

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

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No.1)\***

**QUESTCOR PHARMACEUTICALS, INC.**  
(Name of Issuer)

**Common Stock**  
(Title of Class of Securities)

**232808105**  
(CUSIP Number)

**John T. Unger**  
**Thompson & Knight, LLP**  
**333 Clay Street, Suite 3300**  
**Houston, Texas 77002**  
**713-653-8811**  
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

**February 2, 2004**  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box .

Note. Schedules filed in paper form shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7(b) for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1 NAMES OF REPORTING PERSONS/  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Corporate Opportunities Fund, L.P.  
Corporate Opportunities Fund (Institutional), L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(E)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware limited partnerships

7 SOLE VOTING POWER

None

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

7,012,323 (See Item 5)

9 SOLE DISPOSITIVE POWER

None

10 SHARED DISPOSITIVE POWER

4,207,394

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

7,012,323 (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.6% (See Item 5)

14 TYPE OF REPORTING PERSON (See Instructions)

PN

1 NAMES OF REPORTING PERSONS/  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Corporate Opportunities Fund, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

- (a)   
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(E)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware limited partnership

7 SOLE VOTING POWER

None

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

7,012,323 (See Item 5)

9 SOLE DISPOSITIVE POWER

None

10 SHARED DISPOSITIVE POWER

657,756

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

7,012,323 (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.6% (See Item 5)

14 TYPE OF REPORTING PERSON (See Instructions)

PN

1 NAMES OF REPORTING PERSONS/  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Corporate Opportunities Fund (Institutional), L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

- (a)   
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(E)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware limited partnership

7 SOLE VOTING POWER

None

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

7,012,323 (See Item 5)

9 SOLE DISPOSITIVE POWER

None

10 SHARED DISPOSITIVE POWER

3,549,638

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

7,012,323 (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.6% (See Item 5)

14 TYPE OF REPORTING PERSON (See Instructions)

PN

1 NAMES OF REPORTING PERSONS/  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

SMM Corporate Management, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)   
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(E)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware limited liability company

7 SOLE VOTING POWER

None

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

7,012,323 (See Item 5)

9 SOLE DISPOSITIVE POWER

None

10 SHARED DISPOSITIVE POWER

4,207,394

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

7,012,323 (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.6% (See Item 5)

14 TYPE OF REPORTING PERSON (See Instructions)

OO

1 NAMES OF REPORTING PERSONS/  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Sanders Morris Harris Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)  
(a)   
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)  
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(E)

6 CITIZENSHIP OR PLACE OF ORGANIZATION  
Texas

7 SOLE VOTING POWER  
None

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER  
7,012,323 (See Item 5)

9 SOLE DISPOSITIVE POWER  
None

10 SHARED DISPOSITIVE POWER  
4,207,394

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
7,012,323 (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
13.6% (See Item 5)

14 TYPE OF REPORTING PERSON (See Instructions)  
CO

1 NAMES OF REPORTING PERSONS/  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

James C. Gale

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)  
(a)   
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)  
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(E)

6 CITIZENSHIP OR PLACE OF ORGANIZATION  
United States

7 SOLE VOTING POWER  
None

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER  
7,012,323 (See Item 5)

9 SOLE DISPOSITIVE POWER  
None

10 SHARED DISPOSITIVE POWER  
4,207,394

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
7,012,323 (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
13.6% (See Item 5)

14 TYPE OF REPORTING PERSON (See Instructions)  
IN

**Item 1. Security and Issuer.**

This Amendment No.1 to a Statement on Schedule 13D amends and supplements the Report on Schedule 13D filed with the SEC on January 28, 2003, and relates to the common stock, no par value (the "Shares"), of Questcor Pharmaceuticals, Inc., a California corporation ("Issuer"). The principal executive office of the issuer of such securities is located at 3620 Whipple Road, Union City, California, 94587.

**Item 2. Identity and Background.**

This statement is filed on behalf of: (a) Corporate Opportunities Fund, L.P. ("COF"), (b) Corporate Opportunities Fund (Institutional), L.P. ("COFI, and together with COF, the "COF Funds"), (c) SMM Corporate Management, LLC ("COF GP"), (d) Sanders Morris Harris Inc. ("SMH"), (e) James C. Gale (together with the COF Funds, COF GP, and SMH, the "Reporting Persons"), and (f) Montreux Equity Partners II SBIC, L.P. ("MEP"). COF and COFI are part of a group within the meaning of Rule 13d-5(b) acting together solely for the purpose of voting the Shares of the Issuer. The other member of such group is MEP.

The COF Funds are Delaware limited partnerships whose principal business is making investments in the securities of other entities. The address of their principal office is 126 East 56th Street, 24th Floor, New York, New York 10022.

The COF GP is a Delaware limited liability company and the sole general partner of the COF Funds. The principal business of the General Partner is to act as general partner of the COF Funds. The address of its principal office is 126 East 56th Street, 24th Floor, New York, New York 10022.

SMH is a Texas corporation and the controlling member of COF GP. The address of its principal office is 600 Travis Suite 3100, Houston, Texas 77002. Attached as Appendix A is information concerning the executive officers and directors of Sanders Morris Harris required to be disclosed in response to Item 2 and General Instruction C to Schedule 13D. Such executive officers and directors may be deemed, but are not conceded to be controlling persons of Sanders Morris Harris. Sanders Morris Harris Inc. is a wholly owned subsidiary of Sanders Morris Harris Group, Inc., a Texas corporation ("SMH Group"). Sanders Morris Harris is a registered broker/dealer.

Sanders Morris Harris Group, Inc. is a Texas corporation and the parent of Sanders Morris Harris. The address of its principal office is 600 Travis, Suite 3100, Houston, Texas 77002. Attached as Appendix A-1 is information concerning the executive officers and directors of SMH Group required to be disclosed in response to Item 2 and General Instruction C to Schedule 13D. Such officers and directors may be deemed, but are not conceded to be controlling, persons of SMH Group. No corporation or other person is or may be deemed to be ultimately in control of SMH Group.

James C. Gale is the Chief Investment Officer, a Manager, and Member of the General Partner. The address of his principal office is 126 East 56th Street, 24th Floor, New York, New York 10022. Mr. Gale is a citizen of the United States.

Ben T. Morris is a Manager of COF GP and President and a director of Sanders Morris Harris Inc. The address of his principal office is 600 Travis Suite 3100, Houston, Texas 77002. Mr. Morris is a citizen of the United States.

Information with respect to the Identity and Background of MEP, is incorporated herein by reference to the information set forth under Item 2 of the Schedule 13D filed by such persons with the SEC on January 29, 2004, with respect to the Issuer (the "MEP Schedule 13D"), a copy of which is attached hereto as Exhibit 5.

During the past five years, none of the Reporting Persons or any of the persons referred to in Appendices A and A-1 has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors).



