Pacira Pharmaceuticals, Inc. (PCRX)

Exparel PDUFA Date Extended by Three Months to October 28th; However, We Remain Confident in First Pass Approval

June 14, 2011

Price
$11.70

Rating
OUTPERFORM

Fair Value Estimate
$19

Richard Lau
(415) 274-6851
richard.lau@wedbush.com

Liana Moussatos, Ph.D.
(415) 263-6626
liana.moussatos@wedbush.com

- **Pacira received notification yesterday afternoon that the FDA has extended the Exparel PDUFA date by three months to October 28, 2011.** The company submitted a New Drug Application (NDA) to the FDA in October 2010 with an original prescription drug user fee act (PDUFA) deadline of July 28, 2011. According to the company, the FDA had previously requested additional information which Pacira has already submitted. However, the FDA extended the PDUFA date to allow for sufficient time to review the NDA.
- **Our take is that the additional information requested by the FDA was minor.** Although management would not discuss the nature of the information due to confidentiality, we believe this is a classic delaying tactic implemented by the FDA when they are behind in their review in order to make the PDUFA deadline and preserve their statistics for reviewing NDAs on time. We do not believe there are any new clinical trials requested and management has submitted all the information needed.
- **We estimate the company has cash runway through the new PDUFA date and launch of Exparel.** Given the new PDUFA date of October 28, 2011, we now estimate Exparel launch in Q1:12 (previously Q4:11). Pacira ended Q1:11 with approximately $59 million in cash which we estimate is sufficient to last into Q1:12 assuming approval on October 28th. Furthermore, we note that, absent expenses related to the launch of Exparel, we estimate cash runway well into H2:12.
- **We view today's weakness as a buying opportunity as we remain confident in approval by the new PDUFA date.** We estimate a 75% chance that Exparel is approved on the new PDUFA date and see about 70% upside more from current levels on approval.
- **We reiterate our OUTPERFORM rating and fair value of $19.** Our fair value is calculated based on the sum-of-parts for each drug/indication combination using a 30% annual discount from our peak annual revenues projections and 1-10x multiple, depending on stage of development to reflect risk.

FYE Dec	2010A	2011E			2012E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	$3.9A		--	--		--
Q2 Jun	--	3.8E		3.6E	--		--
Q3 Sep	--	4.0E		3.7E	--		--
Q4 Dec	--	4.0E	6.8E	6.6E	--		--
Year*	**$14.6A**	**$15.6E**	**$18.3E**	**$18.4E**	**$37.5E**	**$43.4E**	**$56.7E**
Change	--	--			--		
	2010A	2011E			2012E		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	($0.98)A		--	--		--
Q2 Jun	--	(0.46)E	(0.45)E	(0.52)E	--		--
Q3 Sep	--	(0.47)E	(0.77)E	(0.70)E	--		--
Q4 Dec	--	(0.78)E	(1.26)E	(1.40)E	--		--
Year*	**($47.29)A**	**($2.55)E**	**($3.43)E**	**($3.16)E**	**($3.16)E**	**($2.24)E**	**($1.55)E**
P/E	NMx	NMx			NMx		
Change	--	--			--		

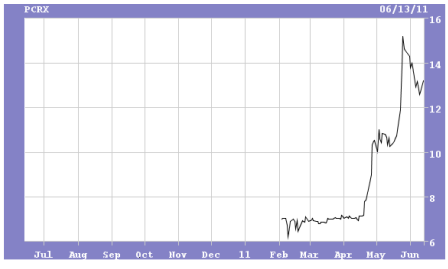
Consensus estimates are from Thomson First Call.
** Numbers may not add up due to rounding.*

Company Information

Shares Outst (M)	17.2
Market Cap (M)	$202
52-Wk Range	$6.16 - $15.34
Book Value/sh	$3.11
Cash/sh	$3.45
Enterprise Value (M)	$165
LT Debt/Cap %	42

Company Description

Pacira Pharmaceuticals, Inc. is an emerging specialty pharmaceutical company focused on the development, manufacture, and commercialization of DepoFoam-enhanced extended release drug candidates, such as Exparel, for use in hospital and ambulatory surgery centers.



Source: Thomson Reuters

Wedbush Securities does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Please see page 7 of this report for analyst certification and important disclosure information.

