UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-35060

PACIRA BIOSCIENCES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**51-0619477**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

5 Sylvan Way, Suite 300
Parsippany, New Jersey, 07054
(Address and Zip Code of Principal Executive Offices)

(973) 254-3560
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	PCRX	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of August 4, 2019, 41,635,099 shares of the registrant's common stock, $0.001 par value per share, were outstanding.

PACIRA BIOSCIENCES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2019

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PART I — FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS (Unaudited)***

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)
(Unaudited)

ASSETS	June 30, 2019	December 31, 2018
Current assets:		
Cash and cash equivalents	$ 59,737	$ 132,526
Short-term investments	232,502	250,928
Accounts receivable, net	41,147	38,000
Inventories, net	52,697	48,569
Prepaid expenses and other current assets	8,526	7,946
Total current assets	394,609	477,969
Long-term investments	25,362	25,871
Fixed assets, net	105,492	108,670
Right-of-use assets, net	36,494	—
Goodwill	100,538	62,040
Intangible assets, net	108,320	—
Equity investment and other assets	17,028	14,803
Total assets	$ 787,843	$ 689,353
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,347	$ 14,368
Accrued expenses	51,907	45,865
Lease liabilities	6,172	—
Convertible senior notes	—	338
Contingent consideration	11,500	—
Income taxes payable	78	90
Total current liabilities	83,004	60,661
Convertible senior notes	298,185	290,592
Lease liabilities	39,041	—
Contingent consideration	16,970	—
Other liabilities	8,993	16,874
Total liabilities	446,193	368,127
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, par value $0.001; 5,000,000 shares authorized; none issued and outstanding at June 30, 2019 and December 31, 2018	—	—
Common stock, par value $0.001; 250,000,000 shares authorized; 41,606,082 shares issued and outstanding at June 30, 2019; 41,222,799 shares issued and outstanding at December 31, 2018	42	41
Additional paid-in capital	729,531	709,691
Accumulated deficit	(388,423)	(388,226)
Accumulated other comprehensive income (loss)	500	(280)
Total stockholders' equity	341,650	321,226
Total liabilities and stockholders' equity	$ 787,843	$ 689,353

See accompanying condensed notes to consolidated financial statements.

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenues:				
Net product sales	$ 101,824	$ 80,717	$ 192,730	$ 155,004
Collaborative licensing and milestone revenue	—	3,000	—	3,000
Royalty revenue	780	390	1,187	710
Total revenues	102,604	84,107	193,917	158,714
Operating expenses:				
Cost of goods sold	25,201	20,916	52,505	43,801
Research and development	17,827	12,239	32,210	26,617
Selling, general and administrative	49,126	44,249	96,431	88,439
Amortization of acquired intangible assets	1,770	—	1,770	—
Acquisition-related charges and product discontinuation, net	3,405	162	4,647	252
Total operating expenses	97,329	77,566	187,563	159,109
Income (loss) from operations	5,275	6,541	6,354	(395)
Other (expense) income:				
Interest income	1,817	1,533	3,973	2,906
Interest expense	(5,878)	(5,397)	(11,691)	(10,553)
Other, net	(87)	(78)	(26)	(4)
Total other expense, net	(4,148)	(3,942)	(7,744)	(7,651)
Income (loss) before income taxes	1,127	2,599	(1,390)	(8,046)
Income tax benefit (expense)	1,603	(35)	1,349	(70)
Net income (loss)	$ 2,730	$ 2,564	$ (41)	$ (8,116)
Net income (loss) per share:				
Basic net income (loss) per common share	$ 0.07	$ 0.06	$ (0.00)	$ (0.20)
Diluted net income (loss) per common share	$ 0.06	$ 0.06	$ (0.00)	$ (0.20)
Weighted average common shares outstanding:				
Basic	41,384	40,796	41,312	40,751
Diluted	42,345	41,694	41,312	40,751

See accompanying condensed notes to consolidated financial statements.

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net income (loss)	$ 2,730	$ 2,564	$ (41)	$ (8,116)
Other comprehensive income (loss):				
Net unrealized gain (loss) on investments	318	356	780	(91)
Total other comprehensive income (loss)	318	356	780	(91)
Comprehensive income (loss)	$ 3,048	$ 2,920	$ 739	$ (8,207)

See accompanying condensed notes to consolidated financial statements.

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at March 31, 2019	41,289	$ 41	$ 718,449	$ (391,153)	$ 182	$ 327,519
Exercise of stock options	97	—	2,029	—	—	2,029
Vested restricted stock units	184	1	—	—	—	1
Shares issued under employee stock purchase plan	36	—	1,270	—	—	1,270
Stock-based compensation	—	—	7,783	—	—	7,783
Net unrealized gain on investments	—	—	—	—	318	318
Net income	—	—	—	2,730	—	2,730
Balance at June 30, 2019	41,606	$ 42	$ 729,531	$ (388,423)	$ 500	$ 341,650

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at March 31, 2018	40,720	$ 41	$ 677,836	$ (398,455)	$ (901)	$ 278,521
Cumulative effect adjustment of the adoption of Accounting Standards Update 2018-07	—	—	(20)	20	—	—
Exercise of stock options	57	—	1,073	—	—	1,073
Vested restricted stock units	143	—	—	—	—	—
Shares issued under employee stock purchase plan	35	—	952	—	—	952
Stock-based compensation	—	—	7,047	—	—	7,047
Net unrealized gain on investments	—	—	—	—	356	356
Net income	—	—	—	2,564	—	2,564
Balance at June 30, 2018	40,955	$ 41	$ 686,888	$ (395,871)	$ (545)	$ 290,513

See accompanying condensed notes to consolidated financial statements.

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at December 31, 2018	41,223	$ 41	$ 709,691	$ (388,226)	$ (280)	$ 321,226
Cumulative effect adjustment of the adoption of Accounting Standards Update 2016-02 (Note 2)	—	—	—	(156)	—	(156)
Exercise of stock options	159	—	3,586	—	—	3,586
Vested restricted stock units	188	1	—	—	—	1
Shares issued under employee stock purchase plan	36	—	1,270	—	—	1,270
Stock-based compensation	—	—	15,217	—	—	15,217
Retirement of equity component of 2019 convertible senior notes	—	—	(233)	—	—	(233)
Net unrealized gain on investments	—	—	—	—	780	780
Net loss	—	—	—	(41)	—	(41)
Balance at June 30, 2019	41,606	$ 42	$ 729,531	$ (388,423)	$ 500	$ 341,650

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at December 31, 2017	40,669	$ 41	$ 669,032	$ (389,136)	$ (454)	$ 279,483
Cumulative effect adjustment of the adoption of Accounting Standards Update 2014-09	—	—	—	1,361	—	1,361
Cumulative effect adjustment of the adoption of Accounting Standards Update 2018-07	—	—	(20)	20	—	—
Exercise of stock options	103	—	1,492	—	—	1,492
Vested restricted stock units	148	—	—	—	—	—
Shares issued under employee stock purchase plan	35	—	952	—	—	952
Stock-based compensation	—	—	15,432	—	—	15,432
Net unrealized loss on investments	—	—	—	—	(91)	(91)
Net loss	—	—	—	(8,116)	—	(8,116)
Balance at June 30, 2018	40,955	$ 41	$ 686,888	$ (395,871)	$ (545)	$ 290,513

See accompanying condensed notes to consolidated financial statements.

PACIRA BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2019	**2018**
Operating activities:		
Net loss	$ (41)	$ (8,116)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of fixed assets and amortization of intangible assets	8,881	5,610
Amortization of unfavorable lease obligation and debt issuance costs	844	786
Amortization of debt discount	6,749	6,283
Loss on disposal of fixed assets	157	10
Stock-based compensation	15,217	15,432
Changes in operating assets and liabilities (net of MyoScience, Inc. acquisition):		
Accounts receivable, net	(2,141)	(3,640)
Inventories, net	(2,519)	(642)
Prepaid expenses and other assets	(1,163)	102
Accounts payable	(1,321)	(2,826)
Accrued expenses and income taxes payable	1,844	(2,303)
Other liabilities	(245)	325
Net cash provided by operating activities	26,262	11,021
Investing activities:		
Acquisition of MyoScience, Inc. (net of cash acquired)	(118,683)	—
Purchases of fixed assets	(4,070)	(7,818)
Purchases of investments	(141,960)	(182,749)
Sales of investments	163,017	244,562
Payment of contingent consideration	—	(4,715)
Equity Investment	(1,622)	—
Net cash (used in) provided by investing activities	(103,318)	49,280
Financing activities:		
Proceeds from exercises of stock options	3,568	1,492
Proceeds from shares issued under employee stock purchase plan	1,270	952
Repayment of 2019 convertible senior notes	(338)	—
Conversion premium on 2019 convertible senior notes	(233)	—
Net cash provided by financing activities	4,267	2,444
Net (decrease) increase in cash and cash equivalents	(72,789)	62,745
Cash and cash equivalents, beginning of period	132,526	54,126
Cash and cash equivalents, end of period	$ 59,737	$ 116,871
Supplemental cash flow information:		
Cash paid for interest	$ 4,102	$ 4,102
Cash paid for income taxes, net of refunds	$ 490	$ 146
Non-cash investing and financing activities:		
Net increase in contingent consideration liabilities	$ 28,470	$ —
Net (decrease) increase in accrued fixed assets	$ (682)	$ 2,032

See accompanying condensed notes to consolidated financial statements.

PACIRA BIOSCIENCES, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—DESCRIPTION OF BUSINESS

Pacira BioSciences, Inc. and its subsidiaries (collectively, the "Company" or "Pacira") is a leading provider of non-opioid pain management options to advance and improve outcomes for health care practitioners and their patients. The Company's long-acting, local analgesic, EXPAREL® (bupivacaine liposome injectable suspension), was commercially launched in the United States in April 2012. EXPAREL utilizes DepoFoam®, a unique and proprietary delivery technology that encapsulates drugs without altering their molecular structure, and releases them over a desired period of time. In April 2019, the Company added iovera°® to its commercial offering with its acquisition of MyoScience, Inc., or MyoScience. The iovera° system is a handheld cryoanalgesia device used to deliver a precise, controlled application of cold temperature to only targeted nerves.

The Company changed its name from Pacira Pharmaceuticals, Inc. to Pacira BioSciences, Inc. upon completing the acquisition of MyoScience in order to better reflect a broadening portfolio of innovative non-opioid pain management and regenerative health solutions. See Note 4, *MyoScience Acquisition*, for more information.

Pacira is subject to risks common to companies in similar industries and stages, including, but not limited to, competition from larger companies, reliance on revenue from two products, reliance on a limited number of manufacturing sites, new technological innovations, dependence on key personnel, reliance on third-party service providers and sole source suppliers, protection of proprietary technology, compliance with government regulations and risks related to cybersecurity.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP, and in accordance with the rules and regulations of the United States Securities and Exchange Commission, or SEC, for interim reporting. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in complete annual financial statements have been condensed or omitted. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The condensed consolidated financial statements at June 30, 2019, and for the three and six month periods ended June 30, 2019 and 2018, are unaudited, but include all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial information set forth herein in accordance with GAAP. The condensed consolidated balance sheet at December 31, 2018 is derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The condensed consolidated financial statements as presented reflect certain reclassifications from previously issued financial statements to conform to the current year presentation. The accounts of wholly-owned subsidiaries are included in the condensed consolidated financial statements. Intercompany accounts and transactions have been eliminated in consolidation.

The results of operations for these interim periods are not necessarily indicative of results that may be expected for any other interim periods or for the full year.

Concentration of Major Customers

The Company sells EXPAREL through a drop-ship program under which orders are processed through wholesalers (including AmerisourceBergen Health Corporation, Cardinal Health, Inc. and McKesson Drug Company), but shipments of the product are sent directly to individual accounts, such as hospitals, ambulatory surgery centers and individual doctors. The Company also sells EXPAREL directly to ambulatory surgery centers and physicians. The Company sells its bupivacaine liposome injectable suspension to a third party licensee and sells iovera° directly to end users. The table below includes the percentage of revenue comprised by the Company's three largest wholesalers in each period presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Largest wholesaler	32%	33%	34%	33%
Second largest wholesaler	29%	29%	29%	30%
Third largest wholesaler	26%	25%	26%	26%
Total	87%	87%	89%	89%

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2016-02, *Leases (Topic 842)*, and subsequently issued clarifications and corrections to the update by issuing ASU 2018-10 in July 2018. This update required lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous authoritative guidance. For income statement purposes, the new standard retained a dual model similar to Accounting Standards Codification, or ASC, 840, requiring leases to be classified as either operating or financing. Operating leases continue to result in straight-line expense while financing leases result in a front-loaded expense pattern (similar to previous accounting guidance by lessees for operating and capital leases, respectively, under ASC 840).

The Company adopted ASU 2016-02 on January 1, 2019 using the effective date method. There were practical expedients available to the Company at transition that it elected to apply upon adoption. The Company did not re-assess (i) whether its contracts contained a lease under the new definition of a lease and (ii) the classification of those leases. There were no initial direct costs previously capitalized on the consolidated balance sheet. In addition, the Company applied hindsight in the determination of the lease terms, in the assessment of the likelihood that a lease renewal, termination or purchase option will be exercised, and in the assessment of any potential impairments that existed on the right-of-use, or ROU, assets recognized at adoption. The Company also elected not to recognize a ROU asset and lease liability for those leases with a remaining lease term of 12 months or less.

At adoption on January 1, 2019, the lease liability was equal to the present value of future lease payments and a ROU asset was recorded based on the lease liability, adjusted for items such as prepaid and accrued lease payments. The Company recorded $36.5 million of lease liabilities and $27.6 million of ROU assets as of January 1, 2019, the difference representing previously recorded lease-related assets and liabilities. There was a cumulative-effect adjustment to retained earnings of $0.2 million upon adoption. Refer to Note 7, *Leases*, for further information on the Company's existing leases.

The lease liability recognized upon adoption was based upon the present value of the sum of the remaining minimum lease payments (as previously identified under ASC 840), determined using the discount rate as of the date of adoption. The discount rate was based on the Company's incremental borrowing rate on a collateralized basis over a similar remaining term and in a similar economic environment.