During the past five years, none of the Reporting Persons or any of the persons referred to in Appendices A and A-1 was or is subject to a judgment, decree, or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws as a party to a civil proceeding of a judicial or administrative body of competent jurisdiction.

**Item 3. Source and Amount of Funds or Other Consideration.**

On January 15, 2003, COF purchased 469 shares of the Series B Convertible Preferred Stock, no par value ("Series B Preferred"), of the Issuer and common stock purchase warrants ("Warrants") to purchase 159,456 shares for an aggregate consideration of \$469,000 and COFI purchased 2,531 shares of Series B Preferred and Warrants to purchase 860,518 Shares for an aggregate consideration of \$2,531,000. The source of these funds was working capital of the COF Funds. A total of 10,000 shares of Series B Preferred were issued. The Series B Preferred shares originally issued and outstanding are convertible into Shares at a conversion price of approximately \$0.9412 per share. The exercise price of the Warrants is \$1.0824 per share.

Information concerning the source and amount of funds or other consideration used by MEP in making its purchase of Shares is incorporated herein by reference to the information set forth under Item 3 of the MEP Schedule 13D.

**Item 4. Purpose of Transaction.**

The COF Funds are filing this Schedule 13D (Amendment No. 1) because, as a result of certain matters reported under Item 6 below, they and MEP may be deemed to constitute a "group" under Rule 13d-5(b) for the purpose of voting Shares of the Issuer.

On February 2, 2004, MEP and the COF Funds submitted to the Issuer a joint notice of their intent (i) to nominate Albert Hansen and Howard D. Palefsky for election as directors of the Issuer at the Issuer's next annual meeting of shareholders and (ii) to vote all shares of the Issuer held by each of them in favor of such nominees. A copy of the joint notice is attached hereto as Exhibit 6 and is incorporated by reference herein. In addition, MEP and the COF Funds have notified the Issuer that each intends to cumulate its votes in connection with such election of directors.

The Series B Preferred and the Warrants contain certain limitations on the conversion or exercise thereof which make the Series B Preferred inconvertible and the Warrants unexercisable to the extent the holder would, upon conversion or exercise, beneficially own more than 9.9% (the "Restrictive Ownership Percentage") of the Common Stock, unless the holder notifies the Issuer to increase the Restrictive Ownership Percentage. On February 12, 2004, each of COF and COFI notified the Issuer (the "Notice") that it increased its Restrictive Ownership Percentage from 9.9% to 19.9%. A copy of the Notice is attached hereto as Exhibit 7 and is incorporated by reference herein.

The COF Funds acquired the 3,000 shares of Series B Preferred and warrants to purchase 1,000,000 shares of common stock for general investment purposes.

The COF Funds intend to review continuously their investment in the Issuer and may or may not seek involvement in the Issuer's affairs. Depending on their evaluation of the Issuer's business and prospects and future developments, the COF Funds, or other individuals or entities that may be deemed to be affiliates of the COF Funds, may from time to time purchase additional securities of the Issuer, dispose of all or a portion of the securities held by such person, or cease buying or selling shares. Any additional purchases of securities may be in open market or privately negotiated transactions or otherwise.

Information concerning MEP's purpose or purposes of the acquisition of Shares of the Issuer is incorporated herein by reference to Item 4 of the MEP Schedule 13D.

**Item 4 (Continued)**

Dividends on the Series B Preferred accrue at a rate per annum based on the original purchase price of \$1,000 per share of 8% from January 15, 2003 to December 31, 2005, 10% from January 1, 2006 to December 31, 2007, and 12% after January 1, 2008, and are payable quarterly. The Series B Preferred ranks senior to the Series A preferred stock of the Issuer. All dividends on the Series B Preferred must be paid prior to payment of any dividends on the Common Stock. Accrued and unpaid dividends bear interest at the dividend rate in effect plus 6% per annum. Upon the occurrence and during the continuance of certain events, including the absence of reported sale price for Shares for six consecutive trading days, certain failures to pay dividends, certain insolvency proceedings, judgments, default on obligations, certain changes in control of the Issuer, certain corporate transactions, certain non-compliance and breaches of the transaction documents, and failures to maintain net cash, cash equivalent and eligible investment balances, the applicable dividend rate is increased by 6% per annum. The Series B Preferred has seniority with the Series A preferred stock in distributions upon any liquidation or dissolution of the Issuer, and is senior in rank to the Common Stock. On all matters voted upon by the shareholders of the Issuer, except as required by law, all the Series B Preferred votes on an as converted basis together with the Common Stock as a single class (with each share of Series B Preferred Stock casting a number of votes equal to 0.88 times the number of shares of Common Stock into which it is convertible).

The affirmative vote or written consent of a majority of the holders of Series B Preferred Stock, voting separately as a class, is required for (1) any amendment, alteration, or repeal, whether by merger or consolidation or otherwise, of the Issuer's articles of Incorporation if the amendment, alteration, or repeal materially and adversely affects the powers, preferences, or special rights of the Series B Preferred Stock or (2) the creation or issuance of any class or series of preferred stock ranking senior to or on a parity with the Series B Preferred Stock as to dividends or liquidation.

The Issuer has the right to redeem the Series B Preferred Stock commencing January 1, 2006 for a redemption price equal to 110% of the stated value (\$1,000) of each share plus any accrued and unpaid dividends. In addition, each holder of Series B Preferred Stock has the right to require the Issuer to redeem their shares of Series B Preferred Stock at a redemption price equal to the stated value (\$1,000) of each share plus any accrued and unpaid dividends upon the occurrence of certain events, including certain amendments and changes of the Issuer's Articles of Incorporation, certain misstatements or omissions, certain payments of dividends or redemption prices, certain issuances of Shares, certain non-compliance and breaches of transaction documents, material breaches of representations and warranties, and certain voluntary insolvency proceedings.

COF and COFI have the right to designate one individual to attend and act as an observer at all meetings of the Board of Directors of the Issuer.

Subject to the foregoing, the COF Funds have acquired all securities of the Issuer that they presently own as an investment. The COF Funds intend to review continuously their investment in the Issuer and may or may not seek involvement in the Issuer's affairs. Depending on their evaluation of the Issuer's business and prospects and future developments, the COF Funds, or other individuals or entities that may be deemed to be affiliates of the COF Funds, may from time to time purchase additional securities of the Issuer, dispose of all or a portion of the securities held by such person, or cease buying or selling shares. Any additional purchases of securities may be in open market or privately negotiated transactions or otherwise.

Except as described in this Item 4, the COF Funds have no present plans or proposals which relate or would result in: (a) the acquisition by any person of additional securities of the Issuer, or the disposition of securities of the Issuer, (b) an extraordinary corporate transaction such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries, (c) a sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries, (d) any change in the present board of directors or management of the Issuer, (e) any material change to the present capitalization or dividend policy of the Issuer, (f) any other material change in the Issuer's business or corporate structure, (g) changes in the Issuer's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person, (h) causing a class of securities of the Issuer to be delisted from a national securities exchange or to cease to be authorized to be quoted on an inter-dealer quotation system of a registered national securities association, (i) a class of equity securities of the Issuer becoming

**Item 4 (Continued)**

eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended, or (j) any actions similar to any of those enumerated above.