Figure 1: Model Update

Pacira Pharmaceuticals, Inc. (PCRX:NASDAQ)								Wedbush Securities, Inc.
Historical and Projected Income Statement								*Richard Lau*
(In thousands except per share data)								*Liana Moussatos, PhD*
	2010A	2011E					2012E	2013E
	FY:10A	Q1A	Q2	Q3	Q4	FY:11E	FY:12E	FY:13E
Gross Sales:								
Exparel US - Infiltration					-	-	17,756	53,812
Exparel EU - Infiltration					-	-	-	3,950
Exparel ROW (Japan) - Infiltration					-	-	-	-
Revenues:								
Exparel US Sales - Infiltration		0	0	0	0	0	17,756	53,812
Exparel EU Royalties - Infiltration		0	0	0	0	0	0	829
Exparel ROW (Japan) Royalties - Infiltration		0	0	0	0	0	0	0
Exparel Total - Revenues and Royalties		0	0	0	0	0	17,756	54,640
DepoDur/DepoCyt(e) Supply and Royalty Revenue	11,345	2,653	3,090	3,210	3,293	12,564	13,778	14,904
Total Net Product Revenues	$ 11,345	$2,653	$3,090	$3,210	$3,293	$ 12,564	$ 31,534	$ 69,544
Collaborative Licensing and Development Revenue	3,217	1,210	750	750	750	3,000	6,000	11,000
Total Revenues	**14,562**	**3,863**	**3,840**	**3,960**	**4,043**	**15,564**	**37,534**	**80,544**
Total COGS (including royalties and milestones owed)	12,276	3,667	2,600	2,700	2,800	11,767	21,195	14,257
Gross Margin	**2,286**	**196**	**1,240**	**1,260**	**1,243**	**3,797**	**16,340**	**66,288**
Operating Expenses:								
R&D	18,628	3,513	5,083	5,185	5,289	19,070	33,577	27,818
SG&A	6,030	3,805	3,843	3,881	9,420	20,950	41,674	36,267
Acquired in-process R&D	-	-	-	-	-	-	-	-
Total Operating Expenses	**24,658**	**7,318**	**8,926**	**9,066**	**14,709**	**40,020**	**75,251**	**64,085**
Operating Income (Loss)	**(22,372)**	**(7,122)**	**(7,686)**	**(7,807)**	**(13,466)**	**(36,223)**	**(58,911)**	**2,203**
Other income (expense)	(34)	110	110	110	110	440	-	-
Interest Income	146	29	511	370	225	1,134	-	-
Interest (Expense)	(3,959)	(2,481)	(635)	(635)	(635)	(4,387)	(2,118)	(1,139)
Royalty Interest Obligation	(930)	(311)	(311)	(311)	(311)	(1,244)	2,230	817
Income Before Income Taxes	**(27,149)**	**(9,775)**	**(8,012)**	**(8,273)**	**(14,078)**	**(40,280)**	**(58,799)**	**1,881**
(Provision)/benefit for Income Taxes	-	-	-	-	-	-	-	-
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss)	**$ (27,149)**	**$ (9,775)**	**$ (8,012)**	**$ (8,273)**	**$ (14,078)**	**$ (40,280)**	**$ (58,799)**	**$ 1,881**
GAAP EPS	**(47.29)**	**(0.98)**	**(0.46)**	**(0.47)**	**(0.78)**	**(2.55)**	**(3.16)**	**0.10**
Weighted Average Shares Outstanding	574	10,014	17,483	17,733	17,983	15,803	18,608	19,608
Cash	**$26,133**	**$59,331**	**$42,782**	**$31,172**	**$13,787**	**$13,787**	**($66,463)**	**($86,410)**
Cash Per Share	**$45.52**	**$3.45**	**$2.45**	**$1.76**	**$0.77**	**$0.87**	**($3.57)**	**($4.41)**

Source: Company data, Wedbush Securities, Inc.

We estimate the company has cash runway through the new PDUFA date and launch of Exparel. Given the new PDUFA date of October 28, 2011, we now estimate Exparel launch in Q1:12 (previously Q4:11). Pacira ended Q1:11 with approximately $59 million in cash which we estimate is sufficient to last into Q1:12, assuming approval on October 28th. Furthermore, we note that, absent expenses related to the launch of Exparel, we estimate cash runway well into H2:12. We have updated our model to account for the three-month delay in our anticipated launch timing which had a slight impact on our revenue, expense, and EPS numbers going forward.

