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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2011

Commission File Number: 001-35060

PACIRA PHARMACEUTICALS, 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 125
Parsippany, New Jersey 07054
(973) 254-3560
(Address of Principal Executive Offices, Including Zip Code)
(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files.) ☒ Yes ☐ No

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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 October 24, 2011, 17,228,827 shares of the registrant's common stock, $0.001 par value per share, were outstanding.

PACIRA PHARMACEUTICALS, INC.
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED BALANCE SHEETS

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

	September 30, 2011	December 31, 2010 (Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,402	$ 26,133
Restricted cash	1,687	1,314
Short-term investments	20,666	—
Trade accounts receivable	1,496	1,191
Inventories	1,667	1,605
Prepaid expenses and other current assets	1,482	812
Total current assets	43,400	31,055
Fixed assets, net	25,825	23,950
Intangibles, net	7,204	8,912
Other assets, net	1,180	2,645
Total assets	$ 77,609	$ 66,562
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 4,313	$ 5,775
Accrued expenses	4,998	3,523
Current portion of royalty interest obligation	1,293	1,575
Current portion of deferred revenue	2,354	2,267
Current portion of long-term debt	4,871	3,182
Total current liabilities	17,829	16,322
Related party debt, including accrued interest	—	49,795
Long-term debt	20,603	21,869
Royalty interest obligation	1,842	2,996
Deferred revenue	17,847	18,138
Contingent purchase liability	2,042	2,042
Other liabilities	3,571	3,783
Total liabilities	63,734	114,945
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, par value $0.001; 5,000,000 shares authorized, none issued and outstanding at September 30, 2011; 88,000,000 shares authorized, 6,322,640 shares issued and outstanding at December 31, 2010 (liquidation preference $85,000,000)	—	6
Common stock, par value $0.001; 250,000,000 shares authorized, 17,229,892 shares issued and 17,228,827 shares outstanding at September 30, 2011; 120,000,000 authorized, 575,095 shares issued and 574,030 shares outstanding at December 31, 2010	17	1
Additional paid-in capital	178,821	88,523
Accumulated deficit	(164,956)	(136,911)
Accumulated other comprehensive loss	(5)	—
Treasury stock at cost, 1,065 shares at September 30, 2011 and December 31, 2010	(2)	(2)
Total stockholders' equity (deficit)	13,875	(48,383)
Total liabilities and stockholders' equity (deficit)	$ 77,609	$ 66,562

See accompanying notes to consolidated financial statements.

PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Supply revenue	$ 1,682	$ 2,744	$ 4,868	$ 7,127
Royalties	922	1,023	2,743	2,693
Collaborative licensing and development revenue	1,352	765	3,845	2,551
Total revenues	3,956	4,532	11,456	12,371
Operating expenses:				
Cost of revenues	3,357	3,573	10,138	10,168
Research and development	4,344	5,716	12,237	14,954
Selling, general and administrative	4,988	1,694	13,465	3,948
Total operating expenses	12,689	10,983	35,840	29,070
Loss from operations	(8,733)	(6,451)	(24,384)	(16,699)
Other (expense) income:				
Interest income	46	39	111	112
Interest expense	(910)	(1,077)	(4,068)	(2,577)
Royalty interest obligation	116	(444)	235	(1,048)
Other, net	(27)	33	61	107
Total other (expense), net	(775)	(1,449)	(3,661)	(3,406)
Net loss	$ (9,508)	$ (7,900)	$ (28,045)	$ (20,105)
Net loss per share:				
Basic and diluted net loss per common share	$ (0.55)	$ (13.77)	$ (1.89)	$ (35.02)
Weighted average common shares outstanding:				
Basic and diluted	17,230,826	573,521	14,826,054	574,112

See accompanying notes to consolidated financial statements.

PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

For the nine months ended September 30, 2011
(Unaudited)
(In thousands)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Capital	Deficit	Stock	Loss	Total
Balances at December 31, 2010	6,322	$ 6	575	$ 1	$ 88,523	$ (136,911)	$ (2)	$ —	$ (48,383)
Exercise of stock options	—	—	7	—	12	—	—	—	12
Share-based compensation	—	—	—	—	1,965	—	—	—	1,965
Initial public offering, net of issuance costs	—	—	6,000	6	37,103	—	—	—	37,109
Conversion of preferred stock	(6,322)	(6)	6,322	6	—	—	—	—	—
Conversion of 2009 Convertible Notes	—	—	872	1	11,717	—	—	—	11,718
Conversion of 2009 Secured Notes	—	—	928	1	12,473	—	—	—	12,474
Conversion of 2010 Secured Notes	—	—	1,157	1	15,548	—	—	—	15,549
Conversion of 2010 Convertible Notes	—	—	1,071	1	7,499	—	—	—	7,500
Conversion of HBM Secured Notes	—	—	297	—	3,981	—	—	—	3,981
Unrealized loss on short-term investments	—	—	—	—	—	—	—	(5)	(5)
Net loss	—	—	—	—	—	(28,045)	—	—	(28,045)
Balances at September 30, 2011	—	$ —	17,229	$ 17	$ 178,821	$ (164,956)	$ (2)	$ (5)	13,875

See accompanying notes to consolidated financial statements.

PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2011	2010
Operating activities:		
Net loss	$ (28,045)	$ (20,105)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,030	3,066
Amortization of deferred financing costs and unfavorable lease obligation	(29)	(58)
Amortization of note discounts and warrants	1,540	94
Loss on disposal of fixed assets	3	—
Share-based compensation	1,965	17
Change in royalty interest obligation	(1,435)	(191)
Changes in operating assets and liabilities:		
Restricted cash	(373)	(863)
Trade accounts receivable	(305)	(1,076)
Inventories	(62)	679
Prepaid expenses and other assets	(908)	13
Accounts payable	(778)	262
Other liabilities	2,197	909
Deferred revenue	(204)	(1,788)
Net cash used in operating activities	(23,404)	(19,041)
Investing activities:		
Purchase of fixed assets	(3,684)	(3,821)
Purchase of short-term investments	(20,671)	—
Net cash used in investing activities	(24,355)	(3,821)
Financing activities:		
Proceeds from exercise of stock options	12	1
Purchase of treasury stock	—	(2)
Proceeds from initial public offering, net	38,016	—
Proceeds from secured promissory notes	—	18,750
Proceeds from credit facility	—	11,250
Financing costs	—	(363)
Net cash provided by financing activities	38,028	29,636
Net (decrease) increase in cash and cash equivalents	(9,731)	6,774
Cash and cash equivalents, beginning of period	26,133	7,077
Cash and cash equivalents, end of period	$ 16,402	$ 13,851
Supplemental cash flow information		
Cash paid for interest, including royalty interest obligation	$ 3,573	$ 1,787
Initial public offering costs paid in 2010	907	—
Non cash investing and financing activities:		
Conversion of notes to common stock	$ 51,222	$ —
Conversion of preferred stock to common stock	6	—

See accompanying notes to consolidated financial statements.

PACIRA PHARMACEUTICALS, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1—DESCRIPTION OF BUSINESS

Pacira Pharmaceuticals, Inc. and its subsidiaries (collectively, the "Company" or "Pacira") is an emerging specialty pharmaceutical company focused on the development, commercialization and manufacture of proprietary pharmaceutical products, based on its proprietary DepoFoam extended release drug delivery technology, for use in hospitals and ambulatory surgery centers. The Company's lead product EXPAREL, which consists of bupivacaine encapsulated in DepoFoam, was approved by the FDA on October 28, 2011. DepoFoam is also the basis for the Company's other two FDA-approved commercial products, DepoCyt(e) and DepoDur, which the Company manufactures for its commercial partners.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has reported for the nine months ended September 30, 2011 net losses of $28.0 million and cash flows used in operating activities of $23.4 million. As of September 30, 2011, the Company had stockholders' equity of $13.9 million. The Company has incurred losses and negative operating cash flow since inception and future losses are anticipated. The Company's continued operations will depend on its ability to raise additional funds through sources such as equity and debt financing and revenues from the commercial sale of EXPAREL. Insufficient funds could require the Company to delay, scale back or eliminate one or more of its research and development programs. The ability of the Company to continue as a going concern is dependent on improving the Company's profitability and cash flow and securing additional financing. While the Company believes in the viability of its strategy to raise additional funds, and believes that the actions presently being taken by the Company provide the opportunity for it to continue as a going concern, there can be no assurance that any financing will be available on acceptable terms, or at all. These consolidated financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

Note 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and in accordance with the rules and regulations of the 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 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, 2010, filed with the SEC on March 31, 2011.

The consolidated financial statements at September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010, are unaudited, but includes 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 balance sheet as of December 31, 2010 has been derived from the audited financial statements included in the Form 10-K for that year. Certain reclassifications were made to conform to the current presentation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The results of operations for the interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. The Company has incurred losses and negative operating cash flow since inception and future losses are anticipated. As further described in Note 8, the Company raised $42.0 million of gross proceeds, and approximately $37.1 million in net proceeds after deducting underwriting discounts and commissions and offering expense

through an initial public offering completed on February 8, 2011.

Recently Issued Accounting Guidance

In September 2011, the Financial Accounting Standards Board, or FASB, released Accounting Standards Update, or ASU, No. 2011-08, "Intangibles-Goodwill and Other." The amended guidance will allow companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (January 1, 2012 for the Company). The Company has determined that this guidance will not have a material impact on its consolidated financial statements.

In June 2011, the FASB issued ASU, No. 2011-05, "Presentation of Comprehensive Income." These changes give an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements; the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (January 1, 2012 for the Company) and interim and annual periods thereafter. Early adoption is permitted, and full retrospective application is required. Since this ASU pertains to presentation requirements only, the adoption of this ASU will not have a material impact on the Company's consolidated financial statements.

Changes in Capital Structure

On January 12, 2011, the Company effected a one-for-10.755 reverse stock split of the Company's outstanding common stock. Stockholders entitled to fractional shares as a result of the reverse stock split received a cash payment for such fractional shares in lieu of receiving fractional shares. The reverse stock split affected all holders of the Company's preferred stock and common stock uniformly. All references to common stock and per share information, except par value, in the accompanying consolidated financial statements and notes thereto have been adjusted retrospectively to reflect the effect of the reverse stock split.

On February 8, 2011, the Company completed an initial public offering of common stock, as further described in Note 8. Upon the closing of the initial public offering, all outstanding shares of Series A convertible preferred stock and the principal and accrued interest balance on the 2009 Convertible Notes, 2009 Secured Notes, 2010 Secured Notes, 2010 Convertible Notes, and HBM Secured Notes were converted into 10,647,549 shares of common stock. On February 8, 2011, the Company filed an Amended and Restated Certificate of Incorporation ("Amended Certificate of Incorporation"), whereby the Company (i) increased its authorized common stock from 120,000,000 shares ($0.001 par value) to 250,000,000 shares ($0.001 par value), (ii) authorized 5,000,000 shares ($0.001 par value) of preferred stock, and (iii) eliminated the previously existing series of preferred stock.

Concentration of Major Customers

The Company's customers are its commercial, distribution and licensing partners. For the three months ended September 30, 2011, the Company's three largest customers accounted for 47%, 21% and 17%, respectively, of the Company's revenues. For the three months ended September 30, 2010, the Company's three largest customers accounted for 59%, 16% and 10%, respectively, of the Company's revenues.

For the nine months ended September 30, 2011, the Company's three largest customers accounted for 45%, 20% and 19%, respectively, of the Company's revenues. For the nine months ended September 30, 2010, the Company's four largest customers accounted for 52%, 21%, 11% and 10% individually, of the Company's revenues. No other individual customer accounted for more than 10% of the Company's revenues for these periods. The Company is dependent on its commercial partners to market and sell DepoCyt(e) and DepoDur, from which a substantial portion of its revenues is derived. Therefore, the Company's future revenues from these products are highly dependent on commercial and distribution arrangements.

Per Share Data

Net loss per share was determined in accordance with the two-class method. This method is used for computing basic net loss per share when companies have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the Company. Under the two-class method, net loss is allocated between common shares and other participating securities based on their participation rights in both distributed and undistributed earnings. The Company's Series A convertible preferred stock was a participating security, because the stockholders of the Series A Convertible preferred stock were entitled to share in dividends declared by the board of directors with the common stock based on their equivalent common shares.

Basic net loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Because the holders of the Series A Convertible Preferred Stock were not contractually required to share in the Company's losses, in applying the two-class method to compute basic net loss per common share no allocation to preferred stock was made.

Diluted net loss per share is calculated by dividing net loss available to common stockholders as adjusted for the effect of dilutive securities, if any, by the weighted average number of common stock and dilutive common stock outstanding during the period. Potential common shares include the shares of common stock issuable upon the exercise of outstanding stock options and warrants (using the treasury stock method) and the conversion of the shares of Series A convertible preferred stock (using the more dilutive of the (a) as converted method or (b) the two-class method). Potential common shares in the diluted net loss per share computation are excluded to the extent that they would be anti-dilutive. No potentially dilutive securities are included in the computation of any diluted per share amounts as the Company reported a net loss for all periods presented. Potentially dilutive securities that would be issued upon the conversion of convertible notes, conversion of Series A convertible preferred stock and the exercise of outstanding warrants and stock options, were 1.3 million and 7.2 million for the three months ended September 30, 2011 and 2010, respectively. Potentially dilutive securities that would be issued upon the conversion of convertible notes, conversion of Series A convertible preferred stock and the exercise of outstanding warrants and stock options, were 1.4 million and 7.2 million for the nine months ended September 30, 2011 and 2010, respectively.

Note 3— FINANCIAL INSTRUMENTS

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or 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 are:

- Level 1—Values are unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- Level 3—Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

The carrying value of financial instruments including cash and cash equivalents, restricted cash, accounts receivable, notes receivable, and accounts payable approximate their respective fair values due to the short-term maturities of these instruments and debts. The carrying value of the long-term debt approximates its fair value since the interest rate approximates current market rates for similar instruments.

Short-term investments consist of investment grade commercial paper and corporate bonds with initial maturities of greater than three months at the date of purchase but less than one year. The net unrealized gains (losses) from the Company's short-term investments are captured in other comprehensive loss. At September 30, 2011, all of the Company's short-term investments are classified as available for sale investments and determined to be Level 2 instruments, which are measured at fair value using standard industry models with observable inputs. At September 30, 2011, we had $20.7 million invested in short-term investments which were rated A or better by Standard & Poor's and had maturities ranging from 134 to

173 days from date of purchase. The following summarizes the Company's short-term investments at September 30, 2011 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Level 2)
Debt securities:				
Commercial Paper	$ 13,497	$ 3	$ —	$ 13,500
Corporate Bonds	7,174	—	(8)	7,166
Total	$ 20,671	$ 3	$ (8)	$ 20,666

Credit Risk

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

As of September 30, 2011, three customers accounted for 70%, 19% and 10%, respectively, of the Company's trade accounts receivable. As of December 31, 2010, three customers accounted for 66%, 17% and 11%, respectively, of the Company's trade accounts receivable.