**Item 5. Interest in Securities of the Issuer.**

(a) There are 44,379,058 shares of Common Stock outstanding as of November 6, 2003 (the "Outstanding Shares"), as reported by the Issuer in its quarterly report on Form 10-Q for the period ended September 30, 2003. In addition there are 10,624,731 shares of Common Stock currently issuable upon conversion of all of the outstanding shares of Series B Preferred. Each share of Series B Preferred is currently entitled to a number of votes equal to 0.875 times the number of shares of Common Stock issuable upon conversion of such Series B Preferred, resulting in the total voting equivalence of 9,296,640 shares of Common Stock (the "Converted Shares"). The current voting equivalence of the 3,187,420 aggregate shares of Common Stock (the "COF Series B Shares") issuable upon the Series B Preferred currently held by the Reporting Persons is 2,788,993 (the "COF Converted Shares"). In addition, the Reporting Persons may currently purchase an additional 1,019,974 shares of Common Stock upon conversion of the Warrants (the "COF Warrant Shares").

By reason of the understanding among the COF Funds and MEP described in Items 4 and 6 herein, the COF Funds and MEP may be deemed to constitute a group under Rule 13d-5(b) for the purpose of voting shares of the Issuer. Based on information set forth in the MEP Schedule 13D (and as set forth under Item 5 of Exhibit 5), MEP beneficially owns a total of 2,124,947 shares of Common Stock (the "MEP Series B Shares") that are currently issuable upon conversion of 2,000 shares of Series B Preferred. The current voting equivalence of the MEP Series B Shares is 1,859,329 (the "MEP Converted Shares") In addition, as reported in the MEP Schedule 13D (and as set forth under Item 5 of Appendix 1), MEP may currently purchase an additional 679,982 shares of Common Stock (the "MEP Warrant Shares") upon conversion of a warrant to purchase shares of Common Stock which they hold.

Collectively, the Reporting Persons and MEP, may be deemed to beneficially own a total of (i) 5,312,367 shares of Common Stock (the "Total Series B Shares") that are currently issuable upon conversion of 5,000 shares of Series B Preferred, and (ii) 1,699,956 shares of Common Stock that are currently issuable upon exercise of common stock purchase warrants (the "Total Warrant Shares"). The current voting equivalence of the Total Series B Shares is 4,648,321 (the "Total Converted Shares").

**(i) Holdings if Deemed Members of a Rule 13d-5 Group with the COF Funds.**

If the Reporting Persons are deemed to be members of a group with MEP under Rule 13d-5(b) of the Act, the aggregate number and percentage of shares of Common Stock that may be deemed to be beneficially owned by each Reporting Person pursuant to Rule 13d-3 of the Act is as follows:

<u>Reporting Person</u>	<u>Aggregate Number of Shares Beneficially Owned<sup>(1)</sup></u>	<u>Percentage of Aggregate Shares Outstanding<sup>(5)</sup></u>	<u>Percentage of Voting Shares<sup>(5)</sup></u>
Corporate Opportunities Fund, L.P.	7,012,323	13.6%	12.5%
Corporate Opportunities Fund (Institutional), L.P.	7,012,323	13.6%	12.5%
SMM Corporate Management, LLC	7,012,323 <sup>(2)</sup>	13.6%	12.5%
Sanders Morris Harris Inc.	7,012,323 <sup>(3)</sup>	13.6%	12.5%
James C. Gale	7,012,323 <sup>(4)</sup>	13.6%	12.5%

<sup>(1)</sup> By reason of the understanding among the COF Funds and MEP described in Items 4 and 6 herein, the COF Funds and MEP may be deemed to constitute a group under Rule 13d-5(b) for the purpose of voting

**Item 5 (Continued)**

- (2) shares of the Issuer and the Reporting Persons may be deemed to share voting power over 2,804,929 shares of Common Stock beneficially owned by the COF Funds. Each of the Reporting Persons disclaims beneficial ownership of such shares.
- (2) COF GP serves as the general partner of the COF Funds. By reason of such relationship, COF GP may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds. COF GP disclaims beneficial ownership of such shares.
- (3) SMH is the controlling member of COF GP. By reason of such relationship, SMH may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds and COF GP. SMH disclaims beneficial ownership of such shares.
- (4) Mr. Gale serves as investment manager of the COF Funds. By reason of such relationship, Mr. Gale may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds, COF Partner, and SMH. Mr. Gale disclaims beneficial ownership of such shares.
- (5) When deemed members of a group with the MEP, the percentage interest calculation of the Reporting Persons set forth herein for the aggregate number of outstanding shares (the "Aggregate Shares Outstanding") was calculated by dividing the (A) sum of the Total Series B Shares plus the Total Warrant Shares by (B) the sum of the Outstanding Shares plus the Total Series B Shares plus the Total Warrant Shares, while the percentage interest calculation of the Reporting Persons set forth herein for the aggregate number of voting shares (the "Voting Shares"), was calculated by dividing the (X) sum of the Total Converted Shares plus the Total Warrant Shares by (Y) the sum of the Outstanding Shares plus the Total Converted Shares plus the Total Warrant Shares.
- (ii) Holdings if Not Deemed Members of a Rule 13d-5 Group with MEP.

If the Reporting Persons are not deemed to be members of a group with MEP under Rule 13d-5(b) of the Act, the aggregate number and percentage of shares of Common Stock that may be deemed to be beneficially owned by each Reporting Person pursuant to Rule 13d-3 of the Act is as follows:

Beneficial Owner	Aggregate Number of Shares Owned	Percentage of Class	Percentage of Voting Shares <sup>(1)</sup>
Corporate Opportunities Fund, L.P.	657,756 <sup>(2)</sup>	1.55%	1.11%
Corporate Opportunities Fund (Institutional), L.P.	3,549,638 <sup>(2)</sup>	7.44%	5.89%
Corporate Opportunities Fund, L.P. and Corporate Opportunities Fund (Institutional), L.P.	4,207,394 <sup>(4)</sup>	8.66%	6.93%
SMM Corporate Management, LLC	4,207,394 <sup>(5)</sup>	8.66%	6.93%
Sanders Morris Harris Inc.	4,207,394 <sup>(6)</sup>	8.66%	6.93%
James C. Gale	4,207,394 <sup>(6)</sup>	8.66%	6.93%

- (1) Each share of Series B Preferred is currently entitled to a number of votes equal to 0.875 times the number of shares of Common Stock issuable upon conversion of such Series B Preferred.
- (2) Includes 498,300 shares of common stock issuable upon conversion of 469 shares of Series B Preferred that are immediately convertible into common stock, and 159,456 shares of common stock issuable upon exercise of common stock purchase warrants.