Recent Accounting Pronouncements Not Adopted as of June 30, 2019

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. This update also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. This standard will become effective for the Company beginning January 1, 2020, with early adoption permitted. The Company is currently evaluating the impact of ASU 2016-13 on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework.* The purpose of the update is to improve the effectiveness of the fair value measurement disclosures that allows for clear communication of information that is most important to the users of financial statements. There were certain required disclosures that have been removed or modified. In addition, the update added the following disclosures: (i) changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and (ii) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The standard will become effective for the Company beginning January 1, 2020, with early adoption permitted. The Company is currently evaluating the impact of ASU 2018-13 on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The update provides guidance to determine which implementation costs to capitalize as they relate to the service contract and which costs to expense. In addition, the update further defines the term of the hosting arrangement to include the non-cancelable period of the arrangement plus periods covered by (i) an option to extend the arrangement if the customer is reasonably certain to exercise that option; (ii) an option to terminate the arrangement if the customer is reasonably certain not to exercise the termination option and (iii) an option to extend (or not to terminate) the arrangement in which exercise of the option is in the control of the vendor. Any expense related to the capitalized implementation costs should be recorded in the same financial statement line item in the consolidated statements of operations as the fees associated with the hosting element of the arrangement, and the payments for capitalized implementation costs should be classified in the same manner as payments made for fees associated with the hosting element in the consolidated statements of cash flows. This standard will become effective for the Company beginning January 1, 2020. The amendments may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact of ASU 2018-15 on its consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* which provides amendments to the recognition and measurement of certain financial assets and financial liabilities. One of those amendments requires that equity securities without readily determinable fair values accounted for under the measurement alternative be re-measured when an orderly transaction is identified for an identical or similar investment of the same issuer. This standard will become effective for the Company beginning January 1, 2020. The Company is currently evaluating the impact of ASU 2019-04 on its consolidated financial statements.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or not significant to the consolidated financial statements of the Company.

Significant Accounting Policies

Leases

Effective January 1, 2019, the Company recognizes ROU assets and lease liabilities at the commencement of its lease agreements. The leases are evaluated at commencement to determine whether they should be classified as operating or financing leases. Lease costs associated with operating leases are recognized on a straight-line basis, while lease costs for financing leases are recognized over the lease term using the effective interest method. To date, the Company does not have any financing leases. The amount of ROU assets and lease liabilities to be recognized is impacted by the type of lease payments, the lease term and the incremental borrowing rate. Variable lease payments are not included at commencement and are recognized in the period in which they are incurred. The lease term is based on the contractual term and is adjusted for any renewal options or termination rights that are reasonably certain to be exercised. The incremental borrowing rate is based on the rate the Company estimates it would pay on a collateralized basis over a similar term in a similar economic environment.

Acquisitions

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with some exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are generally recognized at fair value. If fair value cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accordingly, the Company may be required to value assets at fair value measures that do not reflect the Company's intended use of those assets. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in the Company's condensed consolidated financial statements after the date of the acquisition. If the Company determines the assets acquired do not meet the definition of a business under the acquisition method of accounting, the transaction will be accounted for as an acquisition of assets rather than as a business combination and, therefore, no goodwill would be recorded.

Contingent Consideration

Subsequent to an acquisition, the Company measures contingent consideration arrangements at fair value for each period with changes in fair value recognized in the consolidated statements of operations as acquisition-related charges. Changes in contingent consideration can result from increases or decreases in estimated sales, costs of goods sold, adjustments to discount rates, updates in the assumed achievement or timing of milestones or changes in the assumed probability associated with either regulatory approvals or specified levels of Medicare reimbursements. In the absence of new information, changes in fair value reflect the passage of time towards achievement of the milestones, and is accrued based on an accretion schedule.

Intangible Assets

Intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives and are reviewed for impairment if certain events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Intangible assets are recorded at cost, net of accumulated amortization. The Company evaluates the recoverability of intangible assets periodically and takes into account events and circumstances which may indicate that an impairment exists.

Segment Reporting

The Company is managed and operated as a single business focused on the discovery, development, manufacture, marketing, distribution and sale of non-opioid pain management options. The Company is managed by a single management team, and, consistent with the organizational structure, the Chief Executive Officer and Chairman manages and allocates resources at a consolidated level. Accordingly, the Company views its business as one reportable operating segment to evaluate performance, allocate resources, set operational targets and forecast future period financial results.

NOTE 3—REVENUE

Revenue from Contracts with Customers

The Company's sources of revenue include (i) sales of EXPAREL/bupivacaine liposome injectable suspension in the United States, or U.S.; (ii) sales of iovera° in the U.S.; (iii) royalties based on sales of its bupivacaine liposome injectable suspension product for use in animals and (iv) license fees and milestone payments. The majority of the Company's revenue is derived from net product sales of EXPAREL. As such, the following disclosure only relates to revenue associated with net EXPAREL product sales.

Net Product Sales

The Company sells EXPAREL through a drop-ship program under which orders are processed through wholesalers based on orders of the product placed by end-users which include hospitals, ambulatory surgery centers and doctors. EXPAREL is delivered directly to the end-user without the wholesaler ever taking physical possession of the product. Product revenue is recognized when control of the promised goods are transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for transferring those goods. EXPAREL revenue is recorded at the time the product is delivered to the end-user.

Revenues from sales of products are recorded net of returns allowances, prompt payment discounts, wholesaler service fees, volume rebates and chargebacks. These reserves are based on estimates of the amounts earned or to be claimed on the related sales. These amounts are treated as variable consideration, estimated and recognized as a reduction of the transaction price at the time of the sale, using the most likely amount method for the gross to net adjustments, except for returns, which is based on the expected value method. The Company includes these estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized for such transaction will not occur, or when the uncertainty associated with the variable consideration is resolved. The calculation of some of these items requires management to make estimates based on sales data, historical return data, contracts and other related information that may become known in the future. The adequacy of these provisions is reviewed on a quarterly basis.

Accounts Receivable

The majority of accounts receivable arise from product sales and represent amounts due from wholesalers, hospitals, ambulatory surgery centers and doctors. Payment terms generally range from zero to 37 days from the date of the transaction, and accordingly, there is no significant financing component.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

At contract inception, the Company assesses the goods promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good that is distinct. When identifying individual performance obligations, the Company considers all goods promised in the contract regardless of whether explicitly stated in the customer contract or implied by customary business practices. The Company's contracts with customers require it to transfer an individual distinct product, which represents a single performance obligation. The Company's performance obligation with respect to its product sales is satisfied at a point in time, which transfers control upon delivery of EXPAREL to its customers. The Company considers control to have transferred upon delivery because the customer has legal title to the asset, physical possession of the asset has been transferred, the customer has significant risks and rewards of ownership of the asset and the Company has a present right to payment at that time.

Disaggregated Revenue

The following table represents disaggregated net product sales in the periods presented as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Net Product Sales	**2019**	**2018**	**2019**	**2018**
EXPAREL / bupivacaine liposome injectable suspension	$ 99,789	$ 80,717	$ 190,695	$ 155,004
iovera°	2,035	—	2,035	—
Total net product sales	$ 101,824	$ 80,717	$ 192,730	$ 155,004

NOTE 4—MYOSCIENCE ACQUISITION

On April 9, 2019, the Company acquired MyoScience (the "MyoScience Acquisition"), a privately-held medical device company, pursuant to the terms of an Agreement and Plan of Merger (the "Merger Agreement"), under which MyoScience became a wholly-owned subsidiary of the Company and was renamed Pacira CryoTech, Inc., or CryoTech. The MyoScience Acquisition added iovera° to the Company's commercial offering. The iovera° system is a novel, FDA-approved, non-opioid treatment that immediately alleviates pain for up to 90 days by applying intense cold to only targeted nerves in a process called cryoanalgesia.

The consideration included an initial cash payment of $120.0 million, subject to adjustment based on customary post-closing purchase price adjustments and indemnification obligations, and the fair value of contingent consideration in the amount of $28.5 million. The contingent consideration consists of contingent milestone payments up to an aggregate of $100.0 million upon the achievement of certain regulatory and commercial milestones, of which up to $25.0 million may be payable in shares of the Company's common stock if achieved in 2020. Per the terms of the Merger Agreement, the Company's obligation to make milestone payments are limited to those milestones achieved between January 1, 2019 and December 31, 2023, and are to be paid within 60 days of the end of the fiscal quarter of achievement.

The Company has accounted for the MyoScience Acquisition using the acquisition method of accounting and, accordingly, has included the assets acquired, liabilities assumed and results of operations in the condensed consolidated financial statements from April 10, 2019 onward, the day following the acquisition date. The excess of the purchase price over the fair value of identifiable net assets acquired represents goodwill. This goodwill is primarily attributable to the value of combining iovera° and EXPAREL as a safe and effective non-opioid multimodal regimen for pain management, as well as the synergies of merging operations. The primary assets and liabilities of the business acquired include developed technology and customer relationship intangible assets, equipment, inventory, receivables, payables and accrued expenses. Inventory has been recorded at its estimated selling price less costs of distribution and a reasonable profit, and the intangible assets acquired (including developed technology and customer relationships) have been recorded at fair value as determined by the Company's management with the assistance of a third-party valuation specialist. The acquired goodwill and intangible assets are currently not deductible for tax purposes. However, the Company is considering certain tax elections that would allow for the future deduction of acquired goodwill and intangible assets. See Note 8, *Goodwill and Intangible Assets*, for more information.

The total consideration for the MyoScience Acquisition was $148.5 million, which consisted of the following (in thousands):

Purchase Price	Amount
Cash Paid	$ 120,029
Fair value of contingent consideration	28,470
Total	$ 148,499

The preliminary purchase price allocation is based on estimates, assumptions, valuations and other studies which have not yet been finalized. Prior to the finalization of the purchase price allocation, if information becomes available that would indicate it is probable that unknown events had occurred and the amounts can be reasonably estimated, such items will be included in the final purchase price allocation and may change the carrying value of goodwill. The Company is finalizing its valuation of the intangible assets, tax analyses and working capital adjustments and anticipates finalizing the purchase price allocation as the information necessary to complete the analysis is obtained, but no later than one year after the acquisition date. The following tables set forth the preliminary allocation of the MyoScience Acquisition purchase price to the estimated fair value of the net assets acquired at the acquisition date (in thousands):

	Amounts Recognized at the Acquisition Date (Unaudited)
ASSETS ACQUIRED	
Current assets	$ 5,275
Non-current assets (other than intangible assets)	1,044
Intangible assets (excluding goodwill)	110,090
Total assets acquired (excluding goodwill)	$ 116,409
LIABILITIES ASSUMED	
Current liabilities	$ 4,436
Deferred tax liabilities, net	1,828
Other non-current liabilities	144
Total liabilities assumed	6,408
Total identifiable net assets acquired	110,001
Goodwill	38,498
Total consideration transferred	$ 148,499

CryoTech results from the acquisition date of April 10, 2019 through June 30, 2019, which are included in the condensed consolidated statements of operations, are as follows (in thousands):

Classification in Condensed Consolidated Statements of Operations	Acquisition Date Through June 30, 2019
Total revenues	$ 2,035
Net loss	$ (2,547)

Unaudited Pro Forma Summary of Operations

The following table shows the unaudited pro forma summary of operations for the three and six months ended June 30, 2019 and 2018, as if the MyoScience Acquisition had occurred on January 1, 2018. This pro forma information does not purport to represent what the Company's actual results would have been if the acquisition had occurred as of January 1, 2018, and is not indicative of what such results would be expected for any future period (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total revenues	$ 102,913	$ 85,238	$ 196,366	$ 160,804
Net income (loss)	$ 4,234	$ (3,519)	$ (4,742)	$ (20,496)
Pro forma basic net income (loss) per share	$ 0.10	$ (0.09)	$ (0.11)	$ (0.50)
Pro forma diluted net income (loss) per share	$ 0.10	$ (0.09)	$ (0.11)	$ (0.50)

The unaudited pro forma financial information was prepared using the acquisition method of accounting and was based on the historical financial information of the Company and MyoScience. The summary pro forma financial information primarily reflects the following pro forma adjustments:

- Removal of the acquisition-related transaction fees and costs, including certain stock-based compensation and other compensation expenses related to the acquisition, from the three and six month periods ended June 30, 2019;
- Removal of the income tax benefit resulting from the Company decreasing its existing valuation allowance on deferred tax assets from the three and six month periods ended June 30, 2019;
- Removal of MyoScience's loss on extinguishment of debt and warrant expense in the three and six month periods ended June 30, 2019;
- Removal of MyoScience's interest expense;
- Adjustments to the Company's interest income for the cash used to acquire MyoScience; and
- The addition of amortization expense on the acquired developed technology and customer relationship intangible assets.

NOTE 5—INVENTORIES

The components of inventories, net are as follows (in thousands):

	June 30, 2019	December 31, 2018
Raw materials	$ 19,014	$ 19,193
Work-in-process	10,983	9,711
Finished goods	22,700	19,665
Total	$ 52,697	$ 48,569

NOTE 6—FIXED ASSETS

Fixed assets, net, summarized by major category, consist of the following (in thousands):

	June 30, 2019	December 31, 2018
Machinery and equipment	$ 68,285	$ 67,431
Leasehold improvements	60,110	57,955
Computer equipment and software	8,354	8,131
Office furniture and equipment	1,614	1,548
Construction in progress	35,775	35,163
Total	174,138	170,228
Less: accumulated depreciation	(68,646)	(61,558)
Fixed assets, net	$ 105,492	$ 108,670

For the three months ended June 30, 2019 and 2018, depreciation expense was $3.5 million and $2.8 million, respectively. For the three months ended June 30, 2019 there was no capitalized interest on the construction of manufacturing sites, and for the three months ended June 30, 2018, capitalized interest was $0.2 million.

For the six months ended June 30, 2019 and 2018, depreciation expense was $7.1 million and $5.6 million, respectively. For the six months ended June 30, 2019 there was no capitalized interest on the construction of manufacturing sites, and for the six months ended June 30, 2018, capitalized interest was $0.6 million.

At June 30, 2019 and December 31, 2018, total fixed assets, net, includes leasehold improvements and manufacturing process equipment located in Europe in the amount of $63.4 million and $64.6 million, respectively.