Note 4— INVENTORIES

The components of inventories were as follows (in thousands):

	September 30, 2011	December 31, 2010
Raw materials	$ 822	$ 1,108
Work-in-process	439	10
Finished goods	406	487
Total	$ 1,667	$ 1,605

Note 5—FIXED ASSETS

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

	September 30, 2011	December 31, 2010
Machinery and laboratory equipment	$ 7,349	$ 7,002
Computer equipment and software	848	765
Office furniture and equipment	157	167
Leasehold improvements	4,332	3,938
Construction in progress	20,489	18,144
Total	33,175	30,016
Less accumulated depreciation	(7,350)	(6,066)
Fixed assets, net	$ 25,825	$ 23,950

Depreciation expense was $0.5 million for each of the three months ended September 30, 2011 and 2010. Depreciation expense was $1.3 million and $1.4 million for the nine months ended September 30, 2011 and 2010 respectively.

Note 6—INTANGIBLE ASSETS

Intangible assets are summarized as follows (in thousands):

	September 30, 2011	December 31, 2010	Estimated Useful Life
Core Technology			
Gross amount	$ 2,900	$ 2,900	9 years
Accumulated amortization	(1,450)	(1,208)	
Net	1,450	1,692	
Developed Technology			
Gross amount	11,700	11,700	7 years
Accumulated amortization	(7,521)	(6,268)	
Net	4,179	5,432	
Trademarks and trade names			
Gross amount	500	500	7 years
Accumulated amortization	(310)	(253)	
Net	190	247	
DepoDur Rights			
Gross amount	2,058	2,058	Remaining patent life ending November 2018
Accumulated amortization	(673)	(517)	
Net	1,385	1,541	
Intangible assets, net	$ 7,204	$ 8,912	

Amortization expense for intangibles was $0.6 million for each of the three months ended September 30, 2011 and 2010. Amortization expense for intangibles was $1.7 million for each of the nine months ended September 30, 2011 and 2010. Amortization expenses associated with the Company's commercial products and developed technology are included in cost of revenues. Amortization expenses associated with the Company's products in development are included in research and development expenses.

The approximate amortization expense for intangibles, all of which are subject to amortization, is as follows (in thousands):

	Core Technology	Developed Technology	Trademarks and Tradenames	DepoDur Rights	Total
2011 (remaining three months)	$ 81	$ 418	$ 18	$ 49	$ 566
2012	322	1,671	76	196	2,265
2013	322	1,671	76	196	2,265
2014	322	419	20	196	957
2015	322	—	—	196	518
Thereafter	81	—	—	552	633
Total	$ 1,450	$ 4,179	$ 190	$ 1,385	$ 7,204

Note 7—DEBT AND FINANCING OBLIGATIONS

The composition of the Company's debt and financing obligations is as follows (in thousands):

	September 30, 2011	December 31, 2010
Related party debt, including accrued interest:		
2009 Convertible Notes	$ —	$ 11,655
2009 Secured Notes	—	12,324
2010 Secured Notes	—	15,462
2010 HBM Secured Notes	—	3,945
2010 Convertible Notes, net of debt discount	—	6,409
	—	49,795
Financing obligations:		
Hercules Note, current portion	4,871	3,182
Hercules Note, long-term portion, net of debt discount	20,603	21,869
Royalty interest obligation, current portion	1,293	1,575
Royalty interest obligation, long-term portion	1,842	2,996
	28,609	29,622
Total debt and financing obligations	$ 28,609	$ 79,417

2009 Convertible Notes

Upon completion of the initial public offering in February 2011, all outstanding principal and accrued interest, which totaled $11.7 million under the 2009 Convertible Notes was converted into 871,635 shares of common stock.

2009 Secured Notes

Upon the completion of the initial public offering in February 2011, all outstanding principal and accrued interest, which totaled $12.5 million under the 2009 Secured Notes was converted into an aggregate of 927,881 shares of common stock.

2010 Secured Notes

Upon the completion of the initial public offering in February 2011, all outstanding principal and accrued interest, which totaled $15.5 million under the 2010 Secured Notes was converted into an aggregate of 1,156,606 shares of common stock.

2010 Convertible Notes

Upon the completion of the initial public offering in February 2011, all outstanding principal on the 2010 Convertible Notes of $7.5 million was converted into an aggregate of 1,071,428 shares of common stock. Due to this conversion, the combined value of $1.1 million representing the warrants, which were issued in connection with the issuance and sale of the 2010 Convertible Notes, and the beneficial conversion feature was amortized in full.

HBM Secured Notes

Upon the completion of the initial public offering in February 2011, all outstanding principal and accrued interest, which totaled $4.0 million, and an early prepayment penalty, under the HBM Secured Notes was converted into 297,359 shares of common stock.

Hercules Note

The outstanding principal on the term loan (Hercules Note) under the Hercules Credit Facility entered into on November 24, 2010 was $26.3 million as of September 30, 2011 and December 31, 2010. The term loan under the Hercules Credit Facility is comprised of two tranches, Tranche A and Tranche B. The Tranche A portion of the term loan is comprised of $11.3 million in principal and carries a floating per annum interest rate equal to 10.25% plus the amount, if any, by which the prime rate exceeds 4.00%. The Tranche B portion of the term loan is comprised of $15.0 million in principal and carries a floating per annum interest rate equal to 12.65% plus the amount, if any, by which the prime rate exceeds 4.00%. As of September 30, 2011, the blended interest rate on the Hercules Note was 11.62%.

The Hercules Note provides for an "interest only period" when no principal amounts are due and payable. The interest only period was initially from November 24, 2010 through August 31, 2011, but was extended through November 30, 2011, upon the Company's request after certain conditions were met. See Note 12 — Subsequent Events for further discussion. Following the end of the interest only period, the term loan is to be repaid in 33 monthly installments of principal and interest beginning on the first business day after the month in which the interest only period ends. The Company's principal payments as of September 30, 2011 are currently due as follows: $7.1 million in 2012, $9.4 million in 2013 and $9.8 million in 2014.

Note 8—STOCKHOLDERS' EQUITY (DEFICIT)

Initial Public Offering

On February 8, 2011, the Company completed an initial public offering of its common stock pursuant to a registration statement on Form S-1, as amended (File No. 333-170245) that was declared effective by the SEC on February 2, 2011. An aggregate of 6,000,000 shares of common stock registered under the registration statement were sold at a price to the public of $7.00 per share. The over-allotment option was not exercised by the underwriters. As a result of the initial public offering, the Company raised a total of $42.0 million in gross proceeds, and approximately $37.1 million in net proceeds after deducting underwriting discounts and commissions and offering expenses.

Upon the closing of the initial public offering, all shares of outstanding Series A convertible preferred stock and the principal and accrued interest balance on the 2009 Convertible Notes, 2009 Secured Notes, 2010 Secured Notes, 2010 Convertible Notes, and HBM Secured Notes were converted into an aggregate of 10,647,549 shares of common stock, as shown in the table below:

	Conversion Shares
Series A Convertible Preferred Stock	6,322,640
2009 Convertible Notes	871,635
2009 Secured Notes	927,881
2010 Secured Notes	1,156,606
HBM Secured Notes	297,359
2010 Convertible Notes	1,071,428
	10,647,549

Share-Based Compensation

The Company recognized share-based compensation in its consolidated statements of operations for the periods ended September 30, 2011 and 2010 as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cost of revenues	$ 31	$ 3	$ 145	$ 9
Research and development	55	3	234	7
Selling, general and administrative	356	—	1,586	1
Total	$ 442	$ 6	$ 1,965	$ 17

The terms of the stock options granted in September and December 2010 stipulated that they may be exercised only upon the completion of the initial public offering. Consequently, the expense associated with these options was deferred until the successful completion of the initial public offering in February 2011.

Stock Incentive Plans

The Company's 2011 stock incentive plan, or 2011 Plan, which became effective immediately prior to the completion of the Company's initial public offering in February 2011, was adopted by its board of directors and approved by its stockholders in December 2010. The 2011 Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards and other stock-based awards. The remaining shares available for issuance under the 2007 Plan at the time of the completion of the Company's initial public offering were reallocated to the 2011 Plan. The 2011 Plan contains an "evergreen" provision, which allows for an increase in the number of shares available for issuance under the 2011 Plan on the first day of each calendar year from 2012 through 2015. The following table contains information about the Company's plans at September 30, 2011:

Plan	Awards Reserved for Issuance	Awards Issued	Awards Available for Grant
2011 Plan	407,476	346,234	61,242
2007 Plan	2,139,181	2,139,181	—
	2,546,657	2,485,415	61,242

Included in the awards issued as shown above are options to purchase 36,750 shares of the Company's stock that were approved as of September 30, 2011, but priced in October 2011. The following table summarizes the Company's stock option activity and related information for the period from December 31, 2010 to September 30, 2011:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	2,073,700	$ 2.69
Granted	309,484	10.58
Exercised	(7,245)	1.65
Forfeited	(41,967)	3.49
Expired	(1,685)	2.69
Outstanding at September 30, 2011	2,332,287	$ 3.72

Note 9—COMMERCIAL PARTNERS AND AGREEMENTS

Novo Nordisk Development and License Agreement

In January 2011, the Company entered into an agreement, or the Novo Agreement, with Novo Nordisk A/S, or Novo, pursuant to which it granted non-exclusive rights to Novo under certain of its patents and know-how to develop, manufacture and commercialize formulations of a Novo proprietary drug using the Company's DepoFoam drug delivery technology. Under the Novo Agreement, the Company agreed to undertake specified development and technology transfer activities and to manufacture pre-clinical and certain clinical supplies of such DepoFoam formulated Novo product until the completion of such technology transfer activities. Novo is obligated to pay for all costs incurred by the Company in conducting such development, manufacturing and technology transfer activities. The Company received an upfront license fee of $1.5 million from Novo, which is being recognized on a straight-line basis over the estimated contract term as collaborative licensing and development revenue. The Company is also entitled to receive single-digit royalties on sales of such Novo product if approved for commercialization. In addition, the Company is entitled to receive up to $24.0 million in milestone payments based on achievement of specified development events, and up to an additional $20.0 million in milestone payments based on sales of such Novo product exceeding specified amounts. The term of the Novo Agreement shall expire, on a country-by-country basis, upon the later of the date of expiration of all payment obligations under the agreement or twelve years following the first commercial sale of such Novo product. The Novo Agreement is subject to earlier termination under certain circumstances.

Note 10—RELATED PARTY TRANSACTIONS

In June 2011, the Company entered into an agreement with one of the members of its board of directors to provide consulting services for manufacturing related activities. The fees payable under the agreement may not exceed $60,000 per year. The amount of fees incurred for the three and nine months ended September 30, 2011 was not material.

During 2009 and 2010, the Company entered into 2009 Convertible Note, 2009 Secured Note, 2010 Secured Note, 2010 Convertible Note and HBM Secured Notes, with certain investors in the Company (see Note 7). Upon the completion of the initial public offering in February 2011, the outstanding balances due to these investors of $51.2 million, including accrued interest of $4.8 million, were converted into an aggregate of 4,324,909 shares of common stock.

The Company incurred expenses under the services agreement with Stack Pharmaceuticals Inc., or SPI, an entity controlled by David Stack, the Company's chief executive officer, of approximately $0.1 million for each of the three months ended September 30, 2011 and 2010, respectively. The Company incurred expenses of approximately $0.2 million for each of the nine months ended September 30, 2011 and 2010. As of September 30, 2011 and December 31, 2010, the Company had no outstanding balance payable to SPI.

MPM Asset Management, or MPM, an investor in the Company, provides clinical management and subscription services to the Company. The Company incurred expenses of approximately $0.1 million and $0.4 million for the three months ended September 30, 2011 and 2010, respectively, and approximately $0.3 million and $0.6 million for the nine months ended September 30, 2011 and 2010, respectively. Approximately $0.1 million was payable to MPM as of September 30, 2011 and December 31, 2010.

Note 11— LEASES

In August 2011, the Company entered into a new lease contract for its corporate headquarters in Parsippany, New Jersey. The lease for this facility begins in November 2011 and expires in June 2017. Under the lease, the Company is required to pay certain maintenance expenses in addition to rent. The annual minimum rental payments due under the new lease are as follows (in thousands):

Year	Rent Payment
2011 (remaining three months)	$ —
2012	282
2013	313
2014	323
2015	357
2016	400
2017 (six months)	268
Total	$ 1,943

Note 12— SUBSEQUENT EVENTS

On October 28, 2011, the FDA approved the Company's New Drug Application, or NDA, for its lead product candidate, EXPAREL, a liposome injection of bupivacaine, an amide-type local anesthetic, indicated for administration into the surgical site to produce postsurgical analgesia.

Tranche A of the Hercules Credit Facility is guaranteed by certain of the Company's investors which guarantee is limited to each investor's pro rata portion of the outstanding principal and accrued and unpaid interest of Tranche A under the Hercules Credit Facility, but in no event exceeding $11.3 million in the aggregate. The Hercules loan agreement provides that, upon the occurrence of certain circumstances and upon the Company's request, the investors' guarantee may be terminated and released. On October 28, 2011, the Company met the required conditions and requested the release of the guaranty. Upon the release of the investors' guaranty, the interest rate on the Tranche A portion of the term loan will increase to a floating per annum interest rate equal to 11.00% plus the amount, if any, by which the prime rate exceeds 4.00%. In addition, the Company also elected to extend the interest only period from November 30, 2011 to February 28, 2012.

On October 18, 2011, a development milestone was triggered pursuant to the Novo Agreement (see Note 9), which entitles the Company to a $2.0 million cash payment.

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended , which are subject to risks, uncertainties and assumptions that are difficult to predict. All statements in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements. These forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include statements, among other things, regarding our plans to develop and commercialize EXPAREL; our plans to continue to manufacture and provide support services for its commercial partners who have licensed DepoCyt(e)and DepoDur; the success and timing of our commercial launch of EXPAREL; 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 indications of EXPAREL to include nerve block and epidural administration; and our commercialization and marketing capabilities. In some cases, you can identify these statements by forward-looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," and "continue," the negative or plural of these words and other comparable terminology. Forward-looking statements are only predictions based on our current expectations and our projections about future events. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward-looking statements. We undertake no obligation to update any of these forward-looking statements for any reason.