**Item 5 (Continued)**

- (3) Includes 2,689,120 shares of common stock issuable upon conversion of 2,531 shares of Series B Preferred that are immediately convertible into common stock, and 860,518 shares of common stock issuable upon exercise of stock purchase warrants.
- (4) Includes 3,187,420 shares of common stock issuable upon conversion of 3,000 shares of Series B Preferred that are immediately convertible into common stock, and 1,000,000 shares of common stock issuable upon exercise of common stock purchase warrants.
- (5) Includes shares beneficially owned by the COF Funds, which may be deemed to be beneficially owned by COF GP. COF GP disclaims beneficial ownership of such shares.
- (6) Includes shares beneficially owned by the COF Funds and SMM Corporate Management, LLC, which may be deemed to be beneficially owned by SMH and Mr. Gale. SMH and Mr. Gale disclaim beneficial ownership of such shares.

**(b) (i) Holdings if Deemed Members of a Rule 13d-5 Group with MEP.**

If the Reporting Persons are deemed to be members of a group with MEP under Rule 13d-5(b) of the Act, the number of shares of Common Stock as to which there is sole power to direct the vote, shared power to vote or to direct the vote, sole power to dispose or direct the disposition, or shared power to dispose or direct the disposition for each of the Reporting Persons is as follows:

Reporting Person	Sole Power to Vote or Direct the Vote	Shared Power to Vote or Direct the Vote <sup>(1)</sup>	Sole Power to Dispose or Direct Disposition	Shared Power to Dispose or Direct Disposition
Corporate Opportunities Fund, L.P.	0	7,012,323	0	657,756
Corporate Opportunity Fund (Institutional), L.P.		7,012,323		3,549,638
SMM Corporate Management, LLC	0	7,012,323 <sup>(2)</sup>	0	4,207,394 <sup>(2)</sup>
Sanders Morris Harris Inc.	0	7,012,323 <sup>(3)</sup>	0	4,207,394 <sup>(3)</sup>
James C. Gale	0	7,012,323 <sup>(4)</sup>	0	4,207,394 <sup>(4)</sup>

<sup>(1)</sup> By reason of the understanding among the COF Funds and MEP described in Items 4 and 6 herein, the COF Funds and MEP may be deemed to constitute a group under Rule 13d-5(b) for the purpose of voting shares of the Issuer and the Reporting Persons may be deemed to share voting power over 2,804,929 shares of Common Stock beneficially owned by MEP. Each of the Reporting Persons disclaims beneficial ownership of such shares.

<sup>(2)</sup> COF GP serves as general partner of the COF Funds. By reason of such relationship, COF GP may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds. COF GP disclaims beneficial ownership of such shares.

<sup>(3)</sup> SMH is the controlling member's of COF GP. By reason of such relationship, SMH may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by MEP and COF GP. SMH disclaims beneficial ownership of such shares.

**Item 5 (Continued)**

(4) Mr. Gale serves as investment manager of the COF Funds. By reason of such relationship, Mr. Gale may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds, COF GP, and SMH. Mr. Gale disclaims beneficial ownership of such shares.

(ii) Holdings if Not Deemed Members of a Rule 13d-5 Group with the COF Funds.

If the Reporting Persons are no deemed to be members of a group with the COF Funds under Rule 13d-5(b) of the Act, the number of shares of Common Stock as to which there is sole power to direct the vote, shared power to vote or to direct the vote, sole power to dispose or direct the disposition, or shared power to dispose or direct the disposition for each of the Reporting Persons is as follows:

Reporting Person	Sole Power to Vote or Direct the Vote	Shared Power to Vote or Direct the Vote	Sole Power to Dispose or Direct Disposition	Shared Power to Dispose or Direct Disposition
Corporate Opportunities Fund, L.P.	0	657,756	0	657,756
Corporate Opportunity Fund (Institutional), L.P.		73,549,638		3,549,638
SMM Corporate Management, LLC	0	4,207,394 <sup>(1)</sup>	0	4,207,394 <sup>(1)</sup>
Sanders Morris Harris Inc.	0	4,207,394 <sup>(2)</sup>	0	4,207,394 <sup>(2)</sup>
James C. Gale		4,207,394 <sup>(3)</sup>		4,207,394 <sup>(3)</sup>

(1) COF GP serves as general partner of the COF Funds. By reason of such relationship, the COF GP may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds. COF GP disclaims beneficial ownership of such shares.

(2) SMH is the controlling member of COF GP. By reason of such relationship, SMH may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds and COF GP. SMH disclaims beneficial ownership of such shares.

(3) Mr. Gale serves as investment manager of the COF Funds. By reason of such relationship, Mr. Gale may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by the COF Funds, COF GP, and SMH. Mr. Gale disclaims beneficial ownership of such shares.

To the knowledge of the Reporting Persons, the persons listed on Appendix A and A-1 in response to Item 2 do not beneficially own any shares of Common Stock of the Issuer.

Information concerning the number of Shares as to which MEP holds the sole power to direct the vote, shared power to direct the vote, sole power to dispose or direct the disposition, or shares power to dispose of direct the disposition is incorporated by reference to Item 5(b) of the MEP Schedule 13D.

(c) The following transactions in the common stock of the Issuer were effected within the last 60 days by the following named Reporting Persons:

None

(d) The COF Funds have the right to receive all dividends on the Series B Preferred they own.

**Item 5 (Continued)**

(e) Not applicable.

**Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.**

Pursuant to an understanding among them, COF, COFI, and MEP have submitted to the Issuer a joint notice of their intent to nominate Mr. Hansen and Mr. Palefsky for election as directors of the Issuer at the Issuer's next annual meeting of stockholders and each of COF, COFI, and MEP intends to vote all shares of Series B Preferred Stock held by it in favor of such nominees. In addition, COF, COFI, and MEP have notified the Issuer that each intends to cumulate its votes in connection with such election of directors.

In connection with the issuance of the Series B Preferred, the Issuer extended certain registration rights to the COF Funds, which obligate the Issuer to register with the Securities and Exchange Commission the shares of common stock issuable upon exercise of the Series B Preferred and the Warrants and to maintain the effectiveness of such registration statement until two years after it is declared effective.

See Item 4 for a description of voting rights applicable to the Series Preferred, which information is incorporated herein by reference.

The Series B Preferred and the Warrants contain certain limitations on the conversion or exercise thereof which make the Series B Preferred inconvertible and the Warrants unexercisable to the extent the holder would, upon conversion or exercise, beneficially own more than 9.9% (the "Restrictive Ownership Percentage") of the Common Stock, unless the holder notifies the Issuer to increase the Restrictive Ownership Threshold. On February 12, 2004, each of the COF Funds notified the Issuer (the "Notice") to increase its Restrictive Ownership Percentage from 9.9% to 19.9%. A copy of the Notice is attached hereto as Exhibit 7 and is incorporated by reference herein.

