three months ended June 30, 2012. The increase in research and development expenses for the three months ended June 30, 2013 as compared to the same period in 2012 was primarily due to increases in headcount and headcount-related costs to continue and expand our various research and development programs, including with respect to the following clinical studies: (1) the initiation of our Phase 4 dose response clinical trial for idiopathic membranous nephropathy, (2) the initiation of our pilot safety and efficacy study of Acthar in patients with diabetic nephropathy, and (3) the initiation of our study exploring the efficacy, safety and pharmacodynamics of Acthar in system lupus erythematosus. Costs included in research and development also include costs associated with the funding of medical research projects to better understand the therapeutic benefit of Acthar in current and new therapeutic applications, product development efforts and regulatory compliance activities.

We manage and evaluate our research and development expenditures generally by the type of costs incurred. We generally classify and separate research and development expenditures into amounts related to regulatory, product development, medical affairs and manufacturing costs. Such categories include the following types of costs:

- Regulatory Costs - Regulatory costs, which include compliance and all FDA interactions.
- Product Development Costs - Product development costs, which include contract research organization costs and study monitoring costs.

- Medical Affairs Costs - Medical affairs costs, which include activities related to medical information in support of Acthar and its related indications.

- Manufacturing Costs - Manufacturing costs, which include costs related to production scale-up and validation, raw material qualification and stability studies.

For the three months ended June 30, 2013, approximately 5% of our research and development costs were spent on regulatory costs, 43% was spent on product development costs, 39% was spent on medical affair costs, and approximately 13% was spent on manufacturing costs.

For the three months ended June 30, 2012, approximately 10% of our research and development costs were spent on regulatory costs, 45% was spent on product development costs, 31% was spent on medical affair costs, and approximately 14% was spent on manufacturing costs.

We continue to invest in Acthar through the expansion of our product development efforts. We manage contract research organizations to conduct our in-house discovery programs. We are the sponsor of a Phase 4 clinical trial evaluating Acthar for the treatment of proteinuria associated with treatment-resistant idiopathic membranous nephropathy (IMN), which commenced patient dosing in the fourth quarter of 2011. We are conducting Phase 4 clinical trials evaluating Acthar for the treatment of SLE and randomized our first patient in January 2013. We are also exploring the possibility of pursuing FDA approval for indications not currently on the Acthar label involving other serious, difficult-to-treat autoimmune and inflammatory disorders with high unmet medical need. We reached agreement with the FDA with respect to our investigational new drug application, or IND, for a small Company-sponsored study to evaluate the safety and efficacy of Acthar in treating diabetic nephropathy. We are evaluating the potential clinical benefit that Acthar may provide for the treatment of ALS (commonly referred to as Lou Gehrig's disease). In April 2013, we received a Notice of Allowance from the FDA for our IND relating to a proof-of-concept trial of Acthar in ALS and in July 2013 we commenced patient screening in connection with our Phase 2 study to explore the safety and tolerability of Acthar in patients with ALS. These programs will result in a significant increase in research and development expense throughout 2013.

The expenditures that will be necessary to execute our development plans are subject to numerous uncertainties, which may affect our research and development expenditures and capital resources. For instance, the duration and the cost of clinical trials may vary significantly depending on a variety of factors including a trial's protocol, the number of patients in the trial, the duration of patient follow-up, the number of clinical sites in the trial, and the length of time required to enroll suitable patient subjects. Even if earlier results are positive, we may obtain different results in later stages of development, including failure to show the desired safety or efficacy, which could impact our development expenditures for a particular indication. Although we spend a considerable amount of time planning our development activities, we may be required to deviate from our plan based on new circumstances or events or our assessment from time to time of a particular indication's market potential, other product opportunities and our corporate priorities. Any deviation from our plan may require us to incur additional expenditures or accelerate or delay the timing of our development spending. Furthermore, as we obtain results from trials and review the path toward regulatory approval, we may elect to discontinue development of certain indications or product candidates, in order to focus our resources on more promising indications or candidates. As a result, the amount or ranges of cost and timing to complete our product development programs and each future product development program is not estimable.

With our June 2013 acquisition of rights to Synacthen, we are implementing a research and development effort for Synacthen aimed at obtaining FDA and additional international approvals of Synacthen for one or more indications. This will be a multi-year effort, require a significant investment of time and resources including financial resources, and will be subject to numerous risks and uncertainties.

Share-based compensation costs. Total share-based compensation costs, related to stock options and restricted stock awards, for the three months ended June 30, 2013 and 2012 were $6.5 million and $3.7 million, respectively. For the three months ended June 30, 2013, we granted options to employees and non-employee directors to purchase 140,873 shares of our common stock at a weighted average exercise price of $35.22 per share. During the first quarter of 2012, we issued 255,000 performance-based options. These performance-based options include a one-time performance achievement, followed by a time-based vesting of an additional 12 months, should the performance be achieved. It was determined during 2012 the one-time performance milestone was achieved.

Our equity incentive award plan is broad-based and every Questcor full-time employee and certain Questcor part-time employees are eligible to receive a grant. The increase in our share-based compensation is due to the increase in Questcor employees from 301 on June 30, 2012 to 425 employees on June 30, 2013, offset by the decrease in the weighted average stock price from $43.52 in the quarter ended June 30, 2012 to $35.48 in the quarter ended June 30, 2013.

In addition to stock options, we may also grant restricted stock awards to certain employees. For the three months ended June 30, 2013, we issued 65,713 restricted stock awards. We did not issue any restricted stock awards in the three months ended June 30, 2012. During the first quarter of 2013, we issued 471,453 shares of restricted stock to executive officers and certain other employees and issued 194,750 shares of performance-based restricted stock awards. These performance-based restricted stock awards include a one-time performance achievement and vest according to the degree at which the performance milestone is achieved. At June 30, 2013, we determined achievement of the milestone was neither reasonably probable nor estimable and, therefore, did not recorded stock-based compensation expense associated with such grants. The total share-based compensation costs for the three months ended June 30, 2013 and 2012 included $3.3 million and $101,898, respectively, related to restricted stock awards.

The following table sets forth our share-based compensation costs for the three months ended June 30, 2013 and 2012, respectively (in thousands):

	Three Months Ended June 30,	
	2013	2012
Selling and marketing	$ 2,570	$ 1,095
General and administrative	2,685	1,916
Research and development	1,276	706
Total	$ 6,531	$ 3,717

Depreciation and amortization. Depreciation and amortization expense for the three months ended June 30, 2013 was $2.5 million, as compared to $0.3 million for the three months ended June 30, 2012. The increase in depreciation and amortization expense of $2.2 million as compared to 2012 was due primarily to the related amortization expense of the purchased intangibles in conjunction with the acquisitions of BioVectra and Synacthen.

Income tax expense. Income tax expense for the three months ended June 30, 2013 was $34.0 million, as compared to $19.7 million for the three months ended June 30, 2012. The increase in income tax expense of $14.3 million in 2013 as compared to 2012 was primarily due to an increase in revenue offset by the extension of the research and development tax credit that occurred in the first quarter of 2013. Our foreign earnings attributable to the BioVectra and Synacthen acquisitions will be permanently reinvested in such foreign jurisdictions and, therefore, no deferred tax liabilities for U.S. income taxes have been provided for on any undistributed earnings.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012:

Recorded Net Sales

	Six Months Ended June 30,			
	2013	2012	Increase	% Change
	(in $000's)			
Pharmaceutical sales	$ 340,958	$ 243,027	$ 97,931	40 %
Less sales reserves:				
Provision for Medicaid rebates	13,507	28,849	(15,342)	(53)%
Provision for Medicaid prior period	11,500	—	11,500	100 %
Provision for chargebacks	159	264	(105)	(40)%
Provision for Coverage Gap Discount	1,359	556	803	144 %
Provision for TRICARE	4,684	2,234	2,450	110 %
Co-payment assistance and other	5,932	2,703	3,229	119 %
Total sales reserves	37,141	34,606	2,535	7 %
Total pharmaceutical net sales	303,817	208,421	95,396	46 %
Total contract manufacturing net sales	15,885	—	15,885	100 %
Total net sales	$ 319,702	$ 208,421	$ 111,281	53 %

Net sales for the six months ended June 30, 2013 and 2012 were comprised primarily of net sales of Acthar, with net sales for the six months ended June 30, 2013 also including net sales from BioVectra. Net sales of Acthar for the six months ended June 30, 2013 increased 46% to $303.7 million as compared to $208.3 million during the same period in 2012. This growth resulted primarily from increased unit demand from CuraScript SD, our distributor for Acthar. We shipped 11,880 vials for the six months ended June 30, 2013 as compared to 8,821 vials shipped for the six months ended June 30, 2012. While we do not receive complete information regarding prescriptions by therapeutic area, we believe increased demand from CuraScript SD was driven in part by our entry into rheumatology with our pilot effort in dermatomyositis and polymyositis and the expansion of our Rheumatology Sales Force, which was completed in February 2013. Increased demand from CuraScript SD was also driven by the expanded usage of Acthar by nephrologists in the treatment of NS and by neurologists in the treatment of MS. Net sales attributable to IS were positively impacted by the reduction in the Medicaid rebate amount for Acthar, as a higher percentage of infants than adults are enrolled in Medicaid.

Our net sales of Acthar are impacted by the amount of our Medicaid and other sales reserves, which are deducted from pharmaceutical sales in the calculation of net sales. For the six months ended June 30, 2013, this provision was impacted by two factors. First, during the six months ended June 30, 2013, the Medicaid rebate amount was reset in the Medicaid system from 100% of the AMP of Acthar to the basic rebate amount of 23.1% of AMP. Second, we received correspondence from CMS that indicates that Questcor should have maintained the existing baseline AMP as used by the prior owner of Acthar before Questcor acquired the drug in 2001. We have no indication that CMS' assertion is without merit and have, therefore, accrued an estimated liability for 2002 - 2009, the prior years affected by this item. This item does not impact periods following 2009. Specifically, we accrued an estimated liability for rebates totaling $11.5 million because the amount is estimable and it is probable that we will pay such amount. For the six months ended June 30, 2013, we recorded a provision of 10.4% of our gross revenue for sales-related reserves, a decrease from the 14.2% in the six months ended June 30, 2012.

There is limited but growing awareness of Acthar amongst physicians who practice in the relevant medical specialties, due in part to Acthar being under-invested in by its previous owners. As such, we have expanded our sales force across multiple approved therapeutic areas in order to increase our ability to educate physicians about Acthar's potential benefit to their patients. In February 2013, we completed the previously announced expansion of our Rheumatology Sales Force. Most recently, we announced our intent to initiate a pilot commercialization effort for Acthar for the treatment of respiratory manifestations of symptomatic sarcoidosis, which may include the hiring and training of a small pilot sales force of five to ten sales representatives during the third quarter of 2013. It is unclear whether this approach of expanding our sales force will continue to result in increased net sales. The process of significantly expanding a sales force in the biopharmaceutical industry is complex and results are uncertain. We modify and re-allocate individual sales territories across our enlarged sales force, which can cause temporary disruptions in our selling efforts. Additionally, while the cost of our new sales representatives impacts our operating expenses immediately, there can be a delay in the expected ability of our new representatives to increase

our net sales due to the time it takes for us to train the new representatives and for the new representatives to establish professional relationships with prescribing physicians within their territories.

Acthar orders may be affected by several factors, including inventory levels at specialty and hospital pharmacies, greater use of patient assistance programs, the overall pattern of usage by the health care community, including Medicaid and government-supported entities, the use of alternative therapies, and the reimbursement policies of insurance companies. Our specialty distributor ships Acthar to specialty pharmacies and hospitals to meet end user demand. We track our own Acthar shipments daily, but those shipments vary compared to end user demand and because of changes in inventory levels at specialty pharmacies and hospitals. As a result of the variation in order patterns, in channel inventory levels may be positively or negatively affected. We believe that distribution channel inventory was within the normal historic range as of June 30, 2013.

Net sales for BioVectra were $15.9 million representing 5.0% of total net sales. Because we acquired BioVectra on January 18, 2013, there were no comparable sales in the same period 2012.

Cost of Sales and Gross Profit

	Six Months Ended June 30,		Increase/ (Decrease)	% Change
	2013	2012		
	(in $000's)			
Cost of sales	$ 33,410	$ 11,900	$ 21,510	181%
Gross profit	$ 286,292	$ 196,521	$ 89,771	46%
Gross margin	90%	94%		

Cost of sales was $33.4 million for the six months ended June 30, 2013, as compared to $11.9 million for the six months ended June 30, 2012. Our gross margin and gross profit was 90%, or $286.3 million, respectively, for the six months ended June 30, 2013, as compared to 94%, or $196.5 million, respectively, for the six months ended June 30, 2012.

Cost of sales for the six months ended June 30, 2013 primarily included costs associated with the sale of Acthar ($18.5 million or 55% of the total costs) and costs associated with our manufacturing activity at BioVectra ($14.9 million or 45% of the total costs). We include in cost of sales direct material costs, manufacturing labor, indirect manufacturing costs including plant supplies, packaging, warehousing and distribution, royalties, product liability insurance, quality control (which primarily includes product stability and potency testing), quality assurance, depreciation of manufacturing equipment and facilities and reserves for excess or obsolete inventory.

The increase in gross profit dollars is due to continued growth in vials sold for all of our indications. The increase in cost of sales was primarily due to the following: (1) the inclusion of BioVectra manufacturing costs, (2) an increase in Acthar net sales, (3) an increase in costs associated with the distribution of Acthar, including our hub reimbursement support center, and (4) an increase in royalties on Acthar net sales.

The decrease in the overall gross margin quarter over quarter is due to the inclusion of BioVectra, a manufacturing company, which has a lower gross margin on sales than our sales of Acthar, in our consolidated results.

We continue to expect our cost of sales, in absolute dollars, to increase in future periods due to the inclusion of BioVectra, increased costs associated with our hub reimbursement support center, outside product potency testing, product stability testing and, in the event of increased net sales, higher royalty payments. The manufacturing process for pharmaceutical products, including Acthar, and other pharmaceutical ingredients, is complex and problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors.

Selling and Marketing

	Six Months Ended June 30,		Increase/ (Decrease)	% Change
	2013	2012		
	(in $000's)			
Selling and marketing expense	$ 73,362	$ 49,324	$ 24,038	49%

Selling and marketing expenses were $73.4 million for the six months ended June 30, 2013, as compared to $49.3 million for the six months ended June 30, 2012. The increase of $24.0 million in 2013 as compared to 2012 is due primarily to increases in headcount-related costs and costs associated with our expanded sales and marketing effort. We include in sales and marketing expenses headcount-related costs, promotional costs and physician program costs. We have expanded our sales force and expect selling and marketing expenses to increase in future periods.

General and Administrative

	Six Months Ended June 30,		Increase/ (Decrease)	% Change
	2013	2012		
	(in $000's)			
General and administrative expense	$ 25,675	$ 14,089	$ 11,586	82%

General and administrative expenses were $25.7 million for the six months ended June 30, 2013, as compared to $14.1 million for the six months ended June 30, 2012. We include in general and administrative expenses headcount-related costs, including stock-based compensation expense, legal and accounting expenses. The increase of $11.6 million in 2013 as compared to 2012 is due primarily to increased headcount and headcount-related costs to support our growth, and increased legal costs.

Research and Development

	Six Months Ended June 30,		Increase/ (Decrease)	% Change
	2013	2012		
	(in $000's)			
Research and development	$ 23,033	$ 14,150	$ 8,883	63%

Research and development expenses were $23.0 million in the six months ended June 30, 2013, as compared to $14.2 million for the six months ended June 30, 2012. The increase in research and development expenses for the six months ended June 30, 2013 as compared to the same period in 2012 was primarily due to increases in headcount and headcount-related costs to continue and expand our various research and development programs, including with the following clinical studies: (1) the initiation of our Phase 4 dose response clinical trial for idiopathic membranous nephropathy, (2) the initiation of our pilot safety and efficacy study of Acthar in patients with diabetic nephropathy, and (3) the initiation of our study exploring the efficacy, safety and pharmacodynamics of Acthar in system lupus erythematosus. Costs included in research and development also include costs associated with the funding of medical research projects to better understand the therapeutic benefit of Acthar in current and new therapeutic applications, product development efforts and regulatory compliance activities.

We manage and evaluate our research and development expenditures generally by the type of costs incurred. We generally classify and separate research and development expenditures into amounts related to regulatory, product development, medical affairs, and manufacturing costs. Such categories include the following types of costs:

- Regulatory Costs - Regulatory costs, which include compliance and all FDA interactions.
- Product Development Costs - Product development costs, which include contract research organization costs and study monitoring costs.
- Medical Affairs Costs - Medical affairs costs, which include activities related to medical information in support of Acthar and its related indications.
- Manufacturing Costs - Manufacturing costs, which include costs related to production scale-up and validation, raw material qualification and stability studies.

For the six months ended June 30, 2013, approximately 4% of our research and development expenditures were for regulatory costs, 42% was spent on product development costs, 41% was spent on medical affair costs, and approximately 13% was spent on manufacturing costs.

For the six months ended June 30, 2012, approximately10% of our research and development expenditures were for regulatory costs, 44% was spent on product development costs, 34% was spent on medical affair costs, and approximately 12% was spent on manufacturing costs.

We continue to invest in Acthar through the expansion of our product development efforts. We manage contract research organizations to conduct our in-house discovery programs. We are the sponsor of a Phase 4 clinical trial evaluating Acthar for the treatment of proteinuria associated with treatment-resistant idiopathic membranous nephropathy (IMN), which commenced patient dosing in the fourth quarter of 2011. We are conducting Phase 4 clinical trials evaluating Acthar for the treatment of SLE and randomized our first patient in January 2013. We are also exploring the possibility of pursuing FDA approval for indications not currently on the Acthar label involving other serious, difficult-to-treat autoimmune and inflammatory disorders with high unmet medical need. We reached agreement with the FDA with respect to our investigational new drug application, or IND, for a small Company-sponsored study to evaluate the safety and efficacy of Acthar in treating diabetic nephropathy. We are evaluating the potential clinical benefit that Acthar may provide for the treatment of ALS (commonly referred to as Lou Gehrig's disease). In April 2013, we received a Notice of Allowance from the FDA for our IND relating to a proof-of-concept trial of Acthar in ALS and in July 2013 we commenced patient screening in connection with our Phase 2 study to explore the safety and tolerability of Acthar in patients with ALS. These programs will result in a significant increase in research and development expense throughout 2013.

The expenditures that will be necessary to execute our development plans are subject to numerous uncertainties, which may affect our research and development expenditures and capital resources. For instance, the duration and the cost of clinical trials may vary significantly depending on a variety of factors including a trial's protocol, the number of patients in the trial, the duration of patient follow-up, the number of clinical sites in the trial, and the length of time required to enroll suitable patient subjects. Even if earlier results are positive, we may obtain different results in later stages of development, including failure to show the desired safety or efficacy, which could impact our development expenditures for a particular indication. Although we spend a considerable amount of time planning our development activities, we may be required to deviate from our plan based on new circumstances or events or our assessment from time to time of a particular indication's market potential, other product opportunities and our corporate priorities. Any deviation from our plan may require us to incur additional expenditures or accelerate or delay the timing of our development spending. Furthermore, as we obtain results from trials and review the path toward regulatory approval, we may elect to discontinue development of certain indications or product candidates, in order to focus our resources on more promising indications or candidates. As a result, the amount or ranges of cost and timing to complete our product development programs and each future product development program is not estimable.

With our June 2013 acquisition of rights to Synacthen, we are implementing a research and development effort for Synacthen aimed at obtaining FDA and additional international approvals of Synacthen for one or more indications. This will be a multi-year effort, require a significant investment of time and resources including financial resources, and will be subject to numerous risks and uncertainties.

Share-based compensation costs. Total share-based compensation costs, related to stock options and restricted stock awards, for the six months ended June 30, 2013 and 2012 were $12.7 million and $6.0 million, respectively. For the six months ended June 30, 2013, we granted options to employees and non-employee directors to purchase 343,623 shares of our common stock at a weighted average exercise price of $30.06 per share. During the first quarter of 2012, we issued 255,000 performance-based options. These performance-based options include a one-time performance achievement, followed by a time-based vesting of an additional 12 months, should the performance be achieved. It was determined during 2012 the one-time performance milestone was achieved.

Our equity incentive award plan is broad-based and every Questcor full-time employee and certain Questcor part-time employees are eligible to receive a grant. The increase in our share-based compensation is due to the increase in Questcor employees from 301 on June 30, 2012 to 425 employees on June 30, 2013, offset by the decrease in the weighted average stock price from $40.39 in the six months ended June 30, 2012 to $32.38 in the six months ended June 30, 2013.

In addition to stock options, we may also grant restricted stock awards to certain employees. For the six months ended June 30, 2013 and 2012, we issued 731,916 and 33,440 restricted stock awards, respectively. For the six months ended June 30, 2013, we issued 471,453 shares of restricted stock to executive officers and certain other employees and issued 194,750 shares of performance-based restricted stock awards. These performance-based restricted stock awards include a one-time performance achievement and vest according to the degree at which the performance milestone was achieved. At June 30, 2013, we determined achievement of the milestone was neither reasonably probable nor estimable and, therefore, did not

recorded stock-based compensation expense associated with such grants. The total share-based compensation costs for the six months ended June 30, 2013 and 2012 included $5.4 million and $0.3 million, respectively, related to restricted stock awards.

The following table sets forth our share-based compensation costs for the six months ended June 30, 2013 and 2012, respectively (in thousands):

	Six Months Ended June 30,	
	2013	2012
Selling and marketing	$ 5,024	$ 1,882
General and administrative	5,223	2,962
Research and development	2,432	1,170
Total	$ 12,679	$ 6,014

Depreciation and amortization. Depreciation and amortization expense for the six months ended June 30, 2013 was $4.6 million, as compared to $0.6 million for the six months ended June 30, 2012. The increase in depreciation and amortization expense of $4.0 million as compared to 2012 was due primarily to the related amortization expense of the purchased intangibles in conjunction with the acquisitions of BioVectra and Synacthen.

Income tax expense. Income tax expense for the six months ended June 30, 2013 was $52.4 million, as compared to $38.7 million for the six months ended June 30, 2012. The increase in income tax expense of $13.7 million in 2013 as compared to 2012 was primarily due to an increase in revenue offset by the extension of the research and development tax credit that occurred in the first quarter of 2013. Our foreign earnings attributable to the BioVectra and Synacthen acquisitions will be permanently reinvested in such foreign jurisdictions and, therefore, no deferred tax liabilities for U.S. income taxes have been provided for on any undistributed earnings.

