

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

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

Date of Report: December 14, 1999

Questcor Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

0-20772
(Commission File Number)

California
(State or other jurisdiction of
incorporation or organization)

33-0476164
(I.R.S. Employer
Identification No.)

26118 Research Road
Hayward, California 94545
(Address of principal executive offices, with zip code)

(510) 732-5551
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED.

Audited financial statements of RiboGene, Inc., the acquired business, prepared pursuant to Rule 3-05 of Regulation S-X are incorporated herein by reference from Cypros Pharmaceutical Corporation's Registration Statement on Form S-4 (File No. 333-47737) filed with the Securities and Exchange Commission on September 23, 1999. Unaudited financial statements of RiboGene prepared pursuant to Rule 3-05 of Regulation S-X are incorporated by reference from RiboGene's quarterly report on Form 10-Q for the quarter ended September 30, 1999 filed with the Securities and Exchange Commission on November 15, 1999. Concurrent with Cypros' acquisition of Ribogene, Cypros changed its name to Questcor Pharmaceuticals, Inc.

(b) PRO FORMA FINANCIAL INFORMATION.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been consummated as of the dates indicated, nor is it necessarily indicative of future operating results or financial position. The unaudited pro forma combined condensed financial statements have been derived from the historical financial statements of Cypros and RiboGene and give effect to (1) the merger as a purchase of RiboGene by Cypros for accounting purposes, and (2) costs associated with the completion of the merger. The unaudited pro forma combined condensed balance sheet gives effect to the merger as if it had occurred on July 31, 1999 and reflects the allocation of the purchase price to the RiboGene assets acquired, including in-process research and development, and liabilities assumed, using Cypros' July 31, 1999 balance sheet and RiboGene's September 30, 1999 balance sheet. The unaudited pro forma combined condensed statement of operations combines the results of operations of Cypros and RiboGene for the years ended July 31, 1999 and September 30, 1999, respectively. The pro forma adjustments are based on preliminary estimates, available information and assumptions that management deems appropriate. Questcor is obtaining a valuation of the acquired intangible assets and in-process research and development, and is actively engaged in the disposition of excess equipment and termination of excess personnel, and thus, may modify the purchase price allocation accordingly based upon the results obtained.

The Questcor statement of operations for the period ending December 31, 1999 (Questcor is in the process of changing the fiscal year end from July 31 to December 31) will include a significant charge for acquired in-process research and development, currently estimated to be \$16 million. This amount represents the value determined by management, using a discounted cash flow methodology, to be attributable to RiboGene's development program for Emitasol. However, the Company intends to obtain an independent valuation for such charge. Assuming this program continues through the final stages of clinical development, the projected future domestic and international development expenditures related to this program total \$7 million. The Emitasol program is forecasted to be completed in approximately two to three years. If less of the purchase price had been allocated to this program,

the value would have been recorded as goodwill on the balance sheet and amortized over the expected benefit period, resulting in increased amortization expense during that period.

Management believes that the allocation of the purchase price to the Emitasol program is appropriate given the future potential of the program to contribute to Questcor's operations. If, at a later date, management of Cypros decides to no longer pursue or indefinitely postpones this in-process program, or determines that the discounted cash flows will no longer meet the projection underlying the valuation, or revises its estimate of the anticipated time of regulatory approval, it will disclose that fact to investors in the appropriate Form 10-K or 10-Q with a supporting explanation, if material.

The pro forma financial information does not purport to represent what the combined company's financial position or results of operations would actually have been if the merger in fact had been completed on those dates or to project the combined company's financial position or results of operations for any future period. Questcor is also incurring additional costs, which are not expected to be significant to the combined results of operations, in connection with integrating the operations of the two companies. Integration-related costs are not included in the accompanying unaudited pro forma condensed combined financial statements.