Except as stated herein, none of the COF Funds, SMM Corporate Management, LLC, Sanders Morris Harris, nor Mr. Gale, nor, to the best of the knowledge of the COF Funds, any of the executive officers or directors listed on Annex A or A-1, is a party to any contract, arrangement, understanding, or relationship (legal or otherwise) with any person with respect to any securities of the Issuer, including but not limited to, any transfer or voting of any such securities, finder's fees, joint ventures, loans or option arrangements, puts or calls, guarantees or profits, divisions of profit or loss, or the giving or withholding of proxies.

Information concerning contracts, arrangements, understandings, or relationships with respect to Shares of the Issuer and MEP is incorporated herein by reference to Item 6 of the MEP Schedule 13D.

**Item 7. Material to be Filed as Exhibits.****Exhibit  
Title**

- | <b>Exhibit<br/>Title</b> |   |
|--------------------------|---|
| 1                        | Joint Filing Agreement among the reporting persons.   |
| 2                        | Certificate of Determination of Series B Convertible Preferred Stock dated as of December 29, 2002. (Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed by the Issuer on January 16, 2003).                 |
| 3                        | Subscription Agreement dated as of December 29, 2002, between the Issuer and the purchasers of Series B Preferred. (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by the Issuer on January 16, 2003). |
| 4                        | Form of Common Stock Purchase Warrant issued by the Issuer to the purchasers of Series B Preferred. (Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed by the Issuer on January 16, 2003).                 |

**Item 7. (Continued)**

- 5 Schedule 13D filed with the SEC on January 29, 2004, by MEP, MEP GP, Mr. Palefsky, and Mr. Turner.
- 6 Letter from Montreux Equity Partners II SBIC, L.P., Corporate Opportunities Fund, L.P. and Corporate Opportunities Fund (Institutional), L.P. to Questcor Pharmaceuticals, Inc., dated February 2, 2004, regarding notice of a shareholder proposal.
- 7 Notice from the COF Funds to Questcor Pharmaceuticals, Inc., dated February 12, 2004, instructing the Issuer to increase in the Restrictive Ownership Percentage of the Series B Preferred and the Warrants.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

Date: February 12, 2004

Corporate Opportunities Fund, L.P.  
Corporate Opportunities Fund  
(Institutional), L.P.

By: SMM Corporate Management, LLC

By /s/ James C. Gale

\_\_\_\_\_  
James C. Gale, Manager

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

Date: February 12, 2004

Signatures:

SMM Corporate Management, LLC

By /s/ James C. Gale

\_\_\_\_\_  
Name: James C. Gale

Title: Manager and Chief Investment Officer

Sanders Morris Harris Inc.

By /s/ James C. Gale

\_\_\_\_\_  
Name: James C. Gale

Title: Managing Director

/s/ James C. Gale

\_\_\_\_\_  
James C. Gale

Each Reporting Person certifies only the information in Item 4 regarding, himself or itself, as the case may be.

ATTENTION: INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACT CONSTITUTE FEDERAL CRIMINAL VIOLATIONS (see 18 U.S.C. 1001).



The following table sets forth the name, business address, and present principal occupation or employment of each director and executive officer of Sanders Morris Harris Inc. Unless otherwise indicated below, each such person is a citizen of the United States and the business address of each such person is 600 Travis, Suite 3100, Houston, Texas 77002. Except as indicated below, during the last five years, none of the persons listed below has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or was or is subject to a judgment, decree, or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws as a party to a civil proceeding of a judicial or administrative body of competent jurisdiction.

<u>Name</u>	<u>Present Principal Occupation or Employment; Business Address</u>
Ben T. Morris	Chief Executive Officer and Director
George L. Ball	Chairman of the Board
Robert E. Garrison II	Director and President
Don A. Sanders	Chairman of the Executive Committee
Titus H. Harris, Jr.	Executive Vice President
Richard C. Webb	Executive Vice President
Anthony J. Barton	Executive Vice President
Peter M. Badger	President of Fixed Income Division
Richard D. Grimes	Executive Vice President
Howard Y. Wong	Chief Financial Officer and Treasurer
Sandy Williams	Secretary

Directors and Executive Officers of  
Sanders Morris Harris Group Inc.

The following table sets forth the name, business address, and present principal occupation or employment of each director and executive officer of Sanders Morris Harris Group Inc. Unless otherwise indicated below, each such person is a citizen of the United States and the business address of each such person is 600 Travis, Suite 3100, Houston, Texas 77002. Except as indicated below, during the last five years, none of the persons listed below has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or was or is subject to a judgment, decree, or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws as a party to a civil proceeding of a judicial or administrative body of competent jurisdiction.

<u>Name</u>	<u>Present Principal Occupation or Employment; Business Address</u>
George L. Ball	Director and Chairman of the Board
Ben T. Morris	Director and Chief Executive Officer
Robert E. Garrison II	Director and President
Don A. Sanders	Director, Vice Chairman
Titus H. Harris, Jr.	Director, Executive Vice President of SMH
Donald R. Campbell	Director, retired
W. Blair Waltrip	Director, private investor
John H. Styles	Director, private investor
Nolan Ryan	Director, private investor
Dan S. Wilford	Director, President and CEO of Memorial Hermann Healthcare System
Stephen M. Reckling	Chairman and CEO of Pinnacle Trust Co., LTA; 4265 San Felipe, Suite 900 Houston, Texas 77027
Rick Berry	Chief Financial Officer

Schedule 13D Joint Filing Agreement

The undersigned and each other person executing this joint filing agreement (this "Agreement") agree as follows:

The undersigned and each other person executing this Agreement are responsible for the timely filing of such Schedule 13D and any amendments thereto, and for the completeness and accuracy of the information concerning such person contained therein; but none of the undersigned or any other person executing this Agreement is responsible for the completeness or accuracy of the information statement concerning any other persons making the filing, unless such person knows or has reason to believe that such information is inaccurate.

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete, and correct

In Witness Whereof, the undersigned have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date set forth below.

Date: February 12, 2004

Signatures:

Corporate Opportunities Fund, L.P.

By: SMM Corporate Management, LLC, general partner

By /s/ James C. Gale \_\_\_\_\_

Name: James C. Gale  
Title: Manager

Corporate Opportunities Fund (Institutional), L.P.

By: SMM Corporate Management, LLC, general partner

By /s/ James C. Gale \_\_\_\_\_

Name: James C. Gale  
Title: Manager

Corporate Opportunities Management, LLC

By /s/ James C. Gale \_\_\_\_\_

Name: James C. Gale  
Title: Manager

Sanders Morris Harris Inc.