Liquidity and Capital Resources

Cash and cash equivalents, short term investments and working capital as of June 30, 2013 and December 31, 2012 were as follows (in thousands):

Financial Assets:

	June 30, 2013	December 31, 2012
Cash and cash equivalents	$ 81,765	$ 80,608
Short term investments	10,221	74,705
Cash, cash equivalents and short term investments	$ 91,986	$ 155,313

Select measures of liquidity and capital resources:

	June 30, 2013	December 31, 2012
Current assets	$ 214,463	$ 237,276
Current liabilities	130,416	90,399
Working Capital	$ 84,047	$ 146,877
Current ratio	1.64	2.62

Until required for use in our business or returned to shareholders through our dividend, share repurchase program or other method, we invest our cash reserves in money market funds and high quality commercial, corporate and U.S. government and agency bonds in accordance with our investment policy. The objective of our investment policy is to preserve capital, provide liquidity consistent with forecasted cash flow requirements, maintain appropriate diversification and generate returns relative to these investment objectives and prevailing market conditions.

The decrease in cash, cash equivalents and short-term investments from December 31, 2012 to June 30, 2013 was primarily due to the acquisitions of BioVectra and Synacthen, offset by our net sales and the related cash generated from operations. The decrease in our working capital was primarily due to decreases in our overall cash position, increases in our dividend payable and the current portion of our contingent liabilities associated with the acquisitions of BioVectra and Synacthen, offset by increases in inventory (due primarily to the acquisition of BioVectra), decreases in accrued compensation and sales-related reserves (due to the pay out of the corporate bonus pool and the reduction in our Medicaid rebate percent, respectively). We expect to maintain increased amounts of inventory as compared to historical averages as a result of the acquisition of BioVectra.

Our collection terms on our accounts receivable relating to sales of Acthar to CuraScript SD are net 30 days. CuraScript SD represents approximately 90% of our accounts receivable and 95% of our net sales.

We expect continued growth in our research and development and selling and marketing expenses. However, we anticipate that cash generated from operations and our existing cash, cash equivalents and short-term investments should provide us adequate resources to fund our operations as currently planned for the foreseeable future.

Cash Flows

Change in cash and cash equivalents:

	Six Months Ended June 30,		
(in $000's)	2013	2012	Increase/ (Decrease)
Net cash flows provided by operating activities	$ 122,991	$ 84,104	$ 38,887
Net cash flows (used in) / provided by investing activities	(117,925)	42,258	(160,183)
Net cash flows used in financing activities	(3,596)	(178,169)	174,573
Impact of exchange rates on cash flows	(313)	—	(313)
Net change in cash and cash equivalents	$ 1,157	$ (51,807)	$ 52,964

Operating Activities

The components of cash flows from operating activities, as reported on our Condensed Consolidated Statement of Cash Flows, are as follows:

- Our reported net income, adjusted for non-cash items, including share-based compensation expense, deferred income taxes, amortization of investments, depreciation and amortization, impairment of purchased technology and goodwill, and loss on disposal of property and equipment was $127.5 million and $87.8 million for the six months ended June 30, 2013 and 2012, respectively.
- Net cash outflow due to changes in operating assets and liabilities was $4.5 million for the six months ended June 30, 2013 and $3.7 million for the six months ended June 30, 2012. The $4.5 million change in operating assets and liabilities primarily relates to a decrease in accrued compensation of $10.8 million as a result of the 2012 corporate bonus pool payout during the period, a decrease in sales related reserves of $1.8 million due to the favorable change in our Medicaid rebate rate and increase in our accounts receivable of $2.9 million due to an increase in net sales year over year, offset by a decrease in inventory of $4.3 million.

Investing Activities

The components of cash flows from investing activities consisted of the following:

- Acquisition of BioVectra, net of cash acquired of $46.7 million;
- Acquisition of Synacthen of $60.0 million;
- Letter of credit secured by $75.0 million in conjunction with the acquisition of Synacthen;
- Purchases of property and equipment of $1.1 million;

- Purchases of short term investments of $52.0 million; and
- Maturities of short term investments of $116.2 million.

Financing Activities

Net cash flows from financing activities reflected the following:

- the income tax benefit realized on our share-based compensation plans of $5.2 million; and
- the proceeds from issuance of common stock related to the exercise of stock options of $6.9 million; offset by
- dividends paid of $14.9 million.

On June 11, 2013, the Effective Date, we acquired from Novartis AG and Novartis Pharma AG, collectively Novartis, a license to develop, market, manufacture, distribute, sell and commercialize Synacthen and Synacthen Depot for all uses in humans in the U.S. Subject to certain conditions and limitations in the License Agreement, the license is exclusive, perpetual and irrevocable.

Under the terms of the transaction agreements, we paid Novartis an upfront cash payment of $60.0 million. We will also be making annual cash payments of $25 million on each of the first, second and third anniversaries of the Effective Date, a potential additional annual cash payment on each anniversary subsequent to the third anniversary until we obtain the first approval of the FDA related to the products, the FDA Approval, and a milestone payment upon our receipt of the FDA Approval. If we successfully obtain the FDA Approval, we will pay an annual royalty to Novartis based on a percentage of the net sales of the product in the U.S. market until the maximum payment is met. The first three annual payments aggregating to $75.0 million are secured by a letter of credit. In no event will the total payments related to this transaction exceed $300 million.

On January 18, 2013, we acquired 100% of the issued and outstanding shares of BioVectra for $50.3 million, but paid $50.8 million, which includes a loss on foreign exchange rate of $0.5 million, plus up to an additional C$50.0 million in cash tied to the future performance of BioVectra.

Our subsidiary, BioVectra, has a supply agreement with a customer to supply a pharmaceutical product for a period of 10 years. Per the supply agreement, BioVectra financed and constructed a facility for the manufacturing of the pharmaceutical product to be supplied under the agreement. BioVectra entered into a term loan agreement with Prince Edward Island Century 2000 Fund Inc. to finance $14.8 million of the construction costs of the facility. The term loan has an interest rate of 4%, is due in full by February 2022 and is secured by certain of our BioVectra assets. Under the supply agreement, the customer agreed to reimburse BioVectra for the quarterly financing payments of $450,743 during the term of the loan.

We review our level of liquidity and anticipated cash needs for the business on an ongoing basis, and consider whether to return additional capital to our shareholders as well as alternative methods to return capital. Historically, our primary method of returning capital to shareholders has been open market share repurchases and dividend payments. Since the beginning of 2008, we have repurchased a total of 22.2 million shares of our common stock under our stock repurchase plan for $340.3 million through June 30, 2013, at an average price of $15.36 per share. As of June 30, 2013, there are 6.3 million shares authorized remaining under our stock repurchase plan.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment policy is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we have invested in have had market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later increases, the principal amount of our investment probably will decline. In an attempt to limit interest rate risk, we follow guidelines to limit the average and longest single maturity dates. Our investments include money market accounts, government-sponsored enterprises, certificates of deposit and municipal bonds. None of our investments are in auction rate securities. Seeking to minimize credit risk, we place our investments with high quality issuers and follow internally developed guidelines to limit the amount of credit exposure to any one issuer.

As a result of our foreign operations, we face exposure to movements in foreign currency exchange rates, primarily the Canadian dollar to the U.S. dollar. The current exposures arise primarily from cash, accounts receivable, intercompany receivables and payables, and product sales denominated in foreign currencies. Both positive and negative impacts to our international product sales from movements in foreign currency exchange rates are partially mitigated by the natural, opposite impact that foreign currency exchange rates have on our international operating expenses.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's, or SEC, rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer), as appropriate, to allow for timely decisions regarding required disclosure.

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

As required by Exchange Act Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this quarterly report on Form 10-Q. Based on the foregoing, our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer) concluded that our disclosure controls and procedures were effective as of June 30, 2013.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We operate in a highly regulated industry. We are subject to the regulatory authority of the SEC, the FDA and numerous other federal and state governmental agencies including state attorney general offices, which have become more active in investigating the business practices of pharmaceutical companies.

Glenridge Litigation

In June 2011, Glenridge Pharmaceuticals LLC, or Glenridge, filed a lawsuit against us in the Superior Court of California, Santa Clara County, alleging that we had underpaid royalties to Glenridge, in connection with the timing of the impact of various offsets in the calculation of net sales. We are defending this lawsuit vigorously. In October 2012, a Judge of the Superior Court denied Glenridge's motion for summary judgment on its claims. In March 2013, Glenridge amended its complaint and added causes of action for breach of contract and breach of the implied covenant of good faith and fair dealing. In April 2013, we filed our answer to this amended complaint.

In August 2012, we filed a separate lawsuit in the Superior Court of California, Orange County, against the three principals of Glenridge, as well as Glenridge, challenging the enforceability of our agreement with Glenridge, and alleging breach of fiduciary duty, as well as aiding and abetting of the breach, by the principals. In November 2012, a Judge of the Superior Court of California, Orange County, transferred this lawsuit to the Superior Court of California, Santa Clara County. In February 2013, a Judge of the Superior Court denied Glenridge's motion to stay this lawsuit in favor of the accounting lawsuit described in the immediately preceding paragraph. In February 2013, we filed a motion for summary judgment on issues related to the fiduciary duty claim. In June 2013, a Judge of the Superior Court granted the motion in part, and denied it in part, and found that Glenridge's main principal owed fiduciary duties to Questcor during the relevant period. On June 18, 2013, we filed an amended complaint to introduce new allegations of concealment against Glenridge. Glenridge's responsive pleading is expected to be filed no later than August 22, 2013.

USAO Investigation

On September 21, 2012, we became aware of an investigation by the United States Attorney's Office for the Eastern District of Pennsylvania (the "USAO") regarding our promotional practices. Following our September 24, 2012 announcement of this investigation, we received a subpoena from the USAO for information relating to our promotional practices. We are cooperating with the USAO with regard to this investigation.

Putative Class Action Securities Litigation

On September 26, 2012, a putative class action lawsuit was filed against us and certain of our officers and directors in the United States District Court for the Central District of California, captioned *John K. Norton v. Questcor Pharmaceuticals, et al.*, No. SACv12-1623 DMG (FMOx). The complaint purports to be brought on behalf of shareholders who purchased our common stock between April 26, 2011 and September 21, 2012. The complaint generally asserts that we and certain of our officers and directors violated sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, by making allegedly false and/or misleading statements concerning the clinical evidence to support the use of Acthar for indications other than infantile spasms, the promotion of the sale and use of Acthar in the treatment of MS and nephrotic syndrome, reimbursement for Acthar from third-party insurers, and our outlook and potential market growth for Acthar. The complaint seeks damages in an unspecified amount and equitable relief against the defendants. This lawsuit has been consolidated with four subsequently-filed actions asserting similar claims under the caption: *In re Questcor Securities Litigation*, No. CV 12-01623 DMG (FMOx). On January 4, 2013, the district court issued an order appointing the West Virginia Investment Management Board and Plumbers & Pipefitters National Pension Fund as Lead Plaintiffs in the consolidated securities action. In March 2013, the Lead Plaintiffs filed a consolidated amended complaint for the consolidated securities action. We filed a motion to dismiss the consolidated amended complaint in May 2013. A hearing on the motion is currently scheduled on September 13, 2013.

Federal Shareholder Derivative Litigation

On October 4, 2012, another alleged shareholder filed a derivative lawsuit in the United States District Court for the Central District of California captioned *Gerald Easton v. Don M. Bailey, et al.*, No. SACV12-01716 DOC (JPRx). The suit asserts claims substantially identical to those asserted in the *do Valle* derivative action described below against the same defendants. This lawsuit has been consolidated with five subsequently-filed actions asserting similar claims under the caption: *In re Questcor Shareholder Derivative Litigation, CV 12-01716 DMG (FMOx).* In March 2013, the parties entered into a

stipulation to stay the consolidated federal derivative lawsuit, pending resolution of the motion to dismiss the consolidated securities action.

State Shareholder Derivative Litigation

On October 2, 2012, an alleged shareholder filed a derivative lawsuit purportedly on behalf of the Company against certain of our officers and directors in the Superior Court of the State of California, Orange County, captioned *Monika do Valle v. Virgil D. Thompson, et al.*, No. 30-2012-00602258-CU-SL-CXC. The complaint asserts claims for breach of fiduciary duty, abuse of control, mismanagement and waste of corporate assets arising from substantially similar allegations as those contained in the *Norton* case described above, as well as from allegations relating to sales of our common stock by the defendants and repurchases of our common stock. The complaint seeks an unspecified sum of damages and equitable relief. On October 24, 2012, an other alleged shareholder filed a derivative lawsuit purportedly on behalf of the Company against certain of our officers and directors in the Superior Court of the State of California, Orange County, captioned *Jones v. Bailey, et al.*, Case No. 30-2012-00608001-CU-MC-CXC. The suit asserts claims substantially identical to those asserted in the *do Valle* derivative action. On February 19, 2013, the court issued an order staying the state derivative actions until the putative federal securities and federal derivative actions are resolved.

Put Options Securities Action

In March 2013, individual traders of put options filed a securities complaint in the United States District Court for the Central District of California captioned *David Taban, et al. v. Questcor Pharmaceuticals, Inc.*, No. SACV13-0425. The complaint generally asserts claims against us and certain of our officers and directors for violations of the Exchange Act and for state law fraud and fraudulent concealment based on allegations similar to those asserted in the *Norton* case described above. The complaint seeks compensatory damages in an amount equal to $5 million and punitive damages of an unspecified amount. Pursuant to a stipulation of the parties, our response to the complaint is due in September 2013.

We believe that the probability of unfavorable outcome or loss related to this litigation and an estimate of the amount or range of loss, if any, from an unfavorable outcome are not determinable at this time. Responding to government investigations, defending any claims raised, and any resulting fines, restitution, damages and penalties, settlement payments or administrative actions, as well as any related actions brought by stockholders or other third parties, could have a material impact on our reputation, business and financial condition and divert the attention of our management from operating our business.

ITEM 1A. RISK FACTORS

As discussed above, on June 11, 2013 we acquired from Novartis certain rights to Synacthen and Synacthen Depot. This transaction could result in risks that could materially affect our future results, including, but not limited to, the following:

- Research and development risks, including risks associated with efforts to develop and obtain FDA approval of Synacthen, our reliance on third-parties to conduct research and development, and the ability of research and development to generate successful results;
- Risks surrounding our ability to effectively manage our growth, including planned international expansion, and our reliance on key personnel; and
- Risks related to our ability to comply with foreign regulations related to the international sales of Synacthen.

In addition to the information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2012, as filed with the SEC on February 27, 2013, and in our subsequent quarterly reports on Form 10-Q.

The risks described in our Annual Report on Form 10-K and in our subsequent quarterly reports on Form 10-Q are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No	Description
2.1*(1)	License Agreement, dated June 11, 2013, by and between Novartis Pharma AG, Novartis AG, Questcor Pharmaceuticals, Inc., and Akasia Limited.
2.2*(1)	Asset Purchase Agreement, dated June 11, 2013, by and between Novartis Pharma AG, Novartis AG, Questcor Pharmaceuticals, Inc., and Akasia Limited.
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.
101 .INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith.

(1) Certain schedules and exhibits referenced in this exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

QUESTCOR PHARMACEUTICALS, INC.

Date: July 31, 2013 By: /s/ Don M. Bailey

Don M. Bailey
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael H. Mulroy

Michael H. Mulroy
Chief Financial Officer and General Counsel
(Principal Financial and Accounting Officer)

Exhibit Index

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Execution Version

LICENSE AGREEMENT

between

NOVARTIS PHARMA AG
NOVARTIS AG
and
QUESTCOR PHARMACEUTICALS, INC.
AKASIA LIMITED

Table of Contents

* Schedules to this License Agreement are omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

LICENSE AGREEMENT

This LICENSE AGREEMENT ("**License Agreement**") is made as of this 11th day of June, 2013 ("**Effective Date**"), by and between Novartis Pharma AG, a company organized under the laws of Switzerland and located at Lichtstrasse 35, 4056 Basel, Switzerland ("**NPHAG**"), Novartis AG, a company organized under the laws of Switzerland and located at Forum 1, Novartis Campus, 4056 Basel, Switzerland ("**NAG**") (**NPHAG** and **NAG** together called "**Novartis**"), Questcor Pharmaceuticals, Inc., a company organized under the laws of the State of California, United States with its principal executive offices located at 1300 North Kellogg Drive, Suite D, Anaheim, California 92807 ("**Questcor**") and Akasia Limited, a wholly-owned subsidiary of Questcor organized under the laws of Ireland and located at 70 Sir John Rogerson's Quay, Dublin 2 ("**Purchaser**") (Questcor and Purchaser together called "**Questcor Parties**"). Novartis, Questcor and Purchaser are each referred to individually as a "**Party**" and together as the "**Parties**."

RECITALS

WHEREAS, Novartis and/or its Affiliates own or control the Licensed IP;

WHEREAS, Novartis does not (and does not intend to) develop, market, sell, distribute, manufacture and/or commercialize, by itself or through Affiliates and/or third parties, Product using the Licensed IP in the Territory;

WHEREAS, Novartis and/or its Affiliates desire to grant to the Purchaser, and the Purchaser desires to obtain rights to, the Licensed IP exclusively related to Product in the Territory; and

WHEREAS, the Questcor Parties desire to develop, market, sell, distribute, manufacture, have manufactured and commercialize Product in the Territory.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties hereby agree as follows:

1.DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** The capitalized terms used in this License Agreement shall have the meanings as defined below:

"**Accounting Standards**" means with respect to the Questcor Parties, US GAAP (United States Generally Accepted Accounting Principles), as generally and consistently applied throughout the Questcor Parties' organisation. Purchaser shall promptly notify Novartis in the event that it changes the Accounting Standards pursuant to which its records are maintained, it being understood that the Questcor Parties may only use internationally recognized accounting principles (e.g. International Financial Reporting Standards, US GAAP, etc.).

"**Affiliate**" means, with respect to a Party, any Person that directly or indirectly controls, is controlled by, or is under common control with that Party. For the purpose of this definition, **"control"** shall mean: (a) direct or indirect, ownership of fifty percent (50%) or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation; (b) fifty percent (50%) or more of the equity interest in the case of any other type of legal entity or status as a general partner in any partnership; (c) any other arrangement whereby the entity or Person controls or has the right to control the board of directors or equivalent governing body of a corporation or other entity; (d) if a Party is exposed, or has rights, to variable returns from its involvement with an entity or Person and has the ability to affect its returns through its power over such entity or Person; or (e) the ability to cause the direction of the management or policies of a corporation or other entity. In the case of entities organized under the Laws of certain countries, the maximum percentage ownership permitted by Law for a foreign investor may be less than fifty percent (50%), and in such case such lower percentage shall be substituted in the preceding sentence, provided that such foreign investor has the power to direct the management and policies of such entity.

"**Alliance Manager**" shall have the meaning set forth in Clause 9.

"**Asset Purchase Agreement**" shall mean that certain Asset Purchase Agreement among Novartis and the Questcor Parties, dated as of the Effective Date.

"**Auditor**" shall have the meaning set forth in Clause 11.4(b) of this License Agreement.

"**Business Day**" means a day (other than a Saturday, Sunday or a public holiday) on which the banks are open for business in Basel, Switzerland and New York, New York.

"**Calendar Quarter**" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

"**Calendar Year**" means a period of twelve (12) consecutive calendar months ending on December 31.

"**Commencement Date**" shall have the meaning set forth in clause 16.2(c) of this License Agreement.

"**Commercialize**" means to market, promote, distribute, import, offer to sell and/or sell Product, and "**Commercialization**" means commercialization activities relating to the Product, including activities relating to marketing, promoting, distributing, importing, offering for sale and/or selling the Product.

"**Commercially Reasonable Efforts**" means, with respect to the Questcor Parties' obligations under this License Agreement to Develop or Commercialize a Product, subject to Clauses 4 and 5, the carrying out of such obligations or tasks in a diligent manner consistent with customary practices of comparable companies in the specialty pharmaceutical industry for the Development or commercialization of a comparable pharmaceutical product at a similar stage of Development or commercialization in light of the intellectual property and competitive landscape relevant to such product, the safety and efficacy profile of a product, the Development and regulatory approval (including any reimbursement approval) risks associated with such product, and the anticipated commercial viability.

"**Competition Law**" means the Sherman Act, as amended, the Clayton Act, as amended, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Federal Trade Commission Act, as amended, and all other federal, state or foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws, including any antitrust, competition or trade regulation Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger, acquisition or otherwise.

"**Contract**" means any agreement, contract, purchase order, sales order, tender or other legally binding commitment or arrangement.

"**Develop**" or "**Development**" means drug development activities, including, without limitation, research, test method development and stability testing, assay development and audit development, toxicology, formulation, quality assurance/quality control development, statistical analysis, clinical studies, packaging development, regulatory affairs, and the preparation, filing and prosecution of NDAs.

"**Development Milestones**" shall have the meaning set forth in Clause 16.2(c)(i).

"**Domain Names**" shall mean synacthen.com.

"**Drug Substance**" means the active pharmaceutical ingredient tetracosactide acetate (a synthetic ACTH analogue) contained in the Product having the structure set forth in **Schedule A**, and all other salt forms of such tetracosactide.

"**Effective Date**" means the date this License Agreement enters into effect as set out in the Parties clause above.

"**FDA**" means the United States Food and Drug Administration or any successor entity thereto.

"**Field**" shall mean all uses in humans.

"**First Commercial Sale**" means, with respect to the Product, the first arm's length sale to a Third Party in the Territory.

"**Force Majeure**" means any event which is beyond the reasonable control of the Party affected, including but not limited to the following events: earthquake, storm, flood, fire or other acts of nature, epidemic, war, riot, public disturbance, strike or lockouts, government actions, terrorist attack or the like.

"**Global Medical Information**" shall mean any medical or clinical information, adverse event reports and/or safety information related to the Product and/or the Drug Substance owned or controlled by or on behalf of Novartis and/or its Affiliates in the Field, and including but not limited to clinical study reports, pre-clinical data and toxicity data that are in existence on the Effective Date.

"**cGCP**" means the current good clinical practices.

"**cGLP**" means the current good laboratory practices.

"**Good Manufacturing Practice**" or "**GMP**" means the current good manufacturing practices (cGMP) and all applicable governmental rules and regulations as applied at the site(s) of manufacture and control, as amended from time to time and in effect during the term of this License Agreement.

"**Governmental Authorizations**" means any approval, permit, license, certificate, franchise, permission, clearance, registration, qualification or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or pursuant to any Law.

"Governmental Entity" means any court, agency, authority, department, legislative or regulatory body or other instrumentality of any (i) government, (ii) country, (iii) national, federal, state, provincial, regional, county, city or other political subdivision of any such government or country, (iv) supranational organization of which any such government or country is a member, or (v) quasi-governmental authority or self-regulatory organization of competent authority.

"**IND**" means an Investigational NDA in the Territory filed with the FDA.

