Pacira Pharmaceuticals, Inc. (PCRX)

EXPAREL Approved For Postsurgical Pain Management and Launch Expected In January 2012. Raising Fair Value to $25 and Reiterate OUTPERFORM.

- **Pacira announced FDA approval of EXPAREL™.** EXPAREL™ (extended-release bupivacaine) for postsurgical pain management had a PDUFA deadline of October 28th. The package insert is available online at http://www.exparel.com/pdf/EXPAREL_Prescribing_Information.pdf. The approved indication is for single-dose infiltration into the surgical site to produce postsurgical analgesia, which is the broad label the company was seeking. Pacira expects to price EXPAREL™ at about $250 per procedure.
- **Management expects to launch EXPAREL™ in January 2012.** We anticipate that Pacira's initial launch strategy will focus on high-volume hospitals in the areas of soft tissue surgery, plastic surgery, and elastomeric bag replacement, with potential early (pre-formulary approval) sales from plastic surgeries, given it is generally an all-cash business. To support the launch, the company expects to have data from both retrospective and prospective health outcome studies showing both the medical and economic benefits of EXPAREL™ treatment due to decreased opioid usage and opioid-related adverse events. Through its agreement with Quintiles, the company is hiring about 63 sales reps who will cover about 81% of the target market.
- **We project full-year profitability in 2014 and peak gross U.S. sales of about $355MM in 2017.** Pacira ended Q3:11 with $37MM in cash which we estimate provides cash runway into Q1:12. We have modeled year 1 EXPAREL™ sales of about $17.7MM with the assumption that hospital formulary adoption will take about 6-12 months. We project breakeven at the end of 2013, full-year profitability in 2014, and peak gross U.S. sales of about $355MM in 2017.
- **We are maintaining an OUTPERFORM rating and raising our fair value to $25 from $20.** By increasing our multiple to 9x from 8x for EXPAREL™ approval due to decreased regulatory risk, our fair value for PCRX goes to $25 from $20. Our fair value is calculated based on 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	--	3.6A		--	--		--
Q3 Sep	--	4.0A		4.0A	--		--
Q4 Dec	--	4.3E	4.0E	4.0E	--		--
Year*	**$14.6A**	**$15.7E**	**$15.6E**	**$15.5E**	**$37.5E**		**$45.2E**
Change	--	--			--		
	2010A	2011E			2012E		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	($0.98)A		--	--		--
Q2 Jun	--	(0.51)A		--	--		--
Q3 Sep	--	(0.55)A	(0.44)A	(0.59)A	--		--
Q4 Dec	--	(0.79)E	(0.76)E	(0.77)E	--		--
Year*	**($47.29)A**	**($2.70)E**	**($2.55)E**	**($2.76)E**	**($2.66)E**	**($3.20)E**	**($2.33)E**
P/E	NMx	NMx			NMx		
Change	--	--			--		

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

October 31, 2011

Price
$9.75

Rating
OUTPERFORM

Fair Value Estimate
$25 **(from $20)**

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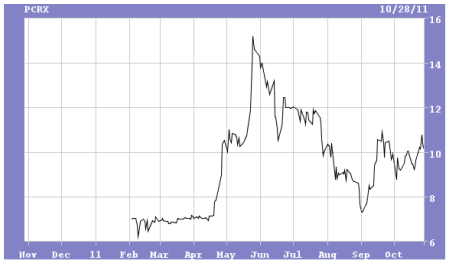
Company Information

Shares Outst (M)	17.2
Market Cap (M)	$168
52-Wk Range	$6.16 - $15.34
Book Value/sh	$0.81
Cash/sh	$2.15
Enterprise Value (M)	$153
LT Debt/Cap %	62