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 the matters discussed and referenced in Part II-Item 1A. Risk Factors. While we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

Unless the context requires otherwise, references to "Pacira," "we," the "company," "us" and "our" in this Quarterly Report on Form 10-Q refers to Pacira Pharmaceuticals, 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 and Canada and DepoCyte when discussed in the context of Europe.

Overview

We are an emerging specialty pharmaceutical company focused on the development, commercialization and manufacture of proprietary pharmaceutical products, based on our proprietary DepoFoam drug delivery technology, for use in hospitals and ambulatory surgery centers.

On October 28, 2011, the United States Food and Drug Administration, or FDA, approved our New Drug Application, or NDA, for our lead product candidate, EXPAREL, a liposome injection of bupivacaine, an amide-type local anesthetic, indicated for administration into the surgical site to produce postsurgical analgesia. We are developing a sales force entirely dedicated to commercializing EXPAREL comprised of approximately 60 representatives, seven regional managers and a national sales manager. We intend to develop this sales force pursuant to a contract with Quintiles Commercial US, Inc., a division of Quintiles, Inc., or Quintiles, and under the terms of this contract we have the flexibility to hire all or a portion of the sales force dedicated to commercializing EXPAREL as full-time employees of Pacira, upon 60 days notice to Quintiles. We believe that our pre-launch activities including significant personal interactions with our hospital customers, position us for a successful launch of EXPAREL in the first quarter of 2012.

Our two marketed products, DepoCyt(e) and DepoDur, and our proprietary DepoFoam extended release drug delivery technology were acquired as part of the acquisition of our California operating subsidiary, Pacira Pharmaceuticals, Inc., or PPI-California, on March 24, 2007, or the Acquisition. DepoCyt(e) is a sustained release liposomal formulation of the chemotherapeutic agent cytarabine and is indicated for the intrathecal treatment of lymphomatous meningitis. DepoCyt(e) was granted accelerated approval by the FDA in 1999 and full approval in 2007. DepoDur is an extended release injectable formulation of morphine indicated for epidural administration for the treatment of pain following major surgery. DepoDur was approved by the FDA in 2004.

We do not expect our currently marketed products, other than EXPAREL, to generate revenue that is sufficient for us to achieve profitability because we expect to continue to incur significant expenses as we commercially launch EXPAREL

and advance the development of product candidates, seek FDA approval for our product candidates that successfully complete clinical trials and develop our sales force and marketing capabilities to prepare for their commercial launch. We also expect to incur additional expenses to add operational, financial and management information systems and personnel, including personnel to support our product development efforts and our obligations as a public reporting company. For us to become and remain profitable, we believe that we must succeed in commercializing EXPAREL or other product candidates with significant market potential.

Recent Developments

FDA Approval of EXPAREL

On October 28, 2011, the United States Food and Drug Administration, or FDA, approved our New Drug Application, or NDA, for our lead product candidate, EXPAREL, a liposome injection of bupivacaine, an amide-type local anesthetic, indicated for administration into the surgical site to produce postsurgical analgesia.

Hercules Note

Tranche A of the Hercules Credit Facility is guaranteed by certain of our investors which guarantee is limited to each investor's pro rata portion of the outstanding principal and accrued and unpaid interest of Tranche A under the Hercules Credit Facility, but in no event exceeding $11.3 million in the aggregate. The Hercules loan agreement provides that, upon the occurrence of certain circumstances and upon our request, the investors' guarantee may be terminated and released. On October 28, 2011, we met the required conditions and requested the release of the guaranty. Upon the release of the investors' guaranty, the interest rate on the Tranche A portion of the term loan will increase to a floating per annum interest rate equal to 11.00% plus the amount, if any, by which the prime rate exceeds 4.00%. In addition, we also elected to extend the interest only period from November 30, 2011 to February 28, 2012.

Novo Milestone

On October 18, 2011, a development milestone was met pursuant to our agreement, or the Novo agreement, with Novo Nordisk A/S, or Novo, further discussed below, which entitles us to a $2.0 million cash payment.

Novo Agreement

In January 2011, we entered into the Novo Agreement, pursuant to which we granted non-exclusive rights to Novo under certain of our patents and know-how to develop, manufacture and commercialize formulations of a Novo proprietary drug using our DepoFoam drug delivery technology. Under this agreement, we agreed to undertake specified development and technology transfer activities and to manufacture pre-clinical and certain clinical supplies of such DepoFoam formulated Novo product until the completion of such technology transfer activities. Novo is obligated to pay for all costs we incur in conducting such development, manufacturing and technology transfer activities. We received an upfront license fee of $1.5 million from Novo. We are also entitled to receive single-digit royalties on sales of such Novo product for up to twelve years following the first commercial sale of such Novo product. In addition, we are entitled to receive up to $24 million in milestone payments based on achievement of specified development events, and up to an additional $20 million in milestone payments based on sales of such Novo product exceeding specified amounts.

Results of Operations

Comparison of Three and Nine Months Ended September 30, 2011 and 2010

The following table sets forth a summary of our supply revenue, royalties and collaborative licensing and development revenue during the periods indicated:

(000's)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	% Increase/ Decrease	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	% Increase/ Decrease
DepoCyt(e) (1)						
Supply revenue	$ 1,682	$ 2,431	(31)%	$ 4,868	$ 6,497	(25)%
Royalties	881	966	(9)%	2,600	2,470	5%
	2,563	3,397	(25)%	7,468	8,967	(17)%
DepoDur (1)						
Supply revenue	—	313	(100)%	—	630	(100)%
Royalties	41	57	(28)%	143	223	(36)%
	41	370	(89)%	143	853	(83)%
Total DepoCyt(e) and DepoDur revenue (1)	2,604	3,767	(31)%	7,611	9,820	(22)%
Collaborative licensing and development revenue	1,352	765	77%	3,845	2,551	51%
Total revenues	$ 3,956	$ 4,532	(13)%	$ 11,456	$ 12,371	(7)%

(1) Total DepoCyt(e) and DepoDur revenue does not include collaborative licensing and development revenue related to DepoCyt(e) and DepoDur.

Total revenues decreased by $0.5 million, or 13%, to $4.0 million in the three months ended September 30, 2011 as compared to $4.5 million the three months ended September 30, 2010 primarily due to a decrease in supply revenue of $1.1 million, partially offset by a $0.6 million increase in collaborative licensing and development revenue. The decrease in supply revenue reflects a lower number of lot sales to our commercial partners. The increase in collaborative licensing and development revenue is primarily attributable to activities performed under the Novo Agreement signed in January 2011.

Total revenues decreased by $0.9 million, or 7%, to $11.5 million in the nine months ended September 30, 2011 as compared to $12.4 million in the nine months ended September 30, 2010 primarily due to a decrease in supply revenue of $2.3 million that was partially offset by $1.3 million increase in collaborative licensing and development revenue. The

decrease in supply revenue and increase in collaborative licensing and development revenue is attributable to the same factors discussed in the preceding paragraph.

(000's)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	% Increase/ Decrease	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	% Increase/ Decrease
Cost of revenues	$ 3,357	$ 3,573	(6)%	$ 10,138	$ 10,168	(0)%

Cost of revenues decreased by $0.2 million, or 6%, in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010. The decrease is driven by a lower number of lot sales of Depocyt(e) and DepoDur to our commercial partners which was partially offset by an increase in costs associated with excess capacity. We have excess capacity and we incur a substantially fixed level of infrastructure cost to keep our manufacturing facilities cGMP compliant. The cost of excess manufacturing capacity was $2.1 million and $1.5 million for the three months ended September 30, 2011 and 2010, respectively.

Cost of revenues remained consistent for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The cost of revenues in 2011 reflects a reduction from 2010 of $1.8 million due to lower lot sales of Depocyt(e) and DepoDur to our commercial partners which was offset by an increase in our excess capacity costs. The cost of excess manufacturing capacity was $6.2 million and $4.4 million for the nine months ended September 30, 2011 and 2010, respectively. The impact of excess manufacturing capacity reflects that our production cost associated with DepoCyt(e) and DepoDur is mostly fixed.

(000's)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	% Increase/ Decrease	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	% Increase/ Decrease
Research and development	$ 4,344	$ 5,716	(24)%	$ 12,237	$ 14,954	(18)%

Research and development expenses decreased by $1.4 million, or 24%, to $4.3 million in the three months ended September 30, 2011 as compared to $5.7 million in the three months ended September 30, 2010 primarily due to $2.7 million in lower clinical trial costs related to the close out of our pivotal Phase 3 placebo controlled studies in EXPAREL and NDA preparation costs. This reduction was partially offset by a $1.3 million increase in compensation related expenses, including stock-based compensation and bonus accrual, which were not present in 2010, and an increase in EXPAREL pre-commercial manufacturing-related costs. In the three months ended September 30, 2011 and 2010, research and development expenses attributable to EXPAREL were $4.3 million, or 100%, and $5.4 million, or 95%, of total research and development expenses, respectively.

Research and development expenses decreased by $2.8 million, or 18%, to $12.2 million in the nine months ended September 30, 2011 as compared to $15.0 million in the nine months ended September 30, 2010 primarily due to a $4.5 million decrease in third party clinical trials costs. This decrease, as mentioned above, is related to the close out of our pivotal Phase 3 placebo controlled studies in EXPAREL and NDA preparation costs in 2010. This reduction was partially offset by a $1.8 million increase in compensation costs, including stock-based compensation and bonus accrual, which were not present in 2010, and an increase in EXPAREL pre-commercial manufacturing-related costs. In the nine months ended September 30, 2011 and 2010, research and development expenses attributable to EXPAREL were $12.1 million, or 99% and $14.2 million, or 95% of total research and development expenses, respectively. The EXPAREL related research and development expenses incurred during the three and nine months ended September 30, 2011 includes manufacturing-related costs that we expensed prior to regulatory approval of the product. The remaining research and development expenses relate to our product candidate initiatives including DepoNSAID and DepoMethotrexate.

(000's)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	% Increase/ Decrease	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	% Increase/ Decrease
Selling, general and administrative	$ 4,988	$ 1,694	194%	$ 13,465	$ 3,948	241%

Selling, general and administrative expenses increased by $3.3 million, or 194%, to 5.0 million in the three months ended September 30, 2011 as compared to $1.7 million in the three months ended September 30, 2010 due to the following:

- selling and marketing expenses increased by $2.1 million to $2.1 million in the three months ended September 30, 2011 as compared to $0.0 million for the three months ended September 30, 2010 primarily due to the hiring of commercial personnel and activities supporting the commercialization of EXPAREL, including costs incurred for our retrospective and prospective health outcome studies and promotional/educational material; and

- general and administrative expenses increased by $1.2 million to $2.9 million in the three months ended September 30, 2011 as compared to $1.7 million for the three months ended September 30, 2010 due to the impact of compensation related expenses of $1.2 million, including bonus, stock-based compensation and severance costs, and other expenses associated with being a public company.

Selling, general and administrative expenses increased by $9.6 million, or 241%, to $13.5 million in the nine months ended September 30, 2011 as compared to $3.9 million in the nine months ended September 30, 2010 due to the following:

- selling and marketing expenses increased by $5.6 million to $5.6 million in the nine months ended September 30, 2011 as compared to $0.0 million for the nine months ended September 30, 2010 due to the hiring of commercial personnel and activities supporting the commercialization of EXPAREL, including costs incurred for our retrospective and prospective health outcome studies and promotional/educational material; and

- general and administrative expenses increased by $4.0 million to $7.9 million in the nine months ended September 30, 2011 as compared to $3.9 million for the nine months ended September 30, 2010 primarily due to additional compensation related expenses of $2.7 million, including bonus, stock-based compensation and severance costs, and other expenses associated with being a public company.

(000's)	Three Months Ended September 30, 2011	2010	% Increase/ Decrease	Nine Months Ended September 30, 2011	2010	% Increase/ Decrease
Interest income	$ 46	$ 39	18%	$ 111	$ 112	(1)%
Interest expense	(910)	(1,077)	(16)%	(4,068)	(2,577)	58%
Royalty interest obligation	116	(444)	(126)%	235	(1,048)	(122)%
Other, net	(27)	33	(182)%	61	107	(43)%
Total other (expense) income, net	$ (775)	$ (1,449)	(47)%	$ (3,661)	$ (3,406)	7%

Total other (expense) income, net decreased by $0.7 million, or 47%, to $0.8 million in the three months ended September 30, 2011 as compared to $1.5 million in the three months ended September 30, 2010 primarily due to a $0.6 million decrease in royalty interest obligation due to changes in forecasted sales projections based on plateauing sales trends and the weakening Euro exchange rate. This obligation is due under an agreement, further discussed below in "Liquidity and Capital Resources", which provides Paul Capital a right to receive an interest in sales relating to Depocyt(e) and DepoDur.

Total other (expense) income, net increased by $0.3 million, or 7%, to $3.7 million in the nine months ended September 30, 2011 as compared to $3.4 million in the nine months ended September 30, 2010 primarily due to:

- a $1.5 million increase in interest expense primarily due to $1.1 million of amortization of the remaining value of the warrants and beneficial conversion feature associated with the convertible notes we issued in 2010 due to the conversion of these notes into common stock upon closing of our initial public offering in February 2011. The remaining increase is due to interest expense associated with the Hercules Credit Facility entered into on November 24, 2010, partially offset by a net reduction in interest expense on our secured convertible notes we issued in 2009 and 2010, which were converted to common stock upon the completion of our initial public offering; and

- a $1.3 million decrease in the royalty interest obligation due to changes in forecasted sales projections based on plateauing sales trends and the weakening Euro exchange rate.

Liquidity and Capital Resources

Since our inception in 2007, we have devoted most of our cash resources to research and development and general and administrative activities primarily related to the development of EXPAREL. We have financed our operations primarily with the proceeds from the sale of convertible preferred stock, secured and unsecured notes and borrowings under debt facilities, supply revenue, royalties and collaborative licensing and development revenue. We raised approximately $37.1

million in net proceeds through an initial public offering completed on February 8, 2011. We have generated limited supply revenue and royalties, and we do not anticipate generating any revenues from the sale of EXPAREL, until the first quarter of 2012. We have incurred losses and generated negative cash flows from operations since inception. As of September 30, 2011, we had an accumulated deficit of $165.0 million, cash and cash equivalents and short-term investments of $37.1 million and working capital of $25.6 million.

