

Pacira Pharmaceuticals, Inc. (PCRX)

Q1 Financials: Pre-Launch Activities Continue to Progress Ahead of July 28 PDUFA for Exparel.

May 11, 2011

Price
\$10.68

Rating
OUTPERFORM

Fair Value Estimate
\$19

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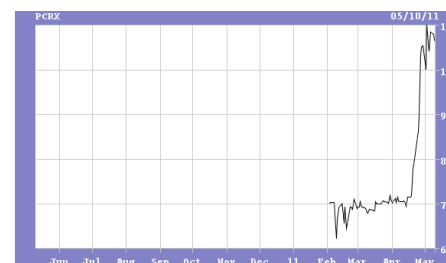
- **Q1 financials were uneventful but we project Pacira's cash runway extends into Q1:12.** The company reported Q1 revenue of \$3.9MM and EPS loss of (\$0.98). However, given Pacira's stage of development, we believe the most important financial is cash and its runway. The company ended Q1 with approximately \$59.3MM. Assuming Exparel is approved in Q3:11 and launched in Q4:11, Pacira guided to cash burn of about \$30MM through Q3:11 and \$25MM in Q4:11 which includes a \$10MM milestone payment to Skye Pharmaceuticals.
- **We believe Pacira is executing on its pre-launch strategy of identifying patient populations/surgery types that would most benefit from Exparel, producing supportive health economic data, and increasing physician awareness.** In our opinion, these pre-launch activities should position Exparel for a successful launch with early adoption by key opinion leaders. We believe patient populations and surgery types that are likely to be targeted initially include the elderly, sleep apnea, opioid intolerant, abdominal soft tissue surgeries, colorectal surgeries, and plastic surgeries. Additionally, the company continues to generate health economic research data suggesting opioid usage often leads to increased utilization of hospital resources, a conclusion that favors Exparel use. Furthermore, Pacira's presence at past and upcoming medical meetings should drive physician awareness and ultimately play an important role in sales pull-through of Exparel.
- **We anticipate 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 from current levels on approval. Also, we believe Exparel is likely to receive a broad label for use as a single dose local administration into the surgical wound to produce postsurgical 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.

Company Information

Shares Outst (M)	17.2
Market Cap (M)	\$184
52-Wk Range	\$6.16 - \$11.37
Book Value/sh	\$4.76
Cash/sh	\$3.45
Enterprise Value (M)	\$144
LT Debt/Cap %	33

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

FYE Dec	2010A	2011E			2012E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	\$3.9A	\$3.7A	--	--	--	--
Q2 Jun	--	3.8E		3.6E	--	--	--
Q3 Sep	--	4.0E		3.7E	--	--	--
Q4 Dec	--	6.8E		6.6E	--	--	--
Year*	\$14.6A	\$18.3E		\$18.4E	\$43.4E		\$56.7E
Change	--	--		--	--		--
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	(\$0.98)A	(\$0.52)A	--	--	--	--
Q2 Jun	--	(0.45)E	(0.51)E	(0.52)E	--	--	--
Q3 Sep	--	(0.77)E	(0.82)E	(0.70)E	--	--	--
Q4 Dec	--	(1.26)E	(1.22)E	(1.40)E	--	--	--
Year*	(\$47.29)A	(\$3.43)E	(\$3.08)E	(\$3.16)E	(\$2.24)E	(\$2.26)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.

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Figure 1: Model Update

Pacira Pharmaceuticals, Inc. (PCRX:NASDAQ)						Wedbush Securities, Inc.		
Historical and Projected Income Statement (In thousands except per share data)						Richard Lau Liana Moussatos, PhD		
	2010A	2011E				2012E	2013E	
	FY:10A	Q1A	Q2	Q3	Q4	FY:11E	FY:12E	FY:13E
Gross Sales:								
Exparel US - Infiltration					2,709	2,709	23,636	68,950
Exparel EU - Infiltration					-	-	-	6,950
Exparel ROW (Japan) - Infiltration					-	-	-	-
Revenues:								
Exparel US Sales - Infiltration		0	0	0	2,709	2,709	23,636	68,950
Exparel EU Royalties - Infiltration		0	0	0	0	0	0	1,458
Exparel ROW (Japan) Royalties - Infiltration		0	0	0	0	0	0	0
Exparel Total - Revenues and Royalties		0	0	0	2,709	2,709	23,636	70,408
DepoDurr/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	\$6,002	\$ 15,273	\$ 37,414	\$ 85,312
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	6,752	18,273	43,414	96,312
Total COGS (including royalties and milestones owed)	12,276	3,667	2,600	2,700	12,800	21,767	13,282	17,489
Gross Margin	2,286	196	1,240	1,260	(6,048)	(3,494)	30,132	78,823
Operating Expenses:								
R&D	18,628	3,513	5,083	5,185	5,300	19,081	33,871	34,125
SG&A	6,030	3,805	3,843	9,381	10,720	27,750	38,017	43,824
Acquired in-process R&D	-	-	-	-	-	-	-	-
Total Operating Expenses	24,658	7,318	8,926	14,566	16,020	46,831	71,888	77,948
Operating Income (Loss)	(22,372)	(7,122)	(7,686)	(13,307)	(22,068)	(50,325)	(41,756)	875
Other income (expense)	(34)	110	110	110	110	440	-	-
Interest Income	146	29	591	462	238	1,320	-	-
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)	(7,931)	(13,680)	(22,666)	(54,196)	(41,644)	552
(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)	\$ (7,931)	\$ (13,680)	\$ (22,666)	\$ (54,196)	\$ (41,644)	\$ 552
GAAP EPS	(47.29)	(0.98)	(0.45)	(0.77)	(1.26)	(3.43)	(2.24)	0.03
Weighted Average Shares Outstanding	574	10,014	17,483	17,733	17,983	15,803	18,608	19,608
Cash	\$26,133	\$59,331	\$54,748	\$37,731	\$9,902	\$9,902	(\$52,705)	(\$75,750)
Cash Per Share	\$45.52	\$3.45	\$3.13	\$2.13	\$0.55	\$0.63	(\$2.83)	(\$3.86)