"**Information**" means all Licensed IP, Manufacturing Technology and other proprietary information and data of a financial, commercial or technical nature which the disclosing Party or any of its Affiliates (in the case of Novartis) has supplied or otherwise made available to the other Party or Affiliates (in the case of Novartis), under this License Agreement and whether made available orally, in writing or in electronic form, including information comprising or relating to concepts, discoveries, inventions, data, designs or formulae in relation to this License Agreement.

"**Infringement**" has the meaning ascribed to such term in Clause 15.1.

"Insolvency Event" means, in relation to Questcor, any one of the following: (a) Questcor is the subject of voluntary or involuntary bankruptcy proceedings instituted on behalf of or against Questcor (except for involuntary bankruptcy proceedings which are dismissed within one-hundred and twenty (120) days); (b) an administrative receiver, receiver and manager, interim receiver, custodian, sequestrator or similar officer is appointed for substantially all of the assets of Questcor; (c) a resolution to wind up Questcor shall have been passed other than a resolution for the solvent reconstruction or reorganization of Questcor; or (d) a resolution shall have been passed by Questcor's board of directors to make an application for an administration order or to appoint an administrator for substantially all of the assets of Questcor.

"**Know-How**" means all existing and available technical information, know-how and data, including inventions (whether patentable or not), discoveries, trade secrets, package specifications, chemical specifications, analytical test methods, stability data, testing data, product specifications, instructions, processes, formulation information, validation documents, materials, drawings, formulae, reports, and other technology and techniques in each case to the extent related to the Product or to the Drug Substance in the Field including all biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, clinical safety, safety data, manufacturing and quality control, preclinical and clinical data to the extent relevant to the manufacture, registration, use or commercialization of the Product but excluding Manufacturing Technology, and that are in existence and owned or controlled by Novartis and/or its Affiliates on the Effective Date.

"**Law**" means any statute, law, ordinance, requirement, regulatory rule, code or order of a Governmental Entity.

"**Legal Proceeding**" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Entity or any arbitrator or arbitration panel.

"**Licensed IP**" means any Global Medical Information, Know How, the Trademark, the Domain Names and Information (and any intellectual property rights in the foregoing) in each case that is necessary for the Development and/or Commercialization of Product in the Field in the Territory and in each case that is in existence and owned or controlled by Novartis and/or its Affiliates or which Novartis and/or its Affiliates have a right to license as of the Effective Date.

"**Losses**" shall have the meaning set forth in Clause 14.1 hereof.

"**Manufacturing Technology**" means all technology, trade secrets, know-how and proprietary information in each case to the extent necessary for the manufacture, validation, packaging, release testing, stability and/or shelf life of the Product and/or the Drug Substance in the Field, including the Product's formulation and/or other records related to the manufacturing process and that are in existence and owned or controlled by Novartis and/or its Affiliates on the Effective Date.

"**Marked Product(s)**" has the meaning ascribed to such term in Clause 6.1.

"**Milestone"** shall have the meaning set forth in Clause 10.1.

"**NDA**" means a New Drug Application filed with the FDA in the Territory for authorization to market the Product, as defined in the applicable Laws and regulations.

"**Net Sales**" means the net sales on behalf of Purchaser and any of its Affiliates or authorized sublicensees or assignees for the Product sold to Third Parties other than sublicensees/assignees, as determined in accordance with Accounting Standards consistently applied at Purchaser. The deductions booked by Purchaser and its Affiliates, sublicensees and assignees to calculate the recorded net sales from gross sales include the following:

(i) normal trade and cash discounts;

(ii) amounts repaid or credited by reasons of defects, rejections, recalls or returns;

(iii) rebates and chargebacks to customers and Third Parties (including, without limitation, Medicare, Medicaid, TriCare, Managed Healthcare);

(iv) any amounts recorded in gross revenue associated with goods provided to customers for free – with the exception of samples;

(v) amounts provided or credited to customers through coupons, other discount programs and co-pay assistance programs;

(vi) delayed ship order credits, discounts or payments related to the impact of price increases between purchase and shipping dates; and

(vii) fee for service payments to customers for any non-separable services (including compensation for maintaining agreed inventory levels and providing information).

With respect to the calculation of Net Sales:

(i) Net Sales only include the value charged or invoiced on the first sale to a Third Party and sales between or among Purchaser and its Affiliates and authorized sublicensees/assignees shall be disregarded for purposes of calculating Net Sales;

(ii) if a Product is delivered to the Third Party before being invoiced (or is not invoiced), Net Sales will be calculated at the time all the revenue recognition criteria under Accounting Standards are met; and

(iii) distributors shall not be considered as sublicensees/assignees.

"**Novartis Indemnitees**" shall have the meaning set forth in Clause 14.2 hereof.

"**Person**" means any individual, partnership, limited liability company, firm, corporation, association, trust, unincorporated organization or other entity.

"**Product**" means (i) Synacthen and Synacthen Depot, and (ii) any product for use in the Field in the Territory containing the Drug Substance (either alone or in combination with other active pharmaceutical ingredients) which is Developed or Commercialized using the Licensed IP. For the sake of clarity, the Parties acknowledge and agree that the Product does not include the tetracosactide product commercialized by Novartis' Affiliate, Sandoz, as of the Effective Date.

"**Purchaser Indemnitees**" shall have the meaning set forth in Clause 14.1.

"**Regulatory Approval**" means, with respect to the Product, any approval (notwithstanding the indication), registration, license or authorization from the FDA to market and sell such Product in the Territory.

"**Regulatory Filings**" means, with respect to the Drug Substance or Product, any submission to the FDA of any appropriate regulatory application, and shall include any IND or NDA.

"**Royalty(ies)**" shall have the meaning set forth in Clause 10.3.

"**Royalty Term**" shall have the meaning set forth in Clause 10.3

"**Sales & Royalty Report**" means a written report or reports showing each of: (a) gross sales; (b) Net Sales; and (c) Royalties payable for the Product in the Territory in United States Dollars during the reporting period. For the avoidance of doubt such written report shall also show details on the aforementioned (a) to (c) items for: (i) Purchaser, its Affiliates and authorized sub-licensees; (ii) last Calendar Quarter and year to date data, for example, up to the last month of the last Calendar Quarter; and (iii) for each Product.

"**Supply Agreement**" means that certain Supply Agreement between NPHAG and Purchaser, dated as of the Effective Date.

"**Suspended Payments**" shall have the meaning set forth in Clause 16.3.

"**Synacthen**" means SYNACTHEN® i.m./i.v. 0.25 mg/mL solution for injection (or other dosage strength and/or form) that includes the Drug Substance as the sole active ingredient.

"**Synacthen Depot**" means SYNACTHEN DEPOT® i.m. 1 mg/mL suspension for injection (or other dosage strength and/or form) that includes the Drug Substance as the sole active ingredient.

"**Territory**" means the United States of America.

"**Third Party**" shall mean any Person other than a Party or an Affiliate of a Party.

"**Trademark**" means the trademark SYNACTHEN (Serial Number 85495963 with filing date December 15, 2011) in the Territory as provided in **Schedule B**, including all goodwill associated therewith.

"**Transferred Assets**" has the meaning assigned thereto in the Asset Purchase Agreement.

"**Upfront Payment**" means the payment to be made by Purchaser to Novartis upon the Effective Date as set forth in Clause 10.1.

"**USD**" **or "US Dollars"** means the lawful currency of the United States of America.

1.2 **Interpretation.** In this License Agreement unless otherwise specified:

(a) "includes" and "including" shall mean respectively includes and including without limitation;

(b) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;

(c) the Schedules and other attachments form part of the operative provision of this License Agreement and references to this License Agreement shall, unless the context otherwise requires, include references to the Schedules and attachments;

(d) references to Clauses and subclauses are to Clauses and subclauses of this License Agreement unless otherwise specified;

(e) the headings in this License Agreement are for information only and shall not be considered in the interpretation of this License Agreement;

(f) any reference to "writing" or "written" includes faxes and any legible reproduction of words delivered in permanent and tangible form (but does not include email);

(g) the words "hereof", "herein" and "hereunder" and words of like import used in this License Agreement shall refer to this License Agreement as a whole and not to any particular provision of this License Agreement;

(h) references to any Contract are to that Contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; and

(i) the Parties agree that the terms and conditions of this License Agreement are the result of negotiations between the Parties and that this License Agreement shall not be construed in favour of or against any Party by reason of the extent to which any Party participated in its preparation.

2. LICENSE

2.1 **License Grant from Novartis to Purchaser.** Subject to the terms and conditions of this License Agreement, Novartis grants to Purchaser an exclusive, perpetual, irrevocable (other than as set forth in Clause 16), royalty-bearing, sublicensable (subject to Clause 2.2 below), assignable (subject to Clause 19.2 below) license under the Licensed IP to use the Licensed IP solely to Develop and Commercialize the Product in the Field in the Territory and to manufacture or have manufactured the Product for use in the Field in the Territory.

Subject to the terms and conditions of this License Agreement, Novartis grants to Purchaser a co-exclusive, perpetual, irrevocable (other than as set forth in Clause 16), sublicensable (subject to Clause 2.2 below), assignable (subject to Clause 19.2 below) license (i) under the Manufacturing Technology to use the Manufacturing Technology inside and outside the Territory solely to manufacture or have manufactured the Product for Development and/or Commercialization in the Field in the Territory and (ii) under the Licensed IP to use the Licensed IP outside of the Territory, solely to conduct pre-clinical or clinical trials with the Product for Commercialization in the Field in the Territory. For purposes of the above, "co-exclusive" means exclusive as to Purchaser and one other Person as of the Effective Date. For the avoidance of doubt, the foregoing license does not apply, and Novartis shall retain all rights, to the Manufacturing Technology outside of the Field.

2.2 **Sublicensing.**

(a) **By Purchaser.** Subject to Clause 2.2(b) below, Purchaser may sublicense the rights granted to it under Clause 2.1 of this License Agreement without the prior written consent of Novartis.

(b) **Sublicense Requirements.** Any sublicense by Purchaser will be subject to a written agreement that (i) requires the sublicensee to comply with all applicable obligations of this License Agreement, and (ii) is not in conflict with any term of this License Agreement. Purchaser shall undertake to enforce the provisions of any such sublicense and shall remain responsible and jointly and severally liable with the sub-licensee to Novartis for the performance of its sublicensee's obligations and for all acts or omissions of its sublicensees as if they were the acts or omissions of Purchaser under this License Agreement.

2.3 **Restriction of Rights**. Unless permitted by a separate written agreement signed between the Parties, neither the Purchaser nor any of its Affiliates shall, whether directly or indirectly: (a) knowingly sell Product to customers outside the Territory; (b) manufacture Product which it knows are for use outside the Territory; and/or (c) manufacture Product for sale to customers who Purchaser knows intend to sell such Product outside the Territory.

2.4 **Reservation of Rights by Novartis.**

(a) Without prejudice to any other rights that Novartis may have, but subject to Purchaser's and its Affiliates' rights under the Asset Purchase Agreement, Purchaser agrees that Novartis retains or shares full and unencumbered rights under the Licensed IP: (i) to make Drug Substance and Product in the Territory for sale outside the Territory, and/or (ii) to exploit or have exploited the Licensed IP in the Territory outside the Field. Purchaser acknowledges and agrees that as between the Parties, Novartis and/or its Affiliates are the sole owner(s) of all right, title and interest in and to the Licensed IP, and Purchaser has not acquired, and shall not acquire, any right, title or interest in or to the Licensed IP pursuant to this License Agreement other than the rights expressly set forth in this License Agreement.

(b) Unless permitted by a separate written agreement signed between Novartis and Purchaser (or its designee), neither Novartis nor any of its Affiliates shall, whether directly or indirectly: (i) knowingly sell Product to customers inside the Territory inside the Field; and/or (ii) manufacture, Develop or Commercialize Product which it knows are for use inside the Territory inside the Field; and/or (iii) manufacture Product for sale to customers who such Person knows intend to sell such Product inside the Territory inside the Field.

3. TRANSFER OF LICENSED IP

3.1 **Transfer.** Novartis shall provide to the Questcor Parties (a) within sixty (60) days from the Effective Date all tangible documentation and records embodying the Licensed IP owned or controlled by Novartis and its Affiliates, which if in electronic form shall be readily useable with off-the-shelf commercially available software and equipment, (b) until twelve (12) months following Novartis' delivery of all materials under Clause 3.1(a), reasonable access to the personnel at Novartis and its Affiliates to provide instructions and answer questions regarding the application of the Licensed IP (to the extent known by Novartis and its Affiliates), and (c) upon Purchaser's request, reasonable access to the manufacturing sites of Novartis or of its Affiliates within the Territory used for the packaging of the Product (subject to any policies and guidelines reasonably imposed by Novartis and its Affiliates).

4. DEVELOPMENT AND REGULATORY REGARDING PRODUCT

4.1 **Development**. Subject to Clause 4.2, the Questcor Parties will be responsible for conducting, without cost to Novartis, such research and preclinical, clinical and other Development of the Drug Substance and/or Product as it determines appropriate in its sole discretion and at its sole risk. Novartis shall not have any obligation to provide any support to the Questcor Parties regarding the Development of the Product in the Field in the Territory (except as strictly described in this License Agreement).

4.2 **Development Diligence, Annual Reports**. Notwithstanding anything to the contrary, for a period beginning on the Effective Date and ending on the earlier of (a) the date on which [***] and (b) the date on which the Questcor Parties have paid NAG an aggregate amount of USD[***] pursuant to Clause 10 of this License Agreement (the "**Development Period**"), Purchaser shall itself, or through its Affiliates or authorized sublicensees, use Commercially Reasonable Effort to Develop the Product in the Field in the Territory. Following the Development Period, Purchaser shall have full discretion as to Development of the Product for the Territory. Commencing by July 1, [***], and by each July 1 thereafter, until the later to occur of (i) July 1, [***] or (ii) [***], the Questcor Parties shall provide Novartis with a written summary of its Development activities for the Product, until First Commercial Sale of the Product in the Territory. Such summaries shall be Confidential Information of Purchaser and protected under Clause 17 and shall contain, at a minimum, information sufficient to permit Novartis to evaluate Purchaser's progress towards the Development Milestones described in Clause 16.2(c)(i).

4.3 **Regulatory.**

(a) The Questcor Parties will (i) determine the regulatory plans and strategies for the Drug Substance and Product, (ii) (either itself or through its authorized sublicensees) make all Regulatory Filings with respect to the Product and (iii) will be responsible for obtaining and maintaining Regulatory Approval in the Territory in the name of Purchaser or its authorized sublicensees.

(b) Without prejudice to Clause 4.1 above, Novartis shall reasonably cooperate with and provide assistance to Purchaser solely by providing reasonable access to the Licensed IP in connection with Regulatory Filings to the FDA for a Product.

4.4 **Compliance**. Each of the Questcor Parties agrees that in performing its obligations under this License Agreement, in particular with regard to the Product: (a) it shall comply with all applicable current international regulatory standards, including cGMP, cGLP, cGCP and other rules, regulations and requirements; and (b) it will not knowingly employ or use any Person that has been debarred under Section 306(a) or 306(b) of the U.S. Federal Food, Drug and Cosmetic Act.

5. MANUFACTURING AND COMMERCIALIZATION OF THE PRODUCT

5.1 **Manufacturing**. The Questcor Parties (or their designated authorized sublicensee(s)) hereby acknowledge and agree that they will be solely responsible for the manufacture and supply of the Drug Substance and the Product and for the Commercialization of the Product under this License Agreement.

5.2 **Commercialization**. The Questcor Parties will be solely responsible for all aspects of Commercialization of the Product in the Territory, including planning and implementation, distribution, booking of sales, pricing and reimbursement as they determine appropriate in their sole discretion and at their sole risk. Notwithstanding anything to the contrary, for a period beginning on the Effective Date and ending on the later to occur of (i) [***] anniversary of the Effective Date or (ii) the date on which Purchaser has paid NAG an aggregate amount of USD[***] pursuant to Clause 10 of this License Agreement, the Questcor Parties shall themselves, or through their authorised sublicensees, use

Commercially Reasonable Efforts to Commercialize the Product in the Field in the Territory. Novartis shall not have any obligation to provide any support to the Questcor Parties regarding the Commercialization of the Product in the Field in the Territory (except as strictly described in this License Agreement).

5.3 **Pharmacovigilance**. Within six (6) months following the Effective Date, the Parties shall agree upon and implement a procedure for the mutual exchange of adverse event reports and safety information associated with the Product. Details of the operating procedure respecting such adverse event reports and safety information exchange shall be the subject of a mutually-agreed written pharmacovigilance agreement between the Parties which shall be entered into within such six (6) month period.

6. APPLICATION AND USE OF THE TRADEMARK

6.1 **Application of Trademarks**. Nothing in this License Agreement shall require or oblige the Questcor Parties to use the Trademark in relation to the Product. However, any manufacture, marketing, promotion, sale, and/or distribution by the Questcor Parties of Product that carries, or sold by reference to, the Trademark ("**Marked Product(s)**") shall be governed by the relevant provisions of this License Agreement.

6.2 **Use of Trademarks**. None of the Questcor Parties shall use in its business (or apply or obtain registration for) any trademark or corporate name or trading name identical with or confusingly similar to the Trademark.

7. QUALITY CONTROL AND APPROVAL PROCEDURES

7.1 **Standards of Quality**. To the extent that Purchaser or any of its Affiliates is using the Trademark licensed to Purchaser under this License Agreement, Novartis shall notify the Purchaser of the reasonable standards of quality and specifications that must be adopted by the Purchaser and its Affiliates in the manufacture and handling of Marked Product(s) and the Purchaser undertakes to, and to cause its Affiliates to, comply strictly with such standards and specifications. For the avoidance of doubt, the Purchaser agrees to, and to cause its Affiliates to, strictly comply, at least, with applicable Good Manufacturing Practice in the manufacture of Marked Product(s), as well as to strictly comply with applicable Laws and regulations in the marketing, sale, and distribution of Marked Product(s). Novartis shall give the Purchaser written notice of any modifications or changes to the standards of quality or specifications relating to the Product and the Purchaser must, and must cause its Affiliates to, use Commercially Reasonable Efforts to implement any such modification or change as soon as reasonably possible, unless such modifications or changes would impose an additional cost on Purchaser or its Affiliates.

7.2 **Quality Control**. To the extent that Purchaser or any of its Affiliates is using the Trademark licensed to Purchaser under this License Agreement, upon Novartis' request, Purchaser shall, and shall cause its Affiliates to, at Purchaser's expense, submit to Novartis for approval a reasonable number of production samples of the Marked Product(s). In the event that Novartis reasonably objects to the quality of any sample, Novartis shall give written notice of such objection to the Purchaser within sixty (60) days of receipt of the sample by Novartis, specifying the way in which the sample fails to meet the quality standards and specifications set forth in accordance with Clause 7.1. The Purchaser shall be obliged to remedy the failure and to submit further samples to Novartis for approval in accordance with this Clause 7.2.

8. OWNERSHIP OF INVENTIONS

8.1 **Ownership of Inventions.** Novartis shall have no rights in any inventions, Know-How or similar intellectual property rights created and developed by the Purchaser arising from the Purchaser's activities under this License Agreement, including any patent applications and patents covering such inventions.

9. GOVERNANCE

9.1 **Alliance Managers**. Within thirty (30) days following the Effective Date, each of Novartis, on the one hand, and the Questcor Parties, on the other hand will appoint (and notify the other Parties of the identity of) a senior representative having a general understanding of pharmaceutical development and commercialization issues to act as its alliance manager under this License Agreement ("**Alliance Manager**"). The Alliance Managers will serve as the contact point between the Parties and will be primarily responsible for facilitating the flow of information and otherwise promoting communication and coordination between the Parties as required under this License Agreement; providing single point communication for seeking consensus both internally within the respective Party's organization and together regarding any issues, as appropriate, including facilitating review of external corporate communications; and raising cross-Party and/or cross-functional disputes in a timely manner. Each of Novartis and the Questcor Parties may replace its Alliance Manager on written notice to the other Parties.

10. FINANCIAL PROVISIONS

10.1 **Upfront & Milestone Payments**. In consideration of the licenses and rights granted to Purchaser hereunder, the Purchaser, either directly or through Questcor as a paying agent, shall pay NAG:

(a) a non-refundable, non-creditable upfront payment in the sum of USD60,000,000.00 (Sixty Million United States Dollars) upon the Effective Date ("**Upfront Payment**");

(b) a non-refundable, non-creditable milestone payment in the sum of USD25,000,000.00 (Twenty-Five Million United States Dollars) upon the first anniversary of the Effective Date**;**

(c) a non-refundable, non-creditable milestone payment in the sum of USD25,000,000.00 (Twenty-Five Million United States Dollars) upon the second anniversary of the Effective Date;

(d) a non-refundable, non-creditable milestone payment in the sum of USD25,000,000.00 (Twenty-Five Million United States Dollars) upon the third anniversary of the Effective Date;

(e) milestone payments in the sum of USD[***] ([***] United States Dollars) upon each subsequent anniversary of the Effective Date until such time as Purchaser or its Affiliate or sublicensee secures the first approval of the first Product in any indication within the Field from the FDA; and

(f) a milestone payment in the sum of USD[***] ([***] United States Dollars) upon the first approval of the first Product in any indication within the Field from FDA.

Each of 10.1 (b) through (f) is hereinafter referred to as a ("**Milestone**"). The Parties acknowledge and agree that the Upfront Payment is also consideration for the rights granted to Purchaser or its Affiliate by Novartis in the Asset Purchase Agreement.

10.2 Each Milestone shall be deemed earned as of the first achievement of the Milestone, and, with the exception of the Milestone described in Clause 10.1(e), is payable one time only even if the conditions therefor are met with a subsequent Product or for a subsequent indication. The Questcor Parties shall notify Novartis in writing within ten (10) days after achievement of the milestone referenced in Clause 10.1(f). The Questcor Parties shall obtain an unconditional, irrevocable, first written demand bank guarantee in the amount of USD 75,000,000.00 (Seventy-Five Million United States Dollars) with Union Bank to secure the payments described in Clauses 10.1(b), (c) and (d) above, a final signed version of which has been delivered to Novartis on or prior to the Effective Date. All costs associated with the bank guarantee will be borne by the Questcor Parties.

10.3 **Royalty Payments.**

(a) In consideration of the licenses and rights granted to Purchaser hereunder, during the Royalty Term (as defined below), the Purchaser will make royalty payments to NAG on aggregate Net Sales of Product(s) in the Territory in each Calendar Quarter by Purchaser and its authorized sublicensees at the rate of [***]% ([***] Percent) of Net Sales ("**Royalty**").

(b) Notwithstanding anything to the contrary, however, in no event will the Royalty paid by the Purchaser in any Calendar Year during the Royalty Term be less than USD[***] ([***] United States Dollars), pro-rated for any partial Calendar Year. For the avoidance of doubt, to the extent that the aggregate Royalty payments in any Calendar Year are less than USD[***], ([***] United States Dollars) the Questcor Parties shall pay to NAG the amount of such shortfall concurrently with the payment with respect to the fourth Calendar Quarter of the applicable Calendar Year.