PRO FORMA COMBINED CONDENSED BALANCE SHEET (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Assets	Cypros July 31, 1999 (Unaudited)	Ribogene September 30, 1999 (Unaudited)	Acquisition Adjustments	Combined
Current assets:				
Cash and cash equivalents	\$ 2,509	\$ 9,167	\$ -	\$ 11,676
Short-term investments, held to maturity	2,964	13,260	-	16,224
Accounts receivable	392	-	-	392
Inventories	205	-	-	205
Prepaid expenses and other current assets	113	132	(132) (1)	113
Total current assets	6,183	22,559	(132)	28,610
Investment grade securities, non-current portion	1,789	-	-	1,789
Property, equipment and leasehold improvements, net	1,472	1,589	(903) (2)	2,158
Goodwill and other purchased intangibles	-	-	999 (3)	999
Purchased technology, net	3,266	-	458 (3)	3,724
Licenses and patents, net	158	-	-	158
Deferred financing costs	-	491	(491) (1)	-
Other assets	271	185	(185) (1)	271
Total assets	\$ 13,139	\$ 24,824	\$ (254)	\$ 37,709
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable	\$ 498	\$ 602	\$ 2,037 (4)	\$ 3,137
Accrued development costs	-	1,108	-	1,108
Accrued compensation	201	220	-	421
Other accrued liabilities	63	1	-	64
Deferred revenue---related party	-	667	-	667
Other current liabilities	-	1,027	-	1,027
Current portion of long-term debt	54	317	-	371
Current portion of capital lease obligations	106	160	-	266
Total current liabilities	922	4,102	2,037	7,061
Non-current portion of notes payable	7	5,955	-	5,962
Non-current portion of capital lease obligations	140	103	-	243
Deferred rent	156	-	-	156
Other noncurrent liabilities	-	12	-	12
Shareholders' equity:				
RiboGene preferred stock, 5,000,000 shares, \$0.001 par value authorized, 1,428,572 shares issued and outstanding as of September 30, 1999	-	1	(1) (5)	-
RiboGene common stock, 30,000,000 shares, \$0.001 par value authorized, 5,763,017 shares issued and outstanding as of September 30, 1999 (none at close of merger)	-	6	(6) (5)	-
Common stock, 30,000,000 shares authorized, 15,711,877 shares issued and outstanding as of July 31, 1999; 24,361,113 shares outstanding at the closing of the merger	41,497	-	18,380 (6)	59,877
Cypros preferred stock, 5,000,000 shares authorized, none issued and outstanding as of July 31, 1999; 2,134,534 shares of Series A preferred stock outstanding at the closing of the merger	-	-	4,535 (6)	4,535
Additional paid in capital	-	67,125	(61,315) (5), (8)	5,810
Notes receivable from stockholders	-	(1)	1 (5)	-
Accumulated other comprehensive loss	-	(44)	44 (5)	-
Deferred compensation	(69)	(1,278)	1,278 (5)	(69)
Accumulated deficit	(29,514)	(51,157)	34,793 (5), (7)	(45,878)
Total shareholders' equity	11,914	14,652	(2,291)	24,275
Total liabilities and shareholders' equity	\$ 13,139	\$ 24,824	\$ (254)	\$ 37,709

- (1) Adjustment to record the writeoff of this asset in connection with the merger.
- (2) Adjustment to reflect the estimated net salvage value of certain of RiboGene's equipment, which is to be disposed of following the merger.
- (3) Adjustment to reflect \$876 in goodwill (3 year life), \$458 in Italian rights to Emitasol (5 year life) and \$123 in assembled work force (2 year life) acquired by Cypros.

The unaudited estimated fair value of assets acquired and liabilities assumed is summarized as follows:

Fair market value of Cypros' stock, to be issued in connection with the merger.....	\$22,915
Fair value of options and warrants assumed.....	5,810
Fair value of liabilities assumed.....	10,172
Other acquisition costs.....	2,037

Total cost.....	40,934
Fair value of tangible assets acquired.....	23,113
Acquired in-process research and development.....	16,364
Identifiable intangible assets.....	581

Total identifiable assets acquired.....	40,058

Excess of cost over identifiable assets acquired (goodwill).....	\$876

- (4) Adjustment to reflect \$2,037 in transaction costs expected to be incurred by Cypros and RiboGene related to the merger.
- (5) Adjustments to reflect the elimination of RiboGene's equity accounts, totaling \$14,652.
- (6) Adjustment to reflect \$28,725 relating to the issuance of 8,649,236 shares of Cypros common stock, 2,134,534 shares of Cypros Series A preferred stock (convertible on a one-for-one basis into Cypros common stock) in exchange for all outstanding shares of RiboGene common stock and RiboGene Series A preferred stock.
- (7) Adjustment to expense the acquired in-process research and development amounting to \$16,364, based on management assumptions of the value of Emitasol, which has not yet completed clinical development in the United States.
- (8) To record the \$5,810 estimated fair value of Cypros stock options and warrants to be issued to RiboGene option and warrant holders in connection with the merger.

PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Cypros Twelve Months Ended July 31, 1999	Ribogene Twelve Months Ended September 30, 1999 (1)	Pro Forma Adjustments	Pro Forma Combined
<hr/>				
Revenues:				
Net product sales	\$ 2,518	\$ -	\$ -	\$ 2,518
Contract research	-	2,183	-	2,183
Grants	51	-	-	51
Royalties	-	8	-	8
<hr/>				
Total revenues	2,569	2,191	-	4,760
<hr/>				
Operating expenses:				
Cost of product sales	771	-	-	771
Sales and marketing	1,703	-	-	1,703
General and administrative	3,327	4,894	-	8,221
Clinical testing and regulatory	2,438	1,341	-	3,779
Pre-clinical research and development	548	6,722	-	7,270
Amortization of goodwill	-	-	292 (2)	292
Depreciation and amortization	1,239	455	(27) (3)	1,667
<hr/>				
Total operating expenses	10,026	13,412	265	23,703
<hr/>				
Loss from operations	(7,457)	(11,221)	(265)	(18,943)
Interest and other income, net	590	788	-	1,378
Sublease income, net	83	-	-	83
<hr/>				
Net loss	\$ (6,784)	\$ (10,433)	\$ (265)	\$ (17,482)
<hr/>				
Net loss per share, basic and diluted	\$ (0.43)	\$ (1.84)		\$ (0.82)
<hr/>				
Shares used in computing net loss per share, basic and diluted (4)	15,712	5,670		21,382
<hr/>				

- (1) RiboGene's results for the twelve months ended September 30, 1999 are calculated based on the unaudited consolidated financial information for the nine months ended September 30, 1999 and the audited three months ended December 31, 1998.
- (2) Adjustment to recognize goodwill arising from the merger over three years.
- (3) Adjustment to recognize \$154 of amortization of other intangible assets arising from the merger over two to five years, offset by a \$181 reduction in depreciation expense as a result of the \$903 write down of some RiboGene assets acquired.
- (4) Preferred shares, stock options and warrants are excluded from the computation of diluted net loss per share due to their antidilutive nature. Pro forma combined basic and diluted net loss per share are based on the historical weighted average shares of Cypros common outstanding, adjusted to reflect the issuance as of August 1, 1998 of 8,649,236 shares in connection with the merger.

Excluded from the above is the adjustment to expense \$16,364 of acquired in-process research and development associated with the merger based on management assumptions of the value of RiboGene's late-stage clinical development program for Emitasol in the United States. This amount has been included as an increase to accumulated deficit in the pro forma combined condensed balance sheet at July 31, 1999. Also excluded from the above are charges totaling \$1,711 to write down some assets to their estimated fair value. These charges have been excluded as they relate to the merger and are nonrecurring in nature.

(c) EXHIBITS

- 2.1 Agreement and Plan of Reorganization dated August 4, 1999 between the Registrant Pharmaceutical Corporation and RiboGene, Inc. (*)
- 23.1 Consent of Ernst & Young LLP, Independent Auditors.
- 99.1 Press Release, dated November 17, 1999. (**)

- -----
(*) Incorporated by reference to the Registrant' Current Report on Form 8-K dated August 16, 1999.

(**) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 2, 1999.

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 thereunto duly authorized.

Questcor Pharmaceuticals, Inc.

Date: December 14, 1999

By: /s/ Michael D. Rose

Michael D. Rose
Acting Chief Financial Officer
(Principal Financial and
Accounting Officer)

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-81243) pertaining to the 1992 Stock Option Plan and the 1993 Non-Employee Directors' Equity Incentive Plan of Questcor Pharmaceuticals, Inc, (formerly Cypros Pharmaceutical Corporation), and in the Registration Statements on Form S-3 (Nos. 333-25661, 333-32159, 333-23085, 333-17501 and 333-03507) of Questcor Pharmaceuticals, Inc., of our report dated February 12, 1999 with respect to the financial statements of RiboGene, Inc. incorporated by reference in this Report (Form 8-K).

/s/Ernst & Young LLP

Palo Alto, California
December 10, 1999