POTENTIAL UPCOMING MILESTONES (OUR ESTIMATES)

October 28, 2011	**Exparel (infiltration) PDUFA date**
2011	Potential partnership for ex-US rights of Exparel
2011	Potential additional technology partnerships
2011	Select clinical candidate from DepoNSAID program
Q1:12	**US launch of Exparel (infiltration)**
H1:12	Initiate pivotal trial of Exparel in nerve block
H2:12	Pivotal trial data for Exparel in nerve block
H1:13	File sNDA for Exparel (nerve block)
H1:13	Initiate pivotal trial of Exparel in epidural
H2:13	Pivotal trial data for Exparel in epidural
Late 2013	Potential sNDA approval/launch of Exparel (nerve block)

2014	File sNDA for Exparel (epidural)
2015	Potential sNDA approval/launch of Exparel (epidural)

We anticipate the next major catalyst for Pacira is the PDUFA date of October 28, 2011 for Exparel treatment of postsurgical pain management. We estimate a 75% chance that Exparel is approved on its PDUFA date and see about 70% upside from current levels on approval. Despite the three month delay, we remain confident on approval for several main factors. First, the efficacy evidence for the NDA is based on two positive Phase 3 trials of Exparel which the FDA acknowledged at a pre-NDA meeting in February 2010 to be appropriately designed to evaluate safety and efficacy. Second, the safety profile of Exparel seems adequate for approval and while the FDA typically requires a 500 patient safety database for pain drugs, Pacira submitted data for over 1300 patients. Third, the FDA is already familiar with bupivacaine, the active ingredient in Exparel, as well as Pacira's DepoFoam technology. Furthermore, the hemorrhoidectomy (soft-tissue surgery) and bunionectomy (orthopedic surgery) indications were selected to support a broad label for use as a single dose local administration into the surgical wound to produce postsurgical analgesia. We believe Exparel is likely to receive this broad label given that other pain drugs such as OFIRMEV, Caldolor, and Zipsor were all recently approved with broad labels for pain.

Figure 2: Pipeline Valuation

PCRX Product Pipeline Valuation		Eligible #	Pricing	Gross Peak Revs	Net Peak Revs*	Peak		Estimated/Actual	Discount	Estimate	Fair Value
Product	Indication	Patients	$/Patient	($000)	($000)	Penetration	Multiple	Launch	Rate	Fair Value	per Share
DepoDur	Postoperative Pain	145,030,200	$118	$679	$679	0%	3	1/1/2004	30%	$2,294	$0.13
DepoCyte	Lymphomatous Meningitis	7,020,000	$407	$17,012	$17,012	8%	3	7/1/1999	30%	$10,467	$0.61
DepoMethotrexate	Autoimmune (RA)	7,100,000	$963	$486,643	$305,001	8%	1	1/3/2016	30%	$24,839	$1.44
DepoMethotrexate	Oncology	189,000	$407	$19,858	$12,439	24%	1	1/3/2016	30%	$1,013	$0.06
DepoNSAID	Pain	145,030,200	$26	$123,232	$78,391	5%	1	1/3/2016	30%	$4,911	$0.28
EXPAREL	Total Infiltration	60,275,000	$175	$557,518	$376,687	6%	8	1/3/2012	30%	$321,619	$18.66
EXPAREL	Nerve Block	22,062,500	$80	$104,965	$67,901	11%	5	1/3/2014	30%	$35,943	$2.09
EXPAREL	Epidural	18,125,000	$161	$164,848	$108,332	11%	4	1/3/2015	30%	$35,289	$2.05

*Net Peak Revs includes 5.5% net royalty ow ed

We use multiples to account for clinical and regulatory risk at various stages of development.

1: in preclinical testing	6: in Phase 3
2: passed preclinical	7: Phase 3 data
3: IND filing/stable mature product	8: regulatory review
4: Phase 1 data	9: approved
5: Phase 2 data	10: launched

	Stock	MktCap	Upside
Fair Value	$19.40	$334,380	72%
Total Pipeline Value	$25.32	$464,064	
Current Cash	$3.44	$59,331	
Current Price	**$11.26**	**$194,045**	

Source: Wedbush Securities, Inc.

Based on a 30% annual discount and a 1x-10x premium range on our net peak annual revenues estimate for each product and indication in the clinic, we calculate PCRX's current fair value at about $19 per share. Our fair value attributes about $19 to Exparel use through infiltration and less than $1 to DepoDur® and DepoCyt(e)®. We have not included any expansion indications for Exparel such as nerve block or epidural in our fair value to be conservative and due to uncertainty around potential launch timing; but we estimate these indications would collectively add about $4 per share to our fair value. We also estimate that the company has about $2.45 in cash per share which we have not included in our fair value, given that Pacira is not yet profitable.