(c) Royalties will be payable on a Product-by-Product basis from First Commercial Sale of the Product in the Territory and shall continue to be paid in accordance with the terms of this License Agreement until the Maximum Payment (as defined below) has been paid in full by Purchaser ("**Royalty Term**").

10.4 **Maximum Payment**. Notwithstanding any other provision in this License Agreement to the contrary, in no event shall the aggregate of all amounts payable by the Purchaser pursuant to this Clause 10 exceed USD300,000,000.00 (Three Hundred Million United States Dollars) (the "**Maximum Payment**").

11. REPORTS AND PAYMENT TERMS

11.1 **Payment Terms.**

(a) Novartis shall submit an invoice to Purchaser substantially in the form provided by Novartis with respect to each Milestone, and Purchaser will pay such invoice to NAG within thirty (30) days from the date of its receipt of the invoice.

(b) Within thirty (30) days after each Calendar Quarter during the term of this License Agreement following the First Commercial Sale of a Product (on a Product-by-Product basis), Purchaser will provide to Novartis a Sales & Royalty Report. Novartis shall submit an invoice to Purchaser substantially in the form provided by Novartis with respect to the Royalty amount shown therein. Purchaser shall pay such Royalty amount within thirty (30) days after the date of its receipt of the invoice. Notwithstanding the foregoing, the Parties acknowledge and agree that the Royalty paid by Purchaser in each Calendar Year during the Royalty Term shall be no less than the amount specified in Clause 10.3(b).

(c) All payments from Purchaser to NAG shall be made by wire transfer of immediately available funds in US Dollars to the credit of such bank account or accounts as may be designated by NAG in this License Agreement or in writing to Purchaser from time to time. Any payment which falls due on a date which is not a Business Day may be made on the next succeeding Business Day.

11.2 **Currency**. All payments under this License Agreement shall be payable in US Dollars.

11.3 **Taxes**. To the extent permitted by applicable law, all payments to Novartis under this License Agreement shall be made by Purchaser free and clear of and without deduction or withholding for any taxes. If because of a change in any applicable law subsequent to the date hereof, any applicable law (as determined in the good faith discretion of Purchaser) requires the deduction or withholding of any tax from any payment by Purchaser to Novartis under this Agreement, Purchaser shall (i) be entitled to make such deduction or withholding, (ii) pay the full amount withheld or deducted to the relevant taxing authority, (iii) to the extent that the withholding or deduction is made without possibility for getting full credit under applicable tax treaties, the sum payable by the Purchaser shall be increased by an amount equal to one-half of the sum of (A) the amount of any such required non-creditable withholding or deduction less (B) any tax benefits (including, without limitation, tax credits) realized by Novartis as a result of such withholding or deduction, and (iv) upon request, provide to Novartis a proof of payment of such withheld taxes. Each Party agrees to reasonably assist the other Parties in lawfully claiming exemptions from and/or minimizing such deductions or withholdings under double taxation Laws, treaties or similar circumstances.

11.4 **Records and Audit Rights.**

(a) The Questcor Parties shall keep complete, true and accurate books and records in accordance with its Accounting Standards in relation to this License Agreement, including in relation to Net Sales and Royalties. The Questcor Parties will keep such books and records for at least [***] ([***]) years following the Calendar Quarter to which they pertain.

(b) Novartis shall have the right for a period of [***] ([***]) years after receiving each Sales & Royalty Report to audit whether by itself or through its Affiliate(s) and/or to appoint an internationally-recognized independent accounting firm **(**whether Novartis, its Affiliate or an accounting firm, hereinafter referred to as the **"Auditor")** to inspect the relevant records of Purchaser or its authorized sublicensees to verify such reports, statements, records or books of accounts, as applicable. Where the Auditor is not Novartis the Auditor shall have the right to disclose to Novartis and/or other Affiliates of Novartis its conclusions regarding any payments owed under this License Agreement.

(c) The Questcor Parties and Purchaser's authorized sublicensees shall make their records available for inspection by the Auditor during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from Novartis, its Affiliate or designated independent accounting firm, to verify the accuracy of the Sales & Royalty Reports and compliance with this License Agreement. Novartis agrees to hold in confidence all information received and all information learned in the course of any audit or inspection, except to the extent that such information is not confidential and/or it is necessary to disclose it to enforce its rights under this License Agreement or if disclosure is required by Law.

(d) Novartis shall pay for such audits, as well as its own expenses associated with enforcing its rights with respect to any payments hereunder, except that, if an underpayment of more than three percent (3%) of the total payments due hereunder for the applicable Calendar Year is discovered, the reasonable fees and expenses charged by or incurred by the Auditor shall be paid by the Questcor Parties.

(e) In the event that the final result of the inspection reveals an undisputed underpayment or overpayment by the Questcor Parties, the underpaid or overpaid amount shall be settled promptly.

11.5 Following the first FDA approval of an NDA for a Product, the Questcor Parties will provide Novartis with the following: (a) estimated quarterly Net Sales information within fifteen (15) days prior to the end of each Calendar Quarter; and (b) Net Sales budget for current and following Calendar Year as soon as reasonably available. For the avoidance of doubt, the information provided by the Questcor Parties pursuant to this Clause 11.5 shall be deemed to be Information for purposes of this Agreement, including, without limitation, Clause 17.

12. FURTHER OBLIGATIONS

12.1 **Actions.** No Party shall do or omit to do anything that would substantially diminish or impair the rights of Novartis or Purchaser in the Licensed IP or the Trademark, provided however, that the foregoing shall not restrict the Questcor Parties' discretion as to the Development and Commercialization of the Product so long as the Questcor Parties comply with their obligation to use Commercially Reasonable Effort. If any Party becomes aware of any claim or challenge to, the validity of the Licensed IP and/or the Trademark, it shall promptly inform the other Parties.

12.2 **Prosecution and Defense of Trademark**. Each Party shall promptly notify the other Parties of any actual or suspected claim or challenge to, the validity of the Trademark within the Territory that comes to its attention, and the Parties shall agree in good faith on how to best defend such Trademark. Novartis shall have the right, upon written notice to the Questcor Parties within sixty (60) days after learning of an actual or suspected claim or challenge, to prosecute and defend the Trademark in the Territory; provided, however, in the event that Novartis does not provide such written notice to the Questcor Parties within such sixty (60) day period, the Questcor Parties shall have the right to prosecute and defend the Trademark in the Territory. Purchaser shall bear all costs and expenses related to the prosecution and defense (to the extent Purchaser elects to prosecute or defend) of the Trademark in the Territory as of the Effective Date.

12.3 **Registration of License**. In case a Party wants to make application(s) to the appropriate authority in the Territory for either the registration of this License Agreement as a license or the registration of the Purchaser as a registered user of the Trademark, the Parties shall co-operate to that effect and the Party that initiated such application(s) shall bear the respective costs.

12.4 **Further Assurances.**

(a) The Parties shall, and shall cause their Affiliates to, promptly cooperate with each other and their Affiliates and provide such information and assistance as may be reasonably requested by the other in connection with any filings or other actions contemplated by any Competition Law. In connection with and without limiting the foregoing, the parties shall and shall cause their respective Affiliates to, subject to applicable Law and except as prohibited by any applicable Governmental Entity:

(i) promptly notify the other Parties of any written communication to that party or its Affiliates from any Governmental Entity, including regulatory authorities, concerning this License Agreement or the transactions contemplated hereby, and permit the other Parties to review in advance (and to consider any comments made by the other Parties in relation to) any proposed written communication to any of the foregoing;

(ii) not agree to participate or participate in any substantive meeting with any Governmental Entity in respect of any filings, investigation or inquiry concerning this License Agreement or the transactions contemplated hereby unless it consults with the other Parties in advance and, to the extent permitted by such Governmental Entity, gives the other Parties the opportunity to attend and participate; and

(iii) furnish the other Parties (through outside counsel) with copies of all correspondence, filings and written communications (and memoranda setting forth the substance thereof) between it and its Affiliates and their respective representations on the one hand, and any Governmental Entity, including regulatory authority, or members of their respective staffs on the other hand, with respect to this License Agreement and the transactions contemplated hereby.

(b) Each Party shall execute and deliver to the other Parties, upon any Party's request, all documents that are reasonably necessary or desirable to secure, preserve or implement each Party's rights pursuant to this License Agreement.

12.5 **Regulatory Actions**. In the event that any assets, businesses or licenses are required to be divested, assigned or sublicensed by order of any Governmental Entity or court of competent jurisdiction, Purchaser may assign its rights under this License Agreement to a Third Party, provided that in connection with any such Assignment, the Questcor Parties shall simultaneously enter into an agreement with Novartis, in form and substance satisfactory to Novartis in its sole discretion, providing for the payment by the Questcor Parties of any amounts that would otherwise be payable pursuant to Clause 10 as and when such amounts would be payable pursuant to this License Agreement. In such event, the bank guaranty mentioned in Clause 10.2 will remain in full force and effect.

12.6 **Noncompetition.**

(a) In light of the consideration paid by Purchaser for the rights, title and interest in and to the Licensed IP, Manufacturing Technology and Transferred Assets under this License Agreement and the Asset Purchase Agreement, Novartis covenants on behalf of itself and its Affiliates, that, for a period of [***] ([***]) years following the Effective Date, Novartis and its Affiliates shall not develop, sell and/or distribute a product for human use, containing the Drug Substance worldwide. The Questcor Parties understand that Sandoz commercializes an immediate release tetracosactide in the US for diagnostic purposes and acknowledge that this product is exempted from the non-compete prohibitions for its continued use. Novartis agrees that the limits of such exemption shall be binding on all successors-in-interest of Sandoz, as well as any assignees, transferees or licensees of such product.

(b) Notwithstanding the foregoing, Novartis and/or any of its Affiliates shall not be considered in breach of (a) above, (i) if Novartis acquires or consolidates or merges with a Person (or assets of a business) that is developing, selling and/or distributing a competing product where such sales or distribution is not the primary business of such Person (or assets), and/or (ii) by fulfilling any obligations with respect to the manufacture, sale and distribution of the Product and the Drug Substance during the Transition Period (as such term is defined in the Asset Purchase Agreement) pursuant to the terms of the Supply Agreement.

(c) From the Effective Date, except as otherwise provided for herein, in the Asset Purchase Agreement or Supply Agreement, Novartis will not provide or facilitate the use of the Licensed IP, Manufacturing Technology and Transferred Assets to its Affiliates or Third Party collaborators for the purpose of developing, manufacturing, marketing and selling the Product or any other product using the Transferred Assets in the Field in the Territory.

13. REPRESENTATIONS AND WARRANTIES

13.1 **Representations and Warranties by Each Party**. Each Party represents and warrants to the others as of the Effective Date that:

(a) it is a company duly organized, validly existing, and in good standing under the Laws of its jurisdiction of formation;

(b) it has full corporate power and authority to execute, deliver, and perform this License Agreement, and has taken all corporate action required by Law and its organizational documents to authorize the execution and delivery of this License Agreement and the consummation of the transactions contemplated by this License Agreement; and

(c) this License Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms.

13.2 **Novartis Representation and Warranty**. Except as provided for in Clause 13.1, NOVARTIS MAKES NO REPRESENTATIONS, EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED AND ASSUMES NO RESPONSIBILITY OR LIABILITY AFTER THE EFFECTIVE DATE IN RESPECT OF THE TRADEMARK, MANUFACTURING TECHNOLOGY, LICENSED IP AND/OR

TRANSFERRED ASSETS OR THE APPLICATION, OPERATION, OWNERSHIP, NON-INFRINGEMENT OR USE THEREOF, WHICH PURCHASER TAKES "AS-IS" AND WITH ALL FAULTS.

13.3 **Questcor Parties Representation and Warranty.** Each Questcor Party represents and warrants to Novartis that as at the Effective Date and subject to such exceptions as are disclosed in the disclosure letter dated as of the date hereof and delivered herewith to Novartis, provided that the disclosure in any Clause or subclause of the Questcor Parties' disclosure letter shall constitute an exception to the corresponding Clause or subclause of this Clause 13.3 and shall not constitute an exception to any other Clause or subclause of this Clause 13.3 unless (and solely to the extent) the applicability of such disclosure to such other Clause or subclause is clear solely from a reading of the text of such disclosure:

(c) neither such Questcor Party, nor, to the actual knowledge, following reasonable inquiry, of such Questcor Party, any employee, agent or subcontractor of such Questcor Party, involved or to be involved in the Development and/or Commercialization of the Drug Substance or the Product has been debarred under Subsection (a) or (b) of Section 306 of the Federal Food, Drug and Cosmetic Act (21 U.S.C. 335a); (ii) no Person who is known by such Questcor Party to have been debarred under Subsection (a) or (b) of Section 306 of said Act will be employed by such Questcor Party in the performance of any activities hereunder; and (iii) to the actual knowledge, following reasonable inquiry, of such Questcor Party, no Person on any of the FDA clinical investigator enforcement lists (including, but not limited to, the (1) Disqualified/Totally Restricted List, (2) Restricted List and (3) Adequate Assurances List will participate in the performance of any activities hereunder.

(d) Questcor is a well-established and licensed pharmaceutical company which, together with its Affiliates and distributors, has the necessary resources and expertise (or the resources to acquire the expertise) to carry out its obligations hereunder and to cause Purchaser to carry out its obligations hereunder.

(e) Such Questcor Party is not and has not been (and has no Affiliates that are or have been) subject to any litigation by customers or investigation by local and/or regulatory authorities which would materially negatively impact such Questcor Party's obligations hereunder.

(f) There is no suit, action, investigation or proceeding pending or threatened against such Questcor Party that challenges or seeks to prevent or enjoin the transactions contemplated by this License Agreement.

(g) Such Questcor Party has received all the information it considers necessary for deciding whether to enter into this License Agreement and obtain rights to the Licensed IP in the Territory.

(h) Such Questcor Party has no knowledge that any representations or warranty of Novartis made in this Agreement are not true and correct.

13.4 **Special, Indirect and Other Losses.** NO PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OR FOR ANY ECONOMIC LOSS, DIMINUTION IN VALUE OR LOSS OF PROFITS SUFFERED BY ANY OTHER PARTY. NO REPRESENTATIONS OR WARRANTIES ARE MADE, INCLUDING AS TO FITNESS FOR PURPOSE, MERCHANTABILITY AND/OR NON-INFRINGEMENT, EXCEPT AS EXPRESSLY STATED HEREIN.

For the avoidance of doubt, nothing in this Clause 13.4 is intended to affect the Milestones and Royalties due and payable by the Purchaser to Novartis pursuant to the terms of this License Agreement, including Novartis' right to bring a claim to recover such Milestone and Royalties in the event that they are not paid in accordance with the terms of this License Agreement. No Party excludes any liability for death or personal injury caused by its negligence or that of its employees, agents or subcontractors.

13.5 **Survival.** The representations and warranties made by the Parties and contained in this License Agreement shall survive the Effective Date for, and all claims for indemnification in connection therewith shall be asserted not later than, [***] ([***]) months following the Effective Date. Notwithstanding the foregoing, if, prior to the close of business on the last day a claim for indemnification may be asserted hereunder, an indemnifying party shall have been properly notified of a claim for indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, such claim shall continue to survive and shall remain a basis for indemnity hereunder until such claim is finally resolved or disposed of in accordance with the terms hereof.

14. INDEMNIFICATION.

14.1 **Indemnification Obligations of Novartis**. Novartis shall indemnify and hold the Questcor Parties, their Affiliates and their respective officers, directors, agents and employees ("**Purchaser Indemnitees**") harmless from and against any and all costs, charges, claims (including Third Party claims) damages or expenses (including attorneys' fees and expenses) against or incurred by them ("**Losses**") to the extent arising or resulting from any breach of any representation or warranty of Novartis set forth in this License Agreement.

14.2 **Indemnification Obligations of Questcor Parties**. Subject to Clause 16.6, the Questcor Parties shall indemnify and hold Novartis, its Affiliates and their respective officers, directors, agents and employees ("**Novartis Indemnitees**") harmless from and against any and all Losses to the extent arising or resulting from:

(i) any breach of any representation or warranty of a Questcor Party set forth in this License Agreement;

(j) any breach of any covenant, agreement or undertaking made by a Questcor Party in this License Agreement, other than any covenant, agreement or undertaking contained in Clause 16.2;

(k) The Questcor Parties' Development, manufacturing and/or Commercialization of the Drug Substance, the Product and/or Licensed IP after the Effective Date; or

(l) Any inquiry and/or investigation conducted by a Governmental Entity in connection with this License Agreement; provided, however, for purposes of this Clause 14.2(d), the Novartis Indemnitees' indemnifiable Losses shall be limited to reasonable out of pocket expenses paid by Novartis Indemnitees to Third Parties.

14.3 **Indemnification Procedure.** Novartis or Questcor Parties, as applicable, (the "**Indemnified Party**") shall:

(a) promptly notify the other Party or Parties (the "**Indemnifying Party**") of anything which could lead to a Loss;

(b) permit the Indemnifying Party to participate in or lead the conduct, defense and/or settlement of such claim, proceeding, inquiry or investigation; provided, however, that Indemnifying Party shall not compromise or otherwise settle the same without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; and

(c) reasonably assist at the cost of the Indemnifying Party in the investigation and defense of such claim, proceeding, inquiry or investigation.

The provisions of this Clause 14 shall be the sole and exclusive monetary remedy of the Questcor Parties and Novartis for any breach by the other Party of a representation or warranty contained in this License Agreement.

15. INFRINGEMENT OF LICENSED IP BY THIRD PARTIES

15.1 **Infringement.** Each Party shall promptly notify the other Parties of any actual, suspected or threatened infringement, violation or misappropriation within the Territory of the Licensed IP ("**Infringement**") that comes to its attention.

15.2 **Right to Bring Action.** Except as set forth in Clause 15.3 below, Purchaser shall have the sole right to send notices and bring and conduct actions in relation to any Infringement in the Territory. Novartis will co-operate fully with the Purchaser in taking all reasonable steps requested by the Purchaser in connection with any Infringement action, including joining in Legal Proceedings. The Questcor Parties shall bear the costs of any such Legal Proceedings, and the Purchaser shall be entitled to any damages, account of profits and/or awards of costs recovered.

15.3 **Exception**. In the event that Purchaser does not take reasonable steps to prevent any individual Infringement within thirty (30) days of becoming aware or receiving written notice thereof, Novartis shall hereafter have the sole right (but shall not be under any obligation in this regard) to send notices and bring and conduct actions in relation to such Infringement. The Questcor Parties will co-operate fully with Novartis in taking all reasonable steps requested by Novartis in connection with any such Infringement action, including joining in Legal Proceedings. Novartis shall bear the costs of any such Legal Proceedings, and shall be entitled to any damages, account of profits and/or awards of costs recovered.

15.4 **Settlements.** The Parties shall reasonably consult with each other before accepting any settlement or any judicial finding which is reviewable by a higher authority.

16. TERM AND TERMINATION

16.1 **Term**. This License Agreement shall come into force on the Effective Date and, subject only to earlier termination pursuant to this Clause 16, shall continue in full force and effect in perpetuity.

16.2 **Novartis Termination.** Novartis has the right to terminate the license granted hereunder by serving written notice on the Questcor Parties only upon the occurrence of the following events:

(c) Purchaser fails to and Questcor also does not pay any undisputed amount due under Clause 10 or 14 and the Questcor Parties fail to remedy such failure within thirty (30) days of receipt of a written notice from Novartis specifying such failure;

(d) An Insolvency Event occurs; or

(e) A Questcor Party materially breaches its obligation to use Commercially Reasonable Effort to Develop and/or Commercialize the Product and fails to cure such breach within a period of [***] ([***]) days of receipt of a written notice from Novartis specifying such breach; provided, however, Novartis will only be entitled to send such written notice to the Questcor Parties under this Clause 16.2(c) during the time period commencing with the [***] ([***]) anniversary of the date that Novartis delivers the materials contemplated by Clause 3.1 (the "**Commencement Date**") through and including the date on which the Questcor Parties have paid Novartis an aggregate amount of USD300,000,000.00 pursuant to Clause 10 of this License Agreement.

(i) Notwithstanding anything to the contrary, the Questcor Parties shall be deemed to have materially breached its obligation to use Commercially Reasonable Efforts to Develop the Product and shall be afforded no notice and cure period in the event it fails to achieve any of the following development milestones ("**Development Milestones**"):

1. Conduct a [***] with [***] with respect to [***] within [***] ([***]) months of the Commencement Date.

2. Commence [***] with [***] within [***] ([***]) months of the Commencement Date. For purposes hereof, commencement of [***] shall be deemed to occur upon the [***].

3. Submission (but not [***]) of [***] for [***] within [***] ([***]) months of the Commencement Date.

(ii) Subject to the last sentence of this Clause 16.2(c)(ii), in the event a Questcor Party fails to achieve a Development Milestone, Novartis may exercise its right to terminate this License Agreement, in its sole and absolute discretion, any time within the [***] ([***]) months following such failure. Termination will be effective immediately upon written notice to the Questcor Parties. Notwithstanding the foregoing, (A) if Novartis does not exercise its right to terminate this License Agreement within the [***] ([***]) month period following a Questcor Party's failure to achieve a Development Milestone before the applicable deadline, Novartis's termination right with respect to that specific Development Milestone (only) shall be extinguished, and (B) if Novartis does not exercise its right to terminate this License Agreement prior to a Questcor Party achieving the applicable Development Milestone notwithstanding the expiration of the applicable deadline Novartis's termination right with respect to that specific Development Milestone (only) shall be extinguished.

16.3 **Questcor Parties Termination.**

(a) In the event that a Third Party receives approval of an NDA for a long acting injectable formulation of the Drug Substance with the FDA for use in the Field prior to a Questcor Party receiving approval of an NDA for the Product with the FDA for use in the Field, and the Questcor Parties have collectively paid to Novartis at least USD[***] ([***] United States Dollars) pursuant to Clause 10 of this License Agreement, Purchaser shall have the right to immediately terminate this License Agreement by serving written notice on Novartis. In the event (i) Purchaser exercises its right to terminate the license pursuant to this Clause 16.3(a); (ii) the Third Party receiving approval from FDA of a long acting injectable formulation of the Drug Substance prior to a Questcor Party receiving approval of an NDA for the Product with the FDA obtains approval for the same indication for which a Questcor Party has filed for approval with FDA or has conducted or is conducting clinical trials; and (iii) the Questcor Parties have paid to Novartis at least USD[***] ([***] United States Dollars) in the aggregate pursuant to Clause 10 of this License Agreement, then Novartis shall refund to Purchaser an amount equal to USD[***] ([***] United States Dollars) as soon as reasonably possible.