Source: Company data, Wedbush Securities, Inc.

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POTENTIAL UPCOMING MILESTONES (OUR ESTIMATES)

July 28, 2011	Exparel (infiltration) PDUFA date
Q4:11	US launch of Exparel (infiltration)
2011	Potential partnership for ex-US rights of Exparel
2011	Potential additional technology partnerships
2011	Select clinical candidate from DepoNSAID program
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)

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We believe the company is executing on its pre-launch strategy of identifying patient populations/surgery types that would most benefit from Exparel, producing supportive health economic data, and increasing physician awareness. In our opinion, these pre-launch activities should position Exparel for a successful launch with early adoption by key opinion leaders. We believe patient populations and surgery types that are likely to be targeted initially include the elderly, sleep apnea, opioid intolerant, abdominal soft tissue surgeries, colorectal surgeries, and plastic surgeries. Additionally, the company continues to generate health economic research data suggesting opioid usage often leads to increased utilization of hospital resources, a conclusion that favors Exparel use. Furthermore, Pacira's presence at past and upcoming medical meetings should drive physician awareness and ultimately play an important role in sales pull-through of Exparel.

Upcoming Medical Meetings

May 14-18, 2011	2011 Annual Meeting of American Society of Colon & Rectal Surgeons (ASCRS; Vancouver, BC)
May 17, 2011	American Association of Pharmaceutical Scientists: National Biotechnology Conference (San Francisco, CA)
May 21-24, 2011	2011 Annual Meeting of International Anesthesia Research Society (IARS; Vancouver, BC)
June 7-9, 2011	World Pharma Conference (WPC; Philadelphia, PA)
July 13-17, 2011	American Organization of Foot & Ankle Surgeons (AOFAS; Keystone, CO)

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%	\$2,173	\$0.13
DepoCyte	Lymphomatous Meningitis	7,020,000	\$407	\$17,012	\$17,012	8%	3	7/1/1999	30%	\$9,918	\$0.58
DepoMethotrexate	Autoimmune (RA)	7,100,000	\$963	\$486,643	\$305,001	8%	1	1/3/2016	30%	\$23,535	\$1.37
DepoMethotrexate	Oncology	189,000	\$407	\$19,858	\$12,439	24%	1	1/3/2016	30%	\$960	\$0.06
DepoNSAID	Pain	145,030,200	\$26	\$123,232	\$78,391	5%	1	1/3/2016	30%	\$4,653	\$0.27
EXPAREL	Total Infiltration	60,275,000	\$175	\$576,476	\$383,158	6%	8	10/3/2011	30%	\$308,197	\$17.88
EXPAREL	Nerve Block	22,062,500	\$80	\$104,965	\$67,901	11%	5	1/3/2014	30%	\$34,057	\$1.98
EXPAREL	Epidural	18,125,000	\$161	\$164,848	\$108,332	11%	4	1/3/2015	30%	\$33,437	\$1.94
We use multiples to account for clinical and regulatory risk at various stages of development.					*Net Peak Revs includes 5.5% net royalty owed						
								Stock	MktCap		Upside
1: in preclinical testing		6: in Phase 3				Fair Value		\$18.59	\$320,288	74%	
2: passed preclinical		7: Phase 3 data				Total Pipeline Value		\$24.19	\$443,166		
3: IND filing/stable mature product		8: regulatory review				Current Cash		\$3.44	\$59,331		
4: Phase 1 data		9: approved				Current Price		\$10.68	\$184,047		
5: Phase 2 data		10: launched									

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 or \$320 million market capitalization.

Our fair value attributes about \$18 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 \$4 per share to our fair value. We also estimate that the company has about \$3.44 in cash per share which we have not included in our fair value given Pacira is not yet profitable.