CORPORATE OVERVIEW

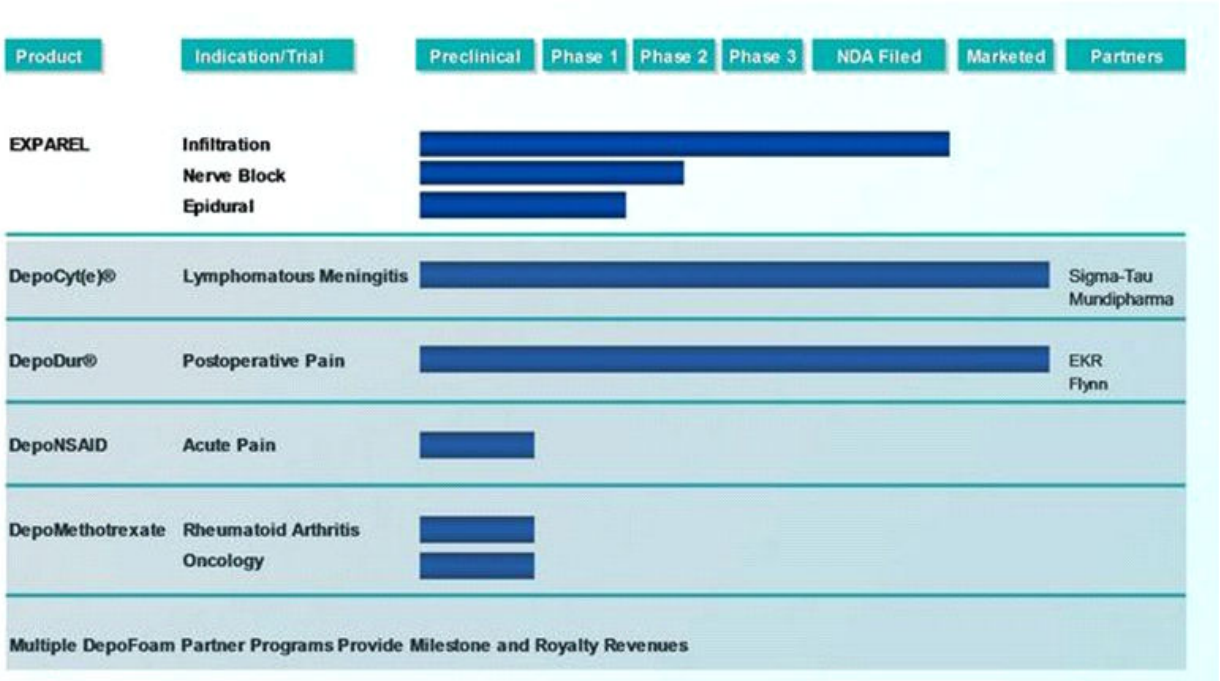
Pacira, located in Parsippany, New Jersey, is a fully-integrated emerging specialty pharmaceutical company focused on developing and commercializing therapeutics for patients in the acute care hospital and ambulatory surgical settings. Emerging from SkyePharma in 2007, Pacira currently receives manufacturing and royalty revenues from DepoDur® and DepoCyt(e)® and has ongoing development collaborations for pharmaceutical applications of its DepoFoam technology. However, the majority of our projected revenue is from sales of its lead product candidate, Exparel (long-acting bupivacaine encapsulated in DepoFoam), as a treatment for pain in the hospital setting. Pacira also has an early pipeline of drug candidates utilizing the DepoFoam liposome-based platform for development of sustained-release injectable products. DepoFoam technology can enhance the dosing of approved drugs by encapsulating the active ingredient in multi-vesicular liposomal particles which release the active ingredient over time without altering its chemistry.

DepoCyt(e)® (DepoFoam-based sustained-release cytarabine) and DepoDur® (DepoFoam-based sustained-release morphine sulfate) are indicated for lymphomatous meningitis and postoperative pain, respectively. FDA approved in 1999 and 2004, these products provide annual revenues in the range of $12-18 million which we continue to project for the next several years as these products are mature. DepoCyt(e)® is partnered with Sigma-Tau (US) and Mundi Pharma (ex-US) while DepoDur® is partnered with EKR Therapeutics (US) and Flynn Pharma (ex-US). DepoCyt(e)® was approved for intrathecal treatment of lymphomatous meningitis, which begins as primary lymphoma and spreads to meninges which line the spinal cord and brain. Its sustained-release formulation has been associated with improved response rates and a more convenient dosing regimen compared with immediate release cytarabine. The DepoFoam formulation has a more patient-friendly administration from twice weekly to once every two weeks and can provide treatment on an outpatient basis. DepoDur®, a sustained-release, injectable morphine sulfate, was approved for treatment of postsurgical pain. One injection at the lumbar level can relieve pain up to 48 hours improving mobility without indwelling catheters.