(b) In the event a Questcor Party does not receive approval from the FDA of an NDA for the Product on or before the [***] ([***]) anniversary of the Effective Date and a Questcor Party has used Commercially Reasonable Efforts to obtain approval from FDA and the Questcor Parties have paid to Novartis at least USD[***] ([***] United States Dollars) in the aggregate pursuant to Clause 10 of this License Agreement, Purchaser shall have the right to immediately terminate this License Agreement by serving written notice on Novartis.

16.4 **Effect of Termination**. If this License Agreement is terminated pursuant to Clause 16.2 or 16.3:

(a) the license to use the Trademark and Licensed IP and Manufacturing Technology will cease and revert to Novartis according to the written notice served pursuant to Clause 16.2 or 16.3, as applicable, as at the date of such termination and the Questcor Parties shall cease all use thereof;

(b) Except as set forth in Clause 16.3(a), the Questcor Parties shall not be entitled to any compensation or any refund of the Upfront Payment, Milestones and/or Royalties as a result of the termination of this License Agreement; and

(c) all accrued, outstanding sums payable by the Questcor Parties to Novartis shall immediately become due and payable.

16.5 **Survival.** The termination of this License Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Without limiting the forgoing the provisions of Clauses 14, 16, 17 and 19 shall survive the termination of this License Agreement.

16.6 **Termination Not Sole Remedy.** Termination is not the sole remedy under this License Agreement, and, whether or not termination is effected and notwithstanding anything contained in this License Agreement to the contrary, all other remedies will remain available except as otherwise agreed to herein. Notwithstanding the foregoing, in the event that this License Agreement is terminated pursuant to Clause 16.2(b) or Clause 16.2(c), such termination of this License Agreement shall be the sole and exclusive remedy of Novartis under this License Agreement and no other remedy will remain available to Novartis with respect to this License Agreement, including, without limitation, any claim for indemnification under Clause 14.2.

17. CONFIDENTIALITY

17.1 **Duty of Confidence**. The Parties acknowledge and agree that the Licensed IP and Manufacturing Technology will be deemed to be the confidential and proprietary information of the Purchaser on and after the Effective Date and shall be deemed to be Information of Purchaser for purposes of this Clause 17. Subject to the other provisions of this Clause 17, all Information will be maintained by the Parties in confidence and otherwise safeguarded by all Parties. Each Party may only use the Information strictly for the purposes of this License Agreement and

pursuant to the rights and obligations of such Party under this License Agreement. Subject to the other provisions of this Clause 17, each Party shall hold as confidential such Information of the other Party or its Affiliates (in the case of Novartis, where Affiliates of Novartis disclose information) in the same manner and with the same protection as such recipient Party maintains its own confidential information. Subject to the other provisions of this Clause 17, a Party may only disclose Information to employees, agents, contractors, consultants and advisers of such Party and in the case of Novartis, Novartis may also disclose to its Affiliates and their employees, agents and contractors, and in the case of the Questcor Parties, the Questcor Parties may also disclose to its authorized sublicensees to the extent reasonably necessary for the purposes of, and for those matters undertaken pursuant to, this License Agreement; provided that such Persons are bound to maintain the confidentiality of the Information in a manner consistent with the confidentiality provisions of this License Agreement. Notwithstanding anything to the contrary, however, the Parties acknowledge and agree that certain Licensed IP and Manufacturing Technology have been licensed to a Third Party for use outside the Territory prior to the Effective Date. Novartis' disclosure and/or use of Novartis' Information and the Licensed IP and Manufacturing Technology pursuant to the terms of written agreements entered into prior to the date hereof with such Third Party shall not be a breach or violation of the terms of this Clause 17.

17.2 **Exceptions**. The obligations under this Clause 17 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

(c) is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this License Agreement by the recipient Party or, including in the case of Novartis its Affiliates or in the case of the Questcor Parties, through their authorized sublicensees;

(d) with respect to the Questcor Parties, was known to, or was otherwise in the possession of, the Questcor Parties, prior to the time of disclosure by Novartis or any of its Affiliates;

(e) is disclosed to the recipient Party (or an Affiliate, in the case of Novartis) on a non-confidential basis by a Third Party who is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party (or any of its Affiliates in the case of Novartis); or

(f) is independently developed by or on behalf of the recipient Party (or its Affiliates, in the case of Novartis), as evidenced by its written records, without reference to the Information disclosed by the disclosing Party (or its Affiliates in the case of Novartis) under this License Agreement.

Specific aspects or details of Information shall not be deemed to be within the public domain or in the possession of the recipient Party merely because the Information is embraced by more general information in the public domain or in the possession of the recipient Party. Further, any combination of Information shall not be considered in the public domain or in the possession of the recipient Party merely because individual elements of such Information are in the public domain or in the possession of the recipient Party unless the combination and its principles are in the public domain or in the possession of the recipient Party.

17.3 **Authorized Disclosures.**

(d) In addition to disclosures allowed under Clause 17.1 and 17.2, the Questcor Parties may disclose Information belonging to Novartis or its Affiliates to the extent such disclosure is necessary in connection with the Regulatory Filings for a Product.

(e) In addition to disclosures allowed under Clause 17.1 and 17.2, either Party may disclose Information belonging to the other Party (and/or its Affiliates in the case of Novartis) to the extent such disclosure is necessary to: (i) prosecute or defend litigation as permitted by this License Agreement; and/or (ii) comply with applicable court orders or governmental regulations.

(f) In the event the recipient Party is required to disclose Information of the disclosing Party by Law or in connection with bona fide legal process, such disclosure shall not be a breach of this License Agreement; provided that the recipient Party (i) informs the disclosing Party as soon as reasonably practicable of the required disclosure; (ii) limits the disclosure to the required purpose; and (iii) at the disclosing Party's request and expense, assists in an attempt to object to or limit the required disclosure.

17.4 **Ongoing Obligation for Confidentiality**. Upon early Termination of this License Agreement for any reason, each Party and its Affiliates (in the case of Novartis) shall immediately return to the other Party or destroy any Information disclosed by the other Party, except for (i) such copies as must be retained pursuant to applicable Law, and (ii) one copy which may be retained in its confidential files for archive purposes.

18. PRESS RELEASE

18.1 **Press Releases.** No Party shall issue any press release, trade announcement or make any other public announcement or statement with regard to the transactions contemplated by this License Agreement without the other Parties' prior written consent, which shall not be unreasonably withheld. Where consent is forthcoming, the Parties agree to consult with each other regarding the content of any such press release or other announcement. The aforementioned restriction shall not apply to announcements required by any Regulatory Authority or Governmental Entity under applicable Law provided that in such event the Parties shall coordinate the wording and the Questcor Parties shall take into consideration any requests of Novartis. However, in such event the Parties shall, to the extent reasonably practicable, coordinate the wordings of

any such announcements. Each Party hereto acknowledges that the Questcor Parties and Novartis shall have the right to disclose a brief summary of the transaction, including the amounts payable by the Questcor Parties under this License Agreement, in its official financial reports.

19. MISCELLANEOUS

19.1 **Governing Law; Venue.** This License Agreement shall be governed by and construed under the Laws of the State of New York USA, without giving effect to the conflicts of Laws provision thereof, and with the exclusion of the Vienna Convention on the International Sale of Goods. Any Legal Proceeding relating to this License Agreement or the enforcement of any provision of this License Agreement shall be brought or otherwise commenced in, and each Party expressly and irrevocably consents and submits to the jurisdiction of, any state or federal court located in the State, City and County of New York.

19.2 **Assignment.**

(a) No Party may assign its rights and obligations under this License Agreement without the other Parties' prior written consent, except that any Party may (i) assign its rights and obligations under this License Agreement or any part hereof to one or more of its Affiliates without the consent of the other Party; and (ii) assign this License Agreement in its entirety to a successor to all or substantially all of its business or assets to which this License Agreement relates; provided in all cases, that any permitted assignee shall assume all obligations of its assignor under this License Agreement (or related to the assigned portion in case of a partial assignment), and no permitted assignment shall relieve the assignor of liability hereunder. Any attempted assignment in contravention of the foregoing shall be void. Subject to the terms of this License Agreement, this License Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

(b) Any assignment by the Questcor Parties will be subject to a written agreement that (i) requires the assignee to comply with all applicable obligations of this License Agreement, and (ii) is not in conflict with any term of this License Agreement. The Questcor Parties shall undertake to enforce the provisions of any such assignment and shall remain responsible and jointly and severally liable with the assignee to Novartis for the performance of assignee's obligations and for all acts or omissions of its assignees as if they were the acts or omissions of the Questcor Parties under this License Agreement. As such, the bank guaranty described in Clause 10.2 shall remain in full force and effect despite any such assignment.

19.3 **Injunctive Relief.** The Parties understand and agree that monetary damages may not be a sufficient remedy for breach of this License Agreement and that each Party will be entitled to seek equitable relief, including injunction and specific performance for any such breach. Nothing contained in this License Agreement shall be construed as limiting a Party's right to any other remedies it may have under this License Agreement or in Law, including, without limitation, the recovery of damages for breach of this License Agreement.

19.4 **Force Majeure.** If and to the extent that any Party is prevented or delayed by Force Majeure from performing any of its obligations under this License Agreement and promptly so notifies in writing the other Parties, specifying the matters constituting Force Majeure together with such evidence in verification thereof as it can reasonably give and specifying the period for which it is estimated that the prevention or delay will continue, then the Party so affected shall be relieved of liability to the other for failure to perform or for delay in performing such obligations (as the case may be), but shall nevertheless use its commercially reasonable efforts to resume full performance thereof.

19.5 **Notices.** All notices, consents, waivers, and other communications under this License Agreement must be in writing and will be deemed to have been duly given when: (a) delivered by hand (with written confirmation of receipt); (b) sent by fax (with written confirmation of receipt), provided that a copy is immediately sent by an internationally recognized overnight delivery service (receipt requested); or (c) when received by the addressee, if sent by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and fax numbers set forth below (or to such other addresses and fax numbers as a Party may designate by written notice):

If to Purchaser or Questcor:

Questcor Pharmaceuticals, Inc.
1300 North Kellogg Drive, Suite D
Anaheim Hills, CA 92807
Attn: Michael Mulroy, General Counsel
Fax: +1-714-789-4229
Email: Michael.Mulroy@Questcor.com

With a copy (which copy shall not constitute notice) to:

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Lawrence B. Cohn
Facsimile: +1-949-725-4100
Email: lcohn@sycr.com

If to Novartis:

Novartis Pharma AG

Lichtstrasse 35
CH-4056 Basel, Switzerland
Attn: Head of BD&L
Fax: +41 61 324 2100

With a copy To:

Novartis Pharma AG
Lichtstrasse 35
CH-4056 Basel, Switzerland
Attn: General Counsel
Fax: +41 61 324 7399

19.6 **Waiver and Amendments**. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this License Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this License Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

19.7 **Severability**. Without prejudice to any other rights that the Parties have pursuant to this License Agreement, every provision of this License Agreement is intended to be severable. If any provision of this License Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this License Agreement, which shall remain in full force and effect. The Parties hereto agree to consult each other and to agree upon a new stipulation which is permissible under the Law and which comes as close as possible to the original purpose and intent of the invalid, void or unenforceable provision.

19.8 **Entire Agreement**. This License Agreement (together with the Asset Purchase Agreement and the Supply Agreement) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof.

19.9 **Relationship of the Parties.** Nothing contained in this License Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Novartis and the Questcor Parties, or to constitute one as the agent of the other. Moreover, each Party agrees not to construe this License Agreement, or any of the transactions contemplated hereby, as a partnership for any tax purposes. Each Party shall act solely as an independent contractor, and nothing in this License Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

19.10 **Expenses.** Except as otherwise expressly provided in this License Agreement, each Party shall pay the fees and expenses of its respective lawyers and other experts and all other expenses and costs incurred by such Party incidental to the negotiation, preparation, execution and delivery of this License Agreement.

19.11 **Extension to Affiliates.** Each Party shall have the right to extend the rights, immunities and obligations granted in this License Agreement to one or more of its Affiliates. All applicable terms and provisions of this License Agreement shall apply to any such Affiliate to which this License Agreement has been extended to the same extent as such terms and provisions apply to original Party, who shall remain primarily liable for any acts or omissions of its Affiliates. Each of Questcor and Purchaser shall be joint and severally liable under this License Agreement.

19.12 **Further Assurances**. Novartis and the Questcor Parties hereby covenant and agree without the necessity of any further consideration, to execute, acknowledge and deliver any and all such other documents and take any such other action as may be reasonably necessary to carry out the intent and purposes of this License Agreement.

19.13 **Compliance with Law.** Each Party shall perform its obligations under this License Agreement in accordance with all applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this License Agreement which violates, or which it believes, in good faith, may violate, any applicable Law.

19.14 **English Language**. This License Agreement is written and executed in the English language. Any translation into any other language shall not be an official version of this License Agreement and in the event of any conflict in interpretation between the English version and such translation, the English version shall prevail.

19.15 **Counterparts**. This License Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19.16 **Joint and Several Liability**. The Questcor Parties' obligations under this License Agreement shall, in all cases, be joint and several.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

The parties to this License Agreement have caused this License Agreement to be executed and delivered as of the date first written above.

NOVARTIS AG

By: /s/Barbara Kessler

Name: Barbara Kessler

Title: Authorized Signatory

Date: _

By: /s/Andreas Bohrer

Name: Andreas Bohrer

Title: Authorized Signatory

Date: _

NOVARTIS PHARMA AG

By: /s/Alex Pyrathon

Name: Alex Pyrathon
Global Head Commercial Operations
Title: & Established Medicines BF

Date: _

By: /s/Matt Owens

Name: Matt Owens

Title: Senior Legal Counsel

Date: _

QUESTCOR PHARMACEUTICALS, INC.

By: /s/Don Bailey

Name: Don Bailey

Title: President and CEO

Date: June 7, 2013

AKASIA LIMITED

By: /s/Michael Mulroy

Name: Micheal Mulroy

Title: Director

Date: June 7, 2013

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Execution Version

ASSET PURCHASE AGREEMENT

between

NOVARTIS PHARMA AG

NOVARTIS AG

AND

QUESTCOR PHARMACEUTICALS, INC.

AKASIA LIMITED

Table of Contents

List of Annexes*

* Annexes to this Asset Purchase Agreement are omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish supplementally a copy of any omitted annex to the Securities and Exchange Commission upon request.

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT ("**Agreement**") is made as of this 11th day of June, 2013 ("**Signing Date**"), by and between Novartis AG ("**NAG**"), a company organized under the laws of Switzerland and located at Forum 1, Novartis Campus, 4056 Basel, Switzerland and Novartis Pharma AG ("**NPHAG**"), a company organized under the laws of Switzerland and located at Lichtstrasse 35, 4056 Basel, Switzerland (collectively, referred to as "**Novartis**") and Questcor Pharmaceuticals, Inc. ("**Questcor**"), a company organized under the laws of the State of California, United States with its principal executive offices located at 1300 North Kellogg Drive, Suite D, Anaheim, California 92807, and Akasia Limited, a wholly-owned subsidiary of Questcor organized under the laws of Ireland ("**Purchaser**" and, together with Questcor, the "**Questcor Parties**"). Novartis and Questcor Parties are each referred to individually as a "**Party**" and together as the "**Parties**."

RECITALS

WHEREAS, Novartis markets, sells, distributes, manufactures and commercializes, by itself or through Affiliates and/or third parties, the Product and the Drug Substance in the Territory;

WHEREAS, Novartis and/or its Affiliates desire to sell, transfer, and convey to the Purchaser, and the Purchaser desires to purchase, the Transferred Assets in the Territory, all upon the terms and subject to the conditions hereinafter specified;

WHEREAS, Novartis and/or its Affiliates desire to grant to Purchaser, and Purchaser desires to obtain rights to, the Licensed IP in the Territory, as set forth herein; and

WHEREAS, Novartis is willing to provide certain services involving the supply of Product and Drug Substance in the Territory and certain other assistance for a Transition Period as set forth in this Agreement and the Supply Agreement.

NOW, THEREFORE, the Parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** For the purpose of this Agreement, the following terms shall have the following meanings:

"**Adverse Event**" means any untoward medical occurrence in a patient or clinical investigation subject administered a pharmaceutical product and that does not necessarily have a causal relationship with the treatment. An adverse event can therefore be any unfavourable and unintended sign (including an abnormal laboratory finding), symptom, or disease temporally associated with the use of a medicinal product, whether or not related to the medicinal product.

"**Affiliate**" means, with respect to a Party, any person that directly or indirectly controls, is controlled by, or is under common control with that Party. For the purpose of this definition, "**control**" shall mean: (a) direct or indirect, ownership of fifty percent (50%) or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation; (b) fifty percent (50%) or more of the equity interest in the case of any other type of legal entity, status as a general partner in any partnership; (c) any other arrangement whereby the entity or Person controls or has the right to control the board of directors or equivalent governing body of a corporation or other entity; (d) if a Party is exposed, or has rights, to variable returns from its involvement with an entity or Person and has the ability to affect its returns through its power over such entity or Person; or (e) the ability to cause the direction of the management or policies of a corporation or other entity. In the case of entities organized under the Laws of certain countries, the maximum percentage ownership permitted by Law for a foreign investor may be less than fifty percent (50%), and in such case such lower percentage shall be substituted in the preceding sentence, provided that such foreign investor has the power to direct the management and policies of such entity.

"**Assumed Liabilities**" shall have the meaning set forth in Clause 7.1.

"**Books and Records**" means all books, records, files, reports, plans and operating records in any form, in each case to the extent related to the Product, the Drug Substance, and/or the Transferred Assets in the Territory and owned or controlled by Novartis or its Affiliates.

"**Business**"- means the development, selling, marketing, distribution, manufacturing and commercialization of the Product in the Territory in the Field, as and where carried out by Novartis as of the Signing Date.

"**Business Day**" means a day (other than a Saturday, Sunday or a public holiday) on which the banks are open for business in Basel, Switzerland and New York, New York.

"**Certificate of the Pharmaceutical Product**" or "**CPP**" means a certificate issued in the format recommended by the World Health Organization (WHO), which establishes the status of the pharmaceutical product and of the applicant for such certificate in the exporting country.

"**Closing**" or "**Closing Date**" shall mean the date which is three (3) Business Days following the satisfaction or waiver of all conditions set forth in Clauses 13.2 and 13.3.

"**Commercial Information**" means marketing, advertising and promotional materials, customer and sales information, product literature, training materials, market research, customer surveys and any similar information that is owned or controlled by Novartis or its Affiliates and solely to the extent related to the Commercialization of the Product in the Territory.

"**Commercialize**" means to market, promote, distribute, import, offer to sell and/or sell Product, and "**Commercialization**" means commercialization activities relating to the Product, including activities relating to marketing, promoting, distributing, importing, offering for sale and/or selling the Product.

"**Competition Law**" means the Sherman Act, as amended, the Clayton Act, as amended, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Federal Trade Commission Act, as amended, and all other federal, state or foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws, including any antitrust, competition or trade regulation Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger, acquisition or otherwise.

"**Contract**" means any agreement, contract, purchase order, sales order, tender or other legally binding commitment or arrangement.

"**Develop**" or "**Development**" shall mean drug development activities, including, without limitation, research, test method development and stability testing, assay development and audit development, toxicology, formulation, quality assurance/quality control development, statistical analysis, clinical studies, packaging development, regulatory affairs, and the preparation, filing and prosecution of an Marketing Authorization.

"**Domain Names**" shall mean synacthen.ch and synacthen.com.

"**Drug Product**" shall mean the Product in the form of liquid ampoules containing the Drug Substance but excluding secondary packaging.

"**Drug Substance**" means the active pharmaceutical ingredient tetracosactide acetate (a synthetic ACTH analogue) having the structure set forth in Annex 5, and all other salt forms of such tetracosactide.

"**Excluded Assets**" shall have the meaning set forth in Clause 2.2.

"**Excluded Liabilities**" shall have the meaning set forth in Clause 7.2.

"**Field**" means all uses in humans.

"**Force Majeure**" means any event which is beyond the reasonable control of the Party affected, including but not limited to the following events: earthquake, storm, flood, fire or other acts of nature, epidemic, war, riot, public disturbance, strike or lockouts, government actions, terrorist attack or the like.

"**Global Medical Information**" shall mean any medical or clinical information related to the Product and/or the Drug Substance owned or controlled by Novartis and/or its Affiliates outside of the Territory or in the Territory for use outside the Territory in the Field, whether or not included in a Marketing Authorization for the Product and including but not limited to clinical study reports, pre-clinical data and toxicity data and that are in existence, and owned or controlled by Novartis and/or its Affiliates that Novartis is not prohibited by Law from disclosing to Purchaser.

"**Good Manufacturing Practice**" or "**GMP**" means the current good manufacturing practices (cGMP) and all applicable governmental rules and regulations as applied at the site(s) of manufacture and control, as amended from time to time and in effect during the term of this License Agreement.

"**Government Official**" means any official or employee of a Governmental Entity, state-owned entity, government or regulatory, administrative or other agency, political party or official thereof or candidate for political office.

"**Governmental Entity**" means any court, agency, authority, department, legislative or regulatory body or other instrumentality of any (i) government, (ii) country, (iii) national, federal, state, provincial, regional, county, city or other political subdivision of any such government or country, (iv) supranational organization of which any such government or country is a member, or (v) quasi-governmental authority or self-regulatory organization of competent authority.

"**Implementation Plan**" shall have the meaning set forth in Clause 2.5.

"**Indemnified Party**" shall have the meaning set forth in Clause 17.5.

"**Indemnifying Party**" shall have the meaning set forth in Clause 17.5.

"**Information**" means all Licensed IP, Manufacturing Technology, Transferred Assets and other proprietary information and data of a financial, commercial or technical nature which the disclosing Party or any of its Affiliates (in the case of Novartis) has supplied or otherwise made available to the other Party or Affiliates (in the case of Novartis), under this Agreement and whether made available orally, in writing or in electronic form, including information comprising or relating to concepts, discoveries, inventions, data, designs or formulae in relation to this Agreement.

"**Inventory**" means all stock of raw materials, packaging materials, Drug Substance, Drug Product, and/or Product that are solely and specifically related to (and for use in) the Product and that are maintained, held, or stored by or on behalf of Novartis or its Affiliates for use in the Field and in the Territory.

"**Know-How**" means all existing and available technical information, know-how and data, including inventions (whether patentable or not), discoveries, trade secrets, package specifications, chemical specifications, analytical test methods, stability data, testing data, product specifications, instructions, processes, formulation information, validation documents, materials, drawings, formulae, reports, and other technology and techniques in each case to the extent related to the Product or to the Drug Substance in the Territory in the Field including all biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, clinical safety, safety data, manufacturing and quality control, preclinical and clinical data to the extent relevant to the Development, manufacture, registration, use or Commercialization of the Product but excluding Manufacturing Technology, and that are in existence, and owned or controlled by Novartis and/or its Affiliates.