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

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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	2014E	2015E	2016E	2017E
	FY:10A	Q1A	Q2A	Q3A	Q4	FY:11E	FY:12E	FY:13E	FY:14E	FY:15E	FY:16E	FY:17E
Gross Sales:												
Exparel US - Infiltration					-	-	17,719	53,642	132,442	237,404	316,048	355,450
Exparel EU - Infiltration					-	-	-	3,937	19,363	53,907	114,547	174,562
Exparel ROW (Japan) - Infiltration					-	-	-	-	-	3,116	9,469	23,394
Revenues:												
Exparel US Sales - Infiltration		0	0	0	0	0	17,719	53,642	132,442	237,404	316,048	355,450
Exparel EU Royalties - Infiltration		0	0	0	0	0	0	820	4,030	11,219	23,838	36,323
Exparel ROW (Japan) Royalties - Infiltration		0	0	0	0	0	0	0	0	484	1,469	3,627
Exparel Total - Revenues and Royalties		0	0	0	0	0	17,719	54,462	136,472	249,107	341,355	395,400
DepoDur/DepoCyt(e) Supply and Royalty Revenue	11,345	2,653	2,353	2,604	3,293	10,903	13,778	14,904	15,815	16,586	17,249	17,880
Total Net Product Revenues	$ 11,345	$2,653	$2,353	$2,604	$3,293	$ 10,903	$ 31,497	$ 69,366	$ 152,286	$ 265,693	$ 358,604	$ 413,280
Collaborative Licensing and Development Revenue	3,217	1,210	1,283	1,352	1,000	4,845	6,000	11,000	3,500	4,500	7,000	0
Total Revenues	**14,562**	**3,863**	**3,636**	**3,956**	**4,293**	**15,748**	**37,497**	**80,366**	**155,786**	**270,193**	**365,604**	**413,280**
Total COGS (including royalties and milestones owed)	12,276	3,667	3,115	3,357	2,800	12,939	21,182	14,220	20,559	33,212	41,239	43,394
Gross Margin	**2,286**	**196**	**521**	**599**	**1,493**	**2,809**	**16,316**	**66,146**	**135,228**	**236,982**	**324,365**	**369,885**
Operating Expenses:												
R&D	18,628	3,513	4,381	4,344	4,431	16,669	23,575	27,746	22,843	23,912	21,516	20,664
SG&A	6,030	3,805	4,671	4,988	10,538	24,002	40,891	39,960	46,447	51,755	57,669	64,258
Acquired in-process R&D	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	**24,658**	**7,318**	**9,052**	**9,332**	**14,969**	**40,671**	**64,466**	**67,706**	**69,290**	**75,667**	**79,185**	**84,922**
Operating Income (Loss)	**(22,372)**	**(7,122)**	**(8,531)**	**(8,733)**	**(13,476)**	**(37,862)**	**(48,150)**	**(1,561)**	**65,938**	**161,314**	**245,180**	**284,963**
Other income (expense)	(34)	110	(22)	(27)	(27)	34	-	-	-	-	-	-
Interest Income	146	29	37	46	299	411	-	-	-	1,061	6,157	12,729
Interest (Expense)	(3,959)	(2,481)	(676)	(910)	(722)	(4,789)	(2,310)	(1,244)	(244)	-	-	-
Royalty Interest Obligation	(930)	(311)	429	116	116	350	2,230	817	-	-	-	-
Income Before Income Taxes	**(27,149)**	**(9,775)**	**(8,763)**	**(9,508)**	**(13,810)**	**(41,856)**	**(48,229)**	**(1,987)**	**65,693**	**162,375**	**251,336**	**297,691**
(Provision)/benefit for Income Taxes	-	-	-	-	-	-	-	-	-	(29,934)	(90,481)	(107,169)
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.0%	36.0%	36.0%
Net Income (Loss)	$ (27,149)	$ (9,775)	$ (8,763)	$ (9,508)	$ (13,810)	$ (41,856)	$ (48,229)	$ (1,987)	$ 65,693	$ 132,441	$ 160,855	$ 190,522
GAAP EPS	**(47.29)**	**(0.98)**	**(0.51)**	**(0.55)**	**(0.79)**	**(2.70)**	**(2.66)**	**(0.10)**	**3.27**	**6.28**	**7.28**	**8.25**
Weighted Average Shares Outstanding	574	10,014	17,233	17,231	17,481	15,490	18,106	19,106	20,106	21,106	22,106	23,106
Cash	**$26,133**	**$59,331**	**$47,205**	**$37,068**	**$22,737**	**$22,737**	**($51,608)**	**($75,017)**	**($32,053)**	**$83,520**	**$231,385**	**$412,537**
Cash Per Share	**$45.52**	**$3.45**	**$2.74**	**$2.15**	**$1.30**	**$1.47**	**($2.85)**	**($3.93)**	**($1.59)**	**$3.96**	**$10.47**	**$17.85**
Cash Burn (Generation)						**$40,196**	**$74,345**	**$23,410**	**($42,964)**	**($115,572)**	**($147,865)**	**($181,152)**
Exparel as % Total Revenues				0%	0%	0%	47%	68%	88%	92%	93%	96%

Source: Company data, Wedbush Securities, Inc.

Q3 financials were uneventful but we project cash runway extends into Q1:12. The company reported Q3 revenue of $4MM and EPS (loss) of ($0.55). However, given Pacira's stage of development, we believe the most important financial is cash and its runway. The company ended Q3 with approximately $37MM in cash and cash equivalents, and we project runway into Q1:12. We have made slight adjustments to our model by incorporating Q3 financials and updated our projected operating expenses for the hiring of the 63 rep sales force.

