

September 6, 2011

Richard Lau (415) 274-6851

Liana Moussatos, Ph.D. (415) 263-6626

Pacira Pharmaceuticals, Inc. (PCRX - OUTPERFORM): Commercial Strategy Progresses with New Marketing and Logistics Agreements Ahead of Important October 28 PDUFA Date for Exparel

Price: \$7.59

Fair Value Estimate: \$20

- **On schedule and as eluded to on its recent Q2 financials conference call, Pacira has signed agreements with Quintiles Commercial US, Inc., and Integrated Commercialization Services, Inc., to support potential launch of Exparel.** Quintiles will provide a U.S. sales force of approximately 70 reps through the end of 2012, or beyond if the agreement is extended, and we believe a sales force of this size is sufficient to cover over 80% of the market opportunity. Importantly, Pacira will have direct input into the selection of the new sales force which will be solely dedicated to Exparel. Recall, that CEO Dave Stack was previously the President and General Manager of Innovex and has maintained a good relationship with Innovex Quintiles and the current management team. Additionally, Pacira has entered into a three-year agreement with Integrated Commercial Solutions to provide third-party logistics.
- **We believe the hiring and training of regional managers and sales reps could be completed by year-end allowing for a January launch of Exparel, assuming it is approved by the October 28 PDUFA deadline.** 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, with potential early (pre-formulary approval) sales from plastic surgeries given it is generally an all-cash business. 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.
- 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.

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 2 of this report for analyst certification and important disclosure information.

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%	Outperform: 14%
Neutral: 35%	Neutral: 2%
Underperform: 6%	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 6, 2011

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

Research Disclosure Legend

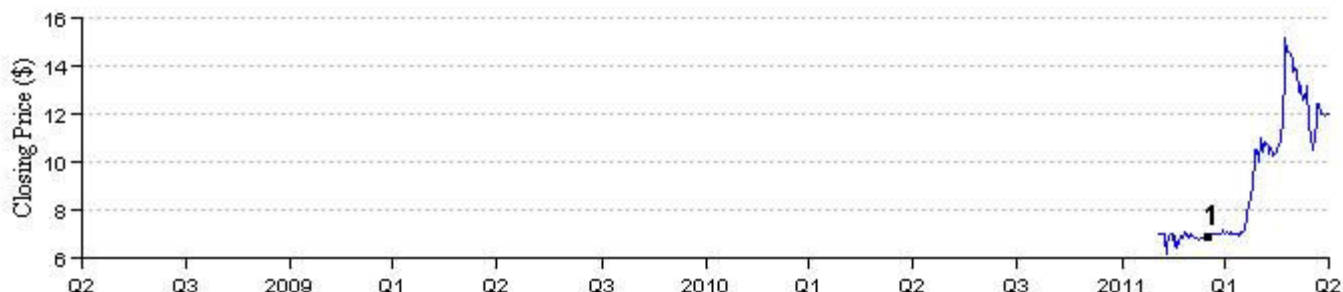
1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
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.

PCR

1) 03/15/11
Outperform \$19



* 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 Doupe (415) 274-6876

Clean Technology

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

Environmental Services

Al Kaschak (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

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

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

Los Angeles (213) 688-4470 / (800) 444-8076
San Francisco (415) 274-6800
New York (212) 938-9931
Boston (617) 832-3700

EQUITY TRADING

Los Angeles (213) 688-4470 / (800) 421-0178
San Francisco (415) 274-6811
New York (212) 344-2382
Boston (617) 832-3700

CORPORATE HEADQUARTERS

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