What we consider to be Pacira's significant value driver is Exparel, a long-lasting formulation of bupivacaine using DepoFoam technology. The two Phase 3 trials were multicenter, randomized, double-blind, placebo-controlled with one trial in soft tissue surgery (hemorrhoidectomy) and the other trial in orthopedic surgery (bunionectomy). Both trials met their primary endpoints with statistical significance showing pain control (~30% reduction versus placebo) through 72 hours for the hemorrhoidectomy trial (P<0.0001) and 24 hours for the bunionectomy trial (P=0.0005). Additionally, both trials met multiple secondary endpoints related to both opioid use and patient satisfaction. Due to the attributes of DepoFoam-based delivery and successful clinical results indicating that Exparel can deliver up to 72 hours of pain relief post-surgery compared to about 7 hours for current formulations of bupivacaine, we consider Exparel to be superior to other bupivacaine formulations and anticipate significant uptake. Furthermore, we believe the reduction in opioid consumption presents a compelling argument for the use of Exparel from a health economic standpoint.

An NDA for Exparel was submitted in September 2010 and accepted for filing in December 2010 and has an October 28, 2011 PDUFA date. We estimate a 75% chance that Exparel is approved on its PDUFA date and see about 70% upside from current levels on approval. Despite the three-month delay, we remain confident on approval for several main factors. First, the efficacy evidence for the NDA is based on two positive Phase 3 trials of Exparel which the FDA acknowledged at a pre-NDA meeting in February 2010 to be appropriately designed to evaluate safety and efficacy. Second, the safety profile of Exparel seems adequate for approval and while the FDA typically requires a 500 patient safety database for pain drugs, Pacira submitted data for over 1300 patients. Third, the FDA is already familiar with bupivacaine, the active ingredient in Exparel, as well as Pacira's DepoFoam technology. Furthermore, the hemorrhoidectomy (soft-tissue surgery) and bunionectomy (orthopedic surgery) indications were selected to support a broad label for use as a single dose local administration into the surgical wound to produce postsurgical analgesia. We believe Exparel is likely to receive this broad label given that other pain drugs such as OFIRMEV, Caldolor, and Zipsor were all recently approved with broad labels for pain.

Figure 3: Product Portfolio



Source: Reprinted with permission from Pacira Pharmaceuticals

RISKS TO ATTAINMENT OF OUR FAIR VALUE

Regulatory Risk. Pacira submitted a 505(b)(2) NDA for Exparel treatment of postsurgical pain with the FDA in September 2010 that was accepted for review on December 10, 2010 and has a PDUFA date of October 28, 2011. The basis for the NDA is supported by two pivotal Phase 3 clinical trials with positive results which we believe to be adequate for approval of Exparel. However, unforeseen concerns may arise with the FDA that could result in approval delay or the FDA could determine the NDA to be not approvable. For example, in 2009, two Phase 3 trials of Exparel failed to meet their primary endpoints of showing a 30% better reduction in pain compared to regular bupivacaine. One of these trials was for total knee arthroplasty and the other was for hemorrhoidectomy. The trials were designed to compare Exparel to regular bupivacaine in a multimodal setting where patients also received concomitant analgesics. The trials did not meet their primary endpoints due to unexpectedly good results in the control arm. We believe this may have been partly due to the use of concomitant analgesics as well as poor trial design. Importantly, Exparel performed as expected in terms of both safety and efficacy. Based on the results of these two trials, the two successful pivotal trials were designed with more appropriate inclusion and exclusion criteria and protocol specified measures.

The FDA may require Pacira to conduct a study of Exparel in pediatric patients. Pacira has requested a waiver for patients under two years of age and a deferral for patients under 18 years of age. However, there can be no assurance that the waiver or deferral will be granted. In our opinion, the risk of the FDA requesting a pediatrics study prior to approval is low based on historical decisions by the FDA in which other companies developing pain products were allowed to conduct pediatric studies post-approval.

FDA approval of Exparel is dependent on a pre-approval inspection of Pacira's manufacturing facilities. Additionally, the FDA might not agree that the registration batches submitted in Pacira's NDA are fully representative of the manufacturing process and could request new batches in order to provide additional stability data. While we note these risks, we are not currently aware of any reasons for either of these negative scenarios to play out.

Overall, we believe regulatory risk is below average given that bupivacaine, the active ingredient in Exparel, is an already approved drug as well as that two drugs using the DepoFoam technology have already been approved.