We project full-year profitability in 2014 and peak gross U.S. sales of about $355MM in 2017. Pacira ended Q3:11 with $37MM in cash which we estimate provides cash runway into Q1:12. We have modeled year 1 EXPAREL™ sales of about $17.7MM with the assumption that hospital formulary adoption will take about 6-12 months. We project breakeven at the end of 2013, full-year profitability in 2014, and peak gross U.S. sales of about $355MM in 2017.

*POTENTIAL UPCOMING MILESTONES (*OUR ESTIMATES)*

November 6-9, 2011	Participation at American College of Toxicology (ACT; New York, NY)
December 4-8, 2011	First data presentation of retrospective health outcomes research at American Society of Health-System Pharmacists (ASHP; New Orleans, LA)
December 9-13, 2011	Participation at Postgraduate Assembly in Anesthesiology (PGA), New York State Society of Anesthesiologists (NYSSA; New York, NY)
December 17-18, 2011	Participation at New York School of Regional Anesthesia (NYSORA; New York, NY)
2011*	Select clinical candidate from DepoNSAID program
2011/2012*	Potential partnership for ex-US rights of EXPAREL™
2011/2012*	Potential additional technology partnerships
January 2012	**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)

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%	$2,535	$0.15
DepoCyte	Lymphomatous Meningitis	7,020,000	$407	$17,012	$17,012	8%	3	7/1/1999	30%	$11,567	$0.67
DepoMethotrexate	Autoimmune (RA)	7,100,000	$963	$486,643	$305,001	8%	1	1/3/2016	30%	$27,449	$1.59
DepoMethotrexate	Oncology	189,000	$407	$19,858	$12,439	24%	1	1/3/2016	30%	$1,119	$0.06
DepoNSAID	Pain	145,030,200	$26	$123,232	$78,391	5%	1	1/3/2016	30%	$5,427	$0.31
EXPAREL	Total Infiltration	60,275,000	$250	$553,406	$373,653	4%	9	1/3/2012	30%	$423,060	$24.55
EXPAREL	Nerve Block	22,062,500	$250	$249,239	$161,231	8%	5	1/3/2014	30%	$94,315	$5.47
EXPAREL	Epidural	18,125,000	$250	$216,158	$139,840	9%	4	1/3/2015	30%	$50,340	$2.92

*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.

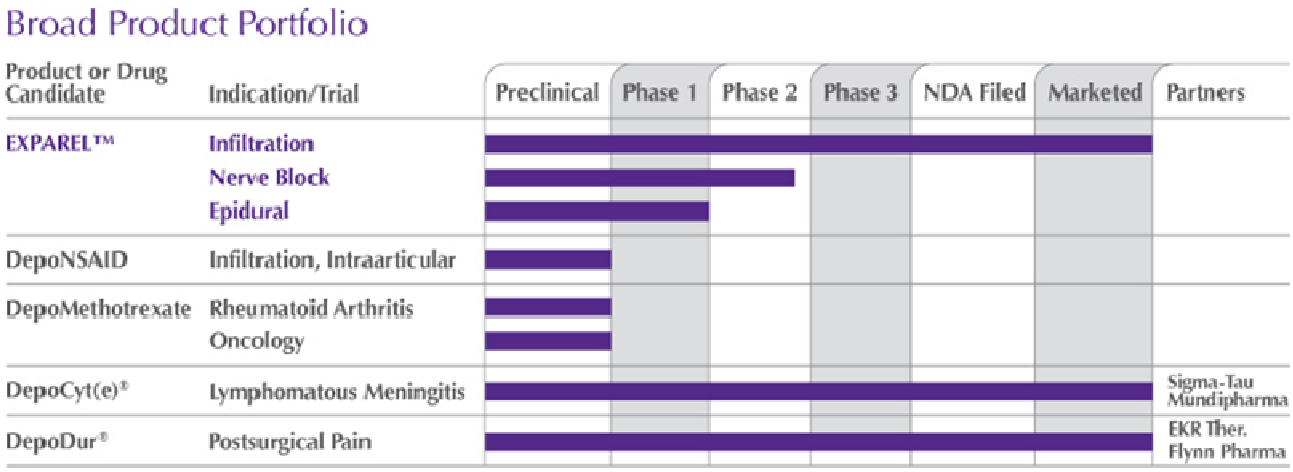
1: in preclinical testing
2: passed preclinical
3: IND filing/stable mature product
4: Phase 1 data
5: Phase 2 data
6: in Phase 3
7: Phase 3 data
8: regulatory review
9: approved
10: launched

	Stock	MktCap	Upside
Fair Value	$25.37	$437,162	146%
Total Pipeline Value	$35.73	$668,248	
Current Cash	$2.74	$47,205	
Current Price	**$10.30**	**$177,501**	

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 $25 per share. Our fair value attributes about $24 to EXPAREL™ use through infiltration and about $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 $5 per share to our fair value. We also estimate that the company has about $2 in cash per share which we have not included in our fair value given Pacira is not yet profitable.