NOTE 7—LEASES

The Company leases its EXPAREL manufacturing, research and development, warehouse and former DepoCyt(e) manufacturing facilities in San Diego, California, its iovera° manufacturing, research and development and warehouse facility in Fremont, California and its corporate headquarters in Parsippany, New Jersey. These leases have remaining terms between one year and eleven years, some of which provide renewal options at the then-current market value, along with one that contains the right to terminate the lease after four years. The Company also has a lease with Thermo Fisher Scientific Pharma Services ("Thermo Fisher") (formerly Patheon UK Limited), for the use of their facility in Swindon, England, which is embedded in agreements the Company has with Thermo Fisher. A portion of the associated monthly base fees has been allocated to the lease component based on a relative fair value basis.

The Company's iovera° facility in Fremont, California, consists of approximately 20,000 square feet of mixed use manufacturing, research and development and office space. For a description of the Company's other properties, refer to its Annual Report on Form 10-K for the year ended December 31, 2018.

The operating lease costs for the facilities include lease and non-lease components, such as common area maintenance and other common operating expenses, along with executory costs such as insurance and real estate taxes. Total operating lease costs are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Operating Lease Costs	**2019**	**2018**	**2019**	**2018**
Fixed lease costs	$ 1,516	$ 1,600	2,959	3,090
Variable lease costs	449	408	829	810
Total	$ 1,965	$ 2,008	$ 3,788	$ 3,900

Supplemental cash flow information related to operating leases is as follows (in thousands):

	Six Months Ended June 30, 2019
Cash paid for operating lease liabilities, net of lease incentive	$ 3,121
Right-of-use assets recorded in exchange for lease obligations	$ 38,419

The Company has elected to net the amortization of the ROU asset and the reduction of the lease liability principal in accrued expenses in the condensed consolidated statement of cash flows.

The Company has measured its operating lease liabilities at an estimated discount rate in which it could borrow on a collateralized basis over the remaining term for each operating lease. The weighted average remaining lease term and the weighted average discount rate are summarized as follows:

	June 30, 2019
Weighted average remaining lease term	9.77 years
Weighted average discount rate	7.62%

Maturities of the Company's operating lease liabilities are as follows (in thousands):

Year	Aggregate Minimum Payments Due
2019 (remaining six months)	$ 4,166
2020	7,662
2021	5,359
2022	5,486
2023	5,616
2024 through 2030	37,208
Total lease payments	65,497
Less: imputed interest	(20,284)
Total operating lease liabilities	$ 45,213

The Company has entered into two lease agreements (not included in the table above) for which there are future obligations but the leases have not yet commenced as of June 30, 2019 (in thousands):

Year	Aggregate Minimum Payments Due
2019 (remaining six months)	$ 124
2020	2,530
2021	4,797
2022	4,937
2023	5,081
2024 through 2030	35,848
Total future lease payments	$ 53,317

As of December 31, 2018, aggregate annual minimum payments due under the Company's lease obligations were as follows (in thousands):

Year	Aggregate Minimum Payments Due
2019	$ 8,140
2020	7,621
2021	5,295
2022	5,417
2023	5,543
2024 through 2030	14,329
Total	$ 46,345

NOTE 8—GOODWILL AND INTANGIBLE ASSETS

Goodwill

Skyepharma Acquisition

In March 2007, the Company acquired from SkyePharma Holding, Inc. (now a subsidiary of Vectura Group plc), or Skyepharma, its California operating subsidiary named Pacira Pharmaceuticals, Inc. (the "Skyepharma Acquisition"). The Company's goodwill arose in April 2012 from a contingent milestone payment to Skyepharma in connection with the Skyepharma Acquisition. The Skyepharma Acquisition was accounted for under Statement of Financial Accounting Standards 141, *Accounting for Business Combinations*, which was the effective GAAP standard at the Skyepharma Acquisition date. In connection with the Skyepharma Acquisition, the Company agreed to milestone payments for DepoBupivacaine products, including EXPAREL, as follows:

(i) $10.0 million upon the first commercial sale in the United States (met April 2012);
(ii) $4.0 million upon the first commercial sale in a major E.U. country (United Kingdom, France, Germany, Italy and Spain);
(iii) $8.0 million when annual net sales collected reach $100.0 million (met September 2014);
(iv) $8.0 million when annual net sales collected reach $250.0 million (met June 2016); and
(v) $32.0 million when annual net sales collected reach $500.0 million.

For purposes of meeting future potential milestone payments, annual net sales are measured on a rolling quarterly basis.

As part of the Skyepharma Acquisition, the Company agreed to pay certain earn-out payments based on a percentage of net sales of DepoBupivacaine products collected, including EXPAREL, for the term during which such sales were covered by a valid claim in certain patent rights related to EXPAREL and other biologics products. The last patents for which a valid claim existed expired on September 18, 2018 and thus, the only remaining obligations to Skyepharma are the two unmet milestone payments totaling $36.0 million. Any remaining milestone payments will be treated as additional costs of the Skyepharma Acquisition and, therefore, recorded as goodwill if and when each contingency is resolved.

There was no change in the carrying value of goodwill related to the Skyepharma Acquisition during the three and six months ended June 30, 2019.

MyoScience Acquisition

In connection with the MyoScience Acquisition, the Company recorded goodwill totaling $38.5 million. The acquired goodwill is currently not deductible for tax purposes. However, the Company is considering certain tax elections that would allow for the future deduction of this acquired goodwill. See Note 4, *MyoScience Acquisition*, for more information.

The change in the carrying value of the Company's goodwill is summarized as follows (in thousands):

	Carrying Value of Goodwill
Balance at December 31, 2018	$ 62,040
Goodwill arising from the MyoScience Acquisition	38,498
Balance at June 30, 2019	$ 100,538

Intangible Assets

MyoScience Acquisition

Intangible assets, net, consist of the developed technology and customer relationships that were acquired in the MyoScience Acquisition and are summarized as follows (in thousands):

June 30, 2019	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Estimated Useful Life
Developed technology	$ 110,000	$ (1,768)	$ 108,232	14 Years
Customer relationships	90	(2)	88	10 Years
Total intangible assets	$ 110,090	$ (1,770)	$ 108,320	

There were no intangible assets, net at December 31, 2018. Amortization expense on intangible assets for the three and six months ended June 30, 2019 was $1.8 million. There was no amortization expense on intangible assets for the three and six months ended June 30, 2018.

For the remaining six months of 2019, amortization expense on intangible assets will be $3.9 million. Assuming no changes in the gross carrying amount of the intangible assets, the future amortization expense on intangible assets will be $7.9 million annually through 2032 and $2.2 million in 2033. The acquired intangible assets are currently not deductible for tax purposes. However, the Company is considering certain tax elections that would allow for the future deduction of these acquired intangible assets.

NOTE 9—DEBT

Convertible Senior Notes Due 2022

On March 13, 2017, the Company completed a private placement of $345.0 million in aggregate principal amount of 2.375% convertible senior notes due 2022, or 2022 Notes, and entered into an indenture, or 2022 Indenture, with respect to the 2022 Notes. The 2022 Notes accrue interest at a fixed rate of 2.375% per year, payable semiannually in arrears on April 1 and October 1 of each year. The 2022 Notes mature on April 1, 2022.

The total debt composition of the 2022 Notes is as follows (in thousands):

	June 30, 2019	December 31, 2018
2.375% convertible senior notes due 2022	$ 345,000	$ 345,000
Deferred financing costs	(5,006)	(5,850)
Discount on debt	(41,809)	(48,558)
Total debt, net of debt discount and deferred financing costs	$ 298,185	$ 290,592

Holders may convert their 2022 Notes prior to October 1, 2021 only if certain circumstances are met, including if during the previous calendar quarter, the last reported sales price of the Company's common stock was greater than 130% of the conversion price then applicable for at least 20 out of the last 30 consecutive trading days of the quarter. During the quarter ended June 30, 2019, this condition for conversion was not met.

On or after October 1, 2021, until the close of business on the second scheduled trading day immediately preceding April 1, 2022, holders may convert their 2022 Notes at any time.

Upon conversion, holders will receive the principal amount of their 2022 Notes and any excess conversion value, calculated based on the per share volume-weighted average price for each of the 40 consecutive trading days during the observation period (as more fully described in the 2022 Indenture). For both the principal and excess conversion value, holders may receive cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's option. The initial conversion rate for the 2022 Notes is 14.9491 shares of common stock per $1,000 principal amount, which is equivalent to an initial conversion price of $66.89 per share of the Company's common stock. The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. The initial conversion price of the 2022 Notes represents a premium of approximately 37.5% to the closing sale price of $48.65 per share of the Company's common stock on the Nasdaq Global Select Market on March 7, 2017, the date that the Company priced the private offering of the 2022 Notes.

As of June 30, 2019, the 2022 Notes had a market price of $1,027 per $1,000 principal amount. In the event of conversion, holders would forgo all future interest payments, any unpaid accrued interest and the possibility of stock price appreciation. Upon the receipt of conversion requests, the settlement of the 2022 Notes will be paid pursuant to the terms of the 2022 Indenture. In the event that all of the 2022 Notes are converted, the Company would be required to repay the $345.0 million in principal value and any conversion premium in any combination of cash and shares of its common stock (at the Company's option).

Prior to April 1, 2020, the Company may not redeem the 2022 Notes. On or after April 1, 2020, the Company may redeem for cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's option, all or part of the 2022 Notes if the last reported sale price (as defined in the 2022 Indenture) of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period ending within five trading days prior to the date on which the Company provides notice of redemption. The redemption price will equal the sum of (i) 100% of the principal amount of the 2022 Notes being redeemed, plus (ii) accrued and unpaid interest, including additional interest, if any, to, but excluding, the redemption date. In addition, calling the 2022 Notes for redemption will constitute a "make whole fundamental change" (as defined in the 2022 Indenture) and will, in certain circumstances, increase the conversion rate applicable to the conversion of such notes if it is converted in connection with the redemption. No sinking fund is provided for the 2022 Notes.

While the 2022 Notes are currently classified on the Company's consolidated balance sheet at June 30, 2019 as long-term debt, the future convertibility and resulting balance sheet classification of this liability will be monitored at each quarterly reporting date and will be analyzed dependent upon market prices of the Company's common stock during the prescribed

measurement periods. In the event that the holders of the 2022 Notes have the right to convert the 2022 Notes at any time during the prescribed measurement period, the 2022 Notes would then be considered a current obligation and classified as such.

Convertible Senior Notes Due 2019

On February 1, 2019, the Company's 3.25% convertible senior notes due 2019, or 2019 Notes, matured, and the Company paid the remaining $0.3 million of principal in full, plus a $0.2 million conversion premium in cash. The 2019 Notes accrued interest at a fixed rate of 3.25% per year and were payable semiannually in arrears on February 1 and August 1 of each year.

Interest Expense

The following table sets forth the total interest expense recognized in the periods presented (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Contractual interest expense	$ 2,049	$ 2,051	$ 4,098	$ 4,102
Amortization of debt issuance costs	424	406	844	808
Amortization of debt discount	3,405	3,170	6,749	6,283
Capitalized interest and other (Note 6)	—	(230)	—	(640)
Total	$ 5,878	$ 5,397	$ 11,691	$ 10,553
Effective interest rate on convertible senior notes	7.81%	7.81%	7.81%	7.81%

NOTE 10—FINANCIAL INSTRUMENTS

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or be paid to transfer a liability in the principal or most advantageous market in an orderly transaction. To increase consistency and comparability in fair value measurements, the FASB established a three-level hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of fair value measurements are:

- Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2—Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3—Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The carrying value of financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to the short-term nature of these items. The fair value of the Company's convertible senior notes at June 30, 2019 are calculated utilizing market quotations from an over-the-counter trading market for these notes (Level 2). The fair value of the Company's acquisition-related contingent consideration is reported at fair value on a recurring basis. The carrying amount and fair values of the Company's convertible senior notes and acquisition-related contingent consideration are as follows (in thousands):

Financial Liabilities		Fair Value Measurements Using		
June 30, 2019	Carrying Value	Level 1	Level 2	Level 3
2.375% convertible senior notes due 2022 (1)(2)	$ 298,185	$ —	$ 354,272	$ —
Acquisition-related contingent consideration (3)	$ 28,470	$ —	$ —	$ 28,470

(1) The closing price of the Company's common stock was $43.49 per share at June 30, 2019 compared to a conversion price of $66.89 per share. Currently, the conversion price is above the stock price. The maximum conversion premium that can be due on the 2022 Notes is approximately 5.2 million shares of the Company's common stock, which assumes no increases in the conversion rate for certain corporate events.
(2) Reported at historical cost.
(3) Reported at fair value on a recurring basis.

Financial Liabilities Measured at Fair Value on a Recurring Basis

The Company has recognized contingent consideration in the amount of $28.5 million as of June 30, 2019. The contingent consideration was recognized as part of the MyoScience Acquisition. The contingent consideration is recognized at fair value on a recurring basis, based on a Level 3 measurement. The Company has measured the fair value of its contingent consideration, using both the discounted cash method and a Monte Carlo simulation. Key assumptions include the probabilities of achievement and estimated date of achievement, future forecasts and the Company's credit risk. There was no change in the fair value of the contingent consideration since acquisition. The remaining term of the milestone achievement period is 4.7 years. Refer to Note 4, *MyoScience Acquisition*, for more information.

Investments

Short-term investments consist of asset-backed securities collateralized by credit card receivables, investment grade commercial paper and corporate bonds with maturities greater than three months, but less than one year. Long-term investments consist of asset-backed securities collateralized by credit card receivables and corporate bonds with maturities greater than one year. Net unrealized gains and losses from the Company's short-term and long-term investments are reported in other comprehensive income (loss). At June 30, 2019, all of the Company's short-term investments are classified as available for sale investments and are determined to be Level 2 instruments, which are measured at fair value using standard industry models with observable inputs. The fair value of the commercial paper is measured based on a standard industry model that uses the three-month U.S. Treasury bill rate as an observable input. The fair value of the asset-backed securities and corporate bonds is principally measured or corroborated by trade data for identical issues in which related trading activity is not sufficiently frequent to be considered a Level 1 input or that of comparable securities. At June 30, 2019, all short-term and long-term investments had an "A" or better rating by Standard & Poor's.