Commercial Risk. Pacira does not currently have a commercial infrastructure for the marketing, sale or distribution of any pharmaceutical products. If Exparel is approved by the FDA, Pacira plans to build a specialty sales force of approximately 100 reps within three years of launch. Furthermore, the company may seek to further penetrate the US market through collaborations with other pharmaceutical companies. Outside the US, we believe Pacira is likely to out-license rights to Exparel without building its own sales force. There can be no assurance that Pacira will be able to successful build a commercial sales team in a timely and cost-effective manner or obtain commercial partners. Furthermore, market uptake of Exparel will be dependent on acceptance of the product onto hospital formularies which can be a lengthy process that typically takes between six to 12 months. Overall, we believe commercial risk is average given Pacira's current lack of sales and marketing infrastructure. However, we believe this is offset by management's track record of successfully commercializing pharmaceutical products.

Competitive Risk. We expect Exparel will directly compete with Durect's Posidur (Optesia in Europe), if Posidur is eventually approved. However, we believe Exparel offers several advantages over Posidur including more convenient dosing as well as likely being the first to market. We also anticipate Exparel will compete with other non-opioid products such as bupivacaine, Marcaine, ropivacaine, and other anesthetics/analgesics. While many of these products are generic and thus cheaper than Exparel, they also all have a shorter duration of action. Therefore, we believe Exparel will offer a therapeutic advantage that can command premium pricing due to decreased opioid consumption and related opioid side effects. However, there is risk that physicians will still opt to use cheaper generic caine-based products.

Furthermore, we expect Exparel will indirectly compete against several other classes of approved drugs, some of which are generic. Competing products available for the treatment of postsurgical pain include opioids such as morphine, fentanyl, meperidine and hydromorphone. Additionally, Ketorolac (generic) and Caldolor (branded ibuprofen) are two injectable non-steroidal anti-inflammatory drugs (NSAIDs) available for the treatment of postsurgical pain management. OFIRMEV (IV acetaminophen) is a non-NSAID and non-narcotic IV analgesic that was recently approved for pain management and fever.

Overall, we believe competitive risk in the near-term is low given that the only direct competitor we see is Posidur which is at least one year behind Exparel.

Reimbursement Risk. Sales of DepoCyt(e), DepoDur®, Exparel, and/or any future product candidates are partially dependent on the availability of coverage and reimbursement from third-party payers such as Medicare, Medicaid, managed care providers, private health insurers and other organizations. Coverage decisions by third-party payers are generally based upon clinical and economic benefit that can sometimes disfavor new higher priced drugs versus lower cost alternatives. As such, we expect Pacira's commercialization strategy for Exparel to include a health economics and outcomes research (HEOR) program that highlights the economic benefits of Exparel versus lower cost alternatives. Overall, we believe reimbursement risk is average as we have confidence in management's experience with applying health economic outcomes research to support a successful launch of Exparel.

Manufacturing Risk. Pacira currently manufactures all DepoFoam-based products at their two manufacturing facilities in San Diego. The facilities are in compliance with current good manufacturing practices (cGMP), but there can be no guarantee for the future. If Exparel is approved, Pacira plans to install additional specialized processing equipment in order to expand the manufacturing capacity. While we believe Pacira has properly prepared for the expansion of its manufacturing capacity, unforeseen issues could arise. If Pacira is unable to expand their manufacturing capacity, they may not be able to produce sufficient quantities of Exparel to meet patient demand. Furthermore, failure to scale up manufacturing would likely have a negative impact on gross margins.

The company also plans to transition to a new manufacturing process in 2013 in order to further improve gross margins. Given the complex process by which Exparel is manufactured, there can be no assurance that Pacira will be able to switch to the new manufacturing process. We believe this risk is off-set by the company's significant experience in manufacturing Depo-Foam based products for many years. Overall, we see manufacturing risk as average given that Pacira already has a manufacturing process in place with a plan to have adequate supply of Exparel to support initial launch.

Intellectual Property (IP) Risk. Pacira relies on several strategies to protect their intellectual property around DepoFoam-based products. In the US, the issued patent on Exparel composition expires in November 2013 and the issued patents on methods for modifying rate of drug release expires on January 2017. Additionally, pending applications on composition and manufacturing methods, if granted, would expire in September 2018 and November 2018, respectively. In the EU, the issued patents on Exparel composition expire in November 2014 and September 2018. Additionally, pending applications relating to methods for modifying rate of drug release and manufacturing process, if granted, would expire in January 2018 and November 2018, respectively. Pacira has also filed preliminary patents for the new manufacturing process which could provide intellectual property through 2031 if granted. Furthermore, Pacira's DepoFoam technology is protected by 15 patent families.