"**Law**" means any statute, law, ordinance, requirement, regulatory rule, code or order of a Governmental Entity.

"**Legal Proceeding**" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Entity or any arbitrator or arbitration panel.

"**Liabilities**" means any and all debts, liabilities, responsibilities, commitments, expenses and obligations, of any nature or kind whether accrued or fixed, known or unknown, absolute or contingent, matured or not, or determined or determinable, and whether due or to become due including without limitation, product liability, and, more generally, any liability arising under any law, action or governmental order and any liability arising under any Contract or undertaking.

"**License Agreement**" means that certain License Agreement by and among NAG, NPHAG, Questcor and Purchaser, dated as of the Signing Date.

"**Licensed IP**" means any (i) Global Medical Information, (ii) Trademarks, (iii) Domain Names, and (iv) Know-How, Books and Records, Commercial Information, Medical Information and Marketing Authorization Data (and any intellectual property rights in the foregoing) in each case that does not constitute Transferred Intellectual Property but that is related to the Commercialization and/or manufacture of the Product and/or Drug Substance in the Field and in the Territory in each case that is in existence and owned or controlled by Novartis and/or its Affiliates or which Novartis and/or its Affiliates have a right to license as of the Closing Date.

"**Loss**" means any and all direct economic losses, including but not limited to damages, internal and external costs and expenses including reasonable attorney's fees and expenses in connection with any action, suit or proceeding, whether involving a Third Party claim or a claim solely between the Parties.

"**Manufacturing Technology**" means all technology, trade secrets, know-how and proprietary information in each case to the extent related to the manufacture, validation, packaging, release testing, stability and shelf life of the Product and/or the Drug Substance,

including the Product's formulation, manufacturing records, sampling records, standard operation procedures and batch records related to the manufacturing process and that are in existence and owned or controlled by Novartis and/or its Affiliates.

"**Marked Product**" has the meaning set forth in Clause 4.1

"**Marketing Authorizations**" or "**MAs**" means the marketing authorizations, and any equivalent regulatory approvals, including those listed in **Annex 3**, for the Product in the Territory.

"**Marketing Authorization Data**" means the existing and available dossiers containing the relevant Know-How used by Novartis and/or its Affiliates solely to obtain and maintain the Marketing Authorizations.

"**MA Transfer Date**" means, in relation to each country of the Territory, the date upon which the relevant Regulatory Authority approves and notifies the transfer or resubmission, as applicable, of all Marketing Authorizations in such country, naming the Purchaser or the Purchaser's Affiliate or designate as the holder of such Marketing Authorizations.

"**Medical Information**" shall mean any medical or clinical information related to the Product and/or Drug Substance owned or controlled by Novartis and/or its Affiliates in the Territory for use in the Territory in the Field that Novartis is not by Law prohibited from transferring to Purchaser, including clinical and technical matters, such as therapeutic and diagnostic uses for the approved indications, drug-disease information, and other Product characteristics.

"**Medical Need**" means any pharmaceutical product in a particular country defined as Medical Need by the relevant regulatory health authority in such country.

"**Net Receivables**" shall have the meaning set forth in Clause 2.2(c).

"**Novartis**" shall have the meaning set forth in the Preamble.

"**Novartis Names and Marks**" means the name and mark "Novartis" (in any style and design), the Novartis logo set forth in Annex 2 and the name, marks, identifiers of Novartis predecessor companies (Ciba, Geigy, Ciba-Geigy and Sandoz).

"**OFAC**" means the Office of Foreign Assets Control of the United States Department of Treasury.

"**Party**" and "**Parties**" shall have the meanings set forth in the Preamble.

"**Person**" means any individual, partnership, limited liability company, firm, corporation, association, trust, unincorporated organization or other entity.

"**Phase 1 Period**" means the period, on a country-by-country basis, from the Closing Date until the earlier of:

(a) the [***]; and

(b) [***] ([***]) years from the Closing Date.

"**Phase 2 Period**" means the period, on a country-by-country basis, from the MA Transfer Date until the earlier of:

(a) the approval of the manufacturing (or sourcing from a Third Party) of the Product by Purchaser or its Affiliate or designate; and

(b) [***] ([***]) years from the Closing Date.

"**Product**" means (i) Synacthen and Synacthen Depot, and (ii) any product for use in the Field in the Territory containing the Drug Substance (either alone or in combination with other active pharmaceutical ingredients) which is Developed or Commercialized using the Transferred Intellectual Property and/or Licensed IP. For the sake of clarity, the Parties acknowledge and agree that (a) as of the Signing Date, the Product exists solely in the form of Synacthen and Synacthen Depot and (b) the Product does not include the tetracosactide product commercialized by Novartis' Affiliate, Sandoz, as of the Signing Date.

"**Purchase Price**" shall have the meaning set forth in Clause 12.1 below.

"**Purchaser**" shall have the meaning set forth in the Preamble.

"**Regulatory Authority**" means any Governmental Entity responsible for granting Marketing Authorizations for the Product, including the European Medicines Agency, any successor entity thereto, and any corresponding national or regional regulatory authorities.

"**Returned Territory**" shall have the meaning set forth in Clause 18.1.

"**Returned Territory Fee**" shall have the meaning set forth in Clause 18.1.

"**Special License**" shall mean any import permit or license for distribution without an MA under which the Product is sold in any country in the Territory as listed in **Annex 3** and whether in relation to a government tender or otherwise.

"**Supplier 1**" shall mean the company that supplies Novartis with Drug Substance.

"**Supplier 1 Supply Agreement**" shall mean the supply agreement between Novartis and Supplier 1, effective as of January 1, 2010, (as amended from time to time).

"**Supplier 2**" shall mean the company that supplies Novartis with Drug Product.

"**Supplier 2 Supply Agreement**" shall mean the supply agreement between Novartis and Supplier 2, effective as of August 7, 2000 (as amended from time to time).

"**Supply Agreement**" means the supply agreement for the Product (in the dosage forms described in the Supply Agreement) and the Drug Substance, (as the case may be), in the Territory, which the Parties have signed in connection with this Agreement.

"**Synacthen**" means SYNACTHEN i.m./i.v. 0.25 mg/mL solution for injection (and other local dosage forms) that includes the Drug Substance as the sole active ingredient and that is authorised for marketing and sale by Novartis and its Affiliates under the respective Trademarks, and the respective Marketing Authorization(s) or under Special License in the Territory and in the Field as of the Closing Date.

"**Synacthen Depot**" means SYNACTHEN DEPOT i.m. 1 mg/mL (and other dosage local strengths) suspension for injection that includes the Drug Substance as the sole active ingredient and that is authorised for marketing and sale by Novartis and its Affiliates under the respective Trademarks, and the respective Marketing Authorization(s) or under Special License in the Territory and in the Field as of the Closing Date.

"**Tender**" means the supply of Product to governments, hospitals and pharmacies through tender offers.

"**Territory**" means all countries in the world other than those countries listed in **Annex 9**.

"**Third Party**" shall mean any Person other than a Party or an Affiliate of a Party.

"**Third Party Agreements**" means the existing agreements between Novartis or any of its Affiliates on the one hand and third parties on the other hand that are identified in **Annex 7** but excluding for the avoidance of doubt the Supplier 1 Supply Agreement and Supplier 2 Supply Agreement.

"**Trade Control Laws**" means U.S. and non-U.S. export control and economic sanctions laws, including but not limited to: (i) the U.S. Export Administration Regulations (Title 15 of the U.S. Code of Federal Regulations Part 730 et seq.); (ii) the International Traffic in Arms Regulations (Title 22 of the U.S. Code of Federal Regulations Part 120 et seq.); (iii) the economic sanctions rules and regulations implemented under statutory authority and/or President's Executive Orders (Title 31 of the U.S. Code of Federal Regulations Part 500 et seq.), administered by OFAC; (iv) the EU Dual-Use Regulation 428/2009, including the EU Dual-Use List (Annex I); and (v) the EU Restrictive Measures (Sanctions) Programs, as implemented at the EU and EU member state level.

"**Trademarks**" means the registered trademarks in the Territory as listed in Annex 1, including all goodwill associated therewith and all other trade names, logos, common law trademarks and service marks, trademark and service mark registrations and applications belonging to Novartis and/or its Affiliates which are used or held for use in the Business, together with the goodwill associated therewith, both domestic and foreign.

"**Transferred Assets**" shall have the meaning set forth in Clause 2.1.

"**Transferred Intellectual Property**" means any Know-How, Books and Records, Commercial Information, Medical Information and Marketing Authorization Data (and any and all intellectual property rights in the foregoing) and any other intellectual property rights excluding the Licensed IP, in each case solely to the extent relating exclusively to the Product and/or Drug Substance in the Field and in the Territory and that is in existence, transferable and owned or controlled by Novartis and/or its Affiliates as of the Closing Date. For the sake of clarity, the Parties acknowledge and agree that the Transferred Intellectual Property does not include the tetracosactide product commercialized by Novartis' Affiliate, Sandoz, as of the Signing Date.

"**Transition Period**" means the period, on a country-by-country basis, from the beginning of the Phase 1 Period until the end of the Phase 2 Period but no longer than for a maximum of [***] ([***]) years from the Closing Date.

"**Transition Services**" shall have the meaning set forth in Clause 9.1.

1.2 **Interpretation.** In this agreement unless otherwise specified:

(a) "includes" and "including" shall mean respectively includes and including without limitation;

(b) a Party includes its permitted assignees and/or the respective successors in title to substantially the whole of its undertaking;

(c) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;

(d) the Annexes and other attachments form part of the operative provision of this Agreement and references to this Agreement shall, unless the context otherwise requires, include references to the Annexes and attachments;

(e) the headings in this Agreement are for information only and shall not be considered in the interpretation of this Agreement;

(f) general words shall not be given a restrictive interpretation by reason of their being preceded or followed by words indicating a particular class of acts, matters or things;

(g) any reference to "writing" or "written" includes faxes and any legible reproduction of words delivered in permanent and tangible form (but does not include email); and

(h) the Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this

Agreement shall not be construed in favour of or against any Party by reason of the extent to which any Party participated in its preparation.

2.SALE AND TRANSFER OF ASSETS

2.1 **Sale of Assets.**

(i) On the Closing Date, Novartis shall, or shall cause its Affiliates to, sell, transfer, and convey to Purchaser, and Purchaser shall purchase from Novartis and its Affiliates, all of Novartis' and its Affiliates' rights, titles, and interests in and to the following assets to the extent that they relate to the Product in the Territory in the Field ("**Transferred Assets**"):

(i) the Transferred Intellectual Property;

(ii) the Marketing Authorizations; and

(iii) the Third Party Agreements that are assigned by Novartis to Purchaser pursuant to Clause 14 below.

2.2 **Excluded Assets.** Notwithstanding Clause 2.1, Novartis shall not sell, transfer, or convey to Purchaser, and Purchaser shall not purchase and acquire the following ("**Excluded Assets**"):

(a) the Licensed IP (including, for the avoidance of doubt, the Trademarks) but subject to the license rights granted to the Purchaser herein and/or the Supply Agreement;

(b) the name "Novartis", "Ciba-Geigy" or "Sandoz", or any trademark, service mark, trade dress, logo, trade name or corporate name similar or related thereto;

(c) the accounts receivable and the accounts payable including accruals, prepaid expenses and any cash or cash equivalents of Novartis or any of its Affiliates relating to the Product or the Transferred Property for the period prior to the Closing Date ("**Net Receivables**");

(d) any real property or leaseholds (together with all fixtures and fittings related to any property), physical plant, machinery, equipment, motor vehicles or office equipment;

(e) any rights or assets belonging to the generic business of Sandoz (which is the generic division of Novartis), or any of its successors, containing the Drug Substance;

(f) any rights or assets belonging to the over-the-counter business (which is a division of Novartis), or any of its successors, containing the Drug Substance;

(g) any rights or assets belonging to the business of Alcon (which is a division of Novartis), or any of its successors, containing the Drug Substance;

(h) any rights or assets belonging to Novartis Vaccines and Diagnostics (which is a division of Novartis), or any of its successors, containing the Drug Substance;

(i) any rights or assets outside the Field (including without limitation, the use of the Drug Substance in the veterinary pharmaceutical field and any rights or assets belonging to Novartis Animal Health (which is a division of Novartis) or any of its successors);

(j) any domain names containing the word "Synacthen" followed by a designation of a geographic location outside the Territory and the websites located at such domain names;

(k) any rights under Novartis' insurance policies or self-insurance which are related to the manufacture, Development or Commercialization of the Product;

(l) originals of Books and Records that Novartis and/or its Affiliates are required to retain pursuant to any Law, provided however, that following the Closing Date (i) Novartis and its Affiliates, as applicable, shall provide copies (redacted to the extent necessary to remove any confidential information not related to the Product or Drug Substance in the Territory) of such Books and Records to the extent related to the Product or Drug Substance in the Territory upon the Purchaser's reasonable request and (ii) Novartis and its Affiliates, as applicable, may destroy such Books and Records in accordance with their prevailing records retention procedures to the extent such Books and Records are no longer required to be retained by Law so long as Novartis and its Affiliates have previously provided copies of such Books and Records pursuant to clause (i) of this Clause 2.2(l); and

(m) any rights or assets outside the Field and/or Territory for the Product.

2.3 **Sale of Inventory.** Purchaser shall purchase (or shall cause its Affiliates to purchase) the Inventory in separate transactions in accordance with the terms and conditions contained in the Supply Agreement. It is agreed and understood by and between the Parties that the Purchase

Price paid pursuant hereto does not include the Inventory.

2.4 **Retained Rights in the Territory.** Subject to the terms of the License Agreement, each Questcor Party hereby acknowledges and agrees that Novartis and the Third Party to which certain rights to the Product have been granted as of the Signing Date may continue to develop, manufacture, market and sell the Product itself or through its Affiliates or Third Party collaborators outside the Territory. Further, Novartis and the Third Party to which certain rights to the Product have been granted outside the Territory as of the Signing Date may carry out non-clinical research and clinical development in connection with the Product and manufacture or have manufactured the Product in the Territory for Commercialization outside the Territory. Further Novartis and/or its Third Party contract manufacturer may manufacture or have manufactured the Product within or outside the Territory for sale to the Purchaser pursuant to the Supply Agreement.

2.5 **Implementation Plan.** Within sixty (60) days following the Signing Date, the Parties will start discussing: (a) in which countries Purchaser plans to do a parallel submission of the Drug Substance manufacturing site variation and shelf life reduction and MA transfer; (b) the timing of MA submission on a country level and expected approval timelines; and (c) start preparing an implementation plan. Following the Closing, the Parties shall transfer the Business in accordance with the implementation plan attached at **Annex 4** (the "**Implementation Plan**"). Purchaser acknowledges and agrees there is a Medical Need for the Product in some countries in the Territory and agrees to prioritise over countries where there is not a Medical Need the transfer of, and shall use commercially reasonable efforts to, ensure continuity of supply of Product in such countries before expiry of the Transition Period.

3. GRANT OF LICENSES

3.1 **License.** As of the Closing Date and subject to the terms of this Agreement, Novartis shall, or shall cause its Affiliates to, grant to Purchaser an exclusive, irrevocable (other than as set forth in Clause 18 with respect to Returned Territory), perpetual, sublicensable, assignable, transferable, royalty-free, fully paid-up license under the Licensed IP to research, Develop, market, sell and Commercialize the Product in the Field in the Territory and to manufacture or have manufactured the Product anywhere in the world for use in the Field in the Territory.

As of the Closing Date and subject to the terms and conditions of this Agreement, Novartis grants to Purchaser a co-exclusive, irrevocable (other than as set forth in Clause 18 with respect to Returned Territory), perpetual, sublicensable, assignable, transferable, royalty-free, fully paid-up license under the Manufacturing Technology to use the Manufacturing Technology solely to manufacture or have manufactured the Product for Commercialization in the Field in the Territory. For purposes of the above, "co-exclusive" means exclusive as to Purchaser and one other Person as of the Effective Date.

3.2 **Restriction of Rights**. Unless permitted by a separate written agreement signed between the Parties, no Questcor Party nor any of their respective Affiliates shall, whether directly or indirectly: (a) knowingly sell Product to customers outside the Territory; (b) manufacture Product which it knows are for use outside the Territory; and/or (c) manufacture Product for sale to customers who Purchaser knows intend to sell such Product outside the Territory.

3.3 **License Grant from Purchaser to Novartis.** Purchaser, on behalf of itself and its Affiliates, hereby grants to Novartis and its Affiliates a non-exclusive, transferable, perpetual, irrevocable, royalty-free, fully-paid up license under the Transferred Intellectual Property, Licensed IP and Manufacturing Technology: (i) to use the Licensed IP for non-clinical research and non-clinical development purposes inside the Territory; and (ii) to make, have made, and use the Product and the Drug Substance inside the Territory, but, in each case solely for Commercialization outside the Territory (subject to the limitations in the License Agreement).

3.4 **Rights of Novartis**.

(a) Without prejudice to any other rights that Novartis may have, but subject to Purchaser's and its Affiliates' rights under the License Agreement, Purchaser agrees that Novartis retains or shares full and unencumbered rights under the Licensed IP: (i) to make Drug Substance and Product in the Territory for sale outside the Territory, (ii) to exploit or have exploited the Licensed IP in the Territory outside the Field, and/or (iii) to perform its obligations under the Supply Agreement and this Agreement. Purchaser acknowledges and agrees that as between the Parties, Novartis and/or its Affiliates are the sole owner(s) of all right, title and interest in and to the Licensed IP and Purchaser has not acquired, and shall not acquire, any right, title or interest in or to the Licensed IP other than the rights expressly set forth in this Agreement.

(b) Purchaser shall and hereby does, grant Novartis and its Affiliates, effective upon the Closing Date, the necessary rights under any Transferred Intellectual Property transferred to the Purchaser under this Agreement solely to fulfill its obligations under this Agreement and the Supply Agreement.

(c) Unless permitted by a separate written agreement signed between Novartis and Purchaser (or its designee), neither Novartis nor any of its Affiliates shall, whether directly or indirectly: (i) knowingly sell Product to customers inside the Territory inside the Field; and/or (ii) manufacture, Develop or Commercialize Product which it knows are for use inside the Territory inside the Field; and/or (c) manufacture Product for sale to customers who such Person knows intend to sell such Product inside the Territory inside the Field.

4. APPLICATION AND USE OF THE TRADEMARK

4.1 **Application of Trademarks**. Any manufacture, marketing, promotion, sale, and/or distribution by the Purchaser or any of its Affiliates of Product that carries, or sold by reference to, the Trademarks ("**Marked Product(s)**") shall be governed by the relevant provisions of this Agreement, provided that Purchaser shall have no obligation to use the Trademarks.

4.2 **Use of Trademarks**. No Questcor Party nor any of their respective Affiliates shall use in its business (or apply or obtain registration for) any trademark or corporate name or trading name identical with or confusingly similar to the Trademarks, except for use of the Trademarks in connection with the Commercialization of the Product.

5. QUALITY CONTROL AND APPROVAL PROCEDURES

5.1 **Standards of Quality**. To the extent that Purchaser or any of its Affiliates is using the Trademarks and/or Novartis Names and Marks licensed to Purchaser under this Agreement, Novartis shall notify the Purchaser of the reasonable standards of quality and specifications that must be adopted by the Purchaser or its Affiliates in the manufacture and handling of Marked Product(s) in the Territory and the Purchaser undertakes to, and to cause its Affiliates to, comply strictly with such standards and specifications. For the avoidance of doubt, the Purchaser agrees to, and to cause its Affiliates to, strictly comply, at least, with applicable Good Manufacturing Practice in the manufacture of Marked Product(s), as well as to strictly comply with applicable laws and regulations in the marketing, sale, and distribution of Marked Product(s). Novartis shall give the Purchaser written notice of any modifications or changes to the standards of quality or specifications relating to the Product in the Territory and the Purchaser must, and must cause its Affiliates to, use commercially reasonable efforts to implement any such modification or change as soon as possible.

5.2 **Quality Control**. To the extent that Purchaser or any of its Affiliates is using the Trademarks and/or Novartis Names and Marks licensed to Purchaser under this Agreement, upon Novartis' request, Purchaser shall, and shall cause its Affiliates to, at Purchaser's expense, submit to Novartis for approval a reasonable number of production samples of the Marked Product(s). In the event that Novartis reasonably objects to the quality of any sample, Novartis shall give written notice of such objection to the Purchaser within sixty (60) days of receipt of the sample by Novartis, specifying the way in which the sample fails to meet the quality standards and specifications set forth in accordance with Clause 5.1. The Purchaser shall be obliged to, and cause its Affiliates to, remedy the failure and to submit further samples to Novartis for approval in accordance with this Clause 5.2.

6. NOVARTIS NAME AND MARKS

6.1 **Use of Novartis Name.** Subject to the terms and conditions of this Agreement, Novartis hereby grants to Purchaser and its Affiliates the right to use, consistent with Novartis' practice prior to the Closing Date, which practice is fully set forth in Annex 2 attached hereto, the Novartis Names and Marks on Product packaging, leaflets and marketing materials in the Territory.

6.2 **Period of Use.** Purchaser's and its Affiliates' right to use the Novartis Names and Marks as specified above shall expire, on a country-by-country basis, upon the MA Transfer Date. However, Novartis shall grant Purchaser permission, subject to local laws and regulations, to sell off Product sourced from Novartis prior to the MA Transfer Date and during any applicable grace period that is permitted in any country in the Territory following the MA Transfer Date subject to Purchaser and its Affiliates ceasing such use of the Novartis Names and Marks on expiry of the applicable grace period. Purchaser shall immediately notify Novartis in writing regarding the MA Transfer Date for each country of the Territory.

6.3 **Reservation of Rights.** The Questcor Parties acknowledge that (a) Novartis and/or its Affiliates are the sole owner(s) of all right, title and interest in and to the Novartis Names and Marks and (b) no Questcor Party nor any of its Affiliates has acquired, nor shall acquire, any right, title or interest in or to the Novartis Names and Marks other than the rights expressly set forth in this Agreement. All use of the Novartis Names and Marks by Purchaser or its Affiliates, and all goodwill associated with such use, shall inure to the benefit of Novartis and/or its Affiliates, as applicable.