On February 8, 2011, we completed our initial public offering of our common stock pursuant to a registration statement on Form S-1, as amended (File No. 333-170245) that was declared effective on February 2, 2011. An aggregate of 6,000,000 shares of common stock registered under the registration statement were sold at a price to the public of $7.00 per share. The over-allotment option was not exercised by the underwriters. As a result of our initial public offering, we raised a total of $42.0 million in gross proceeds, and approximately $37.1 million in net proceeds after deducting underwriting discounts and commissions and other offering expenses. Upon the closing of the initial public offering, all shares of our then outstanding Series A convertible preferred stock and the principal and accrued interest balance on the 2009 Convertible Notes, 2009 Secured Notes, 2010 Secured Notes, 2010 Convertible Notes, and HBM Secured Notes were converted into an aggregate of 10,647,549 shares of our common stock.

Summary of Cash Flows

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

	Nine Months Ended September 30,	
(000's)	2011	2010
Consolidated Statement of Cash Flows Data:		
Net cash provided by (used in):		
Operating activities	$ (23,404)	$ (19,041)
Investing activities	(24,355)	(3,821)
Financing activities	38,028	29,636
Net increase (decrease) in cash and cash equivalents	$ (9,731)	$ 6,774

Operating Activities

During the nine months ended September 30, 2011 and 2010, our net cash used in operating activities was $23.4 million and $19.0 million, respectively. The $4.4 million increase in net cash used in operating activities was driven by (i) a $2.3 million decrease in supply revenue due to lower lot sales to our commercial partners, (ii) a $1.8 million increase in interest paid primarily due to cash paid for interest monthly on the Hercules Note versus accrual of interest on the convertible and secured notes, which was converted into equity upon the initial public offering, and (iii) higher selling, general and administrative expenses as we prepare for the commercialization of EXPAREL. This increase was partially offset by a $1.5 million up-front payment received from our development partner Novo pursuant to the Novo Agreement and lower research and development expenses due to the closeout of our two pivotal Phase 3 clinical trials in EXPAREL.

Investing Activities

During the nine months ended September 30, 2011 and 2010, our net cash used in investing activities was $24.4 million and $3.8 million, respectively. In 2011, we invested $20.7 million from the net proceeds of our initial public offering in investment grade commercial paper and corporate bonds with maturities of less than one year. We purchased fixed assets of $3.7 million and $3.8 million during the nine months ended September 30, 2011 and 2010, respectively, primarily for the construction of our manufacturing facilities.

Financing Activities

During the nine months ended September 30, 2011 and 2010, our net cash provided by financing activities was $38.0 million and $29.6 million, respectively. The net cash provided by financing activities in 2011 was primarily from the issuance of common stock in connection with our initial public offering completed in February 2011. We raised approximately $37.1 million in net proceeds in the initial public offering, after deducting $4.9 million in offering expenses of which $0.9 million was paid prior to December 31, 2010. The net cash provided by financing activities in the nine months ended September 30, 2010 was primarily due to

the issuance of $18.8 million in principal amount of secured notes to certain of our existing investors and the borrowings on a credit facility we had with General Electric Capital Corporation of $11.3 million partially offset by $0.4 million in financing costs.

Debt Facilities

As of September 30, 2011, we had $26.3 million in outstanding principal debt under a credit facility with Hercules Technology Growth Capital, Inc. and Hercules Technology III, L.P., as lenders, or the Hercules Credit Facility. The Hercules Credit Facility provides for an "interest only period" when no principal amounts are due and payable. The interest only period runs through February 28, 2012. Following the end of the interest only period, the term loan is to be repaid in 33 monthly installments of principal and interest beginning on the first business day after the month in which the interest only period ends. As of September 30, 2011, we were in compliance with all covenants under the facility.

Upon completion of our initial public offering in February 2011, all principal and accrued interest on the convertible and secured notes (other than the 2010 Convertible Notes) converted into 3,253,481 shares of our common stock at a conversion price of $13.44, pursuant to an agreement entered into in October 2010 between us and the holders of the convertible and secured notes. The 2010 Convertible Notes were converted into 1,071,428 shares of our common stock at a conversion price equal to our initial public offering price of $7.00 per share. The table below shows the number of shares of common stock that our indebtedness was converted into:

Notes	Conversion Shares
2009 Convertible Notes	871,635
2009 Secured Notes	927,881
2010 Secured Notes	1,156,606
HBM Secured Notes	297,359
2010 Convertible Notes	1,071,428

Royalty Interests Assignment Agreement

On March 23, 2007, we entered into the Amended and Restated Royalty Interests Assignment Agreement with Paul Capital, pursuant to which we assigned to Paul Capital the right to receive up to approximately 20% of our royalty payments from DepoCyt(e) and DepoDur. The original agreement was entered into prior to the Acquisition by SkyePharma Holdings, Inc. in order to monetize certain royalty payments from DepoCyt(e) and DepoDur. In connection with the Acquisition, the original agreement with Paul Capital was amended and restated and the responsibility to pay the royalty interest in product sales of DepoCyt(e) and DepoDur was transferred to us and we were required to make payments to Paul Capital upon the occurrence of certain events. To secure our obligations to Paul Capital, we granted Paul Capital a security interest in collateral which includes the royalty payments we are entitled to receive with respect to sales of DepoCyt(e) and DepoDur, as well as to bank accounts to which such payments are deposited. Under our arrangement with Paul Capital, upon the occurrence of certain events, including if we experience a change of control, undergo certain bankruptcy events of us or our subsidiary, transfer any or substantially all of our rights in DepoCyt(e) and/or DepoDur, transfer all or substantially all of our assets, breach certain of the covenants, representations or warranties under the Amended and Restated Royalty Interests Assignment Agreement, or sales of DepoCyt(e) and/or DepoDur are suspended due to an injunction or if we elect to suspend sales of DepoCyt(e) and/or DepoDur as a result of a lawsuit filed by certain third parties, Paul Capital may require us to repurchase the rights we assigned to it at a cash price equal to (a) 50% of all cumulative payments made by us to Paul Capital under the Amended and Restated Royalty Interests Assignment Agreement during the preceding 24 months, multiplied by (b) the number of days from the date of Paul Capital's exercise of such option until December 31, 2014, divided by 365. Under the terms of the Amended and Restated Royalty Interests Assignment Agreement, our initial public offering did not constitute a change of control.

Future Capital Requirements

As of September 30, 2011, we had cash and cash equivalents and short-term investments of $37.1 million. We believe that our existing cash and cash equivalents, short-term investments and revenue from product sales will not be sufficient to enable us to meet our planned operating expenses, such as the commercial launch of EXPAREL, capital expenditure requirements and service our indebtedness through the next twelve months unless we secure additional funds through debt and/or equity financing. While we believe in the viability of our strategy to secure financing, and believe that the actions presently being taken by us provide the opportunity for us to continue as a going concern, there can be no

assurance that any financing will be available on acceptable terms, or at all. Moreover, changing circumstances may cause us to expend cash significantly faster than we currently anticipate, and we may need to spend more cash than currently expected because of circumstances beyond our control.

Our expectations regarding future cash requirements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we make in the future. We have no current understandings, agreements or commitments for any material acquisitions or licenses of any products, businesses or technologies. We may need to raise substantial additional capital in order to engage in any of these types of transactions.

We expect to continue to incur substantial additional operating losses as we commercialize EXPAREL and develop and seek regulatory approval for our product candidates. We will incur significant sales and marketing and manufacturing expenses due to the commercialization of EXPAREL. In addition, we expect to incur additional expenses to add operational, financial and information systems and personnel, including personnel to support our planned product commercialization efforts.

Our future use of operating cash and capital requirements will depend on many forward-looking factors, including the following:

- the costs of our commercialization activities for EXPAREL;
- the cost and timing of expanding our manufacturing facilities and purchasing manufacturing and other capital equipment for EXPAREL and our other product candidates;
- the scope, progress, results and costs of development for additional indications for EXPAREL and for our other product candidates;
- the cost, timing and outcome of regulatory review of our other product candidates;
- the extent to which we acquire or invest in products, businesses and technologies;
- the extent to which we choose to establish collaboration, co-promotion, distribution or other similar agreements for our product candidates; and
- the costs of preparing, submitting and prosecuting patent applications and maintaining, enforcing and defending intellectual property claims.

To the extent that our capital resources are insufficient to meet our future operating and capital requirements, we will need to finance our cash needs through public or private equity offerings, debt financings, corporate collaboration and licensing arrangements or other financing alternatives. The covenants under the Hercules Credit Facility and the Amended and Restated Royalty Interests Assignment Agreement and the pledge of our assets as collateral limit our ability to obtain additional debt financing. We have no committed external sources of funds. Additional equity or debt financing or corporate collaboration and licensing arrangements may not be available on acceptable terms, if at all.

If we raise additional funds by issuing equity securities, our stockholders will experience dilution. Debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any debt financing or additional equity that we raise may contain terms, such as liquidation and other preferences that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies, future revenue streams or product candidates or to grant licenses on terms that may not be favorable to us.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, except for operating leases, or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Critical Accounting Policies and Estimates

For a description of the critical accounting policies that affect our more 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, 2010. There have been no significant changes to our critical accounting policies since December 31, 2010.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board, or FASB, released Accounting Standards, or ASU, Update No. 2011-08, "Intangibles-Goodwill and Other." The amended guidance will allow companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (January 1, 2012 for us). We have determined that this guidance will not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued ASU, No. 2011-05, "Presentation of Comprehensive Income." These changes give an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements; the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (January 1, 2012 for us) and interim and annual periods thereafter. Early adoption is permitted, and full retrospective application is required. Since this ASU pertains to presentation requirements only, the adoption of this ASU will not have a material impact on our consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve our capital to fund operations. We also seek to maximize income from our investments without assuming significant risk. Our exposure to market risk is confined to our cash and cash equivalents and short-term investments. As of September 30, 2011, we had cash and cash equivalents and short-term investments of $37.1 million. We do not engage in any hedging activities against changes in interest rates. Because of the short-term maturities of our cash and cash equivalents and short-term investments, we do not believe that an increase in market rates would have any significant impact on the realized value of our investments, but may increase the interest expense associated with our debt.

We have commercial partners for DepoCyt(e) and DepoDur who sell our products in the EU. Under these agreements, we provide finished goods to our commercial partners in exchange for euro-denominated supply revenue, and we also receive euro-denominated royalties on market sales when the products are sold to end users. Because of these agreements, we are subject to fluctuations in exchange rates, specifically in the relative values of the U.S. dollar and the euro.

Item 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission ("SEC") rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on their evaluation with the participation of the Company's management, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no

matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, 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. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Pacira have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can 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 also is based in part upon 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. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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. We are not presently a party to any material litigation and we are not aware of any pending or threatened litigation against us that could have a material adverse effect on our business, operating results, financial condition or cash flows.

Item 1A. RISK FACTORS

RISK FACTORS

In addition to the other information in this Quarterly Report on Form 10-Q, any of the factors set forth below could significantly and negatively affect our business, financial condition, results of operations or prospects. The trading price of our common stock may decline due to these risks. This section contains forward looking statements. You should refer to the explanation of the qualification and limitations on forward-looking statements beginning on page 17.

Risks Related to the Development and Commercialization of our Product Candidates

Our success depends on our ability to successfully commercialize EXPAREL.

We have invested a significant portion of our efforts and financial resources in the development of EXPAREL. Our success depends on our ability to effectively commercialize EXPAREL, which was approved by the FDA on October 28, 2011, for administration into the surgical site to produce postsurgical analgesia.

We plan to commercially launch EXPAREL in the first quarter of 2012, but our ability to effectively commercialize and generate revenues from EXPAREL will depend on our ability to:

- create market demand for EXPAREL through our marketing and sales activities, and any other arrangements to promote this product we may later establish;
- train, deploy and support a qualified sales force which will be developed on a contract basis with Quintiles;
- secure formulary approvals for EXPAREL at a substantial number of targeted hospitals;
- manufacture EXPAREL in sufficient quantities in compliance with requirements of the FDA and similar foreign regulatory agencies and at acceptable quality and pricing levels in order to meet commercial demand;
- implement and maintain agreements with wholesalers, distributors and group purchasing organizations on commercially reasonable terms;
- receive adequate levels of coverage and reimbursement for EXPAREL from commercial health plans and governmental health programs;

- maintain compliance with regulatory requirements;
- ensure that our entire supply chain for EXPAREL efficiently and consistently delivers EXPAREL to our customers; and
- maintain and defend our patent protection and regulatory exclusivity for EXPAREL

Any disruption in our ability to generate revenues from the sale of EXPAREL or lack of success in its commercialization will have a material and adverse impact on our results of operations.

Our efforts to successfully commercialize EXPAREL are subject to many internal and external challenges and if we cannot overcome these challenges in a timely manner, our future revenues and profits could be materially and adversely impacted.

As EXPAREL will be a newly marketed drug, none of the members of the EXPAREL sales force have ever promoted EXPAREL. As a result, we are required to expend significant time and resources to train the sales force to be credible and persuasive in convincing physicians and hospitals to use EXPAREL. In addition, we also must train the sales force to ensure that a consistent and appropriate message about EXPAREL is delivered to our potential customers. If we are unable to effectively train the sales force and equip them with effective materials, including medical and sales literature to help them inform and educate potential customers about the benefits and risks of EXPAREL and its proper administration, our efforts to successfully commercialize EXPAREL could be put in jeopardy, which could have a material adverse effect on our future revenues and profits.

In addition to our extensive internal efforts, the successful commercialization of EXPAREL will require many third parties, over whom we have no control, to choose to utilize EXPAREL. These third parties include physicians and hospital pharmacy and therapeutics committees, which we refer to as P&T committees. Generally, before we can attempt to sell EXPAREL in a hospital, EXPAREL must be approved for addition to that hospital's list of approved drugs, or formulary list, by the hospital's P&T committee. A hospital's P&T committee typically governs all matters pertaining to the use of medications within the institution, including the review of medication formulary data and recommendations for the appropriate use of drugs within the institution to the medical staff. The frequency of P&T committee meetings at hospitals varies considerably, and P&T committees often require additional information to aid in their decision-making process. Therefore, we may experience substantial delays in obtaining formulary approvals. Additionally, hospital pharmacists may be concerned that the cost of acquiring EXPAREL for use in their institutions will adversely impact their overall pharmacy budgets, which could cause pharmacists to resist efforts to add EXPAREL to the formulary, or to implement restrictions on the usage of EXPAREL in order to control costs. We cannot guarantee that we will be successful in obtaining the approvals we need from enough P&T committees quickly enough to optimize hospital sales of EXPAREL.

Even if we obtain hospital formulary approval for EXPAREL, physicians must still prescribe EXPAREL for its commercialization to be successful. Because EXPAREL is a new drug with no track record of sales in the United States, any inability to timely supply EXPAREL to our customers, or any unexpected side effects that develop from use of the drug, particularly early in product launch, may lead physicians to not accept EXPAREL as a viable treatment alternative.