Aside from patent protection, we believe Pacira's intellectual property is also protected by significant manufacturing know-how. It is our understanding that the manufacturing process for DepoFoam-based products is fairly complex as it requires aseptic manufacturing and filling, and would require a significant amount of capital to replicate. Therefore, we believe the hurdle for another company to develop generic DepoFoam-based products to be higher than for normal pharmaceuticals. Overall, we believe IP risk is average given the patent protection and manufacturing know-how.

Financial Risk. Pacira ended Q1:11 with approximately $59 million in cash which we estimate is sufficient to last into Q1:12 assuming approval on October 28th. Furthermore, we note that absent expenses related to the launch of Exparel, we estimate cash runway well into H2:12.

Analyst Certification
I, Richard Lau, Liana Moussatos, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at http://www.wedbush.com/ResearchDisclosure/DisclosureQ111.pdf

Investment Rating System:
Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of March 31, 2011)	**Investment Banking Relationships (as of March 31, 2011)**
Outperform: 55% Neutral: 37% Underperform: 8%	Outperform: 11% Neutral: 4% Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

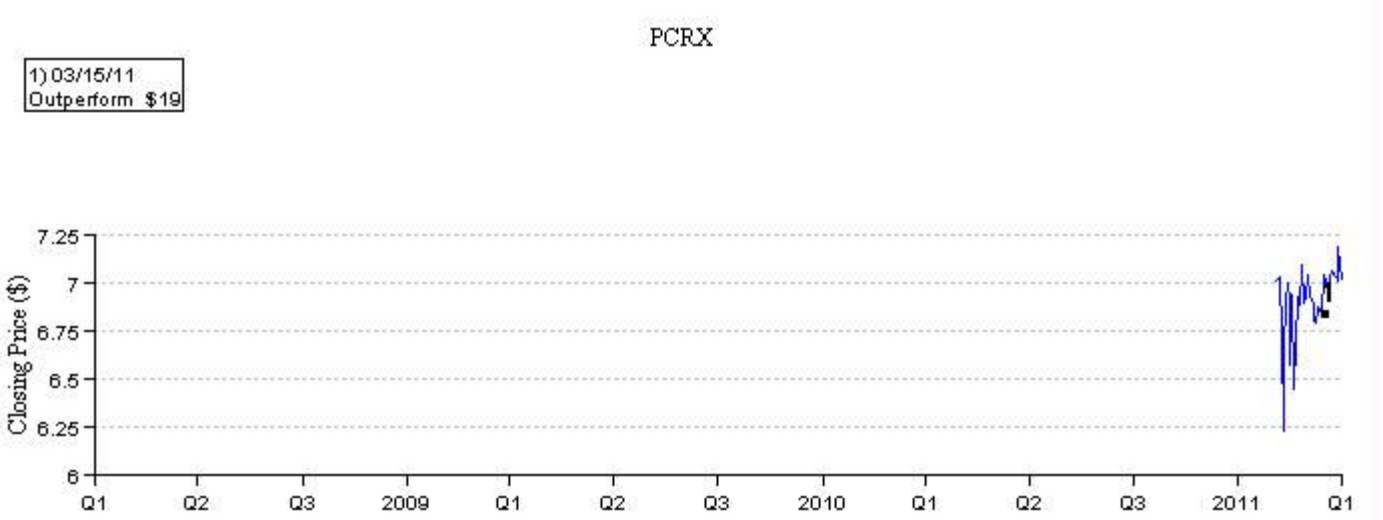
The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

Wedbush Equity Research Disclosures as of June 14, 2011

Company	Disclosure
Pacira Pharmaceuticals, Inc.	1,3,4,5,7

Research Disclosure Legend
1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
5. WS provided investment banking services within the last 12 months.
6. WS is acting as financial advisor.
7. WS expects to receive compensation for investment banking services within the next 3 months.
8. WS provided non-investment banking securities-related services within the past 12 months.
9. WS has received compensation for products and services other than investment banking services within the past 12 months.
10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.

