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Pacira Pharmaceuticals, Inc. (PCRX - OUTPERFORM): Comprehensive Efficacy and Safety Data Presentations at IARS Continue To Support Commercial Profile of Exparel.

Price: $11.00 **Fair Value Estimate: $19**

- **Presentation of program-wide safety data for Exparel supports potential FDA approval, in our view.** The presentation titled "The Safety of EXPAREL™, A Multivesicular Liposomal Extended-Release Bupivacaine" will be presented by Dr. Eugene R. Viscusi at the International Anesthesia Research Society (IARS) 2011 Annual Meeting on May 23rd. The comprehensive review examines the safety profile of Exparel at doses from 75 mg to 600 mg in 823 patients across 10 studies and five surgical procedures including hemorrhoidectomy, bunionectomy, total knee arthroplasty, breast augmentation and hernia repair. Importantly, the safety profile of Exparel appears comparable to regular bupivacaine with approximately 62% of Exparel patients experiencing a treatment-emergent adverse event (TEAE) versus 75% of regular bupivacaine patients. Furthermore, only 32.9% of patients receiving Exparel at a dose of 300 mg (likely to be the most commonly used dose according to Pacira) experienced a TEAE versus 38.9% for placebo. A theoretical concern for some investors has been cardiovascular safety; however, no detectable cardiovascular toxicity signal has been seen to date. The overall incidence and types of cardiovascular disorders were similar between Exparel and regular bupivacaine (6.4% Exparel versus 5.8% bupivacaine). Furthermore, in the thorough QT studies, Exparel did not cause significant QTc prolongation in doses up to 750 mg, the maximal feasible volume for subcutaneous administration. We continue to believe the safety profile of Exparel supports potential FDA approval and note that Pacira submitted a patient safety database of over 1,300 patients, well more than the 500 patients the FDA typically requires.

- **Program-wide efficacy data also presented at IARS.** The presentation titled "The Efficacy of EXPAREL™, A Multivesicular Liposomal Extended-Release Bupivacaine" was presented by Dr. Sergio Bergese on May 22nd and was also previously presented at the Society for Ambulatory Anesthesia (SAMBA) 26th Annual Meeting on May 11th. The IARS presentations are the first time that the program-wide efficacy and safety data are being presented together. The pooled efficacy data continues to show Exparel offers prolonged pain control while reducing opioid consumption. We believe this reinforces Pacira's commercial strategy of targeting patients/surgery types where post-surgical pain control with opioids leads to excess utilization of hospital resources.

- **Pacira has additional Exparel presentations at upcoming medical conferences.** We believe the company's participation in these conferences is important for ultimately receiving formulary approval and driving initial sales pull-through. We also believe that these conferences will serve as a forum for Pacira to meet with key opinion leaders in the medical community and help facilitate early adoption.

  June 7-9, 2011 World Pharma Conference (WPC; Philadelphia, PA)
  July 13-17, 2011 American Organization of Foot & Ankle Surgeons (AOFAS; Keystone, CO)

- **We believe the next major catalyst for Pacira is the PDUFA date of July 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 more from current levels on approval. Furthermore, we believe Exparel is likely to receive a broad label for use as a single-dose local administration into the surgical wound to produce post=surgical analgesia, given that other pain drugs such as OFIRMEV, Caldolor, and Zipsor were all recently approved with broad labels for pain.

- **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.

- Risks to our fair value include regulatory and commercial risk for Pacira's lead drug candidate Exparel. The PDUFA date for Exparel is July 28, 2011 and there is always risk that the FDA could delay approval. On the commercial front, Exparel will compete with generic forms of regular bupivacaine and, although we believe Exparel offers therapeutics advantages, some physicians may opt for the cheaper drug.

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.

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Wedbush Equity Research Disclosures as of May 23, 2011

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

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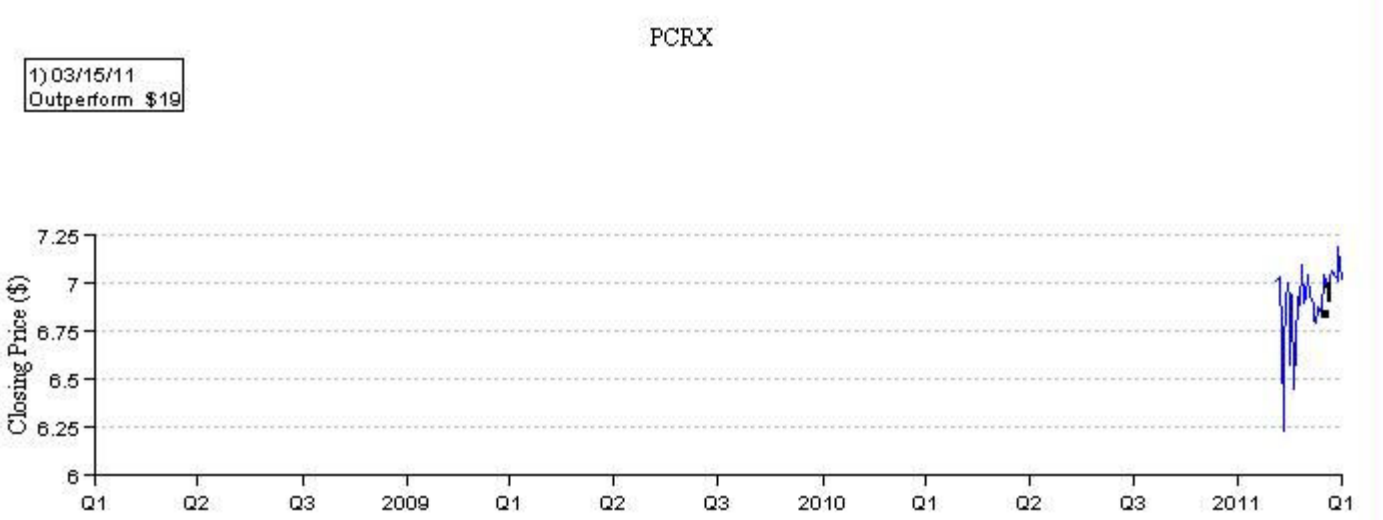

* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.
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