The following summarizes the Company's investments at June 30, 2019 and December 31, 2018 (in thousands):

June 30, 2019 Investments	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Level 2)
Short-term:				
Asset-backed securities	$ 28,045	$ 77	$ —	$ 28,122
Commercial paper	50,533	80	—	50,613
Corporate bonds	153,483	285	(1)	153,767
Subtotal	232,061	442	(1)	232,502
Long-term:				
Asset-backed securities	3,726	12	—	3,738
Corporate bonds	21,577	48	(1)	21,624
Subtotal	25,303	60	(1)	25,362
Total	$ 257,364	$ 502	$ (2)	$ 257,864

December 31, 2018 Investments	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Level 2)
Short-term:				
Asset-backed securities	$ 34,873	$ —	$ (33)	$ 34,840
Commercial paper	45,035	—	(30)	45,005
Corporate bonds	171,289	—	(206)	171,083
Subtotal	251,197	—	(269)	250,928
Long-term:				
Asset-backed securities	9,383	5	—	9,388
Corporate bonds	16,499	—	(16)	16,483
Subtotal	25,882	5	(16)	25,871
Total	$ 277,079	$ 5	$ (285)	$ 276,799

Certain assets and liabilities are measured at fair value on a nonrecurring basis, including assets and liabilities acquired in a business combination, any related contingent consideration arising from an acquisition and long-lived assets, which would be

recognized at fair value if deemed to be impaired or if reclassified as assets held for sale. The fair value in these instances would be determined using Level 3 inputs.

TELA Bio, Inc.

At December 31, 2018, the Company held a $14.1 million investment in convertible preferred B shares of TELA Bio, Inc., or TELA Bio, a privately-held surgical reconstruction company that markets its proprietary OviTex™ portfolio of products for ventral hernia repair and abdominal wall reconstruction. In June 2019, the Company made an additional cash investment of $1.6 million in TELA Bio's convertible preferred B shares.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, long-term investments and accounts receivable. The Company maintains its cash and cash equivalents with high-credit quality financial institutions. Such amounts may exceed federally-insured limits.

As of June 30, 2019, three wholesalers each accounted for over 10% of the Company's accounts receivable, at 31%, 30% and 27%, respectively. At December 31, 2018, three wholesalers each accounted for over 10% of the Company's accounts receivable, at 32%, 32% and 29%, respectively. For additional information regarding the Company's wholesalers, see Note 2*, Summary of Significant Accounting Policies*. Revenues are primarily derived from major wholesalers and pharmaceutical companies that generally have significant cash resources. The Company performs ongoing credit evaluations of its customers as warranted and generally does not require collateral. Allowances for doubtful accounts receivable are maintained based on historical payment patterns, aging of accounts receivable and the Company's actual write-off history. As of June 30, 2019 and December 31, 2018, no allowances for doubtful accounts were deemed necessary by the Company on its accounts receivable.

NOTE 11—STOCK PLANS

Stock Incentive Plans

In June 2019, the Company's stockholders approved the Amended and Restated 2011 Stock Incentive Plan, or 2011 Plan. The 2011 Plan was amended to increase the number of shares of common stock authorized for issuance as equity awards under the plan by 3,000,000 shares.

Stock-Based Compensation

The Company recognized stock-based compensation expense in the periods presented as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of goods sold	$ 1,156	$ 1,046	$ 2,247	$ 2,252
Research and development	1,257	951	2,475	1,648
Selling, general and administrative	5,370	5,050	10,495	11,532
Total	$ 7,783	$ 7,047	$ 15,217	$ 15,432
Stock-based compensation from:				
Stock options (employee awards)	$ 5,322	$ 4,827	$ 10,252	$ 11,182
Stock options (consultant awards)	56	202	247	241
Restricted stock units (employee awards)	2,204	1,819	4,311	3,609
Employee stock purchase plan	201	199	407	400
Total	$ 7,783	$ 7,047	$ 15,217	$ 15,432

Equity Awards

The following tables contain information about the Company's stock option and restricted stock unit, or RSU, activity for the six months ended June 30, 2019:

Stock Options	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2018	5,722,818	$ 41.69
Granted	1,492,239	43.00
Exercised	(159,470)	22.49
Forfeited	(154,524)	41.09
Expired	(99,454)	56.22
Outstanding at June 30, 2019	6,801,609	42.23

Restricted Stock Units	Number of Units	Weighted Average Grant Date Fair Value
Unvested at December 31, 2018	577,964	$ 42.14
Granted	302,918	43.57
Vested	(188,047)	45.48
Forfeited	(31,612)	40.87
Unvested at June 30, 2019	661,223	41.91

The weighted average fair value of stock options granted during the six months ended June 30, 2019 was $21.08 per share. The fair values of stock options granted were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

Black-Scholes Weighted Average Assumption	Six Months Ended June 30, 2019
Expected dividend yield	None
Risk-free interest rate	2.07%
Expected volatility	53.9%
Expected term of options	5.21 years

Employee Stock Purchase Plan

The Company's 2014 Employee Stock Purchase Plan, or ESPP, features two six-month offering periods per year, running from January 1 to June 30 and July 1 to December 31. Under the ESPP, employees may elect to contribute after-tax earnings to purchase shares at 85% of the closing fair market value of the Company's common stock on either the offering date or the purchase date, whichever is less. During the six months ended June 30, 2019, 35,766 shares were purchased and issued through the ESPP.

NOTE 12—STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

The following table illustrates the changes in the balances of the Company's accumulated other comprehensive income (loss) for the periods presented (in thousands):

Net unrealized gains (losses) from available for sale investments:	Six Months Ended June 30, 2019	2018
Balance at beginning of period	$ (280)	$ (454)
Other comprehensive income (loss) before reclassifications	780	(91)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—
Balance at end of period	$ 500	$ (545)

NOTE 13—NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing the net income (loss) attributable to common shares by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is calculated by dividing the net income (loss) attributable to common shares by the weighted average number of common shares outstanding plus dilutive potential common shares outstanding during the period. Potential common shares include the shares of common stock issuable upon the exercise of outstanding stock options, the vesting of RSUs, the purchase of shares from the ESPP (using the treasury stock method) as well as the conversion of the excess conversion value on the 2022 Notes. As discussed in Note 9, *Debt,* the Company has the option to pay cash for the aggregate principal amount due upon the conversion of its 2022 Notes. Since it is the Company's intent to settle the principal amount of its 2022 Notes in cash, the potentially dilutive effect of such notes on net income (loss) per share is computed under the treasury stock method. The Company settled the principal and conversion premium of its 2019 Notes in cash.

Potential common shares are excluded from the diluted net income (loss) per share computation to the extent they would be antidilutive. Because the Company reported a net loss for each of the six month periods ended June 30, 2019 and 2018, no potentially dilutive securities have been included in the computation of diluted net loss per share for those periods.

The following table sets forth the computation of basic and diluted net income (loss) per share for the three and six months ended June 30, 2019 and 2018 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income (loss)	$ 2,730	$ 2,564	$ (41)	$ (8,116)
Denominator:				
Weighted average common shares outstanding—basic	41,384	40,796	41,312	40,751
Computation of diluted securities:				
Dilutive effect of stock options	810	807	—	—
Dilutive effect of RSUs	148	87	—	—
Dilutive effect of ESPP purchase options	3	4	—	—
Weighted average common shares outstanding—diluted	42,345	41,694	41,312	40,751
Net income (loss) per share:				
Basic net income (loss) per common share	$ 0.07	$ 0.06	$ (0.00)	$ (0.20)
Diluted net income (loss) per common share	$ 0.06	$ 0.06	$ (0.00)	$ (0.20)

The following outstanding stock options, RSUs and ESPP purchase options are antidilutive in the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Weighted average number of stock options	4,426	3,918	5,932	5,094
Weighted average number of RSUs	190	367	570	483
Weighted average ESPP purchase options	—	5	36	33
Total	4,616	4,290	6,538	5,610

NOTE 14—INCOME TAXES

Income (loss) before income taxes is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income (loss) before income taxes:				
Domestic	$ 3,760	$ 592	$ 5,580	$ (9,221)
Foreign	(2,633)	2,007	(6,970)	1,175
Total income (loss) before income taxes	$ 1,127	$ 2,599	$ (1,390)	$ (8,046)

For the three months ended June 30, 2019 and 2018, the Company recorded an income tax benefit of $1.6 million and an income tax expense of less than $0.1 million, respectively. For the six months ended June 30, 2019 and 2018, the Company recorded an income tax benefit of $1.3 million and an income tax expense of $0.1 million, respectively. The income tax benefit for the three and six months ended June 30, 2019 is primarily related to the MyoScience Acquisition and a $1.8 million reduction in the Company's valuation allowance on its deferred tax assets due to the acquisition. The tax provisions recorded for the three and six months ended June 30, 2018 reflect current state income taxes. Due to net operating losses, or NOLs, carried forward, and the repeal of the corporate minimum tax, no current federal income tax expense was recorded for 2018 or 2019. The utilization of the Company's NOLs has not resulted in any deferred federal tax expense because there was a full valuation allowance recorded with respect to the NOLs.

NOTE 15—ACQUISITION–RELATED CHARGES AND PRODUCT DISCONTINUATION, NET

The Company recognized acquisition-related charges of $3.4 million and $4.6 million in the three and six months ended June 30, 2019, respectively, related to the Myoscience Acquisition. Of the total for the six months ended June 30, 2019, $4.0 million represented advisory costs, including legal, financial, accounting and tax services. The other $0.6 million represented separation costs, asset write-downs and other restructuring charges. The Company did not incur any acquisition-related charges in 2018. See Note 4, *MyoScience Acquisition*, for more information.

In addition to the acquisition-related charges, the Company recorded costs for product discontinuation related to its DepoCyt(e) discontinuation activities of less than $0.1 million in both the three and six months ended June 30, 2019. Product discontinuation charges were $0.2 million and $0.3 million in the three and six months ended June 30, 2018, respectively.

MyoScience Restructuring Activities

In conjunction with the MyoScience Acquisition, the Company initiated a restructuring through a headcount reduction in the sales and administrative functions. In addition, the Company terminated a number of existing distributor agreements that were maintained by MyoScience. These eliminations resulted in the write-off of demonstration equipment held by former employees and distributors.

DepoCyt(e) Discontinuation

In June 2017, the Company's board of directors approved the discontinuation of all future production of DepoCyt® (U.S. and Canada) and DepoCyte® (European Union) due to persistent technical issues specific to the DepoCyt(e) manufacturing process. As of June 30, 2017, the Company had ceased all production of DepoCyt(e). Cash payments related to the DepoCyt(e) manufacturing facility are expected to continue through the end of its lease term in August 2020.

In April 2018, the Company received formal notice of the termination of a Supply Agreement and a Distribution Agreement (and all related agreements as subsequently amended) from Mundipharma International Corporation Limited and Mundipharma Medical Company, respectively. The Company may be required to make additional payments or incur additional costs relating to the DepoCyt(e) discontinuation that could be material to the Company's results of operations and/or cash flows in a given period.

Summary of Restructuring Activities and DepoCyt(e) Discontinuation Costs

At January 1, 2019, there was a balance sheet reclassification from the lease cost reserves related to the DepoCyt(e) discontinuation to lease liabilities in the amount of $1.5 million, recognized as part of the transition to the ASU 2016-02. See Note 2, *Summary of Significant Accounting Policies*, for more information. The Company's restructuring and DepoCyt(e) discontinuation costs as of June 30, 2019 are summarized below (in thousands):

	Acquisition-Related Separation Costs	Acquisition-Related Asset Write-Downs	DepoCyt(e) Lease Costs	Asset Retirement Obligations, Other Restructuring and Discontinuation Costs	Total
Balance at December 31, 2018	$ —	$ —	$ 1,970	$ 282	$ 2,252
Charges incurred	390	193	—	56	639
Cash payments made	(144)	—	—	(156)	(300)
Other, including non-cash activity	—	(193)	—	—	(193)
Reclassifications	—	—	(1,970)	455	(1,515)
Balance at June 30, 2019	$ 246	$ —	$ —	$ 637	$ 883

NOTE 16—COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company has been and may again become involved in legal proceedings arising in the ordinary course of its business, including those related to patents, product liability and government investigations. Except as described below, the Company is not presently a party to any legal proceedings which it believes to be material, and is not aware of any pending or threatened litigation against the Company which it believes could have a material adverse effect on its business, operating results, financial condition or cash flows.

In April 2015, the Company received a subpoena from the U.S. Department of Justice, U.S. Attorney's Office for the District of New Jersey, requiring the production of a broad range of documents pertaining to marketing and promotional practices related to EXPAREL. The Company is cooperating with the government's inquiry. The Company can make no assurances as to the time or resources that will need to be devoted to this inquiry or its final outcome, or the impact, if any, of this inquiry or any proceedings on its business, financial condition, results of operations and cash flows.

Item 2. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and in accordance with the rules and regulations of the United States Securities and Exchange Commission, or SEC.

This Quarterly Report on Form 10-Q and certain other communications made by us contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including statements about our growth and future operating results, discovery and development of products, strategic alliances and intellectual property. For this purpose, any statement that is not a statement of historical fact should be considered a forward-looking statement. We often use the words "believe," "anticipate," "plan," "estimate," "expect," "intend," "may," "will," "would," "could," "can" and similar expressions to help identify forward-looking statements. We cannot assure you that our estimates, assumptions and expectations will prove to have been correct. These forward-looking statements include, among others, statements about: the success of our sales and manufacturing efforts in support of the commercialization of EXPAREL® (bupivacaine liposome injectable suspension); the rate and degree of market acceptance of EXPAREL; the size and growth of the potential markets for EXPAREL and our ability to serve those markets; our plans to expand the use of EXPAREL to additional indications and opportunities, and the timing and success of any related clinical trials; our ability to realize the anticipated benefits and synergies from the acquisition of MyoScience, Inc., or MyoScience; the ability to successfully integrate iovera°® and MyoScience into the Company's existing business; the commercial success of iovera°; the related timing and success of United States Food and Drug Administration, or FDA, supplemental New Drug Applications, or sNDAs; the outcome of the U.S. Department of Justice, or DOJ, inquiry; the Company's plans to evaluate, develop and pursue additional DepoFoam®-based product candidates; clinical trials in support of an existing or potential DepoFoam-based product; our commercialization and marketing capabilities and our ability to successfully construct an additional EXPAREL manufacturing suite in Swindon, England. Important factors could cause our actual results to differ materially from those indicated or implied by forward-looking statements. We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and readers should not rely on the forward-looking statements as representing our views as of any date subsequent to the date of the filing of this Quarterly Report on Form 10-Q.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include items mentioned herein and the matters discussed and referenced in Part I-Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2018 and in other reports as filed with the SEC.