If EXPAREL does not achieve broad market acceptance, the revenues that we generate from its sales will be limited. The degree of market acceptance of EXPAREL will also depend on a number of other factors, including:

- changes in the standard of care for the targeted indications for EXPAREL, which could reduce the marketing impact of any claims that we could make following FDA approval;
- the relative convenience and ease of administration of EXPAREL;
- the prevalence and severity of adverse events associated with EXPAREL;
- cost of treatment versus economic and clinical benefit in relation to alternative treatments;
- the availability of adequate coverage or reimbursement by third parties, such as insurance companies and other healthcare payers, and by government healthcare programs, including Medicare and Medicaid;

- the extent and strength of our marketing and distribution of EXPAREL;

- the safety, efficacy and other potential advantages over, and availability of, alternative treatments, including, in the case of EXPAREL, a number of products already used to treat pain in the hospital setting; and

- distribution and use restrictions imposed by the FDA or to which we agree as part of a mandatory risk evaluation and mitigation strategy or voluntary risk management plan.

Our ability to effectively promote and sell EXPAREL and any product candidates that we may develop, license or acquire in the hospital marketplace will also depend on pricing and cost effectiveness, including our ability to produce a product at a competitive price and therefore achieve acceptance of the product onto hospital formularies, and our ability to obtain sufficient third-party coverage or reimbursement. Since many hospitals are members of group purchasing organizations, which leverage the purchasing power of a group of entities to obtain discounts based on the collective buying power of the group, our ability to attract customers in the hospital marketplace will also depend on our ability to effectively promote our product candidates to group purchasing organizations. We will also need to demonstrate acceptable evidence of safety and efficacy, as well as relative convenience and ease of administration. Market acceptance could be further limited depending on the prevalence and severity of any expected or unexpected adverse side effects associated with our product candidates.

In addition, the labeling approved by the FDA does not contain claims that EXPAREL is safer or more effective than competitive products and does not permit us to promote EXPAREL as being superior to competing products. Further, the availability of inexpensive generic forms of postsurgical pain management products may also limit acceptance of EXPAREL among physicians, patients and third-party payers. If EXPAREL does not achieve an adequate level of acceptance among physicians, patients and third-party payers, we may not generate meaningful revenues from EXPAREL and we may not become profitable.

We face significant competition from other pharmaceutical and biotechnology companies. Our operating results will suffer if we fail to compete effectively.

The pharmaceutical and biotechnology industries are intensely competitive and subject to rapid and significant technological change. Our major competitors include organizations such as major multinational pharmaceutical companies, established biotechnology companies and specialty pharmaceutical and generic drug companies. Many of our competitors have greater financial and other resources than we have, such as larger research and development staff, more extensive marketing, distribution, sales and manufacturing organizations and experience, more extensive clinical trial and regulatory experience, expertise in prosecution of intellectual property rights and access to development resources like personnel generally and technology. As a result, these companies may obtain regulatory approval more rapidly than we are able to and may be more effective in selling and marketing their products. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis technologies and drug products that are more effective or less costly than EXPAREL or any product candidate that we are currently developing or that we may develop, which could render our products obsolete and noncompetitive or significantly harm the commercial opportunity for EXPAREL or our product candidates.

As a result of these factors, our competitors may obtain patent protection or other intellectual property rights that limit our ability to develop other indications for, or commercialize, EXPAREL. Our competitors may also develop drugs that are more effective, useful or less costly than ours and may be more successful than us in manufacturing and marketing their products.

EXPAREL will compete with well-established products with similar indications. Competing products available for postsurgical pain management include opioids such as morphine, fentanyl, meperidine and hydromorphone, each of which is available generically from several manufacturers, and several of which are available as proprietary products using novel delivery systems. Ketorolac, an injectable non-steroidal anti-inflammatory drug, or NSAID, is also available generically in the United States from several manufacturers, and Caldolor (ibuprofen for injection), an NSAID, has been approved by the FDA for pain management and fever in adults. In addition, EXPAREL will compete with non-opioid products such as bupivacaine, Marcaine, ropivacaine and other anesthetics/analgesics, all of which are also used in the treatment of postsurgical pain and are available as either oral tablets, injectable dosage forms or administered using novel delivery systems. Additional products may be developed for the treatment of acute pain, including new injectable NSAIDs, novel

opioids, new formulations of currently available opioids and NSAIDS, long-acting local anesthetics and new chemical entities as well as alternative delivery forms of various opioids and NSAIDs.

We will also compete with an extended release bupivacaine product in development by Durect Corporation which has been licensed to Hospira in North America (Posidur) and to Nycomed for Europe (Optesia). EXPAREL also competes with elastomeric bag/catheter devices intended to provide bupivacaine over several days. I-FLOW Corporation (acquired by Kimberly-Clark Corporation in 2009) has marketed these medical devices in the United States since 2004.

If we are unable to establish effective marketing and sales capabilities or enter into agreements with third parties to market and sell EXPAREL, we may be unable to generate product revenues.

We are currently building our commercial infrastructure for the marketing, sale and distribution of pharmaceutical products. In order to commercialize EXPAREL, we must build our marketing, sales and distribution capabilities. We have entered into an agreement with Quintiles for the outsourcing of our specialty sales force of approximately 60 representatives. We may also seek to commercialize EXPAREL outside the United States, although we currently plan to do so with a marketing and sales collaborator and not with our own sales force.

The establishment, development and training of our sales force and related compliance plans to market EXPAREL is expensive and time consuming and can potentially delay the commercial launch of EXPAREL. In the event we are not successful in developing our marketing and sales infrastructure, we may not be able to successfully commercialize EXPAREL, which would limit our ability to generate product revenues.

We rely on third parties to perform many essential services for EXPAREL and any other products that we commercialize, including services related to customer service support, warehousing and inventory program services, distribution services, contract administration and chargeback processing services, accounts receivable management and cash application services, and financial management and information technology services. If these third parties fail to perform as expected or to comply with legal and regulatory requirements, our ability to commercialize EXPAREL will be significantly impacted and we may be subject to regulatory sanctions.

We have entered into agreements with third-party service providers to perform a variety of functions related to the sale and distribution of EXPAREL, key aspects of which are out of our direct control. These service providers provide key services related to customer service support, warehousing and inventory program services, distribution services, contract administration and chargeback processing services, accounts receivable management and cash application services, and financial management and information technology services. In addition, most of our inventory is stored at a single warehouse maintained by one such service provider. We substantially rely on these providers as well as other third-party providers that perform services for us, including entrusting our inventories of products to their care and handling. If these third-party service providers fail to comply with applicable laws and regulations, fail to meet expected deadlines, or otherwise do not carry out their contractual duties to us, or encounter physical or natural damage at their facilities, our ability to deliver product to meet commercial demand would be significantly impaired. In addition, we may engage third parties to perform various other services for us relating to adverse event reporting, safety database management, fulfillment of requests for medical information regarding our product candidates and related services. If the quality or accuracy of the data maintained by these service providers is insufficient, we could be subject to regulatory sanctions.

Distribution of our DepoFoam-based products, including EXPAREL, requires cold-chain distribution provided by third parties, whereby the product must be maintained between specified temperatures. We and our partners have utilized similar cold-chain processes for DepoCyt(e) and DepoDur. If a problem occurs in our cold-chain distribution processes, whether through our failure to maintain our products or product candidates between specified temperatures or because of a failure of one of our distributors or partners to maintain the temperature of the products or product candidates, the product or product candidate could be adulterated and rendered unusable. This could have a material adverse effect on our business, financial condition, results of operations and reputation.

We will need to increase the size of our organization and effectively manage our sales force, and we may experience difficulties in managing growth.

As of September 30, 2011, we had 122 employees. We will need to substantially expand our managerial, commercial, financial, manufacturing and other personnel resources in order to manage our operations and prepare for the commercialization of EXPAREL. Our management, personnel, systems and facilities currently in place may not be adequate to support this future growth. In addition, we may not be able to recruit and retain qualified personnel in the future, particularly marketing positions, due to competition for personnel among pharmaceutical businesses, and the failure to do so

could have a significant negative impact on our future product revenues and business results. We will also need to effectively manage our sales force that we outsource from Quintiles. Our need to effectively manage our operations, growth and various projects requires that we:

- continue the hiring, outsourcing in the case of our sales force, and training of an effective commercial organization for the commercialization of EXPAREL, and establish appropriate systems, policies and infrastructure to support that organization;
- ensure that our consultants and other service providers successfully carry out their contractual obligations, provide high quality results, and meet expected deadlines;
- continue to carry out our own contractual obligations to our licensors and other third parties; and
- continue to improve our operational, financial and management controls, reporting systems and procedures.

We may be unable to successfully implement these tasks on a larger scale and, accordingly, may not achieve our development and commercialization goals.

We are reliant on our contract with Quintiles for the marketing and sale of EXPAREL.

We have entered into an agreement with Quintiles for the outsourcing of a sales force to commercialize EXPAREL. The risks in outsourcing the sales function to any third party include the following:

- the third party may not apply the expected financial resources or required expertise to successfully market and sell EXPAREL;
- the third party may not comply with applicable legal requirements, including the requirement to promote drug products only for uses for which they have been approved;
- the third party may not invest in the development of a sales and marketing force and the related infrastructure at levels that ensure that sales of EXPAREL reach their full potential;
- disputes may arise between us and the third party that may delay the commercialization of EXPAREL or adversely affect its sales or profitability; or
- the third party may enter into agreements with other parties that have products that could compete with EXPAREL.

We are substantially dependent on the success of Quintiles in performing its responsibilities and the continued cooperation of Quintiles. Quintiles may not cooperate with us to perform its obligations under our agreement and we cannot control the amount and timing of Quintiles' resources that will be devoted to the marketing and sale of EXPAREL. The occurrence of any of these events could adversely affect the commercialization of EXPAREL and materially harm our business and stock price by slowing the pace of growth of such sales, by reducing the profitability of EXPAREL or by adversely affecting the reputation of EXPAREL in the market.

We may not be able to manage our business effectively if we are unable to attract and retain key personnel.

We may not be able to attract or retain qualified management and commercial, scientific and clinical personnel due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses, particularly in the San Diego, California and Northern New Jersey areas. If we are not able to attract and retain necessary personnel to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

Our industry has experienced a high rate of turnover of management personnel in recent years. We are highly dependent on the development and manufacturing expertise for our DepoFoam delivery technology and the commercialization expertise of certain members of our senior management. In particular, we are highly dependent on the skills and leadership of our management team, including David Stack, our president and chief executive officer. If we lose one or more of these key employees, our ability to successfully implement our business strategy could be seriously harmed. Replacing key employees may be difficult and may take an extended period of time because of the limited number of

individuals in our industry with the breadth of skills and experience required to develop, gain regulatory approval of and commercialize products successfully. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate additional key personnel.

Mr. Stack, our chief executive officer, is also a managing director at MPM Capital and a managing partner of Stack Pharmaceuticals, Inc. Although Mr. Stack has devoted substantially all of his time to our company over the past 12 months, Mr. Stack's responsibilities at MPM Capital and Stack Pharmaceuticals, Inc. might require that he spend less than all his time managing our company in the future.

Under our consulting agreement with Gary Patou, M.D., our chief medical officer, he is not required to devote all of his time to our company. We cannot assure you that Dr. Patou's time commitment to us will be sufficient to perform the duties of our chief medical officer.

We face potential product liability exposure, and if successful claims are brought against us, we may incur substantial liability for DepoCyt(e), DepoDur, EXPAREL or product candidates that we may develop and may have to limit their commercialization.

The use of DepoCyt(e), DepoDur, EXPAREL and any product candidates that we may develop, license or acquire in clinical trials and the sale of any products for which we obtain regulatory approval expose us to the risk of product liability claims. Product liability claims might be brought against us by consumers, health care providers or others using, administering or selling our products. If we cannot successfully defend ourselves against these claims, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- loss of revenue from decreased demand for our products and/or product candidates;
- impairment of our business reputation or financial stability;
- costs of related litigation;
- substantial monetary awards to patients or other claimants;
- diversion of management attention;
- loss of revenues;
- withdrawal of clinical trial participants and potential termination of clinical trial sites or entire clinical programs; and
- the inability to commercialize our product candidates.

We have obtained limited product liability insurance coverage for our products and our clinical trials with a $10.0 million annual aggregate coverage limit. However, our insurance coverage may not reimburse us or may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive, and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. We intend to expand our insurance coverage to include the sale of additional commercial products upon FDA approval for our product candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing, or at all. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

If we fail to manufacture EXPAREL in sufficient quantities and at acceptable quality and pricing levels, or to fully comply with cGMP regulations, we may face delays in the commercialization of this product or be unable to meet market demand, and may lose potential revenues.

The manufacture of EXPAREL requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls, and the use of specialized processing equipment. We must comply with federal, state and foreign regulations, including FDA's regulations governing current Good Manufacturing Practices, or

cGMP, enforced by the FDA through its facilities inspection program and by similar regulatory authorities in other jurisdictions where we do business. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. The FDA or similar foreign regulatory authorities at any time may implement new standards, or change their interpretation and enforcement of existing standards for manufacture, packaging or testing of our products. Any failure to comply with applicable regulations may result in fines and civil penalties, suspension of production, product seizure or recall, imposition of a consent decree, or withdrawal of product approval, and would limit the availability of our product. Any manufacturing defect or error discovered after products have been produced and distributed also could result in significant consequences, including costly recall procedures, re-stocking costs, damage to our reputation and potential for product liability claims.

We purchase raw materials and components from various suppliers in order to manufacture EXPAREL. If we are unable to source the required raw materials from our suppliers, we may experience delays in manufacturing EXPAREL and may not be able to meet our customers' demands for EXPAREL.

If we are unable to produce the required commercial quantities of EXPAREL to meet market demand for EXPAREL on a timely basis or at all, or if we fail to comply with applicable laws for the manufacturing of EXPAREL, we will suffer damage to our reputation and commercial prospects and we will lose potential revenues.

We are the sole manufacturer of DepoCyt(e) and DepoDur and we only have two FDA approved manufacturing facilities. Our inability to continue manufacturing adequate supplies of DepoCyt(e) and DepoDur could result in a disruption in the supply of DepoCyt(e) and DepoDur to our partners.