By /s/ James C. Gale \_\_\_\_\_

Name: James C. Gale  
Title: Managing Director

/s/ James C. Gale \_\_\_\_\_

Name: James C. Gale

Certain Information contained in Schedule 13D filed by Montreux Equity Partners II SBIC, L.P.  
With the SEC on January 29, 2004

### SCHEDULE 13D

#### Item 1. Security and Issuer.

The class of equity securities to which this statement on Schedule 13D (this "Statement") relates is the common stock, no par value (the "Common Stock"), of Questcor Pharmaceuticals, Inc., a California corporation ("Issuer"). The principal executive office of the issuer of such securities is located at 3620 Whipple Road, Union City, California 94587.

#### Item 2. Identity and Background.

Montreux Equity Partners II SBIC, L.P. ("MEP") is a California limited partnership whose principal business is making investments in the securities of other entities. The address of MEP's principal office is 2500 Sand Hill Road, Suite 215, Menlo Park, California 94025.

Montreux Equity Management II SBIC, LLC (the "General Partner") is a California limited liability company and the sole general partner of MEP. The principal business of the General Partner is to act as general partner of MEP. The address of its principal office is 2500 Sand Hill Road, Suite 215, Menlo Park, California 94025.

Howard D. Palefsky ("Mr. Palefsky") is a managing member of the General Partner. The address of his principal office is 2500 Sand Hill Road, Suite 215, Menlo Park, California 94025. Mr. Palefsky is a citizen of the United States.

Daniel K. Turner, III ("Mr. Turner") is a managing member of the General Partner. The address of his principal office is 2500 Sand Hill Road, Suite 215, Menlo Park, California 94025. Mr. Turner is a citizen of the United States.

MEP, the General Partner, Mr. Palefsky and Mr. Turner are referred to herein collectively, as the "Reporting Persons". During the past five years, none of the Reporting Persons (i) has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors), or (ii) was or is subject to judgment, decree, or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws as a party to a civil proceeding of a judicial or administrative body of competent jurisdiction.

#### Item 3. Source and Amount of Funds or Other Consideration.

On January 15, 2003, MEP entered into a Subscription Agreement with the Issuer in the form attached hereto as Exhibit 3 (the "Subscription Agreement"). Pursuant to the Subscription Agreement, MEP purchased 2,000 shares of the Series B Convertible Preferred Stock, no par value ("Series B Preferred"), of the Issuer in exchange for \$2,000,000. On January 15, 2003, the Issuer issued MEP a Common Stock Purchase Warrant (the "Warrants") in the form attached hereto as Exhibit 4. Pursuant to the Warrant, MEP currently has the right at any time to purchase 679,982 shares of Common Stock at an exercise price of the \$0.9412 per share. The 2,000 shares of Series B Preferred are currently convertible into an aggregate of 2,124,947 shares of Common Stock. The source of these funds was working capital of MEP.

#### Item 4. Purpose of Transaction.

The Reporting Persons originally acquired the 2,000 shares of Series B Preferred and the Warrants to purchase 679,982 shares of Common Stock for general investment purposes. The Reporting Persons review on an ongoing basis the Issuer's financial condition, business operations and prospects and may or may not seek involvement in the Issuer's affairs. Based on such evaluation, the Reporting Persons may from time to time purchase additional securities of the Issuer, dispose of all or a portion of the securities of the Issuer, or cease buying or selling shares.

To enable the Reporting Persons to better make such evaluations, on January 27, 2004 Mr. Palefsky, on behalf of the Reporting Persons, met with Mr. Charles J. Casamento ("Mr. Casamento"), Chairmen, President and CEO of the Issuer, to request representation on the Board of Directors of the Issuer (the "Board") by the holders of Series B

Preferred. Specifically, Mr. Palefsky informed Mr. Casamento that the Reporting Persons were considering the submission to the Issuer of a shareholder proposal to elect at the Issuer's next annual meeting of shareholders a director or directors of the Issuer nominated by the holders of Series B Preferred (the "Director Proposal"). Mr. Palefsky also informed Mr. Casamento that he intends to contact other shareholders of the Issuer to discuss the Director Proposal and has subsequently done so.

Pursuant to the advance notice provisions of the Issuer's Amended and Restated Bylaws (the "Bylaws"), shareholders of the Issuer must give the Issuer timely written notice of any shareholder proposal to be brought before an annual meeting of shareholders. To be timely, such written notice must be addressed to the secretary of the Issuer and delivered to and received at its principal executive offices not less than sixty (60) nor more than ninety (90) calendar days prior to the anniversary date on which the Issuer first mailed its proxy materials for its immediately preceding annual meeting of shareholders. The Issuer first mailed its proxy materials for its last annual meeting of shareholders on April 3, 2003. Accordingly, in order for the Reporting Persons to properly bring the Director Proposal before the Issuer's next annual meeting of shareholders, it must submit written notice of this proposal to the Issuer by February 3, 2004.

Dividends on the Series B Preferred accrue at a rate per annum based on the original purchase price of \$1,000 per share of 8% from January 15, 2003 to December 31, 2005, 10% from January 1, 2006 to December 31, 2007, and 12% after January 1, 2008, and are payable quarterly. The Series B Preferred ranks senior to the Series A Preferred Stock of the Issuer. All dividends on the Series B Preferred must be paid prior to payment of any dividends on the Common Stock. Accrued and unpaid dividends bear interest at the dividend rate in effect plus 6% per annum. Upon the occurrence and during the continuance of certain events, including the absence of reported sale price for the Common Stock for six consecutive trading days, certain failures to pay dividends, certain insolvency proceedings, judgments, default on obligations, certain changes in control of the Issuer, certain corporate transactions, certain non-compliance and breaches of the transaction documents, and failures to maintain net cash, cash equivalent and eligible investment balances, the applicable dividend rate is increased by 6% per annum. The Series B Preferred has seniority over the Issuer's Series A Preferred Stock in distributions upon any liquidation or dissolution of the Issuer, and is senior in rank to the Common Stock. On all matters voted upon by the shareholders of the Issuer, except as required by law, all the Series B Preferred votes on an as converted basis together with the Issuer's Common Stock as a single class (with each share of Series B Preferred casting a number of votes equal to 0.875 times the number of shares of Common Stock into which it is convertible).

The affirmative vote or written consent of a majority of the holders of Series B Preferred, voting separately as a class, is required for, among other matters, (1) any amendment, alteration, or repeal, whether by merger or consolidation or otherwise, of the Issuer's Articles of Incorporation if the amendment, alteration, or repeal materially and adversely affects the powers, preferences, or special rights of the Series B Preferred or (2) the creation or issuance of any class or series of preferred stock ranking senior to or on a parity with the Series B Preferred as to dividends or liquidation.