Unless the context requires otherwise, references to "Pacira," "we," the "Company," "us" and "our" in this Quarterly Report on Form 10-Q refer to Pacira BioSciences, Inc. and its subsidiaries. In addition, references in this Quarterly Report on Form 10-Q to DepoCyt(e) mean DepoCyt® when discussed in the context of the United States, or U.S., and Canada and DepoCyte® when discussed in the context of the European Union, or E.U.

Overview

Pacira is a leading provider of non-opioid pain management options to advance and improve outcomes for health care practitioners and their patients. Our long-acting, local analgesic EXPAREL was commercially launched in April 2012. EXPAREL utilizes DepoFoam, a unique and proprietary delivery technology that encapsulates drugs without altering their molecular structure and releases them over a desired period of time. EXPAREL is currently indicated for single-dose infiltration in adults to produce postsurgical local analgesia and as an interscalene brachial plexus nerve block to produce postsurgical regional analgesia. Since its initial approval in 2011 for single-dose infiltration, more than five million patients have been treated with EXPAREL. We drop-ship EXPAREL directly to the end-user based on orders placed to wholesalers or directly to us, and there is no product held by wholesalers. In April 2019, we acquired iovera°, a handheld cryoanalgesia device used to deliver a precise, controlled application of cold temperature to only targeted nerves, which we sell directly to end users.

We expect to continue to incur significant expenses as we pursue the expanded use of EXPAREL and iovera° in additional procedures; progress our earlier-stage product candidate pipeline; advance regulatory activities for EXPAREL, iovera° and other product candidates; invest in sales and marketing resources for EXPAREL and iovera°; expand and enhance our manufacturing capacity for EXPAREL and iovera°; invest in products, businesses and technologies and support legal matters.

MyoScience Acquisition

On April 9, 2019, we acquired MyoScience (the "MyoScience Acquisition"), a privately-held medical device company, pursuant to the terms of an Agreement and Plan of Merger (the "Merger Agreement"), under which MyoScience became our wholly-owned subsidiary and was renamed Pacira CryoTech, Inc., or CryoTech. The acquisition added iovera° to our commercial offering. The iovera° system is a novel, FDA-approved, non-opioid treatment that has been shown to immediately alleviate pain for up to 90 days by applying intense cold to targeted nerves in a process called cryoanalgesia.

The consideration included an initial cash payment of $120.0 million, subject to adjustment based on customary post-closing purchase price adjustments and indemnification obligations. The Merger Agreement also provides for contingent milestone payments of up to an aggregate of $100.0 million upon the achievement of certain regulatory and commercial milestones, of which up to $25.0 million may be payable in shares of our common stock if achieved in 2020. After the closing of the acquisition, we changed our corporate name to Pacira BioSciences, Inc. to better reflect our vision of becoming a global leader in non-opioid pain management and regenerative medicine. Our Company's California operating subsidiary retained the name Pacira Pharmaceuticals, Inc. and our common stock continues to trade on the Nasdaq Global Select Market under the symbol "PCRX."

EXPAREL

EXPAREL is currently indicated for single-dose infiltration in adults to produce postsurgical local analgesia and as an interscalene brachial plexus nerve block to produce postsurgical regional analgesia. Safety and efficacy have not been established in other nerve blocks.

Phase 4 Trials

We are expanding the clinical evidence for EXPAREL through Phase 4 clinical trials across several surgical specialties.

In January 2019, we reported positive topline results from a Phase 4 study of EXPAREL in patients undergoing Cesarean section, or C-section. The study compared an EXPAREL transversus abdominis plane, or TAP, block to a bupivacaine TAP block and achieved its primary endpoint with a statistically significant reduction in total postsurgical opioid consumption through 72 hours ($p<0.05$). EXPAREL also achieved statistical significance for reduction in pain intensity scores through 72 hours ($p<0.05$). The study also achieved statistical significance ($p<0.05$) for relevant additional endpoints, including: (i) reduced total opioid consumption at one and two weeks following C-section and (ii) an increased percentage of opioid-spared patients, a composite endpoint, which was defined as patients who took no more than one oxycodone 10mg tablet (or equivalent) and graded their bother or stress from the following opioid-related adverse events as "not at all": vomiting, itching, sweating, freezing or dizziness. These data were presented at the Annual Meeting of the Society for Obstetric Anesthesia and Perinatology in May 2019. The full study results will be submitted for publication in the peer-reviewed medical literature.

Patient enrollment is underway in a second C-section study (known as "CHOICE"). This multicenter, randomized, active controlled study is evaluating the efficacy and safety of EXPAREL when administered via infiltration into the TAP versus the standard of care in patients undergoing elective C-section. The study's primary objective is to compare total opioid consumption through 72 hours. The study is designed to evaluate a completely opioid-free arm with EXPAREL, including opioid-free spinal anesthesia.

We are also activating sites for a Phase 4 study in spine surgeries (known as "FUSION") and a Phase 4 study in hip fracture procedures (known as "RESTORE").

In surgical settings where we are seeing positive outcomes for EXPAREL as part of an enhanced recovery after surgery, or ERAS, protocol (such as colorectal and breast reconstruction procedures), we are investing in training around the protocol and collecting real-world data on the standard-of-care without EXPAREL compared to an EXPAREL-based ERAS protocol. Our Phase 4 strategy also supports clinician education on procedure-specific best-practice care for improved patient outcomes and customer satisfaction within our approved indications.

Pediatrics

The Pediatric Research Equity Act requires pharmaceutical companies to study their products in children for the same use for which they are approved in adults. There is no long-lasting local anesthetic approved for use in children under the age of 12, meaning that pediatric patients currently have no approved alternatives to opioids for the management of severe postsurgical pain and need additional pain control options.

We have completed our first pharmacokinetic and safety study in children aged 12 to 17 undergoing corrective spine surgery. We are currently enrolling patients in a multicenter study (known as "PLAY") to evaluate the pharmacokinetics and safety of EXPAREL for postsurgical analgesia via infiltration in pediatric patients aged 6 to less than 17 years undergoing various types of surgeries. We are also in discussions with the FDA to define a safe dose for the administration of EXPAREL as a brachial plexus nerve block in the pediatric setting.

Global Expansion

We have defined a global expansion strategy for EXPAREL that we believe provides us with the opportunity to increase our revenue and leverage our fixed cost infrastructure. We have prioritized Europe, Canada and China. In the E.U., we have secured a positive opinion for our Pediatric Investigation Plan (PIP) and in June 2019 our Marketing Authorization Application, or MAA, was validated by the European Medicines Agency (EMA). In Canada, which is a concentrated market driven by four provinces, we are planning a New Drug Submission in the second half of 2019. We do not intend to pursue a commercial partnership to commercialize EXPAREL in Europe or Canada. In China, we have an agreement with Nuance Biotech Co. Ltd., or Nuance, a China-based specialty pharmaceutical company, for the development and commercialization of EXPAREL. We have received feedback from the National Medical Products Administration, or NMPA, regarding the regulatory requirements for securing approval of EXPAREL. We believe we have the necessary clarity from the NMPA, and we are in the process of finalizing our regulatory path forward.

iovera°

iovera° and EXPAREL for Non-Opioid Pain Management

We view iovera° as being highly complementary to EXPAREL as a non-opioid therapy that delivers cryoanalgesia via a handheld device to alleviate pain by disrupting pain signals being transmitted to the brain from the site of injury or surgery. Initially, we will focus on two broad patient care opportunities.

Our first priority is iovera° and EXPAREL for opioid-sparing pain management for the total knee arthroplasty, or TKA, patient, with iovera° being administered before surgery and EXPAREL administered during surgery. As many as 30 percent of presurgical patients with end-stage knee osteoarthritis use prescription opioids. With iovera°, our goal is to provide patients with several months of non-opioid pain control to allow them to prepare for surgery with an appropriate regimen. We also believe that EXPAREL for surgical pain control and EXPAREL plus iovera° for postsurgical pain control will support rapid functional recovery and a return to daily activities, including normal sleep.

The second target market is iovera° for osteoarthritis patients who have failed conservative treatments, such as non-steroidal anti-inflammatory drugs or viscosupplementation, and are seeking drug-free, opioid-free, surgery-free pain management for several months. We are targeting patients who are seeking an active lifestyle such as golfing, playing tennis or hiking, as well as patients who desire to delay surgery for personal reasons.

Osteoarthritis of the Knee

Our near-term therapeutic focus for iovera° will be osteoarthritis of the knee, where there is already a growing body of clinical data demonstrating success with the iovera° treatment. There are 14 million individuals in the U.S. who have symptomatic knee osteoarthritis, and nearly 2 million are under the age of 45. Surgical intervention is typically a last resort for patients suffering from osteoarthritis of the knee. In one study, the majority of the patients suffering from osteoarthritis of the knee experienced pain and system relief beyond 150 days after being treated with iovera°.

Preliminary findings demonstrated reductions in opioids, including:

- The daily morphine equivalent was significantly lower at 72 hours ($p<0.05$), 6 weeks ($p<0.05$) and 12 weeks ($p<0.05$), with an overall 35 percent reduction in daily morphine equivalents across the 12-week postoperative period in the iovera° treatment group.

- Patients who were administered iovera° were far less likely to take opioids six weeks after surgery. The number of patients taking opioids six weeks after TKA in the control group was three times the number of patients taking opioids in the cryoanalgesia group (14% vs. 44%, $p<0.01$).

- Patients in the iovera° group demonstrated a statistically significant reduction in pain scores from the baseline at 72 hours ($p<0.05$) and at 12 weeks ($p<0.05$).

We believe these data validate iovera° as a clinically meaningful non-opioid alternative for patients undergoing TKA, and that iovera° offers the opportunity to provide patients with non-opioid pain control well in advance of any necessary surgical intervention through a number of key product attributes:

- iovera° is safe and effective with immediate pain relief that can last for several months as the nerve regenerates over time;
- iovera° is repeatable;
- The technology does not risk damage to the surrounding tissue;
- It is a convenient handheld device with a single-use procedure-specific smart tip;
- iovera° can be delivered precisely using ultrasound guidance or an anatomical landmark.

We believe the combination of iovera° and EXPAREL will become the preferred procedural solution that will empower patients and their healthcare providers to take control of the patients' osteoarthritis journey, while minimizing the need for opioids. We plan to invest in clinical initiatives to demonstrate the value proposition of iovera°. Our initial focus will be iovera° and EXPAREL as a multimodal solution for TKA and anterior cruciate ligament (ACL) repair surgeries.

Product Pipeline

Given the proven safety, flexibility and customizability of our DepoFoam platform for acute, sub-acute and chronic pain applications, we have several DepoFoam-based products in preclinical development. Following data readouts from animal and other feasibility studies for these candidates, we have prioritized two programs for clinical development: (i) the intrathecal delivery of a DepoFoam-based levobupivacaine for acute and chronic pain and (ii) DepoDexmedetomidine, a sedative-analgesic for end-of-life pain and painful conditions in the elderly.

In April 2019, we added iovera° to our commercial offering through the acquisition of MyoScience, and we are looking to continue to develop products that broaden the scope of its applications and improve functionality for current and future end users. This will be accomplished through enhancements across the product line, which is comprised of single-use disposable units as well as non-disposable handheld devices.

In parallel, our business development team continues to pursue innovative acquisition targets that align with our strategy and are complementary to EXPAREL and iovera° by thoughtfully pursuing additional opportunities that are of great interest to the surgical and anesthesia audiences we are already calling on today. Our goal is to build a portfolio of customer-focused non-opioid and regenerative health solutions to improve patients' journeys along the neural pain pathway.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2019 and 2018

Revenues

Net product sales consist of sales of EXPAREL in the U.S., our bupivacaine liposome injectable suspension to Aratana Therapeutics, Inc., or Aratana, for use in animals in the U.S., and sales of iovera° in the U.S. Licensing, milestone and royalty revenues are from our collaborative licensing agreements.

The following table provides information regarding our revenues during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Net product sales:						
EXPAREL	$ 98,868	$ 80,430	23%	$ 189,482	$ 154,464	23%
Bupivacaine liposome injectable suspension	921	287	100% +	1,213	540	100% +
Total EXPAREL / bupivacaine liposome injectable suspension net product sales	99,789	80,717	24%	190,695	155,004	23%
iovera°	2,035	—	N/A	2,035	—	N/A
Total net product sales	101,824	80,717	26%	192,730	155,004	24%
Collaborative licensing and milestone revenue	—	3,000	(100)%	—	3,000	(100)%
Royalty revenue	780	390	100%	1,187	710	67%
Total revenues	$ 102,604	$ 84,107	22%	$ 193,917	$ 158,714	22%

EXPAREL revenue grew 23% in each of the three and six months ended June 30, 2019 compared to the same periods in 2018, primarily due to an increase in net product sales of EXPAREL units of 27% and 28%, respectively, partially offset by the sales mix of EXPAREL product sizes. The demand for EXPAREL has continued to increase as a result of a number of key growth initiatives, such as the expansion of the EXPAREL label in April 2018 to include brachial plexus nerve block, the success of our co-promotion agreement with DePuy Synthes Sales, Inc., or DePuy Synthes, and the continued implementation of EXPAREL-based ERAS protocols across a wide range of surgical procedures, all of which are driving growth in new and existing accounts due to the continued adoption of EXPAREL as a critical component of multimodal pain management strategies for soft tissue and orthopedic procedures. There was also an increase in sales of our bupivacaine liposome injectable suspension to Aratana for use in animals.

As part of the MyoScience Acquisition, we acquired iovera°. The net product sales of $2.0 million for the three and six months ended June 30, 2019 are attributable to the post-closing period of April 10, 2019 to June 30, 2019. Thus far, we have seen the greatest iovera° demand as pain relief for patients in advance of TKA procedures and in chronic pain management, particularly for people with mild to severe osteoarthritis of the knee.

The collaborative licensing and milestone revenue recorded in the three and six months ended June 30, 2018 relates to a $3.0 million upfront payment earned under a license agreement with Nuance for the development and commercialization of EXPAREL in China. There was no collaborative licensing and milestone revenue through the first six months of 2019.

Royalty revenue reflects the royalties earned on sales to Aratana. Royalty revenue increased 100% and 67% in the three and six months ended June 30, 2019, respectively, compared to the same periods in 2018 as a result of increased sales to Aratana.