Figure 3: Product Portfolio



Source: Reprinted with permission from Pacira Pharmaceuticals

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 post-operative 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 post-surgical 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, accepted for filing in December 2010 and approved on October 28, 2011.

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 approved on October 28, 2011. The basis for the NDA was supported by two pivotal Phase 3 clinical trials.

Although EXPAREL™ has been approved for postsurgical pain management administered as a single-dose infiltration, there is no guarantee that it will also be approved for other administration techniques such as nerve block and epidural. We anticipate the company will need to run additional pivotal trials in order to file for approval in these follow-on indications. With that being said, the fact that EXPAREL™ was approved for infiltration does give us greater confidence that it may potentially be approved for nerve block and epidural as well.

Commercial Risk. Pacira does not currently have a commercial infrastructure for the marketing, sale or distribution of any pharmaceutical products, but is in the process of building one out. With EXPAREL™ approval by the FDA, Pacira is hiring a sales force of about 63 reps who will cover about 81% of the target market opportunity. 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. With EXPAREL™ approval, Pacira has installed additional specialized processing equipment in order to expand the manufacturing capacity. 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. The company ended Q3 with approximately $37MM in cash and cash equivalents and we project runway into Q1:12. Assuming EXPAREL™ is launched in January 2012; we anticipate that the company will need to raise additional capital to reach breakeven in 2013. We believe this could come in the form of an equity offering, potential partnering agreement(s) for ex-U.S. EXPAREL™ rights, and/or monetization of their current royalty streams for DepoDur and DepoCyt(e).

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/DisclosureQ311.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 September 30, 2011)	**Investment Banking Relationships (as of September 30, 2011)**
Outperform:59% Neutral: 35% Underperform: 6%	Outperform:10% 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 October 31, 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.
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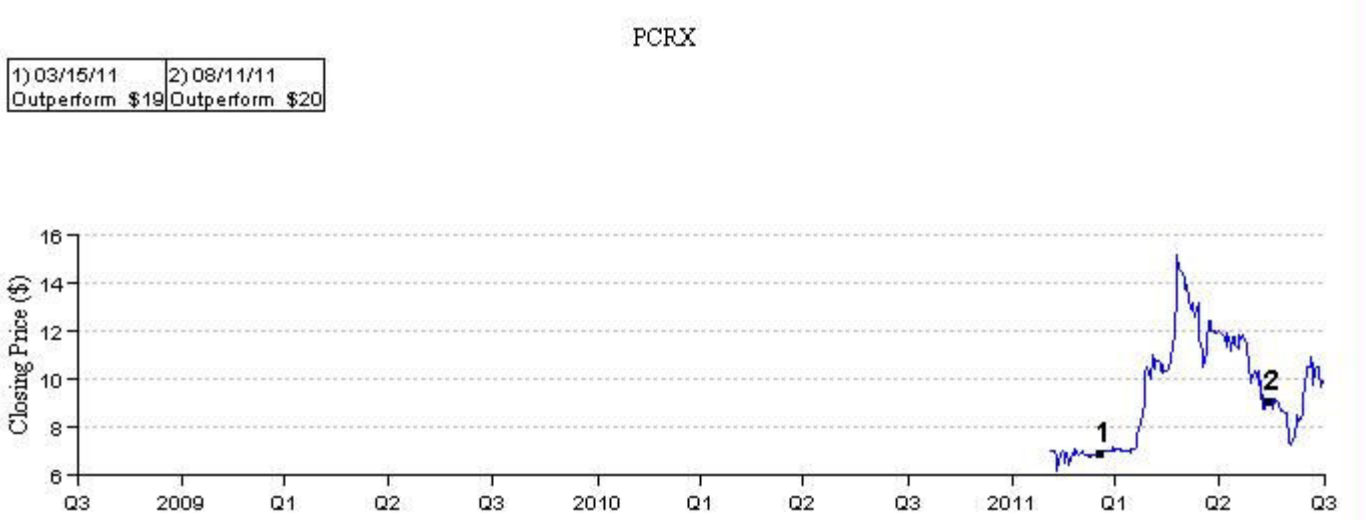

* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.
Please access the attached hyperlink for WS' Coverage Universe: http://www.wedbush.com/services/cmg/equities-division/research/equity-research Applicable disclosure information is also 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.

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