The Issuer has the right to redeem the Series B Preferred commencing January 1, 2006 for a redemption price equal to 110% of the stated value (\$1,000) of each share plus any accrued and unpaid dividends. In addition, each holder of Series B Preferred has the right to require the Issuer to redeem their shares of Series B Preferred at a redemption price equal to the stated value (\$1,000) of each share plus any accrued and unpaid dividends upon the occurrence of certain events, including certain amendments and changes of the Issuer's Articles of Incorporation, certain misstatements or omissions, certain payments of dividends or redemption prices, certain issuances of Common Stock, certain non-compliance and breaches of transaction documents, material breaches of representations and warranties, and certain voluntary insolvency proceedings.

Pursuant to a letter agreement between the Issuer and MEP dated as of December 29, 2002, MEP has the right to designate one individual to attend and act as an observer at all meetings of the Board.

Except as described in this Item 4, the Reporting Persons have no present plans or proposals which relate or would result in: (a) the acquisition by any person of additional securities of the Issuer, or the disposition of securities of the Issuer, (b) an extraordinary corporate transaction such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries, (c) a sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries, (d) any change in the present board of directors or management of the Issuer, (e) any material change to the present capitalization or dividend policy of the Issuer, (f) any other material change in the Issuer's business or

corporate structure, (g) changes in the Issuer’s charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person, (h) causing a class of securities of the Issuer to be delisted from a national securities exchange or to cease to be authorized to be quoted on an inter-dealer quotation system of a registered national securities association, (i) a class of equity securities of the Issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended, or (j) any actions similar to any of those enumerated above.

**Item 5. Interest in Securities of the Issuer.**

(a) There are 44,379,058 shares of Common Stock outstanding as of November 6, 2003 (the “Outstanding Shares”), as reported by the Issuer in its quarterly report on Form 10-Q for the period ended September 30, 2003. In addition there are 10,624,731 shares of Common Stock currently issuable upon conversion of all of the outstanding shares of Series B Preferred. Each share of Series B Preferred is currently entitled to a number of votes equal to 0.875 times the number of shares of Common Stock issuable upon conversion of such Series B Preferred, resulting in the total voting equivalence of 9,296,640 shares of Common Stock (the “Converted Shares”). The current voting equivalence of the 2,124,947 aggregate shares of Common Stock (the “MEP Series B Shares”) issuable upon the Series B Preferred currently held by the Reporting Persons is 1,859,329 (the “MEP Converted Shares”). In addition, the Reporting Persons may currently purchase an additional 679,982 shares of Common Stock upon conversion of the Warrants (the “Warrant Shares”).

Accordingly, the percentage interest calculation of the Reporting Persons set forth below for the aggregate number of outstanding shares (the “Aggregate Shares Outstanding”) was calculated by dividing the (A) sum of the MEP Series B Shares plus the Warrant Shares by (B) the sum of the Outstanding Shares plus the MEP Series B Shares plus the Warrant Shares, while the percentage interest calculation of the Reporting Persons set forth below for the aggregate number of voting shares (the “Voting Shares”), was calculated by dividing the (X) sum of the MEP Converted Shares plus the Warrant Shares by (Y) the sum of the Outstanding Shares plus the Converted Shares plus the Warrant Shares. Pursuant to Rule 13d-3 of the Act, the aggregate number and percentage of shares of Common Stock that may be deemed to be beneficially owned by each Reporting Person is as follows:

<u>Reporting Person</u>	<u>Aggregate Number of Shares Beneficially Owned</u>	<u>Percentage of Aggregate Shares Outstanding</u>	<u>Percentage of Voting Shares</u>
Montreux Equity Partners II SBIC, L.P.	2,804,929	5.94%	4.67%
Montreux Equity Management II SBIC, LLC	2,804,929 <sup>(1)</sup>	5.94%	4.67%
Howard D. Palefsky	2,804,929 <sup>(2)</sup>	5.94%	4.67%
Daniel K. Turner, III	2,804,929 <sup>(2)</sup>	5.94%	4.67%

<sup>(1)</sup> The General Partner serves as investment manager to and general partner of MEP. By reason of such relationships, the General Partner may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by MEP. The General Partner disclaims beneficial ownership of such shares.

<sup>(2)</sup> Mr. Palefsky and Mr. Turner are managing members of the General Partner, which serves as investment manager to and investment manager of MEP. By reason of such relationships, Mr. Palefsky and Mr. Turner may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by MEP and the General Partner. Mr. Palefsky and Mr. Turner disclaim beneficial ownership of such shares.

(b) The number of shares of Common Stock as to which there is sole power to direct the vote, shared power to vote or to direct the vote, sole power to dispose or direct the disposition, or shared power to dispose or direct the disposition for each of the Reporting Persons is as follows:

<u>Reporting Person</u>	<u>Sole Power to Vote or Direct the Vote</u>	<u>Shared Power to Vote or Direct the Vote</u>	<u>Sole Power to Dispose or Direct Disposition</u>	<u>Shared Power to Dispose or Direct Disposition</u>
Montreux Equity Partners II SBIC, L.P.	0	2,804,929 <sup>(1)</sup>	0	2,804,929 <sup>(1)</sup>
Montreux Equity Management II SBIC, LLC	0	2,804,929 <sup>(1)</sup>	0	2,804,929 <sup>(1)</sup>
Howard D. Palefsky	0	2,804,929 <sup>(2)</sup>	0	2,804,929 <sup>(2)</sup>
Daniel K. Turner, III	0	2,804,929 <sup>(2)</sup>	0	2,804,929 <sup>(2)</sup>

<sup>(1)</sup> The General Partner serves as investment manager to and general partner of MEP. By reason of such relationships, the General Partner may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by MEP. The General Partner disclaims beneficial ownership of such shares.

<sup>(2)</sup> Mr. Palefsky and Mr. Turner are managing members of the General Partner, which serves as investment manager to and investment manager of MEP. By reason of such relationships, Mr. Palefsky and Mr. Turner may be deemed to share voting and dispositive power over the Common Stock listed as beneficially owned by MEP and the General Partner. Mr. Palefsky and Mr. Turner disclaim beneficial ownership of such shares.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.**

In connection with the issuance of the Series B Preferred, the Issuer registered with the Securities and Exchange Commission the shares of Common Stock issuable upon conversion of the Series B Preferred and exercise of the Warrants and agreed to maintain the effectiveness of such registration statement for a period of two years.

On January 8, 2004, MEP and the Issuer entered into a non-binding term sheet pursuant to which MEP would purchase up to 679,982 shares of Common Stock at a price of \$0.644 per share in exchange for the payment of \$295,112.19 in cash and the surrender of the Warrants to purchase 679,982 shares of Common Stock. The Issuer and MEP are currently negotiating definitive documents in connection with this transaction and expect it may close sometime during early February 2004.

See Item 4 for a description of voting rights applicable to the Series B Preferred, which information is incorporated herein by reference.

Pursuant to a letter agreement between the Issuer and MEP dated as of December 29, 2002, MEP has the right to designate one individual to attend and act as an observer at all meetings of the Board.