7. ASSUMED LIABILITIES AND EXCLUDED LIABILITIES

7.1 **Assumed Liabilities.** As of the Closing Date, the Questcor Parties shall assume, be responsible for and pay, perform and discharge when due, and, if necessary, reimburse Novartis for the following (collectively "**Assumed Liabilities**"):

(a) any Liabilities arising within or outside the Territory from product liability claims or from patent or trademark infringement claims, actions or lawsuits brought by any Third Party relating to Product or Drug Substance manufactured by or for Purchaser or its Affiliates (or its Third Party collaborators) or sold by Purchaser or its Affiliates (or on their behalf) after the Closing Date (including sales made by Novartis and its Affiliates to Third Parties during the Phase 1 Period as set out in the Supply Agreement) in the Territory (but only to the extent such Liabilities do not arise from any event that exists prior to the Closing Date); and

(b) any other Liabilities related to the Licensed IP or Transferred Assets in the Territory arising after the Closing Date (but only to the extent such Liabilities do not arise from any event that exists prior to the Closing Date).

7.2 **Excluded Liabilities.** Subject to the provisions of this Agreement, Novartis shall remain responsible for and pay, perform and discharge any Liabilities of Novartis and/or its Affiliates arising from its activities related to the Drug Substance and Product distributed, used or sold by or on behalf of Novartis or its Affiliates in the Territory prior to the Closing Date ("**Excluded Liabilities**").

8.OBLIGATIONS OF THE PURCHASER

8.1 **Transfer of Marketing Authorizations.** Purchaser shall file, or shall cause its Affiliate or designee to file, or, if required by applicable Law, Novartis, its Affiliate or designee shall file, applications for the transfer of the Marketing Authorizations for the Product in each country of the Territory as soon as practicable following the Closing Date and in any event within nine (9) months from the Closing Date unless otherwise provided in the Implementation Plan. Purchaser hereby acknowledges and agrees to file for the transfer of the Marketing Authorization in each country of the Territory in accordance with the Implementation Plan attached at Annex 4. Purchaser shall provide Novartis with a detailed submission action plan for the transfer of the Marketing Authorizations for the Product within three (3) months from the Closing Date. Such plan shall comply with Annex 4 and include all requirements and actions necessary, to obtain approval of the Marketing Authorization transfer by the Regulatory Authorities in each country in the Territory (including but not limited to the establishment of the Purchaser's Affiliate or local agent, requirements of a Certificate of the Pharmaceutical Product, Regulatory Authority inspections and a list of documents to be provided by Novartis). Purchaser shall provide Novartis with the status of the progress of each MA Transfer in writing at least monthly.

8.2 **Transfer of Manufacturing.** The Questcor Parties shall use commercially reasonable efforts after the Closing Date to obtain all approvals necessary from the Regulatory Authorities to manufacture the Product and the Drug Substance independently from Novartis. Without prejudice to any provisions of the Supply Agreement, Purchaser shall assume its own manufacturing (or sourcing from a Third Party) of the Drug Substance and the Drug Product upon the end of the Transition Period and in no event later than [***] ([***]) years from the Closing Date. The Purchaser will transfer the secondary packaging operations as soon as practicable upon transfer of the Marketing Authorization on a country by country basis.

8.3 **Compliance with Trade Control Laws**. Notwithstanding anything in this Agreement to the contrary, neither Purchaser nor any of its Affiliates shall have any obligation under this Agreement or otherwise to export, reexport, sell, distribute or otherwise transfer Product, the Drug Substance and/or any other Transferred Assets in violation of any Laws applicable to such Person, including, without limitation, Trade Control Laws.

8.4 **Retention of Profit Under Supply Agreement.** If a Questcor Party is in breach, for any reason, of Clause 8.1 or Clause 8.2 above with respect to a specific country, Novartis has the right, without any further notice, to immediately cease the transfer of, and retain, the Profit as set out in the Supply Agreement with respect to such country until such breach is cured. For the avoidance of doubt, Novartis shall be entitled to keep moneys that have been retained during the period of non-compliance of a Questcor Party with its obligations according to Clause 8.1 and Clause 8.2 even after such breach has been cured. If a Questcor Party is in breach, for any reason, of Clause 8.1 or Clause 8.2 above and there is no Profit or a loss on the sales of Product in such country in the Territory as described above and in the Supply Agreement, then Novartis has the right, without any further notice, to immediately send the Questcor Parties an invoice for such loss with respect to such country as further described in the Supply Agreement and the Questcor Parties shall pay Novartis such amount within thirty (30) days of receipt of such invoice.

8.5 **Sales of the Product.** Purchaser shall, and Questcor shall cause Purchaser to, keep the Product on the market in any country where there is a Medical Need as of the applicable MA Transfer Date for at least [***] ([***]) years following the MA Transfer Date.

9.TRANSITION SERVICES PROVIDED BY NOVARTIS

9.1 **Transition Services.** During the Transition Period, Novartis shall provide the following transition services ("**Transition Services**") in the Territory:

(a) Novartis shall provide to the Purchaser (i) within sixty (60) days from the Closing Date all tangible documentation and records embodying the Transferred Assets and Licensed IP readily accessible to Novartis and its Affiliates, which if in electronic form shall be readily useable with off-the-shelf commercially available software and equipment, (ii) until twelve (12) months following delivery of all materials under Clause 9.1(a)(i), reasonable access to the personnel at Novartis and its Affiliates to provide instructions and answer questions regarding the application of the Transferred Assets and Licensed IP (to the extent known by Novartis and its Affiliates), and (c) reasonable access to the manufacturing sites of Novartis or of its Affiliates within the Territory used for the packaging of the Product (subject to any policies and guidelines reasonably imposed by Novartis and its Affiliates).

(b) supplying and invoicing customers for the Product in the Territory during the Phase 1 Period;

(c) supplying the Product or the Drug Product (as the case may be) to the Purchaser in accordance with the Supply Agreement;

(d) providing Purchaser with existing and available documentation owned or controlled by Novartis in the Field as listed in Annex 12, describing the manufacturing process, and reasonable general assistance for the transfer of the Supplier 1 Supply Agreement as further described in Clause 14.5;

(e) upon reasonable written request from Purchaser, and at Purchaser's expense, providing regulatory assistance to facilitate the transfer of the Marketing Authorizations from Novartis and/or its Affiliates in the Territory;

(f) Novartis shall consider Purchaser's requests for manufacturing batch records and testing documentation in good faith and shall use commercially reasonable efforts to provide to Purchaser appropriate records and documentation; and

(g) for all work other than the work described above, upon reasonable written request from Purchaser and subject to the agreement of Novartis (such agreement not to be unreasonably withheld), and at Purchaser's reasonable expense, providing reasonable assistance in order to facilitate the assumption by Purchaser or its Affiliates of the manufacturing of the Product (including the Drug Substance).

Notwithstanding the above, Novartis hereby reserves the right and may in its sole discretion upon notice to Purchaser charge Purchaser or its Affiliates (or deduct in the profit transfer to the Purchaser) for any transition services set forth in Clause 9.1(a) that Novartis considers to be onerous from an effort or cost perspective.

9.2 **Transition Period.** It is agreed and understood by and between the Parties that Novartis shall only provide the Transition Services in the Territory until the end of the Transition Period (i.e. for a maximum of [***] ([***]) years from the Closing Date).

10. MAINTENANCE OF MARKETING AUTHORIZATIONS PENDING COMPLETION OF TRANSFER

10.1 **Maintenance**. From the Signing Date until completion of the transfer of the Marketing Authorizations to Purchaser (or its Affiliates or designee), but for no longer than a period of [***] ([***]) years after Closing:

(a) Novartis shall use its commercially reasonable efforts to maintain the Marketing Authorizations and assist in the transfer of such Marketing Authorizations to Purchaser;

(b) Novartis shall continue to pursue those on-going variations, amendments and renewals which are pending, including all stability studies to support an expiry date that is no less than eighteen (18) months; however, there is no guarantee that Novartis shall be successful in achieving such expiry dating; and

(c) Novartis shall not be required to initiate any additional variations or amendments, except in the event they are reasonably necessary for the continuation of the Business.

10.2 **Responsibility**. For the avoidance of doubt, Novartis does not warrant and shall not be responsible and shall have no liability in this regard for the successful maintenance or renewal of the Marketing Authorizations after the Closing Date and/or whether or not a variation is successful, except if the Regulatory Authority cancels a Marketing Authorization or refuses its renewal as a result of Novartis' gross negligence or wilful misconduct. Furthermore Novartis is not responsible for conducting any studies, including clinical and stability studies, concerning the Drug Substance and/or the Product, which may be requested by the Regulatory Authority or any Governmental Authority after the Closing Date, regardless of whether the MA Transfer Date has occurred or not.

For the avoidance of doubt and notwithstanding any other rights that Novartis may have in this Agreement, Novartis and/or its Affiliates shall have the right after the second anniversary of the Closing to prune and/or deregister the MA with respect to the Product in any country in the Territory where the Purchaser has failed to complete the transfer of the Marketing Authorization for the Product within a period of [***] ([***]) years after Closing provided that this is permitted by the Regulatory Authority; and provided further that, Purchaser shall have no liability to Novartis as a result of such pruning or de-registration with regard to any country in which Purchaser has an obligation hereunder to provide Product as a result of Medical Need as long as Purchaser has complied in all material respects with the terms of this Agreement.

10.3 **Costs**. Purchaser or its Affiliates shall bear the fees levied by the relevant Regulatory Authorities and Governmental Entities and any other relevant reasonable Third Party costs for: (a) the maintenance of the Marketing Authorizations and for the transfer to Purchaser (or its Affiliates) after the Closing Date; and (b) any variations, amendments and renewals pursuant to Clauses 10.1(b) and 10.1(c) above.

11. CO-OPERATION ON PHARMACOVIGILANCE AND SAFETY

11.1 **Adverse Events**. The Parties shall co-operate with regard to the reporting and handling of Adverse Events in accordance with the applicable regulatory laws and regulations on pharmacovigilance.

11.2 **Pharmacovigilance Agreement**. Within six (6) months following the Closing Date, the Parties shall agree upon and implement a procedure for the mutual exchange of adverse event reports and safety information associated with the Product. Details of the operating procedure respecting such adverse event reports and safety information exchange shall be the subject of a mutually-agreed written pharmacovigilance agreement between the Parties which shall be entered into within such six (6) month period, which template is attached hereto as **Annex 8**.

12. PURCHASE PRICE AND PAYMENT OF PURCHASE PRICE

12.1 **Purchase Price.** The purchase price for the Transferred Assets is included in the Upfront Payment described in the License Agreement between the Parties executed concurrently herewith ("**Purchase Price**").

12.2 **Payment Schedule.** The Purchase Price shall be payable by the Purchaser to NAG according to the terms of the License Agreement.

12.3**Taxes**.

(a) Purchaser and Novartis shall each bear [***] of any transfer tax imposed in the Territory in connection with the transactions contemplated in this Agreement and shall make any corresponding tax declarations in the Territory that may be required.

(b) Each Party shall be responsible for any tax obligations of its own due to this Agreement (including income tax and capital gains tax). No Party shall have any obligation towards another Party in case such other Party fails to fully comply with its tax obligations.

(c) For all tax purposes, each of the Parties agrees to report the transactions contemplated by this Agreement in a manner consistent with its terms and to not take any position inconsistent therewith in any tax return, refund claim, litigation, or otherwise.

13. CLOSING

13.1**Closing Date.** Upon the terms and subject to the conditions of this Agreement, the transfer of the Transferred Assets and the assumption of the Assumed Liabilities shall take place on the Closing Date at the Novartis offices in Basel. Notwithstanding the foregoing and anything to the contrary, however, if the Closing Date has not occurred on or before the second (2^{nd}) anniversary of the Signing Date, (i) there shall be no Closing, (ii) this Agreement shall have no further force or effect, except with respect to Clause 19.1, and (iii) no Party shall have any further responsibility or liability to the other with respect to the Business, Transferred Assets, Licensed IP and/or Manufacturing Technology hereunder or under the Supply Agreement, except with respect to Clause 19.1.

13.2**Conditions to Closing of Novartis**. The obligations of Novartis to consummate the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by Novartis at its sole discretion:

(d) The representations and warranties of the Questcor Parties contained in this Agreement shall be true and correct in all material respects as of the Signing Date and as of the Closing Date;

(e) Questcor and/or Purchaser shall have performed, or complied with, in all material respects, all obligations and covenants under this Agreement required by this Agreement to be performed or complied with by it on or prior to the Closing Date;

(f) Novartis shall have received a certificate signed by a duly authorized officer of each of Questcor and Purchaser to the effect set forth in Clauses 13.2(a) and 13.2(b); and

(g) Novartis shall have put together a data package sufficient to submit to the applicable Regulatory Authorities for a change of the Drug Substance manufacturing site from Novartis to Supplier 1 and reduced shelf life to no less than [***] ([***]) months, as determined by Novartis in good faith.

13.3**Conditions to Closing of Purchaser**. The obligation of Purchaser to consummate the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by Purchaser at its sole discretion:

(a) The representations and warranties of Novartis contained in this Agreement shall be true and correct in all material respects as of the Signing Date and as of the Closing Date;

(b) Novartis shall have performed, or complied with, in all material respects, all obligations and covenants under this Agreement required by this Agreement to be performed or complied with by it on or prior to the Closing Date (expressly excluding any obligation of Novartis to put together the data package mentioned in Clause 13.2(d), which is addressed in this Clause 13.3 below); and

(c) Purchaser shall have received a certificate signed by a duly authorized officer of Novartis to the effect set forth in Clauses 13.3(a) and 13.3(b).

If the condition to Closing set forth in Clause 13.2(d) is not satisfied and Novartis waives satisfaction of such condition to closing, then the obligation of Purchaser to consummate the Closing shall also be subject to the satisfaction of the condition set forth in Clause 13.2(d).

13.4**Confirmation to Affiliates.** Within thirty (30) days of the Closing Date, Novartis shall deliver to Purchaser a copy of instructions by Novartis to its pertinent Affiliates by which Novartis instructs them to:

(a) agree with the Purchaser how and when to transfer to Purchaser or its Affiliates or designates:

(i) Marketing Authorization Data which are in Novartis' or its Affiliates' possession; and

(ii) the Marketing Authorizations (by way of an appropriate submission to the relevant Regulatory Authorities); and

(b) otherwise co-operate with the Purchaser to facilitate the smooth implementation of this Agreement.

13.5**Insurance and Inventory.** Title to the Transferred Assets shall pass to the Purchaser on the Closing Date. Risk of loss or damage to the

Transferred Assets shall pass to the Purchaser on the Closing Date. With respect to the Inventory that has not yet been delivered to Purchaser on the Closing Date, and subject to the terms of the Supply Agreement, the risk of loss shall pass upon dispatch from Novartis' site for physical delivery to Purchaser.

14. THIRD PARTY AGREEMENTS

14.1 **Assignment of Third Party Agreements.** As soon as practicable, following the Closing Date, Novartis shall or shall ensure that its Affiliates shall assign its rights and obligations related to the Product under those Third Party Agreements listed in **Annex 7** and that can be assigned to the Purchaser without the consent of the respective Third Party or for which consent has been obtained prior to the Closing, (including, where appropriate, Third Party Agreements originally entered by Sandoz Ltd ("**Sandoz**") or Ciba-Geigy Ltd ("**Ciba-Geigy**"), and of which Novartis is the legal successor), to Purchaser. After the Closing Date, Novartis shall assign its rights and obligations under any other Third Party Agreements that relate exclusively to the Product on a date to be agreed after the Closing Date and subject to receipt of consent from the relevant Third Party provided that Novartis cannot guarantee that such consent shall be forthcoming, but which Novartis shall use reasonable efforts to obtain. In the event that such consent is not obtained, Novartis shall remain as the contracting party under such Third Party Agreements for their duration provided that Novartis shall be entitled to terminate such Third Party Agreement as soon as practicable. If agreed between the Parties, Novartis and the Purchaser will cooperate in a mutually agreeable arrangement under which the Purchaser shall obtain the benefits and assume the obligations thereunder in accordance with this Agreement, including sub-contracting, sub-licensing or sub-leasing to Purchaser or whereby Purchaser shall, as Novartis' agent, perform and discharge all outstanding obligations and Liabilities of Novartis (or as applicable, Novartis' Affiliates) under the Third Party Agreement, or under which Novartis would enforce for the benefit of Purchaser any and all rights of Novartis against a Third Party thereto, with Purchaser assuming any Liabilities of Novartis. Where Purchaser assumes any obligations under the Third Party Agreement, the Purchaser shall indemnify Novartis against any actions, proceedings, Liabilities, losses, costs, demands or claims Novartis may incur arising out of the Purchaser's failure to do so.

14.2 **Termination of Third Party Agreements.** Subject to the conditions set forth in the relevant Third Party Agreement, Novartis shall terminate after the Closing Date any relevant Third Party Agreement not assigned to the Purchaser as provided in Clause 14.1, as soon as reasonably practicable. The Purchaser shall pay, or shall reimburse Novartis for, any termination fees that result from any such termination.

14.3 **Assignment or Termination of Parts of a Third Party Agreement.** Where only part of a Third Party Agreement relates to the Product(s) sold to Purchaser under this Agreement or where such Third Party Agreement is not exclusively related to the Product, then nothing in this Agreement shall oblige Novartis to assign such Third Party Agreement to the Purchaser and Novartis shall remove the Product from the scope of the Third Party Agreement as soon as practicable after the Closing Date, unless otherwise agreed in writing between the Parties.

14.4 **Tenders**. Where feasible, the Tenders will be treated in the same manner as the Third Party Agreements. The Parties will cooperate to ensure an efficient transfer to Purchaser of the Tenders outstanding following the MA Transfer Date with the aim of continuing the supply of the Product through the Tenders. Where Tenders are not assignable, then they shall be handled in the same manner as non-assignable Third Party Agreement as further described in Clause 14.1.

14.5 **Supplier 1 and Supplier 2 Supply Agreements.** Following expiry of the Transition Period, Novartis shall assign to Purchaser and Purchaser shall accept such assignment of the Supplier 1 Supply Agreement and the Supplier 2 Supply Agreement but subject to Novartis securing the consent of Supplier 1 and Supplier 2 as required under the Supplier 1 Supply Agreement and the Supplier 2 Supply Agreement respectively. Novartis shall use commercially reasonable efforts to secure the consent of Supplier 1 and Supplier 2 but in the event that such consent is not forthcoming, Novartis shall have no liability to Purchaser in this regard and Purchaser shall be responsible for putting its own supply agreements in place.

14.6 **Assumed Liabilities Under Third Party Agreements.** Notwithstanding anything herein to the contrary, Purchaser shall assume, be responsible for and pay, perform and discharge when due, only the Liabilities of Novartis (and/or its Affiliates) under the Third Party Agreement to the extent such agreements are assigned to Purchaser and only then to the extent such Liabilities (a) are to be performed after the Closing Date, (b) do not arise as a direct consequence of any breach or default on or prior to the Closing Date, and (c) are accompanied by a correlated duty of performance or payment on the part of the other Party(ies) thereto.

15. NOVARTIS' REPRESENTATIONS AND WARRANTIES

15.1 **Representations and Warranties.** Subject to the exceptions disclosed in a disclosure letter delivered by Novartis to Purchaser on the Signing Date (the "**Novartis Disclosure Letter**"), Novartis represents and warrants to the Purchaser that as of the Signing Date and as of the Closing Date:

(a) Novartis is a corporation duly organized and existing under the laws of its country of incorporation;

(b) Novartis has paid or accrued in its accounts all applicable taxes related to the Transferred Assets prior to the Closing Date;

(c) Novartis and/or its Affiliates (as applicable) are the legal and beneficial owners of the Transferred Assets;

(d) To Novartis' reasonable knowledge and belief, there is no material litigation pending or threatened against Novartis in the Territory related primarily to, or arising primarily out of, the Transferred Assets or the Trademarks, other than any litigation pending or threatened that challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement;

(e) To Novartis' reasonable knowledge and belief, there are no infringements by any third party of any of the Transferred Assets or Licensed IP in the Territory; and

(f) To Novartis' reasonable knowledge and belief, the Marketing Authorizations are in force to the extent required by law.

15.2 **Disclaimer.** Except as provided for in Clause 15.1, NOVARTIS MAKES NO REPRESENTATIONS, EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND ASSUMES NO RESPONSIBILITY OR LIABILITY AFTER CLOSING WHATSOEVER IN RESPECT OF THE TRANSFERRED ASSETS, THE MANUFACTURE, MARKETING, PROMOTION, DISTRIBUTION, SALE AND USE OF THE PRODUCT OR THE DRUG SUBSTANCE, THE TRADEMARKS AND THE LICENSED IP, WHICH PURCHASER IS BUYING/LICENSING "AS-IS" AND WITH ALL FAULTS.

15.3 **Adequacy of Information.** Each Questcor Party acknowledges and agrees that:

(a) it is taking full responsibility for making its own and independent evaluation of the Transferred Assets;

(b) it will not assert any claim against Novartis or any of its employees, agents, stockholders, Affiliates or any representatives or hold Novartis or any such persons liable for any inaccuracies, misstatements or omissions (except for the representations and warranties contained in Clause 15.1 of this Agreement); and

(c) Novartis makes no warranty with respect to the accuracy and completeness of any estimates, projections, forecasts, plans, or budgets provided by Novartis to the Questcor Parties.

16. QUESTCOR PARTIES' REPRESENTATIONS AND WARRANTIES

16.1 **Representations and Warranties**. Subject to the exceptions disclosed in a disclosure letter delivered by the Questcor Parties to Novartis on the Signing Date (the "**Questcor Disclosure Letter**"), each Questcor Party represents and warrants to Novartis that as of the Signing Date and as of the Closing Date:

(c) Questcor is a well-established and licensed pharmaceutical company;

(d) Such Questcor Party is not and has not been subject to any litigation by customers or investigation by local and/or regulatory authorities which would negatively have a material impact on a transfer of the Business to Purchaser;

(e) There is no suit, action, investigation or proceeding pending or threatened against such Questcor Party, that challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement;

(f) Such Questcor Party is a valid legal entity duly constituted, organised and existing under the laws of the jurisdiction of its formation;

(g) Such Questcor Party has the capacity to enter into this Agreement and has obtained all required internal approvals from its board of directors, management committee and/or any other internal committee;

(h) Such Questcor Party has received all the information it considers necessary for deciding whether to enter into this Agreement and acquire the Transferred Assets and Licensed IP in the Territory; and

(i) Such Questcor Party has no knowledge that any representations or warranty of Novartis made in this Agreement are not true and correct.

17. INDEMNIFICATION

17.1 **Indemnification Obligations of Novartis.** Novartis shall indemnify, defend and hold harmless the Questcor Parties and their Affiliates (the "**Purchaser Indemnified Parties**") from, against, and in respect of, all costs, charges, claims (including Third Party claims), damages or expenses (including attorneys' fees and expenses) against or incurred by them ("**Losses**") to the extent arising out of or relating to:

(d) any breach of any representation or warranty of Novartis set forth in this Agreement and any uncured material breach of any covenant, agreement or undertaking made by Novartis in this Agreement; or

(e) Novartis' failure to perform, discharge or satisfy any Excluded Liabilities.