We are the sole manufacturer of DepoCyt(e) and DepoDur. We develop and manufacture DepoCyt(e) and DepoDur at our facilities in San Diego, California, which are the only FDA approved sites for manufacturing DepoCyt(e) and DepoDur in the world. Our San Diego facilities are subject to the risks of a natural or man-made disaster, including earthquakes and fires, or other business disruption. There can be no assurance that we would be able to meet our requirements for DepoCyt(e) and DepoDur if there were a catastrophic event or failure of our current manufacturing system. If we are required to change or add a new manufacturer or supplier, the process would likely require prior FDA and/or equivalent foreign regulatory authority approval, and would be very time consuming. An inability to continue manufacturing adequate supplies of DepoCyt(e) and DepoDur at our facility in San Diego, California could result in a disruption in the supply of DepoCyt(e) and DepoDur to our partners and breach of our contractual obligations.

If we fail to manufacture DepoCyt(e) and DepoDur we will lose revenues and be in breach of our licensing obligations.

We have licensed the commercial rights in specified territories of the world to market and sell our products, DepoCyt(e) and DepoDur. Under those licenses we have obligations to manufacture commercial product for our commercial partners. If we are unable to timely fill the orders placed with us by our commercial partners, we will potentially lose revenue and be in breach of our licensing obligations under the agreements. In addition, we would be in breach of our obligations to comply with our supply and distribution agreements for DepoCyt(e) and DepoDur, which would in turn be a breach of our obligations under our amended and restated royalty interests assignment agreement, or the Amended and Restated Royalty Interests Assignment Agreement, with Royalty Securitization Trust I, an affiliate of Paul Capital Advisors, LLC, or Paul Capital. See "Risk Factors—Risks Related to Our Financial Condition and Capital Requirements—Under our financing arrangement with Paul Capital, upon the occurrence of certain events, Paul Capital may require us to repurchase the right to receive royalty payments that we assigned to it, or may foreclose on certain assets that secure our obligations to Paul Capital. Any exercise by Paul Capital of its right to cause us to repurchase the assigned right or any foreclosure by Paul Capital would adversely affect our results of operations and our financial condition."

We rely on third parties for the timely supply of specified raw materials and equipment for the manufacture of DepoCyt(e) and DepoDur. Although we actively manage these third-party relationships to provide continuity and quality, some events which are beyond our control could result in the complete or partial failure of these goods and services. Any such failure could have a material adverse effect on our financial condition and operations.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls, and the use of specialized processing equipment. We must comply with federal, state and foreign regulations, including current Good Manufacturing Practices, or cGMP, regulations and in the case of the manufacturing of DepoDur required government licenses regarding the storage and use of controlled substances. Any failure to comply with applicable regulations may result in fines and civil penalties, suspension of production, suspension or delay in product approval for sale, product seizure or recall, or withdrawal of product approval, and

would limit the availability of our product. Any manufacturing defect or error discovered after products have been produced and distributed could result in even more significant consequences, including costly recall procedures, re-stocking costs, damage to our reputation, product liability claims and litigation.

Our future growth depends on our ability to identify, develop, acquire or in-license products and if we do not successfully identify develop, acquire or in-license related product candidates or integrate them into our operations, we may have limited growth opportunities.

An important part of our business strategy is to continue to develop a pipeline of product candidates by developing, acquiring or in-licensing products, businesses or technologies that we believe are a strategic fit with our focus on the hospital marketplace. However, these business activities may entail numerous operational and financial risks, including:

- difficulty or inability to secure financing to fund development activities for such development, acquisition or in-licensed products or technologies;
- incurrence of substantial debt or dilutive issuances of securities to pay for development, acquisition or in-licensing of new products;
- disruption of our business and diversion of our management's time and attention;
- higher than expected development, acquisition or in-license and integration costs;
- exposure to unknown liabilities;
- difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel;
- inability to retain key employees of any acquired businesses;
- difficulty in managing multiple product development programs; and
- inability to successfully develop new products or clinical failure.

We have limited resources to identify and execute the development, acquisition or in-licensing of products, businesses and technologies and integrate them into our current infrastructure. We may compete with larger pharmaceutical companies and other competitors in our efforts to establish new collaborations and in-licensing opportunities. These competitors likely will have access to greater financial resources than us and may have greater expertise in identifying and evaluating new opportunities. Moreover, we may devote resources to potential development, acquisitions or in-licensing opportunities that are never completed, or we may fail to realize the anticipated benefits of such efforts.

Our business involves the use of hazardous materials and we must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our manufacturing activities involve the controlled storage, use and disposal of hazardous materials, including the components of our products, product candidates and other hazardous compounds. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling, release and disposal of, and exposure to, these hazardous materials. Violation of these laws and regulations could lead to substantial fines and penalties. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by these laws and regulations, we cannot eliminate the risk of accidental contamination or injury from these materials. In the event of an accident, state or federal authorities may curtail our use of these materials and interrupt our business operations. In addition, we could become subject to potentially material liabilities relating to the investigation and cleanup of any contamination, whether currently unknown or caused by future releases.

Our business and operations would suffer in the event of system failures.

Despite the implementation of security measures, our internal computer systems are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Any system failure, accident or security breach that causes interruptions in our operations could result in a material disruption of

our product development programs. For example, the loss of clinical trial data from completed clinical trials for EXPAREL could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we may incur liability and the further development of our product candidates may be delayed.

Any collaboration arrangements that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialize our product candidates.

Our business model is to commercialize our product candidates in the United States and generally to seek collaboration arrangements with pharmaceutical or biotechnology companies for the development or commercialization of our product candidates in the rest of the world. Accordingly, we may enter into collaboration arrangements in the future on a selective basis. Any future collaboration arrangements that we enter into may not be successful. The success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborators generally have significant discretion in determining the efforts and resources that they will apply to these collaboration arrangements.

Disagreements between parties to a collaboration arrangement regarding clinical development and commercialization matters can lead to delays in the development process or commercializing the applicable product candidate and, in some cases, termination of the collaboration arrangement. These disagreements can be difficult to resolve if neither of the parties has final decision making authority.

Collaborations with pharmaceutical companies and other third parties often are terminated or allowed to expire by the other party. Any such termination or expiration would adversely affect us financially and could harm our business reputation.

Regulatory Risks

We may not receive regulatory approval for any of our product candidates, or the approval may be delayed for various reasons, including successful challenges to the FDA's interpretation of Section 505(b)(2), which would have a material adverse effect on our business and financial condition.

We may experience delays in our efforts to obtain regulatory approval from the FDA for any of our product candidates, and there can be no assurance that such approval will not be delayed, or that the FDA will ultimately approve these product candidates.

The FDA, as a condition of the EXPAREL approval on October 28, 2011, has required us to study EXPAREL in pediatric patients. We have agreed to a trial timeline where, over several years, we will study pediatric patient populations in descending order starting with 12 — 18 year olds and ending with children under two years of age. These trials will be expensive and time consuming and we will be required to meet the timelines for completion as agreed with the FDA.

The FDA may determine that EXPAREL or any of our product candidates have undesirable side effects.

If concerns are raised regarding the safety of a new drug as a result of undesirable side effects identified during clinical testing, the FDA may decline to approve the drug at the end of the NDA review period or issue a letter requesting additional data or information prior to making a final decision regarding whether or not to approve the drug. The number of such requests for additional data or information issued by the FDA in recent years has increased, and resulted in substantial delays in the approval of several new drugs. Undesirable side effects caused by EXPAREL or any product candidate could also result in the inclusion of unfavorable information in our product labeling, imposition of distribution or use restrictions, a requirement to conduct post-market studies, denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications, and in turn prevent us from commercializing and generating revenues from the sale of EXPAREL or any product candidate.

For example, the side effects observed in the EXPAREL clinical trials completed to date include nausea and vomiting. In addition, the class of drugs that EXPAREL belongs to has been associated with nervous system and cardiovascular toxicities at high doses. We cannot be certain that these side effects and others will not be observed in the future, or that the FDA will not require additional trials or impose more severe labeling restrictions due to these side effects or other concerns. The active component of EXPAREL is bupivacaine and bupivacaine infusions have been associated with the destruction of articular cartilage, or chondrolysis. Chondrolysis has not been observed in clinical trials of EXPAREL, but we cannot be certain that this side effect will not be observed in the future.

Following approval of EXPAREL or any of our product candidates, if we or others later identify undesirable side effects caused by such products:

- regulatory authorities may require the addition of unfavorable labeling statements, specific warnings or a contraindication;
- regulatory authorities may suspend or withdraw their approval of the product, or require it to be removed from the market;
- regulatory authorities may impose restrictions on the distribution or use of the product;
- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product;
- we may be subject to product liability claims and litigation; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of EXPAREL or any of our product candidates and could substantially increase our commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenues from its sale.

Regulatory approval for any approved product is limited by the FDA to those specific indications and conditions for which clinical safety and efficacy have been demonstrated.

Any regulatory approval is limited to those specific diseases and indications for which a product is deemed to be safe and effective by the FDA. In addition to the FDA approval required for new formulations, any new indication for an approved product also requires FDA approval. If we are not able to obtain FDA approval for any desired future indications for our products and product candidates, our ability to effectively market and sell our products may be reduced and our business may be adversely affected.

While physicians may choose to prescribe drugs for uses that are not described in the product's labeling and for uses that differ from those tested in clinical studies and approved by the regulatory authorities, our ability to promote the products is limited to those indications that are specifically approved by the FDA. These "off-label" uses are common across medical specialties and may constitute an appropriate treatment for some patients in varied circumstances. Regulatory authorities in the United States generally do not regulate the behavior of physicians in their choice of treatments. Regulatory authorities do, however, restrict communications by pharmaceutical companies on the subject of off-label use. If our promotional activities fail to comply with these regulations or guidelines, we may be subject to warnings from, or enforcement action by, these authorities. In addition, our failure to follow FDA rules and guidelines relating to promotion and advertising may cause the FDA to issue warning letters or untitled letters, suspend or withdraw an approved product from the market, require a recall or institute fines or civil fines, or could result in disgorgement of money, operating restrictions, injunctions or criminal prosecution, any of which could harm our business.

EXPAREL and any other products we may market, including DepoCyt(e) and DepoDur, will remain subject to substantial regulatory scrutiny.

EXPAREL, DepoCyt(e) and DepoDur and any product candidates that we may develop, license or acquire will also be subject to ongoing FDA requirements with respect to the manufacturing, labeling, packaging, storage, distribution, advertising, promotion, record-keeping and submission of safety and other post-market information on the drug. In addition, the subsequent discovery of previously unknown problems with a product may result in restrictions on the product, including withdrawal of the product from the market.

If EXPAREL, DepoCyt(e) and DepoDur or any other product that we may develop, license or acquire fails to comply with applicable regulatory requirements, such as cGMP regulations, a regulatory agency may:

- issue warning letters or untitled letters;

- require us to enter into a consent decree, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- impose fines and other civil or criminal penalties;
- suspend regulatory approval;
- suspend any ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications filed by us;
- impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products or require a product recall.

For example, the FDA informed us that certain adverse event reports related to DepoCyt(e) and DepoDur submitted to us during the previous two years were not submitted by us to the FDA within the required 15-day timeframe for reporting such events. In response to the FDA's observations, we enhanced our reporting procedures and hired additional personnel to support our pharmacovigilance efforts.

If we fail to comply with federal and state healthcare laws, including fraud and abuse and health information privacy and security laws, we could face substantial penalties and our business, results of operations, financial condition and prospects could be adversely affected.

As a pharmaceutical company, even though we do not provide healthcare services or receive payments directly from or bill directly to Medicare, Medicaid or other third-party payers for our products, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. We would be subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which constrains our marketing practices, educational programs, pricing policies, and relationships with healthcare providers or other entities, by prohibiting, among other things, soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;
- federal physician self-referral laws, such as the Stark law, which prohibit a physician from making a referral to a provider of certain health services with which the physician or the physician's family member has a financial interest, and prohibit submission of a claim for reimbursement pursuant to a prohibited referral;
- HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH, and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under the U.S. federal Anti-Kickback Statute, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Recently, several pharmaceutical and other healthcare companies have been prosecuted under the federal false claims laws for allegedly inflating drug prices they report to pricing services, which in turn are used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws. To the extent that any product we make is sold in a foreign country, we may be subject to similar foreign laws and regulations.

Further, there has been a recent trend in the increase of federal and state laws and regulations regarding consulting arrangements with physicians. Some states, such as California, Massachusetts and Vermont, mandate that we comply with a state code of conduct, disclose marketing payments made to physicians, and report compliance information to the state authorities. Some states, such as Massachusetts, have created an internet database to provide disclosed information on certain transactions with physicians to the public. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply in multiple jurisdictions with different compliance and reporting requirements increases the possibility that a pharmaceutical company may run afoul of one or more of the requirements.

If our past or present operations, or those of our distributors are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from participation in U.S. federal or state health care programs, and the curtailment or restructuring of our operations. Similarly, if the healthcare providers, distributors or other entities with whom we do business are found to be out of compliance with applicable laws and regulations, they may be subject to sanctions, which could also have a negative impact on us. The risk of being found to have violated such laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any penalties, damages, fines, curtailment or restructuring of our operations could materially adversely affect our ability to operate our business and our financial results. Although compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, the risks cannot be entirely eliminated. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security and fraud laws may prove costly.

The design, development, manufacture, supply, and distribution of EXPAREL, DepoCyt(e) and DepoDur is highly regulated and technically complex.

The design, development, manufacture, supply, and distribution of our products EXPAREL, DepoCyt(e) and DepoDur is technically complex and highly regulated. We, along with our third-party providers, must comply with all applicable regulatory requirements of the FDA and foreign authorities. In addition, the facilities used to manufacture, store, and distribute our products are subject to inspection by regulatory authorities at any time to determine compliance with applicable regulations.

The manufacturing techniques and facilities used for the manufacture and supply of our products must be operated in conformity with cGMP. In complying with cGMP requirements, we, along with our suppliers, must continually expend time, money and effort in production, record keeping, and quality assurance and control to ensure that our products meet applicable specifications and other requirements for safety, efficacy and quality. In addition, we, along with our suppliers, are subject to unannounced inspections by the FDA and other regulatory authorities.

Any failure to comply with regulatory and other legal requirements applicable to the manufacture, supply and distribution of our products could lead to remedial action (such as recalls), civil and criminal penalties and delays in manufacture, supply and distribution of our products. For instance, in connection with routine inspections of one of our manufacturing facilities in April and May 2008, the FDA issued a Form 483 Notice of Inspectional Observations identifying certain deficiencies with respect to our laboratory control system for Depocyt(e). As a result, we did not release new lots of Depocyt(e) for a limited time period as we validated a new assay. We also submitted the new assay to the FDA in July 2008 and in August 2008 we began releasing new lots of DepoCyt(e).