CORPORATE OVERVIEW

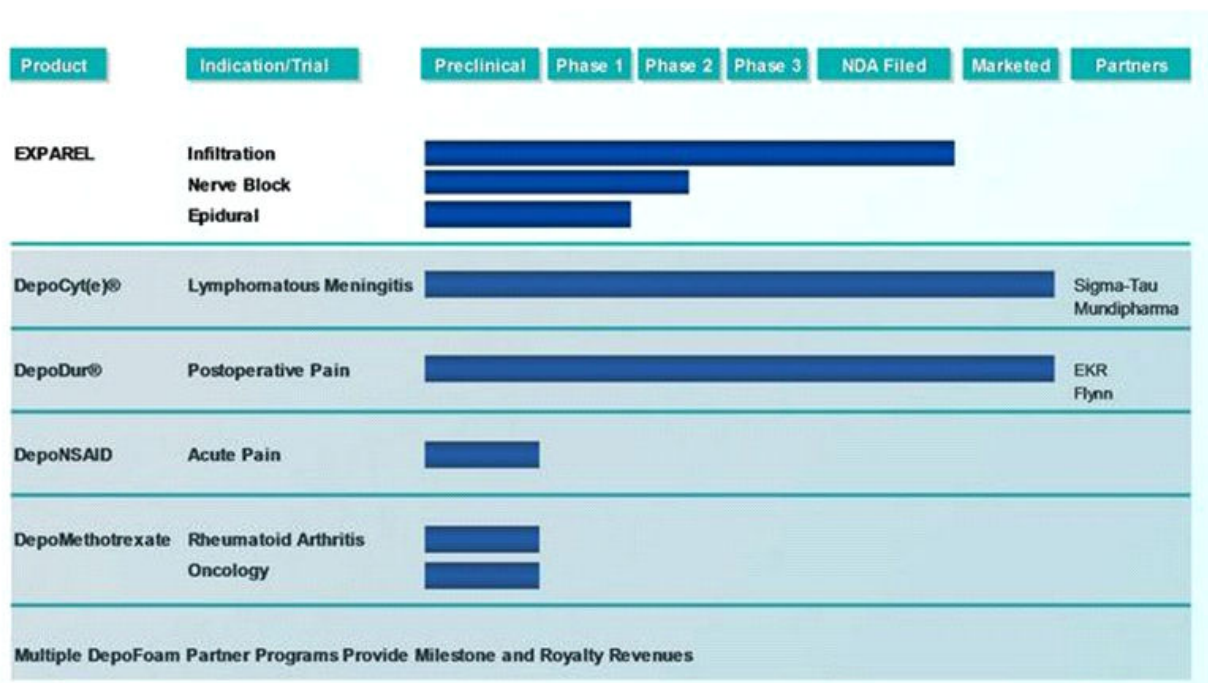
Pacira, located in Parsippany, New Jersey, is a fully-integrated emerging specialty pharmaceutical company focused on developing and commercializing therapeutics for patients in the acute care hospital and ambulatory surgical settings. Emerging from SkyePharma in 2007, Pacira currently receives manufacturing 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 a July 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. Our confidence for approval is based on 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 July 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 successfully 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. The company ended Q1 with approximately \$59.3MM which we project is sufficient to fund operations into Q1:12. This includes Pacira's plan to spend \$30 million through Q3:11 and \$25 million in Q4:11. We note that the timing of the expenses in Q4:11 is largely dependent on potential FDA approval of Exparel on or by July 28, 2011 and would likely be deferred if there is a delay in approval. In the event that Exparel approval and the associated expenses related to a Q4:11 launch are delayed, we estimate that Pacira's current cash balance could fund the company into late 2012.

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>

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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%	Outperform: 11%
Neutral: 37%	Neutral: 4%
Underperform: 8%	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.

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Wedbush Equity Research Disclosures as of May 11, 2011

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

Research Disclosure Legend

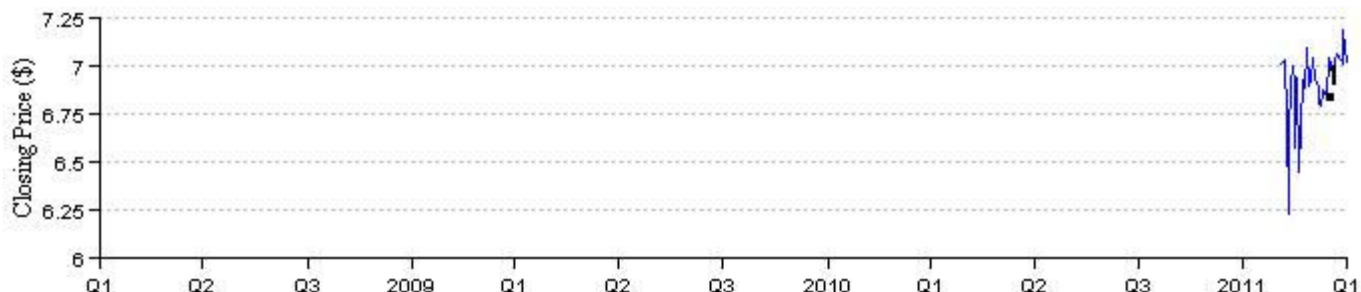
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1) 03/15/11
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