The following tables provide a summary of activity with respect to our sales related allowances and accruals related to EXPAREL for the six months ended June 30, 2019 and 2018 (in thousands):

June 30, 2019	Returns Allowances	Prompt Payment Discounts	Wholesaler Service Fees	Volume Rebates and Chargebacks	Total
Balance at December 31, 2018	$ 344	$ 779	$ 1,167	$ 1,010	$ 3,300
Provision	363	3,905	2,989	4,645	11,902
Payments / Adjustments	(191)	(3,877)	(3,177)	(4,274)	(11,519)
Balance at June 30, 2019	$ 516	$ 807	$ 979	$ 1,381	$ 3,683

June 30, 2018	Returns Allowances	Prompt Payment Discounts	Wholesaler Service Fees	Volume Rebates and Chargebacks	Total
Balance at December 31, 2017	$ 821	$ 657	$ 839	$ 696	$ 3,013
Provision	326	3,180	2,439	2,899	8,844
Payments / Adjustments	(427)	(3,171)	(2,428)	(2,807)	(8,833)
Balance at June 30, 2018	$ 720	$ 666	$ 850	$ 788	$ 3,024

Total reductions to gross product sales from sales-related allowances and accruals were $11.9 million and $8.8 million, or 5.8% and 5.4% of gross product sales, for the six months ended June 30, 2019 and 2018, respectively. The overall increase in sales-related allowances and accruals as a percentage of gross product sales was directly related to an increase in discounting driven by higher volume from customers with discount contracts.

Cost of Goods Sold

Cost of goods sold primarily relates to the costs to produce, package and deliver our products to customers. These expenses include labor, raw materials, manufacturing overhead and occupancy costs, depreciation of facilities, royalty payments, quality control and engineering.

The following table provides information regarding our cost of goods sold and gross margin during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Cost of goods sold	$ 25,201	$ 20,916	20%	$ 52,505	$ 43,801	20%
Gross margin	75%	75%		73%	72%	

Gross margin was flat for the three months ended June 30, 2019 versus the same period in 2018 and improved 1 percentage point in the six months ended June 30, 2019 versus 2018. In both the three and six month periods, gross margin increased by 1 percentage point as a result of having completed our capacity expansion project for the commercial production of EXPAREL at our custom manufacturing suite in Swindon, England (under our partnership with Thermo Fisher Scientific Pharma Services, or Thermo Fisher). Offsetting this increase in the three months ended June 30, 2019 versus 2018 was a 1 percentage point decrease as the result of lower gross margin from iovera°.

Research and Development Expenses

Research and development expenses primarily consist of costs related to clinical trials and related outside services, product development and other research and development costs, including Phase 4 trials that we are conducting to generate new data for EXPAREL and iovera° and stock-based compensation expense. Clinical development expenses include costs for clinical personnel, clinical trials performed by third-parties, materials and supplies, database management and other third-party fees. Product development and other research and development expenses include development costs for our products and medical information expenses, which include personnel, equipment, materials and contractor costs for process development and product candidates, toxicology studies, development costs related to significant scale-ups of our manufacturing capacity, facility costs for our research space and regulatory activities related to unapproved products and indications. Stock-based compensation expense relates to the costs of stock option grants, awards of restricted stock units, or RSUs, and our employee stock purchase plan, or ESPP.

The following table provides information regarding our research and development expenses during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Clinical development	$ 6,352	$ 3,778	68%	$ 10,892	$ 8,963	22%
Product development and other	10,218	7,510	36%	18,843	16,006	18%
Stock-based compensation	1,257	951	32%	2,475	1,648	50%
Total research and development expense	$ 17,827	$ 12,239	46%	$ 32,210	$ 26,617	21%
% of total revenues	17%	15%		17%	17%	

Total research and development expense increased 46% and 21% in the three and six months ended June 30, 2019 versus the same periods in 2018, respectively.

The increases of 68% and 22% in clinical development expense in both the three and six months ended June 30, 2019 versus 2018, respectively, are primarily related to ongoing enrollment in our Phase 3 Pediatric ("PLAY") and Phase 4 Opioid Free C-Section ("CHOICE") clinical trials, as well as startup activities related to our Phase 4 Spine ("FUSION") and Hip Fracture ("RESTORE") clinical trials. In the three month period ended June 30, 2019 versus 2018, there were also increases in costs related to investigator-initiated studies and clinical drug supply costs in support of our ongoing trials.

Product development and other expense increased by 36% and 18% in the three and six months ended June 30, 2019 versus the same respective periods in 2018, primarily due to development costs related to a significant scale-up of our manufacturing capacity for EXPAREL in an additional suite in Swindon, England in partnership with Thermo Fisher, additional subarachnoid toxicology studies, increased spend on EXPAREL support for in vitro release testing and our MAA filing in Europe.

Stock-based compensation increased by 32% and 50% in the three and six months ended June 30, 2019 versus the same respective periods in 2018, primarily due to an increase in personnel as well as the number of equity awards granted in both the first half of 2019 and the second half of 2018.

Selling, General and Administrative Expenses

Sales and marketing expenses primarily consist of compensation and benefits for our sales force and personnel that support our sales, marketing, medical and scientific affairs operations, commission payments to our marketing partners for the promotion and sale of EXPAREL and iovera°, expenses related to communicating the health outcome benefits of EXPAREL and iovera° and educational programs for our customers. General and administrative expenses consist of compensation and benefits for legal, finance, regulatory activities related to approved products and indications, compliance, information technology, human resources, business development, executive management and other supporting personnel. It also includes professional fees for legal, audit, tax and consulting services. Stock-based compensation expense relates to the costs of stock option grants, RSU awards and our ESPP.

The following table provides information regarding our selling, general and administrative expenses during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Sales and marketing	$ 32,312	$ 27,118	19%	$ 63,869	$ 52,240	22%
General and administrative	11,444	12,081	(5)%	22,067	24,667	(11)%
Stock-based compensation	5,370	5,050	6%	10,495	11,532	(9)%
Total selling, general and administrative expense	$ 49,126	$ 44,249	11%	$ 96,431	$ 88,439	9%
% of total revenues	48%	53%		50%	56%	

Total selling, general and administrative expenses increased 11% and 9% in the three and six months ended June 30, 2019 versus 2018, respectively.

Sales and marketing expenses increased 19% and 22% in the three and six months ended June 30, 2019 versus the same respective periods in 2018. The increases were driven by additional selling and promotional activities to support the growth of

EXPAREL, including growing a team in the field consisting of account managers focused on the outpatient market, initiatives and commissions related to our co-promotion agreement with DePuy Synthes and additional marketing spend for the launch of ambulatory and dental reimbursement codes, which became effective on January 1, 2019. We are continuing our marketing investment in EXPAREL—including educational initiatives and programs related to the impact of opioids and postsurgical pain management and our national advocacy campaign designed to educate patients about non-opioid treatment options. Additionally, we began investing in marketing initiatives and customer outreach for iovera° as a result of the MyoScience Acquisition.

General and administrative expenses decreased 5% and 11% in the three and six months ended June 30, 2019 versus the same periods in 2018, respectively, primarily due to a decrease in legal, business development, and information technology expenditures. The decreases in both periods were partially offset by additional administrative support related to Pacira CryoTech.

Stock-based compensation increased 6% in the three months ended June 30, 2019 versus the same period in 2018, primarily due to an increase in personnel and the number of equity grants awarded. In the six months ended June 30, 2019 versus 2018, stock-based compensation decreased 9%, primarily attributable to accelerated expense that occurred in the first quarter of 2018.

Amortization of Acquired Intangible Assets

The following table provides a summary of the amortization of acquired intangible assets during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Amortization of acquired intangible assets	$ 1,770	$ —	N/A	$ 1,770	$ —	N/A

As part of the MyoScience Acquisition we acquired intangible assets consisting of developed technology and customer relationships, with estimated useful lives of 14 and 10 years, respectively. Beginning in the second quarter of 2019, these are being amortized on a straight-line basis. For more information, see Note 8, *Goodwill and Intangible Assets*, to our condensed consolidated financial statements included herein.

Acquisition-Related Charges and Product Discontinuation Expenses

The following table provides a summary of the costs related to the MyoScience Acquisition and our DepoCyt(e) discontinuation activities during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Acquisition-related charges	$ 3,357	$ —	N/A	$ 4,570	$ —	N/A
Product discontinuation	48	162	(70)%	77	252	(69)%
Total acquisition-related charges and product discontinuation, net	$ 3,405	$ 162	100% +	$ 4,647	$ 252	100% +

For the acquisition of MyoScience, we recognized charges of $3.4 million and $4.6 million in the three and six months ended June 30, 2019, respectively. Of the total for the six months ended June 30, 2019, $4.0 million represented advisory costs, including legal, financial, accounting and tax services. The additional $0.6 million represented separation costs and asset write-downs. We did not incur any acquisition-related charges in 2018.

In the three months ended June 30, 2019 and 2018, we recorded charges of less than $0.1 million and $0.2 million, respectively, related to the discontinuation of our DepoCyt(e) manufacturing activities for asset retirement obligations and other contract and exit costs. We recorded charges of $0.1 million and $0.3 million for these same activities during the six months ended June 30, 2019 and 2018, respectively.

Other Income (Expense)

The following table provides the components of other income (expense) during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Interest income	$ 1,817	$ 1,533	19%	$ 3,973	$ 2,906	37%
Interest expense	(5,878)	(5,397)	9%	(11,691)	(10,553)	11%
Other, net	(87)	(78)	12%	(26)	(4)	(100%) +
Total other expense, net	$ (4,148)	$ (3,942)	5%	$ (7,744)	$ (7,651)	1%

Total other expense, net increased 5% and 1% in the three and six months ended June 30, 2019 versus 2018, respectively, primarily due to an increase in interest expense related to the amortization of the discount on our 2.375% convertible senior notes due 2022, or 2022 Notes, and the absence of capitalized interest related to the completion of our first manufacturing suite in Swindon, England in 2018. The increased interest expense was partially offset by an increase in interest income due to higher overall returns on our investments.

Income Tax Expense

The following table provides information regarding our income tax expense during the periods indicated, including percent changes (dollar amounts in thousands):

	Three Months Ended June 30,		% Increase / (Decrease)	Six Months Ended June 30,		% Increase / (Decrease)
	2019	2018		2019	2018	
Income tax (benefit) expense	$ (1,603)	$ 35	N/A	$ (1,349)	$ 70	N/A
Effective tax rate	(142)%	1%		97%	(1)%	

For the three months ended June 30, 2019 and 2018, we recorded an income tax benefit of $1.6 million and an income tax expense of less than $0.1 million, respectively. For the six months ended June 30, 2019 and 2018, we recorded an income tax benefit of $1.3 million and an income tax expense of $0.1 million, respectively. The income tax benefit for the three and six months ended June 30, 2019 is primarily related to the MyoScience Acquisition and a $1.8 million reduction in our valuation allowance on our deferred tax assets due to the acquisition which was partially offset by an increase in state income taxes. The tax provisions recorded for the three and six months ended June 30, 2018 reflect current state income taxes. Due to net operating losses, or NOLs, carried forward, and the repeal of the corporate minimum tax, no current federal income tax expense was recorded for 2018 or 2019. The utilization of our NOLs has not resulted in any deferred federal tax expense because there was a full valuation allowance recorded with respect to the NOLs.

Liquidity and Capital Resources

Since our inception in December 2006, we have devoted most of our cash resources to manufacturing, research and development and selling, general and administrative activities related to the development and commercialization of EXPAREL. We are highly dependent on the commercial success of EXPAREL, which we launched in April 2012. We have financed our operations primarily with cash generated from product sales, the proceeds from the sale of equity and debt securities, borrowings under prior debt facilities and collaborative licensing and milestone revenue. As of June 30, 2019, we had an accumulated deficit of $388.4 million, cash and cash equivalents, short-term and long-term investments of $317.6 million and working capital of $311.6 million. On April 9, 2019, we acquired MyoScience for $120.0 million in cash and contingent milestone payments up to an aggregate of $100.0 million upon the achievement of certain regulatory and commercial milestones, of which up to $25.0 million may be payable in shares of our common stock if achieved in 2020. Refer to Note 4, *MyoScience Acquisition*, to our condensed consolidated financial statements for more information.

Summary of Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	Six Months Ended June 30,	
Condensed Consolidated Statement of Cash Flows Data:	**2019**	**2018**
Net cash provided by (used in):		
Operating activities	$ 26,262	$ 11,021
Investing activities	(103,318)	49,280
Financing activities	4,267	2,444
Net increase (decrease) in cash and cash equivalents	$ (72,789)	$ 62,745

Operating Activities

During the six months ended June 30, 2019, net cash provided by operating activities was $26.3 million compared to net cash provided by operating activities of $11.0 million during the six months ended June 30, 2018. The increase of $15.3 million was primarily attributable to a 23% increase in net product sales of EXPAREL. This increase was partially offset by increased sales commissions related to our co-promotion agreement with DePuy Synthes, costs to grow our sales and marketing teams focused on the outpatient market and the launch of ambulatory and dental reimbursement codes for EXPAREL (which became effective on January 1, 2019), costs related to the MyoScience Acquisition and subsequent investment in marketing initiatives to grow the reach of iovera°.

Investing Activities

During the six months ended June 30, 2019, net cash used in investing activities was $103.3 million, which reflected cash used to fund the MyoScience Acquisition of $118.7 million (net of $1.3 million of cash acquired), purchases of fixed assets of $4.1 million, and an additional $1.6 million investment in TELA Bio Inc., partially offset by $21.1 million of short-term investment maturities (net of purchases). Major fixed asset purchases included continuing expenditures for expanding our EXPAREL manufacturing capacity in Swindon, England in partnership with Thermo Fisher, and facility upgrades at our Science Center Campus in San Diego, California.

During the six months ended June 30, 2018, our net cash provided by investing activities was $49.3 million, which reflected $61.8 million of short-term and long-term investment maturities (net of purchases), partially offset by purchases of fixed assets of $7.8 million and contingent consideration payments of $4.7 million related to the March 2007 acquisition of Skyepharma Holding, Inc., or Skyepharma. Major fixed asset purchases included continuing expenditures for expanding our EXPAREL manufacturing capacity in Swindon, England in partnership with Thermo Fisher and facility upgrades at our Science Center Campus in San Diego, California.

