September 26, 2011

Richard Lau (415) 274-6851 **Liana Moussatos, Ph.D. (415) 263-6626**

Pacira Pharmaceuticals, Inc. (PCRX - OUTPERFORM): Exparel Use in Plastic Surgery Highlighted at Medical Conference. Plastic Surgery Market Offers Potential for Early Sales, in our View. Reiterate OUTPERFORM

Price: $10.26 **Fair Value Estimate: $20**

- **Two presentations related to Exparel were highlighted at the 2011 Annual Meeting of the American Society of Plastic Surgeons (ASPS; September 23 – 27; Denver, CO).** An overview of Exparel, including efficacy and safety data to date, was presented in the "Hot Topics in Plastic Surgery" panel by Richard A. Baxter, M.D., a practicing plastic surgeon in the Seattle area and former president of the Washington Society of Plastic Surgeons and the Northwest Society of Plastic Surgeons, on Friday, September 23rd. In addition, an oral presentation titled "Long-Term Safety of Exparel (Bupivacaine Extended Release Liposome Injection) Reveals No Impact on Silicone Breast Implants at up to Two Years Follow-up" was presented by Harold Minkowitz, M.D., a staff anesthesiologist at Memorial Hermann Memorial City Medical Center in Houston, Texas, on Saturday, September 24th. The new data presented was from a two-year observational study of Exparel following breast augmentation using silicone implants in a total of 94 patients enrolled in prior Phase 2 and Phase 3 trials who received either Exparel or regular bupivacaine. The new key findings from the study include 1) Exparel did not have an impact on normal healing. 2) There was no negative interaction between Exparel and the silicone breast implant material. 3) There was no meaningful difference in impact on breast appearance or implant material between the Exparel and bupivacaine groups. And 4) Exparel was not associated with any serious adverse events, deaths, or withdrawals, and no drug-related clinical sequelae (decreased breast size, hard knots, uneven appearance, and swelling) was found.

- **We believe plastic surgeries, mainly breast augmentation and abdominoplasty (tummy tuck), offer a market opportunity of about one million annual procedures where Exparel could be used before hospital formulary approval given that plastic surgery is generally an all-cash business.** In our opinion, the presentations at ASPS and other medical conferences go a long way toward increasing physician awareness and comfort with Exparel ahead of a potential launch and should help drive early adoption. While the hospital formulary process which typically takes 6 to 12 months is normally the gating factor in hospital drug launches, we believe the launch of Exparel could be somewhat differentiated given the opportunity in plastic surgery as well as a replacement for elastomeric bags (additional ~1 million opportunities annually), both of which may not require formulary approval prior to sales. We anticipate that the initial launch strategy will focus on high volume hospitals in the areas of soft tissue surgery, plastic surgery, and elastomeric bag replacement. To support the launch, Pacira expects to have data from both retrospective and prospective health outcome studies which are likely to show the cost benefit of Exparel use versus treating opioid-related adverse events. Furthermore, the company plans to publish data in numerous medical journals and participate in several upcoming medical meetings to increase awareness. In our opinion, these pre-launch activities should help position Exparel for a successful launch with early adoption, driven by key opinion leaders.

- **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 think the stock could double on approval. With the recent pullback in PCRX shares, we see a favorable risk/reward scenario and remain confident in approval for three main reasons. 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.

- **We reiterate our OUTPERFORM rating and fair value of $20.** 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.

*POTENTIAL UPCOMING MILESTONES (*OUR ESTIMATES)*

October 16-19, 2011	Participation at American College of Clinical Pharmacy (ACCP; Pittsburgh, PA)
October 23-27, 2011	Participation at American College Surgeons (ACS; San Francisco, CA)
October 28, 2011	**Exparel (infiltration) PDUFA date**
2011*	Select clinical candidate from DepoNSAID program
2011/2012*	Potential partnership for ex-US rights of Exparel
2011/2012*	Potential additional technology partnerships
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

Risks to our fair value include regulatory and commercial risk for Pacira's lead drug candidate Exparel. The PDUFA date for Exparel is October 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 alternative.

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/DisclosureQ211.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 June 30, 2011)	**Investment Banking Relationships (as of June 30, 2011)**
Outperform:59% Neutral: 35% Underperform: 6%	Outperform:14% Neutral: 2% 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.

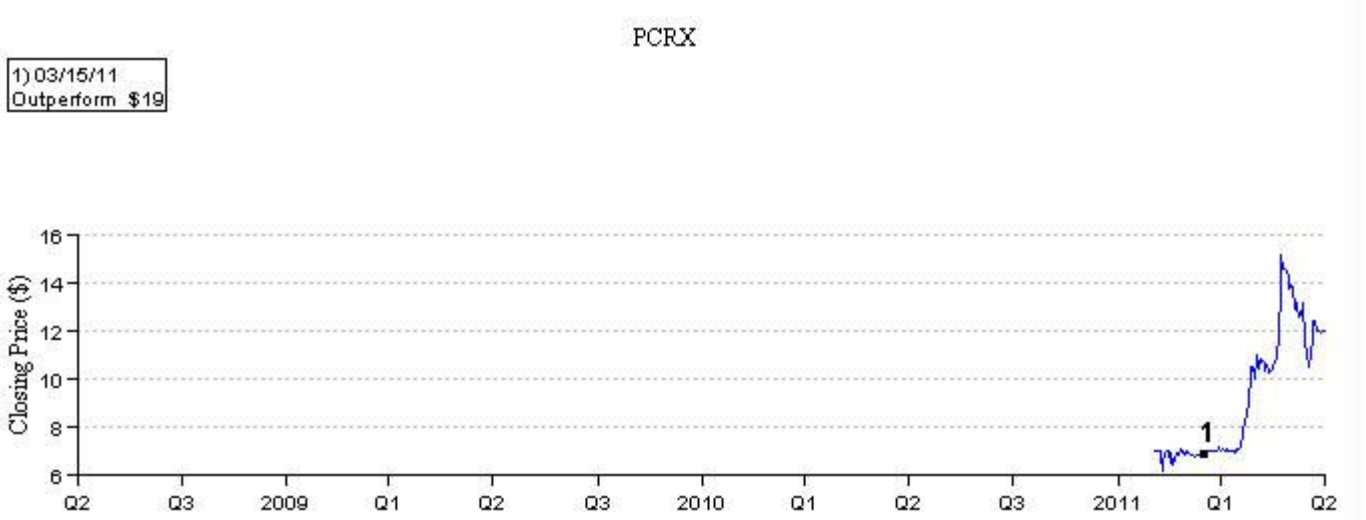
The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

Wedbush Equity Research Disclosures as of September 26, 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

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

Specialty Retail: Hardlines
Joan L. Storms, CFA (213) 688-4537
John Garrett, CFA (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
Nick McKay (213) 688-4343
Alicia Jenks (212) 938-9927

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

Internet and E-Commerce
Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Alicia Jenks (212) 938-9927

Edward Woo, CFA (213) 688-4382

Media
James Dix, CFA (213) 688-4315

Movies and Entertainment
Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Alicia Jenks (212) 938-9927

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

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

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

Wireless Equipment
Scott P. Sutherland, CFA (213) 688-4522
Suhail Chandy, CFA (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
Larry Chen (415) 274-6874

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 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