If we fail to comply with the extensive regulatory requirements to which we and our products, EXPAREL, DepoCyt(e) and DepoDur, are subject, such products could be subject to restrictions or withdrawal from the market and we could be subject to penalties.

The testing, manufacturing, labeling, safety, advertising, promotion, storage, sales, distribution, export and marketing, among other things, of our products EXPAREL, DepoCyt(e) and DepoDur are subject to extensive regulation by governmental authorities in the United States and elsewhere throughout the world. Quality control and manufacturing procedures regarding EXPAREL, DepoCyt(e) and DepoDur must conform to cGMP. Regulatory authorities, including the FDA, periodically inspect manufacturing facilities to assess compliance with cGMP. Our failure or the failure of our contract manufacturers to comply with the laws administered by the FDA or other governmental authorities could result in, among other things, any of the following:

- product recall or seizure;
- suspension or withdrawal of an approved product from the market;
- interruption of production;
- operating restrictions;
- warning letters;
- injunctions;
- fines and other monetary penalties;
- criminal prosecutions; and
- unanticipated expenditures.

If the government or third-party payers fail to provide coverage and adequate coverage and payment rates for EXPAREL, DepoCyt(e), DepoDur or any future products we may develop, license or acquire, if any, or if hospitals choose to use therapies that are less expensive, our revenue and prospects for profitability will be limited.

In both domestic and foreign markets, sales of our existing products and any future products will depend in part upon the availability of coverage and reimbursement from third-party payers. Such third-party payers include government health programs such as Medicare and Medicaid, managed care providers, private health insurers and other organizations. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Assuming coverage is approved, the resulting reimbursement payment rates might not be adequate. In particular, many U.S. hospitals receive a fixed reimbursement amount per procedure for certain surgeries and other treatment therapies they perform. Because this amount may not be based on the actual expenses the hospital incurs, hospitals may choose to use therapies which are less expensive when compared to our product candidates. Accordingly, EXPAREL, DepoCyt(e), DepoDur or any product candidates that we may develop, in-license or acquire, if approved, will face competition from other therapies and drugs for these limited hospital financial resources. We may need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of any future products to the satisfaction of hospitals, other target customers and their third-party payers. Such studies might require us to commit a significant amount of management time and financial and other resources. Our future products might not ultimately be considered cost-effective. Adequate third-party coverage and reimbursement might not be available to enable us to maintain price levels sufficient to realize an appropriate return on investment in product development.

Third party payers, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in the United States, no uniform policy of coverage and reimbursement for drug products exists among third-party payers. Therefore, coverage and reimbursement for drug products can differ significantly from payer to payer.

Further, we believe that future coverage and reimbursement will likely be subject to increased restrictions both in the United States and in international markets. Third-party coverage and reimbursement for our products or product candidates for which we receive regulatory approval may not be available or adequate in either the United States or international markets, which could have a negative effect on our business, results of operations, financial condition and prospects.

We are subject to new legislation, regulatory proposals and healthcare payer initiatives that may increase our costs of compliance and adversely affect our ability to market our products, obtain collaborators and raise capital.

In March 2010, the President signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, which we refer to collectively as the Health Care Reform Law. The Health Care Reform Law makes extensive changes to the delivery of health care in the United States. Among the provisions of the Health Care Reform Law of greatest importance to the pharmaceutical industry are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, beginning in 2011;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program, retroactive to January 1, 2010, to 23.1% and 13% of the average manufacturer price for most branded and generic drugs, respectively;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D, beginning in 2011;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations, effective March 23, 2010;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals beginning in April 2010 and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the Federal Poverty Level beginning in 2014, thereby potentially increasing both the volume of sales and manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program, effective in January 2010;
- new requirements to report certain financial arrangements with physicians and others, including reporting any "transfer of value" made or distributed to prescribers and other healthcare providers and reporting any investment interests held by physicians and their immediate family members during each calendar year beginning in 2012, with reporting starting in 2013;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians, effective April 1, 2012;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board which, beginning in 2014, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law even if Congress does not act on the recommendations; and
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending, beginning by January 1, 2011.

These measures could result in decreased net revenues from our pharmaceutical products and decrease potential returns from our development efforts. A number of states have challenged the constitutionality of certain provisions of the Health Care Reform Law, and many of these court challenges are still pending final adjudication. Congress has also proposed a number of legislative initiatives, including possible repeal of the Health Care Reform Law. At this time, it

remains unclear whether there will be any changes made to the Health Care Reform Law, whether to certain provisions or its entirety. In addition, some details regarding the implementation of the Health Care Reform Law are yet to be determined, and at this time, the full effect that the Health Care Reform Law would have on our business remains unclear.

In addition, other legislative changes have been proposed and adopted since the Health Care Reform Law was enacted. Most recently, on August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, creates the Joint Select Committee on Deficit Reduction to recommend proposals in spending reductions to Congress. The Joint Select Committee may consider all elements of discretionary and non-discretionary spending, and its recommendations could result in reduced spending under Medicare and Medicaid for prescription drugs. In the event that the Joint Select Committee is unable to achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, or Congress does not act on the committee's recommendation, without amendment, by December 23, 2011, an automatic reduction is triggered. These automatic cuts would be made to several government programs and, with respect to Medicare, would include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. The full impact on our business of the new law is uncertain. Nor is it clear whether other legislative changes will be adopted, if any, or how such changes would affect the demand for our products.

In addition, there have been a number of other legislative and regulatory proposals aimed at changing the pharmaceutical industry. In particular, California has enacted legislation that requires development of an electronic pedigree to track and trace each prescription drug at the saleable unit level through the distribution system. California's electronic pedigree requirement is scheduled to take effect in January 2015. Compliance with California and future federal or state electronic pedigree requirements may increase our operational expenses and impose significant administrative burdens. As a result of these and other new proposals, we may determine to change our current manner of operation, provide additional benefits or change our contract arrangements, any of which could have a material adverse effect on our business, financial condition and results of operations.

Public concern regarding the safety of drug products such as EXPAREL could result in the inclusion of unfavorable information in our labeling, or require us to undertake other activities that may entail additional costs.

In light of widely publicized events concerning the safety risk of certain drug products, the FDA, members of Congress, the Government Accountability Office, medical professionals and the general public have raised concerns about potential drug safety issues. These events have resulted in the withdrawal of drug products, revisions to drug labeling that further limit use of the drug products and the establishment of risk management programs that may, for example, restrict distribution of drug products after approval. The Food and Drug Administration Amendments Act of 2007, or FDAAA, grants significant expanded authority to the FDA, much of which is aimed at improving the safety of drug products before and after approval. In particular, the FDAAA authorizes the FDA to, among other things, require post-approval studies and clinical trials, mandate changes to drug labeling to reflect new safety information and require risk evaluation and mitigation strategies for certain drugs, including certain currently approved drugs. It also significantly expands the federal government's clinical trial registry and results databank, which we expect will result in significantly increased government oversight of clinical trials. Under the FDAAA, companies that violate these and other provisions of the new law are subject to substantial civil monetary penalties, among other regulatory, civil and criminal penalties. The increased attention to drug safety issues may result in a more cautious approach by the FDA in its review of data from our clinical trials. Data from clinical trials may receive greater scrutiny, particularly with respect to safety, which may make the FDA or other regulatory authorities more likely to require additional preclinical studies or clinical trials. If the FDA requires us to provide additional clinical or preclinical data for EXPAREL, the indications for which this product candidate was approved may be limited or there may be specific warnings or limitations on dosing, and our efforts to commercialize EXPAREL may be otherwise adversely impacted.

Our product, DepoDur, is subject to regulation by the Drug Enforcement Agency and such regulation may affect the sale of DepoDur.

Products used to treat and manage pain, especially in the case of opioids, are from time to time subject to negative publicity, including illegal use, overdoses, abuse, diversion, serious injury and death. These events have led to heightened regulatory scrutiny. Controlled substances are classified by the DEA as Schedule I through V substances, with Schedule I substances being prohibited for sale in the United States, Schedule II substances considered to present the highest risk of abuse and Schedule V substances being considered to present the lowest relative risk of abuse. DepoDur contains morphine, and it is regulated as a Schedule II controlled substance. Despite the strict regulations on the marketing, prescribing and dispensing of such substances, illicit use and abuse of morphine does occur. Thus, the marketing of DepoDur by our partners may generate public controversy that may adversely affect sales of DepoDur and decrease the revenue we receive from the sale of DepoDur.

In addition, we and our contract manufacturers are subject to ongoing DEA regulatory obligations, including, among other things, annual registration renewal, security, recordkeeping, theft and loss reporting, periodic inspection and annual quota allotments for the raw material for commercial production of our products. The DEA, and some states, conduct periodic inspections of registered establishments that handle controlled substances. Facilities that conduct research, manufacture, store, distribute, import or export controlled substances must be registered to perform these activities and have the security, control and inventory mechanisms required by the DEA to prevent drug loss and diversion. Failure to maintain compliance, particularly non-compliance resulting in loss or diversion, can result in regulatory action that could have a material adverse effect on our business, results of operations, financial condition and prospects. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

Individual states also have controlled substances laws. Though state controlled substances laws often mirror federal law, because the states are separate jurisdictions, they may separately schedule drugs, as well. While some states automatically schedule a drug when the DEA does so, in other states there has to be rulemaking or a legislative action. State scheduling may delay commercial sale of any controlled substance drug product for which we obtain federal regulatory approval and adverse scheduling could have a material adverse effect on the commercial attractiveness of such product. We or our partners must also obtain separate state registrations in order to be able to obtain, handle, and distribute controlled substances for clinical trials or commercial sale, and failure to meet applicable regulatory requirements could lead to enforcement and sanctions from the states in addition to those from the DEA or otherwise arising under federal law.

Risks Related to Intellectual Property

The patents and the patent applications that we have covering our products are limited to specific injectable formulations, processes and uses of drugs encapsulated in our DepoFoam drug delivery technology and our market opportunity for our product candidates may be limited by the lack of patent protection for the active ingredient itself and other formulations and delivery technology and systems that may be developed by competitors.

The active ingredients in EXPAREL, DepoCyt(e) and DepoDur are bupivacaine, cytarabine and morphine, respectively. Patent protection for the bupivacaine, cytarabine and morphine molecules themselves has expired and generic immediate-release products are available. As a result, competitors who obtain the requisite regulatory approval can offer products with the same active ingredients as EXPAREL, DepoCyt(e) and DepoDur so long as the competitors do not infringe any process, use or formulation patents that we have developed for these drugs encapsulated in our DepoFoam drug delivery technology.

For example, we are aware of at least one long acting injectable bupivacaine product in development which utilizes an alternative delivery system to EXPAREL. Such a product is similar to EXPAREL in that it also extends the duration of effect of bupivacaine, but achieves this clinical outcome using a completely different drug delivery system compared to our DepoFoam drug delivery technology.

The number of patents and patent applications covering products in the same field as EXPAREL indicates that competitors have sought to develop and may seek to market competing formulations that may not be covered by our patents and patent applications. The commercial opportunity for EXPAREL could be significantly harmed if competitors are able to develop and commercialize alternative formulations of bupivacaine that are long acting but outside the scope of our patents.

Now that EXPAREL is approved by the FDA, one or more third parties may challenge the patents covering this product, which could result in the invalidation or unenforceability of some or all of the relevant patent claims. For example, if a third party files an Abbreviated New Drug Application, or ANDA, for a generic drug product containing bupivacaine and relies in whole or in part on studies conducted by or for us, the third party will be required to certify to the FDA that either: (1) there is no patent information listed in the FDA's Orange Book with respect to our NDA for EXPAREL; (2) the patents listed in the Orange Book have expired; (3) the listed patents have not expired, but will expire on a particular date and approval is sought after patent expiration; or (4) the listed patents are invalid or will not be infringed by the manufacture, use or sale of the third-party's generic drug product. A certification that the new product will not infringe the Orange Book-listed patents for EXPAREL, or that such patents are invalid, is called a paragraph IV certification. If the third party submits a paragraph IV certification to the FDA, a notice of the paragraph IV certification must also be sent to us once the third-party's ANDA is accepted for filing by the FDA. We may then initiate a lawsuit to defend the patents identified in the notice. The filing of a patent infringement lawsuit within 45 days of receipt of the notice automatically prevents the FDA from approving the third-party's ANDA until the earliest of 30 months or the date on which the patent expires, the lawsuit is settled, or the court reaches a decision in the infringement lawsuit in favor of the third party. If we do not file a patent infringement lawsuit within the required 45-day period, the third-party's ANDA will not be subject to the 30-month stay. Litigation or other

proceedings to enforce or defend intellectual property rights are often very complex in nature, may be very expensive and time-consuming, may divert our management's attention from our core business, and may result in unfavorable results that could adversely impact our ability to prevent third parties from competing with our products.

Because it is difficult and costly to protect our proprietary rights, we may not be able to ensure their protection and all patents will eventually expire.

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection for EXPAREL, DepoCyt(e), DepoDur, DepoFoam and for any product candidates that we may develop, license or acquire and the methods we use to manufacture them, as well as successfully defending these patents and trade secrets against third-party challenges. We will only be able to protect our technologies from unauthorized use by third parties to the extent that valid and enforceable patents or trade secrets cover them.

The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in pharmaceutical or biotechnology patents has emerged to date in the United States. The patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents.

The degree of future protection for our proprietary rights is uncertain, because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we may not have been the first to make the inventions covered by each of our pending patent applications and issued patents;
- we may not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate any of our product candidates or technologies;
- it is possible that none of the pending patent applications will result in issued patents;
- the issued patents covering our product candidates may not provide a basis for commercially viable active products, may not provide us with any competitive advantages, or may be challenged by third parties;
- we may not develop additional proprietary technologies that are patentable; or
- patents of others may have an adverse effect on our business.

Patent applications in the United States are maintained in confidence for at least 18 months after their earliest effective filing date. Consequently, we cannot be certain we were the first to invent or the first to file patent applications on EXPAREL, our DepoFoam drug delivery technology or any product candidates that we may develop, license or acquire. In the event that a third party has also filed a U.S. patent application relating to our product candidates or a similar invention, we may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention in the United States. The costs of these proceedings could be substantial and it is possible that our efforts would be unsuccessful, resulting in a material adverse effect on our U.S. patent position. Furthermore, we may not have identified all United States and foreign patents or published applications that affect our business either by blocking our ability to commercialize our drugs or by covering similar technologies that affect our drug market.

In addition, some countries, including many in Europe, do not grant patent claims directed to methods of treating humans, and in these countries patent protection may not be available at all to protect our product candidates. Even if patents issue, we cannot guarantee that the claims of those patents will be valid and enforceable or provide us with any significant protection against competitive products, or otherwise be commercially valuable to us.