Financing Activities

During the six months ended June 30, 2019, net cash provided by financing activities was $4.3 million, which consisted of proceeds from the exercise of stock options of $3.6 million and $1.3 million from the issuance of shares through our ESPP, partially offset by $0.6 million of payments made to retire our 3.25% convertible senior notes due 2019.

During the six months ended June 30, 2018, our net cash provided by financing activities was $2.4 million, which consisted of proceeds from the exercise of stock options of $1.5 million and $1.0 million from the issuance of shares through our ESPP.

2022 Convertible Senior Notes

On March 13, 2017, we completed a private placement of $345.0 million in aggregate principal amount of our 2022 Notes, and entered into an indenture, or 2022 Indenture, with respect to the 2022 Notes. The 2022 Notes accrue interest at a fixed rate of 2.375% per annum, payable semiannually in arrears on April 1 and October 1 of each year. The 2022 Notes mature on April 1, 2022. At June 30, 2019, the outstanding principal on the 2022 Notes was $345.0 million.

On or after October 1, 2021, until the close of business on the second scheduled trading day immediately preceding April 1, 2022, holders may convert their 2022 Notes at any time. Upon conversion, holders will receive the principal amount of their 2022 Notes and any excess conversion value. For both the principal and excess conversion value, holders may receive cash, shares of our common stock or a combination of cash and shares of our common stock, at our option. The initial conversion rate for the 2022 Notes is 14.9491 shares of common stock per $1,000 principal amount, which is equivalent to an initial conversion price of approximately $66.89 per share of our common stock. The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

Prior to the close of business on the business day immediately preceding October 1, 2021, holders may convert the 2022 Notes under certain circumstances, including if during any given calendar quarter, our stock price closes at or above 130% of the conversion price then applicable during a period of at least 20 out of the last 30 consecutive trading days of the previous quarter.

While the 2022 Notes are currently classified on our consolidated balance sheet at June 30, 2019 as long-term debt, the future convertibility and resulting balance sheet classification of this liability will be monitored at each quarterly reporting date and will be analyzed dependent upon market prices of our common stock during the prescribed measurement periods. In the event that the holders of the 2022 Notes have the right to convert the 2022 Notes at any time during the prescribed measurement period, the 2022 Notes would then be considered a current obligation and classified as such.

Prior to April 1, 2020, we may not redeem the 2022 Notes. On or after April 1, 2020, we may redeem for cash, shares of our common stock or a combination of cash and shares of our common stock, at our option, all or part of the 2022 Notes if the last reported sale price (as defined in the 2022 Indenture) of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period ending within five trading days prior to the date on which we provide notice of redemption.

See Note 9, *Debt*, to our condensed consolidated financial statements included herein for further discussion of the 2022 Notes and our other indebtedness.

Future Capital Requirements

We believe that our existing cash and cash equivalents, short-term and long-term investments and cash received from product sales will be sufficient to enable us to fund our operating expenses, capital expenditure requirements, payment of the principal on any conversions of our 2022 Notes and to service our indebtedness through at least August 8, 2020. Our future use of operating cash and capital requirements will depend on many forward-looking factors, including, but not limited to, the following:

- our ability to successfully continue to expand the commercialization of EXPAREL, including outside of the U.S.;
- the costs of successfully integrating MyoScience (now known as Pacira CryoTech) into our existing business and expanding the commercialization of iovera°;
- the cost and timing of additional expansion of our manufacturing facilities for EXPAREL and other product candidates, including the construction of an additional manufacturing suite at Thermo Fisher's facility in Swindon, England;
- the cost and timing of potential milestone payments to MyoScience security holders, which could be up to an aggregate of $100.0 million if certain regulatory and commercial milestones are met;
- the cost and timing of potential milestone payments to Skyepharma, which could be up to an aggregate of $36.0 million if certain milestones pertaining to net sales of DepoBupivacaine products, including EXPAREL, are met, or upon the first commercial sale in a major E.U. country;
- the timing of and extent to which the holders of our 2022 Notes elect to convert their notes;
- costs related to legal and regulatory issues;
- the costs of performing additional clinical trials for EXPAREL, including the pediatric trials required by the FDA as a condition of approval;
- the costs for the development and commercialization of other product candidates; and
- the extent to which we acquire or invest in products, businesses and technologies.

We may require additional debt or equity financing to meet our future operating and capital requirements. We have no committed external sources of funds, and additional equity or debt financing may not be available on acceptable terms, if at all.

Off-Balance Sheet Arrangements

Other than two lease agreements for which there are future obligations but the leases have not yet commenced, we do not have any material off-balance sheet arrangements as of June 30, 2019, nor do we have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Critical Accounting Policies and Use of Estimates

See Note 2, *Summary of Significant Accounting Policies*, to our condensed consolidated financial statements included herein for a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable. For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our consolidated financial statements, refer to our most recent Annual Report on Form 10-K for the year ended December 31, 2018.

Valuation of Acquired Intangible Assets and Goodwill

We recognize acquired intangible assets and goodwill as part of an acquisition accounted for as a business combination. Intangible assets acquired are identified and then recognized based on their fair values as of the acquisition date. Discounted cash flow models have been used to measure their fair values, which require the use of significant estimates and assumptions including but not limited to:

- projecting regulatory approvals and specified levels of Medicare reimbursements;
- estimating future cash flows from product sales and the costs to manufacture those products; and
- estimating the discount rates.

Goodwill represents the excess of consideration transferred over the fair value of the net assets acquired in a business combination accounted for by the acquisition method of accounting and is not amortized, but is subject to impairment testing. We test our goodwill for impairment at least annually or when a triggering event occurs that may indicate a potential impairment by assessing qualitative factors or performing quantitative analysis in determining whether it is more likely than not that the fair value of net assets are below their carrying amounts.

Valuation of Contingent Consideration

We record contingent consideration resulting from a business combination at its fair value on the acquisition date. Subsequently, we re-value the contingent consideration and record any increases or decreases as an adjustment to income (loss) from operations in the condensed consolidated statements of operations. Changes to contingent consideration can result from increases or decreases in estimated sales, costs of goods sold, adjustments to the discount rates, updates in the assumed achievement or timing of milestones or changes in the assumed probability associated with either regulatory approvals or specific levels of Medicare reimbursements. The assumptions in determining the value of contingent consideration include a significant amount of judgment and any changes in the assumptions could have a material impact on income (loss) from operations in a given period.

Contractual Obligations

Except as discussed in Note 7, *Leases*, there are no material changes in our contractual obligations relating to our indebtedness, lease obligations and purchase obligations from those reported in our Annual Report on Form 10-K for the year ended December 31, 2018. For more information on our contractual obligations and commercial commitments, see Part II, Item 7 in our Annual Report on Form 10-K for the year ended December 31, 2018.

As discussed above with the MyoScience Acquisition, under the definitive agreement and plan of merger, MyoScience security holders will be eligible to receive up to an additional $100.0 million in contingent payments upon the achievement of certain regulatory and commercial milestones. Refer to Note 8, *Goodwill and Intangible Assets*, for more information.

Item 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

The primary objective of our cash equivalents and investment activities is to preserve principal while at the same time maximizing the income that we receive from our investments without significantly increasing risk. We invest in corporate bonds, commercial paper and asset-backed securities, which are reported at fair value. These securities are subject to interest rate risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the interest rate later

rises, we expect that the fair value of our investment will decline. A hypothetical 100 basis point increase in interest rates would have reduced the fair value of our available-for-sale securities at June 30, 2019 by approximately $1.3 million.

In March 2017, we issued $345.0 million in aggregate principal amount of our 2022 Notes, which mature in April 2022. Holders may convert their 2022 Notes prior to maturity under certain circumstances. Upon conversion, holders will receive the principal amount of the 2022 Notes and any excess conversion value in cash, shares of our common stock or a combination of cash and shares, at our option. The fair value of the 2022 Notes is impacted by both the fair value of our common stock and interest rate fluctuations. As of June 30, 2019, the estimated fair value of the 2022 Notes was $1,027 per $1,000 principal amount. See Note 9, *Debt*, for further discussion of the 2022 Notes. At June 30, 2019, all $345.0 million of principal remains outstanding on the 2022 Notes.

Additionally, our accounts receivable are concentrated with three large regional wholesalers of pharmaceutical products. In the event of non-performance or non-payment, there may be a material adverse impact on our financial condition, results of operations or net cash flow.

Item 4. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, including our Chief Executive Officer and Chairman and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures which are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chairman and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

On April 9, 2019, we acquired MyoScience (now CryoTech). As such, the scope of our assessment of the effectiveness of our disclosure controls and procedures did not include the internal control over financial reporting of CryoTech. These exclusions are consistent with the SEC Staff's guidance that an assessment of a recently acquired business may be omitted from the scope of our assessment of the effectiveness of disclosure controls and procedures that are also part of internal control over financial reporting in the 12 months following the acquisition. CryoTech accounted for 19% of our total assets and 1% of our total revenue as of and for the six months ended June 30, 2019.

Based on that evaluation, our Chief Executive Officer and Chairman and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2019.

Changes in Internal Control Over Financial Reporting

As a result of the acquisition of MyoScience (now CryoTech), we have commenced a project to evaluate the processes and procedures of CryoTech's internal control over financial reporting and incorporate CryoTech's internal control over financial reporting into our internal control over financial reporting framework. In addition, as a result of the MyoScience Acquisition, we have implemented new processes and controls over accounting for an acquisition, including determining the fair value of the assets acquired and liabilities assumed. Except for the activities described above, there have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the Chief Executive Officer and Chairman and our Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the

realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II — OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of our business. Except as described below, we are not presently a party to any litigation or legal proceedings that we believe to be material and we are not aware of any pending or threatened litigation against us that we believe could have a material adverse effect on our business, operating results, financial condition or cash flows.

In April 2015, we received a subpoena from the U.S. Department of Justice, U.S. Attorney's Office for the District of New Jersey, requiring the production of a broad range of documents pertaining to marketing and promotional practices related to EXPAREL. We are cooperating with the government's inquiry. We can make no assurances as to the time or resources that will need to be devoted to this inquiry or its final outcome, or the impact, if any, of this inquiry or any proceedings on our business, financial condition, results of operations and cash flows.

Item 1A. *RISK FACTORS*

You should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition, cash flows or future results. Except as set forth below, there have been no material changes in our risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2018. The risks described in our Annual Report on Form 10-K for the year ended December 31, 2018 are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

We may be unable to successfully integrate the business and personnel of MyoScience, and may not realize the anticipated synergies and benefits of such acquisition.

We completed the acquisition of MyoScience on April 9, 2019. We may not realize the expected benefits from such acquisition because of integration difficulties or other challenges.

The success of the MyoScience Acquisition will depend, in part, on our ability to realize all or some of the anticipated synergies and other benefits from integrating the business with our existing business. The integration process may be complex, costly and time-consuming. The potential difficulties we may face in integrating the operations of MyoScience include, among others:

- failure to successfully implement our business plans for the combined business;
- unexpected losses of key employees, customers or suppliers, and the complexities associated with integrating personnel from another company;
- unanticipated issues in conforming MyoScience's standards, processes, procedures and controls with our operations;
- coordinating new product and process development;
- increasing the scope, geographic diversity and complexity of our operations;
- diversion of management's attention from other business concerns;
- adverse effects on our or MyoScience's existing business relationships;
- unanticipated changes in applicable laws and regulations;
- unanticipated expenses and liabilities associated with the acquisition of MyoScience; and
- other difficulties in the assimilation of MyoScience operations, technologies, products and systems.

Any acquired companies and businesses may have unanticipated or larger than anticipated liabilities for patent and trademark infringement claims, violations of laws, commercial disputes, taxes and other known and unknown types of liabilities. There may be liabilities that we underestimated or did not discover in the course of performing our due diligence investigation.

If we experience difficulties with the integration process or if the business of MyoScience deteriorates, the anticipated cost savings, growth opportunities and other synergies of the MyoScience Acquisition may not be realized fully or at all, or may take longer to realize than expected. If any of the above risks occur, our business, financial condition, results of operations and cash flows may be materially and adversely impacted, we may fail to meet the expectations of investors or analysts, and our stock price may decline as a result.

Item 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

None.

Item 3. ***DEFAULTS UPON SENIOR SECURITIES***

None.

Item 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

Item 5. ***OTHER INFORMATION***

Not applicable.

Item 6. *EXHIBITS*

The exhibits listed below are filed or furnished as part of this report.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated March 4, 2019, by and among Pacira Pharmaceuticals, Inc., PS Merger, Inc., MyoScience, Inc., and Fortis Advisors LLC, as the securityholders' representative. (1) # +
10.1	Amended and Restated 2011 Stock Incentive Plan. †
31.1	Certification of Chief Executive Officer and Chairman pursuant to Rule 13a-14(a) and 15d-14(a), as amended.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as amended.*
32.1	Certification of Chief Executive Officer and Chairman and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101	The following materials from the Quarterly Report on Form 10-Q of Pacira BioSciences, Inc. for the quarter ended June 30, 2019, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss); (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Condensed Notes to Consolidated Financial Statements.*

* Filed herewith.

** Furnished herewith.

† Denotes management contract or compensatory plan or arrangement.

Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended. The Company hereby undertakes to supplementally furnish copies of any omitted schedules to the Securities and Exchange Commission upon request.

\+ Confidential treatment granted as to certain portions, which portions were omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request.

(1) Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on March 5, 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PACIRA BIOSCIENCES, INC.
(REGISTRANT)

Dated: August 8, 2019

/s/ DAVID STACK

David Stack
Chief Executive Officer and Chairman
(Principal Executive Officer)

Dated: August 8, 2019

/s/ CHARLES A. REINHART, III

Charles A. Reinhart, III
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

PACIRA BIOSCIENCES, INC.

AMENDED AND RESTATED 2011 STOCK INCENTIVE PLAN

(As approved by stockholders on June 4, 2019)

1. Purpose

The purpose of this Amended and Restated 2011 Stock Incentive Plan (the "***Plan***") of Pacira BioSciences, Inc., a Delaware corporation (the "***Company***"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "***Company***" shall include any of the Company's parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the "***Code***") at the time of grant and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the "***Board***").