Except as stated herein, to the best knowledge of each Reporting Person, no Reporting Person is a party to any contract, arrangement, understanding, or relationship (legal or otherwise) with any person with respect to any securities of the Issuer, including by not limited to, any transfer or voting of any such securities, finder's fees, joint ventures, loans or option arrangements, puts or calls, guarantees or profits, divisions of profit or loss, or the giving or withholding of proxies.

**CORPORATE OPPORTUNITIES FUND (INSTITUTIONAL), L.P.,  
CORPORATE OPPORTUNITIES FUND, L.P.,  
MONTREUX EQUITY PARTNERS II SBIC, L.P.**

February 2, 2004

*via Hand Delivery and Facsimile (510) 400-0715*

Questcor Pharmaceuticals, Inc.  
3620 Whipple Road  
Union City, California 94587  
Attention: Corporate Secretary

Re: Notice of Nominations by a Shareholder  
of Persons for Election as Directors

Gentlemen:

Pursuant to Article II, Section 15 of the Amended and Restated Bylaws (the "Bylaws") of Questcor Pharmaceuticals, Inc., a California corporation (the "Corporation"), Corporate Opportunities Fund (Institutional), L.P., and Corporate Opportunities Fund, L.P., both Delaware limited partnerships (collectively, "COF") along with Montreux Equity Partners II SBIC, L.P., a California limited partnership ("MEP", and collectively with COF, the "Funds") submit this notice of a shareholder proposal for the nominations of persons for the election as directors of the Corporation:

1. The Funds intend to nominate Albert Hansen and Howard D. Palefsky (the "Nominees") for election as directors of the Corporation at the Corporation's next annual meeting of shareholders in order to increase shareholder representation on the Board of Directors of the Corporation.

2. COF's address is 126 East 56<sup>th</sup> Street, 28<sup>th</sup> Floor, New York, New York 10022.

3. COF owns an aggregate of 3,000 shares of Series B Convertible Preferred Stock of the Corporation, which are currently convertible into 4,207,394 shares of common stock of the Corporation. COF also owns warrants to purchase 1,019,974 shares of common stock of the Corporation, which are currently exercisable in full. The shares may be deemed to be beneficially owned by SMM Corporate Management, LLC, the general partner of COF ("SMM"), Sanders Morris Harris Inc., the controlling member of SMM, and James C. Gale, a manager of SMM and the Chief Investment Officer of COF.

4. MEP's address is 2500 Sand Hill Road, Suite 215, Menlo Park, CA 94025.

5. MEP owns an aggregate of 2,000 shares of Series B Convertible Preferred Stock of the Corporation, which are currently convertible into 2,124,947 shares of common stock of the Corporation. MEP also owns a warrant to purchase 679,982 shares of common stock of the Corporation, which is currently exercisable in full. The shares may be deemed to be beneficially owned by Montreux Equity Management II SBIC, LLC, the general partner of MEP ("MEM"), and Howard D. Palefsky and Daniel K. Turner, III, each of whom are managing members of MEM.

6. There is no arrangement or understanding between or among (a) the Funds, (b) either of the Nominees, and (c) any other person or persons pursuant to which the nomination or nominations are



to be made by the Funds other than an understanding between the Funds that they intend to vote all shares that they each are entitled to vote in favor of the election of the Nominees as directors of the Corporation.

7. Attached is biographical information with respect to each of the Nominees which would be required to be included in a proxy statement filed in accordance with the proxy rules of the Securities Exchange Commission had the Nominees been nominated by the board.

8. Also attached is a signed consent of each Nominee to serve as a director of the Corporation if elected.

In addition, please be advised that pursuant to Article II, Section 8 of the Bylaws, each of COF and MEP intend to cumulative their votes at the next shareholders meeting at which directors are to be elected.

If you have any questions with respect to the foregoing, please call Howard D. Palefsky at (650) 234-1200.

Very truly yours,

**Corporate Opportunities Fund, L.P.**  
**Corporate Opportunities Fund (Institutional), L.P.**

By: SMM Corporate Management, LLC,  
general partner of each

By: \_\_\_\_\_

Name: Albert Hansen  
Title: Managing Director

**Montreux Equity Partners II SBIC, L.P.**

By: Montreux Equity Management II SBIC, LLC,  
its general partner

By: \_\_\_\_\_

Name: Howard D. Palefsky  
Title: Managing Member

**CORPORATE OPPORTUNITIES FUND, L.P.**  
**CORPORATE OPPORTUNITIES FUND (INSTITUTIONAL), L.P.**  
126 EAST 56<sup>TH</sup> STREET, 28<sup>TH</sup> FLOOR  
NEW YORK, NEW YORK 10022

February 12, 2004

via Fedex and Facsimile (510) 400-0715

Questcor Pharmaceuticals, Inc.  
3620 Whipple Road  
Union City, California 94587  
Attention: Timothy E. Morris  
Sr. VP Finance & Administration, CFO

Re: Notice to Increase Restricted Ownership Percentage  
of Series B Convertible Preferred Stock and Warrant

Gentlemen:

Pursuant to Section 10(g)(1) of the Certificate of Determination of Series B Convertible Preferred Stock (the "Certificate") of Questcor Pharmaceuticals, Inc., a California corporation (the "Company"), and pursuant to Section 2(c)(1) of the Common Stock Purchase Warrant, dated as of January 15, 2003 (the "Warrant"), to purchase shares of Common Stock of the Company held by each of Corporate Opportunities Fund, L.P. and Corporate Opportunities Fund (Institutional), L.P., both Delaware limited partnerships (each a "Holder" and together, the "Holders"), we hereby notify you, effective as of the date hereof, that each Holder:

- (i) has increased its Restricted Ownership Percentage (as defined in the Certificate) from 9.9% to 19.9%; and
- (ii) has increased the Restricted Ownership Percentage (as defined in the Warrant) of the Holder from 9.9% to 19.9%.

Each Holder reserves its right to further increase or to decrease its Restricted Ownership Percentage from time to time in accordance with the Certificate and the Warrant. Please confirm and acknowledge receipt of this notice by executing the attached Confirmation and returning it to the undersigned in the enclosed return Fedex envelope.

Sincerely,

**Corporate Opportunities Fund, L.P.**  
**Corporate Opportunities Fund (Institutional), L.P.**

By: SMM Corporate Management, LLC,  
general partner

By: \_\_\_\_\_

Name: James C. Gale  
Title: Manager

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**Confirmation**

The undersigned acknowledges receipt of notice from Corporate Opportunities Fund, L.P. and Corporate Opportunities Fund (Institutional), L.P. (the "Funds") that each has increased its Restricted Ownership Percentage from 9.9% to 19.9% effective as of February 12, 2004.

**Questcor Pharmaceuticals, Inc.**

By: \_\_\_\_\_

Timothy E. Morris  
Chief Financial Officer

Date: \_\_\_\_\_