17.2 **Indemnification by Questcor Parties**. The Questcor Parties shall indemnify, defend and hold harmless Novartis and its Affiliates (the "**Novartis Indemnified Parties**") from, against and in respect of any and all Losses arising out of or relating to:

(a) any breach of any representation or warranty of the Questcor Parties set forth in this Agreement;

(b) the Questcor Parties' failure to perform, discharge or satisfy the Assumed Liabilities;

(c) any uncured material breach of any covenant, agreement or undertaking made by the Questcor Parties in this Agreement; or

(d) the manufacture, Development or Commercialization of Product and/or Drug Substance, the Transferred Assets and/or the Licensed IP following the Closing Date.

17.3 **Survival.** The representations and warranties made by the Parties and contained in this Agreement shall survive the Closing Date for, and all claims for indemnification in connection therewith shall be asserted not later than, [***] ([***]) months following the Closing Date. Notwithstanding the foregoing, if, prior to the close of business on the last day a claim for indemnification may be asserted hereunder, an Indemnifying Party shall have been properly notified of a claim for indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, such claim shall continue to survive and shall remain a basis for indemnity hereunder until such claim is finally resolved or disposed of in accordance with the terms hereof. For the sake of clarity, the Parties acknowledge and agree that this Clause 17.3 applies solely with respect to representations and warranties.

17.4 **Limitations**.

(a) The aggregate liability of Novartis for all of the Purchaser Indemnified Parties' claims under Clause 17.1 shall be limited to [***] United States Dollars (US$[***]).

(b) Novartis shall not be liable for any claim unless the amount of the individual claim by a Purchaser Indemnified Party exceeds [***] United States Dollars (US$[***]). The Purchaser Indemnified Parties can assert claims under Clause 17.1 only if the total amount of all Losses by the Purchaser Indemnified Parties exceeds the amount of [***] United States Dollars (US$[***]) (the "**Threshold**"), in which event the Purchaser Indemnified Parties may claim indemnification for all Losses over and above the Threshold.

17.5 **Indemnification Procedure.** The indemnified Party under this Clause 17 (the "**Indemnified Party**") shall:

(a) promptly notify the indemnifying Party (the "**Indemnifying Party**") of any claim or proceeding, or threatened claim or proceeding, which could lead to a Loss;

(b) permit the Indemnifying Party to take full care and control of the conduct, defence and settlement of such claim or proceeding; provided, however, that the Indemnifying Party shall not compromise or otherwise settle any such claim or proceeding without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed;

(c) reasonably assist at the cost of the Indemnifying Party in the investigation and defence of such claim or proceeding;

(d) not compromise or otherwise settle any such claim or proceeding without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed; and

(e) take all reasonable steps to mitigate any Loss in respect of any such claim or proceeding.

17.6 **Reductions.** To the extent that any Loss incurred due to the breach of a representation or warranty is compensated by other related benefits, e.g. tax benefits or valid and enforceable claims against third parties, including insurance companies, the amount of such Loss shall be reduced accordingly (i.e. net of any amounts recovered or recoverable). The respective Party shall use all reasonable efforts to obtain such related benefits. For the avoidance of doubt, the Parties are aware that this will not exclude the possibility that insurance companies may have a right for full or partial recourse against the Party which has breached a representation or warranty.

17.7 **Sole Remedy.** The provisions of this Clause 17 shall be the sole and exclusive monetary remedy of the Questcor Parties and Novartis for any breach by the other Party of a representation or warranty contained in this Agreement.

18. TERMINATION

18.1 **Failure to Transfer MA's.** In the event that in any country in the Territory: (a) the Purchaser has failed to file for the transfer of the MA upon expiry of the Transition Period; (b) the MA Transfer Date has not been achieved upon the expiry of the Transition Period; (c) the Purchaser has failed to obtain any approvals from the Regulatory Authorities required to manufacture the Product and the Drug Substance independently from Novartis upon expiry of the Transition Period; (d) the Purchaser has failed to establish a distribution channel or assume its own manufacturing (or sourcing from a Third Party) of the Drug Substance and the Product for the Business upon expiry of the Transition Period; or (e) the Purchaser has failed to make Product available on the market in any country in the Territory with Medical Need as of the MA Transfer Date prior to expiry of the Transition Period; then Novartis shall be entitled (but shall not be under any obligation), to recover ownership of the Product in such country(ies), on a country by country basis ("**Returned Territory**"). Novartis shall be entitled to exercise its right with respect to any of country(ies) affected upon expiry of the Transition Period and for a twelve (12) month period thereafter. In the event that Novartis decides to exercise its right to recover ownership of the Product in any or all of the affected countries, as Novartis shall in its sole discretion decide, Novartis shall serve written notice upon the Purchaser. Following receipt of such notice by the Purchaser:

(e) the Parties shall promptly enter into a transfer agreement with respect to the Returned Territory in a form to be mutually agreed between the Parties in good faith whereby, *inter alia*, Purchaser hereby agrees to transfer the Transferred Assets in the Returned Territory back to Novartis free of charge and to indemnify Novartis for all Losses incurred as a result of 18.1(c), (d) and/or (e);

(f) upon the request of Novartis, the Parties shall promptly enter into an inbound supply agreement in a form to be mutually agreed between the Parties in good faith, if necessary, whereby, *inter alia*, Purchaser hereby agrees to supply the Product to Novartis (in such dosage forms as required by Novartis) at cost which shall not be higher than the Basel Supply Price that applies under the Supply Agreement or where the Supply Agreement has expired, the Basel Supply Price that applied at the expiry date of the Supply Agreement);

(g) Annex 9 of this Agreement shall be updated to include those countries in the Territory where the Product has transferred back to Novartis as a Returned Territory;

(h) the right of the Purchaser to use the Licensed IP as further described herein shall no longer apply in those countries listed in the transfer agreement and shall immediately expire upon execution of the transfer agreement; and

(i) the Purchaser shall not be entitled to any refund of the Purchase Price from Novartis and Novartis shall not be required to make any other payments to the Purchaser except as expressly set forth in the transfer agreement.

The Purchaser hereby acknowledges and agrees that following signature of the transfer agreement by the Parties, Novartis shall be the owner of the Returned Territory and the right to manufacture, Develop and Commercialize the Product connected therewith in those countries as stipulated in the transfer agreement, and accordingly Novartis shall be entitled to handle the Product in the Returned Territory(ies) as Novartis shall in its sole discretion decide, including without limitation, securing the supply of the Product in accordance with above or from another Third Party or otherwise (as Novartis shall in its sole discretion decide), divesting the Product in the Returned Territory to another Third Party, continuing to sell the Product in the Returned Territory(ies), pruning the Product in the Returned Territory(ies) or otherwise.

At the date of signature of each and any transfer agreement, for each Returned Territory, Purchaser shall pay to Novartis a one-time fee equal to (i) the Net Sales (as defined in the Supply Agreement) for the Returned Territory during the trailing twelve months multiplied by (ii) [***] ([***]) (each a "**Returned Territory Fee**"); provided, that, in no event shall the aggregate amount of the Returned Territory Fees paid by Purchaser to Novartis exceed [***] United States Dollars (US$[***]). Any Returned Territory Fees shall be paid within thirty (30) days of the date in which Novartis recovers ownership of a Returned Territory.

19. CONFIDENTIALITY; PRESS RELEASE

19.1 **Duty of Confidence**. The Parties acknowledge and agree that the Licensed IP and Manufacturing Technology will be deemed to be the confidential and proprietary information of the Purchaser on and after the Effective Date and shall be deemed to be Information of Purchaser for purposes of this Clause 19. Subject to the other provisions of this Clause 19, all Information will be maintained by the Parties in confidence and otherwise safeguarded by all Parties. Each Party may only use the Information strictly for the purposes of this Agreement and pursuant to the rights and obligations of such Party under this Agreement. Subject to the other provisions of this Clause 19, each Party shall hold as confidential such Information of the other Party or its Affiliates (in the case of Novartis, where Affiliates of Novartis disclose information) in the same manner and with the same protection as such recipient Party maintains its own confidential information. Subject to the other provisions of this Clause 19, a Party may only disclose Information to employees, agents, contractors, consultants and advisers of such Party and in the case of Novartis, Novartis may also disclose to its Affiliates and their employees, agents and contractors, and in the case of the Questcor Parties, the Questcor Parties may also disclose to its authorized sublicensees to the extent reasonably necessary for the purposes of, and for those matters undertaken pursuant to, this Agreement; provided that such Persons are bound to maintain the confidentiality of the Information in a manner consistent with the confidentiality provisions of this Agreement. Notwithstanding anything to the contrary, however, the Parties acknowledge and agree that certain Licensed IP and Manufacturing Technology have been licensed to a Third Party for use outside the Territory prior to the Signature Date. Novartis' disclosure and/or use of Novartis' Information and the Licensed IP and Manufacturing Technology pursuant to the terms of written agreements entered into prior to the date hereof with such Third Party shall not be a breach or violation of the terms of this Clause 19.

19.2 **Exceptions**. The obligations under Clause 19.1 shall not apply to any information to the extent the recipient Party can demonstrate by competent evidence that such information:

(c) is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the recipient Party or, including in the case of Novartis its Affiliates or in the case of the Questcor Parties, through their authorized sublicensees;

(d) with respect to the Questcor Parties, was known to, or was otherwise in the possession of, the Questcor Parties, prior to the time of disclosure by Novartis or any of its Affiliates;

(e) is disclosed to the recipient Party (or an Affiliate, in the case of Novartis) on a non-confidential basis by a Third Party who is entitled to disclose it without breaching any confidentiality obligation to the disclosing Party (or any of its Affiliates in the case of

Novartis); or

(f) is independently developed by or on behalf of the recipient Party (or its Affiliates, in the case of Novartis), as evidenced by its written records, without reference to the Information disclosed by the disclosing Party (or its Affiliates in the case of Novartis) under this Agreement.

19.3 Authorized Disclosures.

(f) In addition to disclosures allowed under Clause 19.1 and 19.2, the Questcor Parties may disclose Information belonging to Novartis or its Affiliates to the extent such disclosure is necessary in connection with the Regulatory Filings (as such term is defined in the License Agreement) for a Product.

(g) In addition to disclosures allowed under Clause 19.1 and 19.2, either Party may disclose Information belonging to the other Party (and/or its Affiliates in the case of Novartis) to the extent such disclosure is necessary to: (i) prosecute or defend litigation as permitted by this Agreement; and/or (ii) comply with applicable court orders or governmental regulations.

(h) In the event the recipient Party is required to disclose Information of the disclosing Party by Law or in connection with bona fide legal process, such disclosure shall not be a breach of this Agreement; provided that the recipient Party (i) informs the disclosing Party as soon as reasonably practicable of the required disclosure; (ii) limits the disclosure to the required purpose; and (iii) at the disclosing Party's request and expense, assists in an attempt to object to or limit the required disclosure.

19.4 **Press Releases.** From and after the Signing Date, no Party shall issue any press release, trade announcement or make any other public announcement or statement with regard to the transactions contemplated by this Agreement without the other Parties' prior written consent, which shall not be unreasonably withheld. Where consent is forthcoming, the Parties agree to consult with each other regarding the content of any such press release or other announcement. The aforementioned restriction shall not apply to announcements required by any Regulatory Authority or Governmental Entity under applicable Law provided that in such event the Parties shall coordinate the wording and the Questcor Parties shall take into consideration any requests of Novartis. However, in such event the Parties shall, to the extent reasonably practicable, coordinate the wordings of any such announcements. Each Party hereto acknowledges that Questcor Parties and Novartis shall have the right to disclose a brief summary of the transaction, including the Purchase Price, in their respective official financial reports.

19.5 **Financial Information**. In the event that Purchaser requests financial information after the Closing Date with respect to the Transferred Assets and/or Licensed IP prior to the Closing Date as necessary to comply with applicable Law or regulation, to the extent available without unreasonable effort or expense, Novartis shall furnish to Purchaser such financial information within thirty (30) days after such request.

19.6 **Maintenance of Data and Books and Records.** For a period of twelve (12) years after the Closing Date, (a) the Questcor Parties agree to retain (and to cause its Affiliates to retain) and make available all data and Books and Records received from Novartis and its Affiliates for inspection and copying by Novartis or its agent at Novartis' expense, upon reasonable request and upon reasonable notice; provided that such Books and Records shall be made available only to the extent such availability is required by Novartis, an Affiliate or a Third Party to which the Product has been divested in another Territory to comply with a requirement of Law, this Agreement or the Supply Agreement or to enable Novartis, an Affiliate or Third Party to defend against, respond to, or otherwise participate in any litigation, investigation, audit process, subpoena, or other proceeding related to the Drug Substance and/or the Product, and (b) no such data, and other Books and Records shall be destroyed by the Questcor Parties without first advising Novartis in writing and giving Novartis a reasonable opportunity, at Novartis' sole cost, to obtain possession thereof. Novartis will hold, and will use commercially reasonable efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to gold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of applicable Law, all confidential documents and information concerning the Purchaser or the Product provided to it pursuant to this Clause 19.6.

19.7 **CPP.** In the event that Novartis and/or its Affiliates requires a Questcor Party to request and/or issue a CPP for any country (whether in or outside the Territory and whether for Novartis, its Affiliate or for another Third Party to which the Product has previously been divested) in relation to the Product during the Transition Period, then the Questcor Parties shall as soon as practicable, but in no event later than sixty (60) days following such request by Novartis, action such requirement of Novartis and shall provide such CPP to Novartis as soon as reasonably possible and on such terms as Novartis shall reasonably require.

20. MISCELLANEOUS

20.1 **Ownership of Inventions.** Novartis shall have no rights in any improvements or inventions created and developed by the Purchaser arising from the Purchaser's activities under this Agreement, including any patent applications and patents covering such inventions.

20.2 **Notification of Certain Matters**. Novartis or the Questcor Parties, as applicable, shall give notice to the other Party at least two (2) Business Days prior to the Closing Date of any development arising after the Signing Date and prior to the date of such notice which is necessary to complete or correct any information in the Novartis Disclosure Letter or Questcor Disclosure Letter, as applicable, or in any of the representations and warranties in Clause 15 or Clause 16, as applicable.

20.3 **Governing Law and Jurisdiction.** This Agreement shall be governed by and construed under the Laws of the State of New York, USA, without giving effect to the conflicts of Laws provision thereof, and with the exclusion of the Vienna Convention on the International Sale of Goods. Any Legal Proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced in, and each Party expressly and irrevocably consents and submits to the jurisdiction of, any state or federal court located in the State, City and County of New York.

20.4 **Assignment.** Any Party may assign its rights and obligations under this Agreement without the other Parties' prior written consent. Any permitted assignee shall assume all obligations of its assignor under this Agreement (or related to the assigned portion in case of a partial assignment), and no permitted assignment shall relieve the assignor of liability hereunder. Any attempted assignment in contravention of the foregoing shall be void. Any assignment by a Questcor Party will be subject to a written agreement that (a) requires the assignee to comply with all applicable obligations of this Agreement, and (b) is not in conflict with any term of this Agreement. The Questcor Parties shall undertake to enforce the provisions of any such assignment and shall remain responsible and jointly and severally liable with the assignee to Novartis for the performance of assignee's obligations and for all acts or omissions of its assignees as if they were the acts or omissions of the Questcor Parties under this Agreement.

20.5 **Force Majeure.** If and to the extent that any Party is prevented or delayed by Force Majeure from performing any of its obligations under this Agreement and promptly so notifies in writing the other Parties, specifying the matters constituting Force Majeure together with such evidence in verification thereof as it can reasonably give and specifying the period for which it is estimated that the prevention or delay will continue, then the Party so affected shall be relieved of liability to the other for failure to perform or for delay in performing such obligations (as the case may be), but shall nevertheless use its commercially reasonable efforts to resume full performance thereof.

20.6 **Further Assurances**.

(a) The Parties shall, and shall cause their Affiliates to, promptly cooperate with each other and their Affiliates and provide such information and assistance as may be reasonably requested by the other in connection with any filings or other actions contemplated by any Competition Law. In connection with and without limiting the foregoing, the parties shall and shall cause their respective Affiliates to, subject to applicable Law and except as prohibited by any applicable Governmental Entity:

(i) promptly notify the other Parties of any written communication to that Party or its Affiliates from any Governmental Entity, including regulatory authorities, concerning this Agreement or the transactions contemplated hereby, and permit the other Parties to review in advance (and to consider any comments made by the other Parties in relation to) any proposed written communication to any of the foregoing;

(ii) not agree to participate or participate in any substantive meeting with any Governmental Entity in respect of any filings, investigation or inquiry concerning this Agreement or the transactions contemplated hereby unless it consults with the other Parties in advance and, to the extent permitted by such Governmental Entity, gives the other Parties the opportunity to attend and participate; and

(iii) furnish the other Parties (through outside counsel) with copies of all correspondence, filings and written communications (and memoranda setting forth the substance thereof) between it and its Affiliates and their respective representations on the one hand, and any Governmental Entity, including regulatory authority, or members of their respective staffs on the other hand, with respect to this Agreement and the transactions contemplated hereby.

(b) For the avoidance of doubt, nothing in this Agreement shall obligate Purchaser to offer, take or agree with any actions in connection with, or to agree to, any separation order, sale divestiture or disposition of its existing products, assets or businesses.

(c) Each Party shall execute and deliver to the other Parties, upon any Party's request, all documents that are reasonably necessary or desirable to secure, preserve or implement each Party's rights pursuant to this Agreement.

20.7 **Injunctive Relief.** The Parties understand and agree that monetary damages may not be a sufficient remedy for breach of this Agreement and that each Party may be entitled to equitable relief, including injunction and specific performance for any such breach. Nothing contained in this Agreement shall be construed as limiting a Party's right to any other remedies it may have under this Agreement or in Law, including, without limitation, the recovery of damages for breach of this Agreement.

20.8 **Notices.** All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when: (a) delivered by hand (with written confirmation of receipt); (b) sent by fax (with written confirmation of receipt), provided that a copy is immediately sent by an internationally recognized overnight delivery service (receipt requested); or (c) when received by the addressee, if sent by an internationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and fax numbers set forth below (or to such other addresses and fax numbers as a Party may designate by written notice):

If to Purchaser or Questcor:

c/o Questcor Pharmaceuticals, Inc.
1300 North Kellogg Drive, Suite D
Anaheim Hills, CA 92807
Attn: Michael Mulroy, General Counsel
Fax: +1-714-789-4229
Email: Michael.Mulroy@Questcor.com

With a copy (which copy shall not constitute notice) to:

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Lawrence B. Cohn
Facsimile: +1-949-725-4100
Email: lcohn@sycr.com

If to Novartis:

Novartis Pharma AG
Lichtstrasse 35
CH-4056 Basel, Switzerland
Attn: Head of BD&L
Fax: +41 61 324 2100

With a copy To:

Novartis Pharma AG
Lichtstrasse 35
CH-4056 Basel, Switzerland
Attn: General Counsel
Fax: +41 61 324 7399

20.9 **Waiver and Amendments**. The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by any other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

20.10 **Severability.** Without prejudice to any other rights that the Parties have pursuant to this Agreement, every provision of this Agreement is intended to be severable. If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement, which shall remain in full force and effect. The Parties hereto agree to consult each other and to agree upon a new stipulation which is permissible under the law and which comes as close as possible to the original purpose and intent of the invalid, void or unenforceable provision.

20.11 **Entire Agreement**. This Agreement (together with the License Agreement and Supply Agreement) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof.

20.12 **Relationship of the Parties.** Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Novartis and any Questcor Party, or to constitute one as the agent of the other. Moreover, each Party agrees not to construe this Agreement, or any of the transactions contemplated hereby, as a partnership for any tax purposes. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

20.13 **Expenses.** Except as otherwise expressly provided in this Agreement, each Party shall pay the fees and expenses of its respective lawyers and other experts and all other expenses and costs incurred by such Party incidental to the negotiation, preparation, execution and delivery of this Agreement.

20.14 **Extension to Affiliates.** Each Party shall have the right to extend the rights, immunities and obligations granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to original Party, who shall remain primarily liable for any acts or omissions of its Affiliates.

20.15 **Compliance with Law.** Each Party shall perform its obligations under this Agreement in accordance with all applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any applicable Law. In particular, Novartis shall be entitled to redact, delete or modify any Commercial Information, Global Medical Information, Medical Information, Know-How and Books and Records before providing or making

available such information to the Purchaser or its Affiliates as required pursuant to this Agreement to ensure compliance with any applicable laws and regulations including any Laws and regulations relating to data privacy.

20.16 **English Language**. This Agreement is written and executed in the English language. Any translation into any other language shall not be an official version of this Agreement and in the event of any conflict in interpretation between the English version and such translation, the English version shall prevail.

20.17 **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20.18 **Joint and Several Liability**. The Questcor Parties' obligations under this Agreement shall, in all cases, be joint and several.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

The parties to this Agreement have caused this Agreement to be executed and delivered as of the date first written above.

NOVARTIS AG

By: /s/Barbara Kessler

Name: Barbara Kessler

Title: Authorized Signatory

Date: __

By: /s/Andreas Bohrer

Name: Andreas Bohrer

Title: Authorized Signatory

Date: __

NOVARTIS PHARMA AG

By: /s/Alex Pyrathon

Name: Alex Pyrathon
Global Head Commercial Operations
Title: & Established Medicines BF

Date: __

By: /s/Matt Owens

Name: Matt Owens

Title: Senior Legal Counsel

Date: __

QUESTCOR PHARMACEUTICALS, INC.

By: /s/Don Bailey

Name: Don Bailey

Title: President and CEO

Date: June 7, 2013

AKASIA LIMITED

By: /s/Michael Mulroy

Name: Micheal Mulroy

Title: Director

Date: June 7, 2013

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 31.1

CERTIFICATION

I, Don M. Bailey, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 31, 2013

/s/ Don M. Bailey

Don M. Bailey
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Michael H. Mulroy, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 31, 2013

/s/ Michael H. Mulroy

Michael H. Mulroy
Chief Financial Officer
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION

I, Don M. Bailey, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that the Quarterly Report of Questcor Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended June 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q for the period ended June 30, 2013 fairly presents in all material respects the financial condition and results of operations of Questcor Pharmaceuticals, Inc.

July 31, 2013 /s/ Don M. Bailey

Don M. Bailey
President and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by Questcor Pharmaceuticals, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934.

Exhibit 32.2

CERTIFICATION

I, Michael H. Mulroy, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that the Quarterly Report of Questcor Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended June 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q for the period ended June 30, 2013 fairly presents in all material respects the financial condition and results of operations of Questcor Pharmaceuticals, Inc.

July 31, 2013 /s/ Michael H. Mulroy

Michael H. Mulroy
Chief Financial Officer
(Principal Accounting Officer)

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by Questcor Pharmaceuticals, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934.