2. Eligibility

All of the Company's employees, officers and directors, as well as consultants and advisors to the Company (as the terms consultants and advisors are defined and interpreted for purposes of Form S-8 under the Securities Act of 1933, as amended (the "***Securities Act***"), or any successor form) are eligible to be granted Awards under the Plan. Each person who is granted an Award under the Plan is deemed a "***Participant***." "***Award***" means Options (as defined in Section 5), SARs (as defined in Section 6), Restricted Stock (as defined in Section 7), Restricted Stock Units (as defined in Section 7) and Other Stock-Based Awards (as defined in Section 8).

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "***Committee***"). All references in the Plan to the "***Board***" shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Options and other Awards that constitute rights under Delaware law (subject to any limitations under the Plan) to employees or officers of the Company and to exercise such other powers under the Plan as the Board may determine, *provided* that the Board shall fix the terms of such Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to such Awards that the officers may grant; *provided further*, however, that no officer shall be authorized to grant such Awards to any "executive officer" of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***")) or to any "officer" of the Company (as defined by Rule 16a-1 under the Exchange Act). The Board may not delegate authority under this Section 3(c) to grant Restricted Stock, unless Delaware law then permits such delegation.

4. Stock Available for Awards

(a) Number of Shares; Share Counting.

(1) Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan (any or all of which Awards may be in the form of Incentive Stock Options, as defined in Section 5(b)) for up to such number of shares of common stock, $0.001 par value per share, of the Company (the "***Common Stock***") as is equal to the sum of:

(A) 12,842,347 shares of Common Stock; plus

(B) such number of shares of Common Stock (up to 2,112,190 shares) as is equal to the number of shares of Common Stock subject to awards granted under the Company's Second Amended and Restated 2007 Stock Option-Stock Issuance Plan (the "***Existing Plan***") which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options to any limitations of the Code).

(C) Shares issued under the Plan (i) shall in no event exceed an aggregate of 14,954,537 shares of Common Stock as set forth in Section 4(a)(1)(A) and Section 4(a)(1)(B) above and (ii) may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan:

(A) all shares of Common Stock covered by SARs shall be counted against the number of shares available for the grant of Awards under the Plan; *provided, however*, that (i) SARs that may be settled only in cash shall not be so counted and (ii) if the Company grants an SAR in tandem with an Option for the same number of shares of Common Stock and provides that only one such Award may be exercised (a "***Tandem SAR***"), only the shares covered by the Option, and not the shares covered by the Tandem SAR, shall be so counted, and the expiration of one in connection with the other's exercise will not restore shares to the Plan;

(B) if any Award (i) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any Common Stock not being issued (including as a result of an SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; *provided, however*, that (1) in the case of Incentive Stock Options, the foregoing shall be subject to any limitations under the Code, (2) in the case of the exercise of an SAR, the number of shares counted against the shares available under the Plan and against the sublimits listed in the first clause of this Section 4(a)(2) shall be the full number of shares subject to the SAR multiplied by the percentage of the SAR actually exercised, regardless of the number of shares actually used to settle such SAR upon exercise and (3) the shares covered by a Tandem SAR shall not again become available for grant upon the expiration or termination of such Tandem SAR; and

(C) shares of Common Stock delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (i) purchase shares of Common Stock upon the exercise of an Award or (ii) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards.

(b) Section 162(m) Per-Participant Limit. Subject to adjustment under Section 9, the maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 650,860 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with an SAR shall be treated as a single Award. The per Participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ("***Section 162(m)***").

(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sublimit contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

(d) Limit on Awards to Directors. Notwithstanding any provision in the Plan to the contrary, the aggregate amount of all compensation granted during any calendar year to any member of the Board who is not an employee of the Company, including any Awards (based on grant date fair value computed as of the date of grant in accordance with applicable

financial accounting rules) and any cash retainer or meeting fee paid or provided for service on the Board or any committee thereof, or any Award granted in lieu of any such cash retainer or meeting fee, shall not exceed $1,000,000.

5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an "***Option***") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable.

(b) Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "***Incentive Stock Option***") shall only be granted to employees of Pacira BioSciences, Inc., any of Pacira BioSciences, Inc.'s parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code at the time of grant, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. An Option that is not intended to be an Incentive Stock Option shall be designated a "***Nonstatutory Stock Option***." The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or if the Company converts an Incentive Stock Option to a Nonstatutory Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify the exercise price in the applicable Option agreement. The exercise price shall be not less than 100% of the fair market value per share of Common Stock as determined by (or in a manner approved by) the Board ("***Fair Market Value***") on the date the Option is granted; *provided* that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; *provided, however*, that no Option will be granted with a term in excess of 10 years.

(e) Exercise of Options. Options may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with payment in full (in the manner specified in Section 5(f)) of the exercise price for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as may otherwise be provided in the applicable Option agreement or approved by the Board, in its sole discretion, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) to the extent provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their Fair Market Value, provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent provided for in the applicable Nonstatutory Stock Option agreement or approved by the Board in its sole discretion, by delivery of a notice of "net exercise" to the Company, as a result of which the Participant would receive (i) the number of shares underlying the portion of the Option being exercised, less (ii) such number of shares as is equal to (A) the aggregate exercise price for the portion of the Option being exercised divided by (B) the Fair Market Value on the date of exercise;

(5) to the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by payment of such other lawful consideration as the Board may determine; or

(6) by any combination of the above permitted forms of payment.

(g) Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 9): (1) amend any outstanding Option granted under the Plan to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option, (2) cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option, (3) cancel in exchange for a cash payment any outstanding Option with an exercise price per share above the then-current Fair Market Value or (4) take any other action under the Plan that constitutes a "repricing" within the meaning of the rules of the Nasdaq Stock Market.

6. Stock Appreciation Rights

(a) General. The Board may grant Awards consisting of stock appreciation rights ("***SARs***") entitling the holder, upon exercise, to receive an amount of Common Stock or cash or a combination thereof (such form to be determined by the Board) determined by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock over the measurement price established pursuant to Section 6(b). The date as of which such appreciation is determined shall be the exercise date.

(b) Measurement Price. The Board shall establish the measurement price of each SAR and specify it in the applicable SAR agreement. The measurement price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; *provided* that if the Board approves the grant of an SAR effective as of a future date, the measurement price shall be not less than 100% of the Fair Market Value on such future date.

(c) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; *provided, however*, that no SAR will be granted with a term in excess of 10 years.

(d) Exercise of SARs. SARs may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with any other documents required by the Board.

(e) Repricing. Unless such action is approved by the Company's stockholders, the Board may not (except as permitted under Section 9) (1) amend any outstanding SAR granted under the Plan to provide a measurement price per share that is lower than the then-current measurement price per share of such outstanding SAR, (2) cancel any outstanding stock appreciation right (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having a measurement price per share lower than the then-current exercise price per share of the cancelled stock appreciation right, (3) cancel in exchange for a cash payment any outstanding SAR with a measurement price per share above the then-current Fair Market Value or (4) take any other action under the Plan that constitutes a "repricing" within the meaning of the rules of the Nasdaq Stock Market.

7. Restricted Stock; Restricted Stock Units

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ("***Restricted Stock***"), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. The Board may also grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ("***Restricted Stock Units***") (Restricted Stock and Restricted Stock Units are each referred to herein as a "***Restricted Stock Award***").

(b) Terms and Conditions for All Restricted Stock Awards. The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

(c) Additional Provisions Relating to Restricted Stock.

(1) Dividends. Unless otherwise provided in the applicable Award agreement, any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of Restricted Stock ("***Accrued Dividends***") shall be paid to the Participant only if and when such shares become free from the restrictions on transferability and forfeitability that apply to such shares. Each payment of Accrued Dividends will be made no later than the end of the calendar year in which the dividends are paid to stockholders of that class of stock or, if later, the 15th day of the third month following the lapsing of the restrictions on transferability and the forfeitability provisions applicable to the underlying shares of Restricted Stock.

(2) Stock Certificates. The Company may require that any stock certificates issued in respect of shares of Restricted Stock, as well as dividends or distributions paid on such Restricted Stock, shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to his or her Designated Beneficiary. "***Designated Beneficiary***" means (i) the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death or (ii) in the absence of an effective designation by a Participant, the Participant's estate.

(d) Additional Provisions Relating to Restricted Stock Units.

(1) Settlement. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or (if so provided in the applicable Award agreement) an amount of cash equal to the Fair Market Value of one share of Common Stock. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant in a manner that complies with Section 409A of the Code.

(2) Voting Rights. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) Dividend Equivalents. The Award agreement for Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ("***Dividend Equivalents***"). Dividend Equivalents may be paid currently or credited to an account for the Participant, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, in each case to the extent provided in the Award agreement.

8. Other Stock-Based Awards

(a) General. Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ("***Other Stock-Based Awards***"). Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine.

(b) Terms and Conditions. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based Award, including any purchase price applicable thereto.

9. Adjustments for Changes in Common Stock and Certain Other Events

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, (ii) the share counting rules and sublimit set forth in Sections 4(a) and 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired

upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A "***Reorganization Event***" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock.

(A) In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock on such terms as the Board determines (except to the extent specifically provided otherwise in an applicable Award agreement or another agreement between the Company and the Participant): (i) provide that such Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that all of the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant (to the extent then exercisable) within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "***Acquisition Price***"), make or provide for a cash payment to Participants with respect to each Award held by a Participant equal to (A) the number of shares of Common Stock subject to the vested portion of the Award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such Reorganization Event) multiplied by (B) the excess, if any, of (I) the Acquisition Price over (II) the exercise, measurement or purchase price of such Award and any applicable tax withholdings, in exchange for the termination of such Award, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise, measurement or purchase price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 9(b)(2), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

(B) Notwithstanding the terms of Section 9(b)(2)(A), in the case of outstanding Restricted Stock Units that are subject to Section 409A of the Code: (i) if the applicable Restricted Stock Unit agreement provides that the Restricted Stock Units shall be settled upon a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i), and the Reorganization Event constitutes such a "change in control event", then no assumption or substitution shall be permitted pursuant to Section 9(b)(2)(A)(i) and the Restricted Stock Units shall instead be settled in accordance with the terms of the applicable Restricted Stock Unit agreement; and (ii) the Board may only undertake the actions set forth in clauses (iii), (iv) or (v) of Section 9(b)(2)(A) if the Reorganization Event constitutes a "change in control event" as defined under Treasury Regulation Section 1.409A-3(i)(5)(i) and/or such action is permitted or required by Section 409A of the Code; if the Reorganization Event is not a "change in control event" as so defined or such action is not permitted or required by Section 409A of the Code, and the acquiring or succeeding corporation does not assume or substitute the Restricted Stock Units pursuant to clause (i) of Section 9(b)(2)(A), then the unvested Restricted Stock Units shall terminate immediately prior to the consummation of the Reorganization Event without any payment in exchange therefor.

(C) For purposes of Section 9(b)(2)(A)(i), an Award (other than Restricted Stock) shall be considered assumed if, following consummation of the Reorganization Event, such Award confers the right to purchase or receive pursuant to the terms of such Award, for each share of Common Stock subject to the Award immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); *provided, however*, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise or settlement of the Award to consist solely of such number of shares of common stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determined to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) Consequences of a Reorganization Event on Restricted Stock. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company with respect to outstanding Restricted Stock shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Restricted Stock; *provided*, *however*, that the Board may provide for termination or deemed satisfaction of such repurchase or other rights under the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

10. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option and Awards that are subject to Section 409A of the Code, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; *provided, however*, except with respect to Awards that are subject to Section 409A of the Code, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if the Company would be eligible to use a Form S-8 under the Securities Act for the registration of the sale of the Common Stock subject to such Award to such proposed transferee; *provided further*, that the Company shall not be required to recognize any such permitted transfer until such time as such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees. For the avoidance of doubt, nothing contained in this Section 10(a) shall be deemed to restrict a transfer to the Company.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise, vesting or release from forfeiture of an Award or at the same time as payment of the exercise or purchase price, unless the Company determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; *provided, however*, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) Amendment of Award. Except as set forth in Sections 5(g) and 6(e) with respect to repricings, the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option. The Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 9.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously issued or delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part, as the case may be.

11. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award by virtue of the adoption of the Plan, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date the Plan is approved by the Company's stockholders (the "***Effective Date***"). No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until the Company's stockholders approve such amendment in the manner required by Section 162(m); and (ii) no amendment that would require stockholder approval under the rules of the Nasdaq Stock Market may be made effective unless and until the Company's stockholders approve such amendment. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of Participants under the Plan.

(e) Authorization of Sub-Plans (including for Grants to non-U.S. Employees). The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable securities, tax or other laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan containing (i) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.

(f) Compliance with Section 409A of the Code. Except as provided in individual Award agreements initially or by amendment, if and to the extent (i) any portion of any payment, compensation or other benefit provided to a Participant pursuant to the Plan in connection with his or her employment termination constitutes "nonqualified deferred compensation" within the meaning of Section 409A of the Code and (ii) the Participant is a specified employee as defined in Section 409A(a)

(2)(B)(i) of the Code, in each case as determined by the Company in accordance with its procedures, by which determinations the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of "separation from service" (as determined under Section 409A of the Code) (the "***New Payment Date***"), except as Section 409A of the Code may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

The Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A of the Code but do not to satisfy the conditions of that section.

(g) Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, employee or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, nor will such individual be personally liable with respect to the Plan because of any contract or other instrument he or she executes in his or her capacity as a director, officer, employee or agent of the Company. The Company will indemnify and hold harmless each director, officer, employee or agent of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been or will be delegated, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Board's approval) arising out of any act or omission to act concerning the Plan unless arising out of such person's own fraud or bad faith.

(h) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware.

Exhibit 31.1

CERTIFICATION

I, David Stack, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacira BioSciences, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ DAVID STACK

David Stack

Chief Executive Officer and Chairman

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Charles A. Reinhart, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacira BioSciences, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ CHARLES A. REINHART, III

Charles A. Reinhart, III

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. §1350

Pursuant to 18 U.S.C. §1350, the undersigned certifies that this Quarterly Report on Form 10-Q of Pacira BioSciences, Inc. for the quarter ended June 30, 2019, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Pacira BioSciences, Inc.

Date: August 8, 2019

/s/ DAVID STACK

David Stack

Chief Executive Officer and Chairman

(Principal Executive Officer)

Date: August 8, 2019

/s/ CHARLES A. REINHART, III

Charles A. Reinhart, III

Chief Financial Officer

(Principal Financial Officer)