Price Charts
Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.
Please access the attached hyperlink for WS' Coverage Universe: http://www.wedbush.com/services/cmg/equities-division/research/equity-research Applicable disclosure information is also available upon request by contacting Ellen Kang in the Research Department at (213) 688-4529, by email to ellen.kang@wedbush.com, or the Business Conduct Department at (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

OTHER DISCLOSURES

RESEARCH DEPT. * (213) 688-4505 * www.wedbush.com
EQUITY TRADING Los Angeles (213) 688-4470 / (800) 421-0178 * EQUITY SALES Los Angeles (800) 444-8076
CORPORATE HEADQUARTERS (213) 688-8000

The information herein is based on sources that we consider reliable, but its accuracy is not guaranteed. The information contained herein is not a representation by this corporation, nor is any recommendation made herein based on any privileged information. This information is not intended to be nor should it be relied upon as a complete record or analysis; neither is it an offer nor a solicitation of an offer to sell or buy any security mentioned herein. This firm, Wedbush Securities, its officers, employees, and members of their families, or any one or more of them, and its discretionary and advisory accounts, may have a position in any security discussed herein or in related securities and may make, from time to time, purchases or sales thereof in the open market or otherwise. The information and expressions of opinion contained herein are subject to change without further notice. The herein mentioned securities may be sold to or bought from customers on a principal basis by this firm. Additional information with respect to the information contained herein may be obtained upon request.

WEDBUSH

EQUITY RESEARCH DEPARTMENT
(213) 688-4529

DIRECTOR OF RESEARCH
Mark D. Benson (213) 688-4435

RETAIL AND CONSUMER

Consumer Products
Rommel T. Dionisio (212) 938-9934
Kurt M. Frederick, CFA CPA (213) 688-4459

Entertainment: Toys
Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Healthy Lifestyles
Kurt M. Frederick, CFA CPA (213) 688-4459

Specialty Retail: Hardlines
Joan L. Storms, CFA (213) 688-4537
John Garrett (213) 688-4523

Specialty Retail: Softlines
Betty Chen (415) 273-7328

RETAIL/CONSUMER MARKET RESEARCH

Gabriella Santaniello (213) 688-4557

CLEAN TECHNOLOGY AND INDUSTRIAL GROWTH

Aerospace and Defense
Kenneth Herbert (415) 274-6875
Andrew Doupé (415) 274-6876

Clean Technology
Craig Irwin (212) 938-9926
David Giesecke (212) 938-9925

Environmental Services
Al Kaschalk (213) 688-4539
Kevin Lee (213) 688-4303

Industrial Biotechnology
Liana Moussatos, Ph.D. (415) 263-6626
Christopher N. Marai, Ph.D. (415) 274-6861

Water and Renewable Energy Solutions
David Rose, CFA (213) 688-4319

TECHNOLOGY, MEDIA AND TELECOM

Communications Equipment
Rohit Chopra (212) 668-9871
Sanjit Singh (212) 938-9922

Entertainment: Retail
Michael Pachter (213) 688-4474

Entertainment: Software
Michael Pachter (213) 688-4474
Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Computer Services: Financial Technology
Gil B. Luria (213) 688-4501
Nick Setyan (213) 688-4519

Internet and E-Commerce
Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Media
James Dix, CFA (213) 688-4315

Movies and Entertainment
Michael Pachter (213) 688-4474
Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Semiconductors
Betsy Van Hees (415) 274-6869
Ryan Jue (415) 263-6669

Telecommunications Software
Scott P. Sutherland, CFA (213) 688-4522
Suhail Chandy (213) 688-4380

Wireless Equipment
Scott P. Sutherland, CFA (213) 688-4522
Suhail Chandy (213) 688-4380

LIFE SCIENCES

Biotechnology/Biopharmaceuticals/BioDefense
Gregory R. Wade, Ph.D. (415) 274-6863
David M. Nierengarten, Ph.D. (415) 274-6862
Christopher N. Marai, Ph.D. (415) 274-6861

Cardiac, Hepatic and Regenerative
Duane Nash, MD JD MBA (415) 263-6650
Akiva Felt (415) 263-6648

Emerging Pharmaceuticals
Liana Moussatos, Ph.D. (415) 263-6626
Richard Lau (415) 274-6851
Christopher N. Marai, Ph.D. (415) 274-6861

Healthcare Services - Managed Care
Sarah James (213) 688-4503
Daniel Patt (212) 938-9937

Medical Technology
Phillip Nalbone (415) 274-6884
Jeffrey Chu (415) 274-6885

Medical Diagnostics and Life Sciences Tools
Zarak Khurshid (415) 274-6823

EQUITY SALES		EQUITY TRADING	
Los Angeles	(213) 688-4470 / (800) 444-8076	Los Angeles	(213) 688-4470 / (800) 421-0178
San Francisco	(415) 274-6800	San Francisco	(415) 274-6811
New York	(212) 938-9931	New York	(212) 344-2382
Boston	(617) 832-3700	Boston	(617) 832-3700

CORPORATE HEADQUARTERS
1000 Wilshire Blvd., Los Angeles, CA 90017-2465
Tel: (213) 688-8000 www.wedbush.com