Some of our older patents have already expired. In the cases of DepoCyt(e) and DepoDur, key patents providing protection in Europe have expired. In the case of EXPAREL, while pending patent applications, if granted, would provide protection for EXPAREL in Europe and the United States through November 2018, an existing formulation patent for

EXPAREL will expire in November 2013. Once our patents covering EXPAREL have expired, we are more reliant on trade secrets to protect against generic competition.

We also rely on trade secrets to protect our technology, particularly where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. While we use reasonable efforts to protect our trade secrets, our licensors, employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third party illegally obtained and is using our trade secrets is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

If we fail to obtain or maintain patent protection or trade secret protection for EXPAREL, DepoCyt(e), DepoDur, DepoFoam or any product candidate that we may develop, license or acquire, third parties could use our proprietary information, which could impair our ability to compete in the market and adversely affect our ability to generate revenues and achieve profitability.

If we are sued for infringing intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in any litigation would harm our business.

Our ability to develop, manufacture, market and sell EXPAREL, our DepoFoam drug delivery technology or any product candidates that we may develop, license or acquire depends upon our ability to avoid infringing the proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the general fields of pain management and cancer treatment and cover the use of numerous compounds and formulations in our targeted markets. Because of the uncertainty inherent in any patent or other litigation involving proprietary rights, we and our licensors may not be successful in defending intellectual property claims by third parties, which could have a material adverse affect on our results of operations. Regardless of the outcome of any litigation, defending the litigation may be expensive, time-consuming and distracting to management. In addition, because patent applications can take many years to issue, there may be currently pending applications, unknown to us, which may later result in issued patents that EXPAREL, DepoCyt(e) or DepoDur may infringe. There could also be existing patents of which we are not aware that EXPAREL, DepoCyt(e) or DepoDur may inadvertently infringe.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and biopharmaceutical industries generally. If a third party claims that we infringe on their products or technology, we could face a number of issues, including:

- infringement and other intellectual property claims which, with or without merit, can be expensive and time consuming to litigate and can divert management's attention from our core business;
- substantial damages for past infringement which we may have to pay if a court decides that our product infringes on a competitor's patent;
- a court prohibiting us from selling or licensing our product unless the patent holder licenses the patent to us, which it would not be required to do;
- if a license is available from a patent holder, we may have to pay substantial royalties or grant cross licenses to our patents; and
- redesigning our processes so they do not infringe, which may not be possible or could require substantial funds and time.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is common in the biotechnology and pharmaceutical industry, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Risks Related to Our Financial Condition and Capital Requirements

We believe certain matters raise substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

As of September 30, 2011, we believe certain matters raise substantial doubt about our ability to continue as a going concern. Such doubts are based on our recurring losses and our cash used in operating activities. We continue to experience losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including by the sale of our securities, obtaining loans from financial institutions or other financing arrangements, where possible. Our continued losses increase the difficulty of our meeting such goals and our efforts to continue as a going concern may not prove successful.

We have incurred significant losses since our inception and anticipate that we will incur continued losses for the foreseeable future.

We are an emerging specialty pharmaceutical company with a limited operating history. We have focused primarily on developing and commercializing EXPAREL. We have incurred losses in each year since our inception in December 2006, including net losses of $27.1 million, $31.7 million, and $41.9 million for the years ended December 31, 2010, 2009, and 2008, respectively. As of September 30, 2011, we had an accumulated deficit of $165.0 million. These losses, among other things, have had, and will continue to have, an adverse effect on our stockholders' equity and working capital. We incurred increased pre-commercialization expenses during 2010 and 2011 as we prepared for the potential commercial launch of EXPAREL, and we expect to incur significant sales, marketing and manufacturing expenses, as well as continued development expenses related to the commercialization of EXPAREL. As a result, we expect to continue to incur significant losses for the foreseeable future. Because of the numerous risks and uncertainties associated with developing pharmaceutical products, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

We may never become profitable.

Our ability to become profitable depends upon our ability to generate revenue from EXPAREL and to continue to generate revenue from DepoCyt(e) and DepoDur. Our ability to generate revenue depends on a number of factors, including, but not limited to, our ability to:

- manufacture commercial quantities of EXPAREL, at acceptable cost levels;
- continue to manufacture DepoCyt(e) and DepoDur for sale by our commercial partners; and
- continue to develop a commercial organization and the supporting infrastructure required to successfully market and sell EXPAREL.

We anticipate incurring significant additional costs associated with the commercialization of EXPAREL. We also do not anticipate that we will achieve profitability for a period of time after generating material revenues, if ever. If we are unable to generate revenues, we will not become profitable and may be unable to continue operations without continued funding.

Under our financing arrangement with Paul Capital, upon the occurrence of certain events, Paul Capital may require us to repurchase the right to receive royalty payments that we assigned to it, or may foreclose on certain assets that secure our obligations to Paul Capital. Any exercise by Paul Capital of its right to cause us to repurchase the assigned right or any foreclosure by Paul Capital would adversely affect our results of operations and our financial condition.

On March 23, 2007, we entered into the Amended and Restated Royalty Interests Assignment Agreement with affiliates of Paul Capital, pursuant to which we assigned to Paul Capital the right to receive a portion of our royalty payments from DepoCyt(e) and DepoDur. To secure our obligations to Paul Capital, we granted Paul Capital a security interest in collateral which includes the royalty payments we are entitled to receive with respect to sales of DepoCyt(e) and DepoDur, as well as to bank accounts to which such payments are deposited. Under our arrangement with Paul Capital, upon the occurrence of certain events, or the put events, including if we experience a change of control, we or our subsidiary undergo certain bankruptcy events, transfer any or substantially all of our rights in DepoCyt(e) or DepoDur, transfer all or substantially all of our assets, breach certain of the covenants, representations or warranties under the Amended and Restated Royalty Interests Assignment Agreement, or sales of DepoCyt(e) or DepoDur are suspended due to an injunction or if we elect to suspend sales of DepoCyt(e) or DepoDur as a result of a lawsuit filed by certain third parties, Paul Capital may (i)

require us to repurchase the rights we assigned to it at a cash price equal to (a) 50% of all cumulative payments made by us to Paul Capital under the Amended and Restated Royalty Interests Assignment Agreement during the preceding 24 months, multiplied by (b) the number of days from the date of Paul Capital's exercise of such option until December 31, 2014, divided by 365. Any exercise by Paul Capital of its right to cause us to repurchase the assigned right or any foreclosure by Paul Capital would adversely affect our results of operations and our financial condition.

Our debt obligations expose us to risks that could adversely affect our business, operating results and financial condition.

We have a substantial level of debt. As of September 30, 2011, we had $26.3 million in aggregate principal amount of indebtedness outstanding, not including our obligation under the Amended and Restated Royalty Interests Assignment Agreement with Paul Capital. The level and nature of our indebtedness, among other things, could:

- make it difficult for us to make payments on our outstanding debt from time to time or to refinance it;
- make it difficult for us to obtain any necessary financing in the future for working capital, capital expenditures, debt service, product and company acquisitions or general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our business including life cycle management;
- reduce funds available for use in our operations;
- impair our ability to incur additional debt because of financial and other restrictive covenants;
- make us more vulnerable in the event of a downturn in our business;
- place us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have better access to capital resources;
- restrict the operations of our business as a result of provisions in the Amended and Restated Royalty Interests Assignment Agreement with Paul Capital that restrict our ability to (i) amend, waive any rights under, or terminate any material agreements relating to DepoCyt(e) and DepoDur, (ii) enter into any new agreement or amend or fail to exercise any of our material rights under existing agreements that would materially adversely affect Paul Capital's royalty interest, and (iii) sell any material assets related to DepoCyt(e) or DepoDur; or
- impair our ability to merge or otherwise affect the sale of the Company due to the right of the holders of certain of our indebtedness to accelerate the maturity date of the indebtedness in the event of a change of control of the Company.

We will need to raise additional capital to pay our indebtedness as it comes due. If we are unable to obtain funds necessary to make required payments, or if we fail to comply with the various requirements of our indebtedness, we would be in default, which would permit the holders of our indebtedness to accelerate the maturity of the indebtedness and could cause defaults under any indebtedness we may incur in the future. Any default under our indebtedness would have a material adverse effect on our business, operating results and financial condition. If we are unable to refinance or repay our indebtedness as it becomes due, we may become insolvent and be unable to continue operations.

For example, our loan and security agreement governing our $26.3 million credit facility with Hercules Technology Growth Capital, Inc. and Hercules Technology III, L.P., as lenders, or the Hercules Credit Facility, contains a number of affirmative and restrictive covenants, including reporting requirements and other collateral limitations, certain limitations on liens and indebtedness, dispositions, mergers and acquisitions, restricted payments and investments, corporate changes and limitations on waivers and amendments to certain agreements, our organizational documents, and documents relating to debt that is subordinate to our obligations under the Hercules Credit Facility. Our failure to comply with the covenants in the loan and security agreement governing the Hercules Credit Facility could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our debt and potential foreclosure on the assets pledged to secure the debt.

Our short operating history makes it difficult to evaluate our business and prospects.

We were incorporated in December 2006 and have only been conducting operations with respect to EXPAREL since March 2007. Our operations to date have been limited to organizing and staffing our company, conducting product development activities, including clinical trials and manufacturing development activities, for EXPAREL and manufacturing and related activities for DepoCyt(e) and DepoDur. Further, in 2010 and 2011 we began to establish our commercial infrastructure for EXPAREL. Consequently, any predictions about our future performance may not be as accurate as they could be if we had a history of successfully developing and commercializing pharmaceutical products.

We will need additional funding and may be unable to raise capital when needed, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts.

Developing products for use in the hospital setting, conducting clinical trials, establishing outsourced manufacturing relationships and successfully manufacturing and marketing drugs that we may develop is expensive. We will need to raise additional capital to:

- fund our operations and continue our efforts to hire, and outsource through our relationship with Quintiles, additional personnel and build a commercial infrastructure to prepare for the commercialization of EXPAREL;
- qualify and outsource the commercial-scale manufacturing of our products under cGMP; and
- in-license and develop additional product candidates.

We may not have sufficient financial resources to meet all of our objectives, which could require us to postpone, scale back or eliminate some, or all, of these objectives, including our launch activities for EXPAREL. Our future funding requirements will depend on many factors, including, but not limited to:

- the costs of establishing a commercial organization to sell, market and distribute EXPAREL;
- the success of the commercialization of EXPAREL;
- the cost and timing of manufacturing sufficient supplies of EXPAREL in preparation for commercialization;
- the rate of progress and costs of our efforts to prepare for the submission of an NDA for any product candidates that we may in-license or acquire in the future, and the potential that we may need to conduct additional clinical trials to support applications for regulatory approval;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights associated with our product candidates, including any such costs we may be required to expend if our licensors are unwilling or unable to do so;
- the effect of competing technological and market developments;
- the terms and timing of any collaborative, licensing, co-promotion or other arrangements that we may establish; and
- the potential that we may be required to file a lawsuit to defend our patent rights or regulatory exclusivities from challenges by companies seeking to market generic versions of extended-release liposome injection of bupivacaine.

Future capital requirements will also depend on the extent to which we acquire or invest in additional complementary businesses, products and technologies.

Until we can generate a sufficient amount of product revenue, if ever, we expect to finance future cash needs through public or private equity offerings, debt financings, product supply revenue and royalties, corporate collaboration and licensing arrangements, as well as through interest income earned on cash and investment balances. We cannot be certain that additional funding will be available on acceptable terms, or at all. If adequate funds are not available, we may be required to delay, reduce the scope of, or eliminate, one or more of our development programs or our commercialization efforts.

Our quarterly operating results may fluctuate significantly.

We expect our operating results to be subject to quarterly fluctuations. Our net loss and other operating results will be affected by numerous factors, including:

- our ability to establish the necessary commercial infrastructure to launch EXPAREL without substantial delays, including engaging additional sales and marketing personnel and contracting with third parties for warehousing, distribution, cash collection and related commercial activities;
- maintaining our existing manufacturing facilities and expanding our manufacturing capacity, including installing specialized processing equipment for the manufacturing of EXPAREL;
- our execution of other collaborative, licensing or similar arrangements and the timing of payments we may make or receive under these arrangements;
- variations in the level of expenses related to our future development programs;
- any product liability or intellectual property infringement lawsuit in which we may become involved;
- regulatory developments affecting EXPAREL or the product candidates of our competitors; and
- the level of underlying hospital demand for EXPAREL and wholesaler buying patterns.

If our quarterly or annual operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly or annual fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Raising additional funds by issuing securities may cause dilution to existing stockholders and raising funds through lending and licensing arrangements may restrict our operations or require us to relinquish proprietary rights.

To the extent that we raise additional capital by issuing equity securities, our existing stockholders' ownership will be diluted. If we raise additional funds through licensing arrangements, it may be necessary to relinquish potentially valuable rights to our potential products or proprietary technologies, or grant licenses on terms that are not favorable to us. Any debt financing we enter into may involve covenants that restrict our operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets as well as prohibitions on our ability to create liens, pay dividends, redeem our stock or make investments.

We incur significant costs as a result of operating as a public company.

As a public company, we incur significant legal, accounting, insurance and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with complying with the requirements of the Sarbanes-Oxley Act of 2002 and related rules implemented by the Securities and Exchange Commission and The NASDAQ Global Market. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations could also make it more difficult or costly for us to obtain or maintain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to devote substantial time to compliance initiatives, and if our independent registered public accounting firm is required to provide an attestation report on our internal controls but is unable to provide an unqualified attestation report, our stock price could be adversely affected.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we are required to furnish a report by our management on the effectiveness of our internal control over financial reporting. The internal control report must contain (i) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting, (ii) a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of our internal control over financial reporting and (iii) management's assessment of the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective.

To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, hire additional employees for our finance and audit functions, potentially engage outside consultants and adopt a detailed work plan to (i) assess and document the adequacy of internal control over financial reporting, (ii) continue steps to improve control processes where appropriate, (iii) validate through testing that controls are functioning as documented, and (iv) implement a continuous reporting and improvement process for internal control over financial reporting. In addition, in connection with the attestation process by our independent registered public accounting firm, if required, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, investors could lose confidence in our financial information and our stock price could decline.

The use of our net operating loss carryforwards and research tax credits may be limited.

We have significant federal and state net operating loss carryforwards. Our net operating loss carryforwards and research and development tax credits may expire and not be used. Our net operating loss carryforwards will begin expiring in 2026 for federal purposes and 2016 for state purposes if we have not used them prior to that time, and our federal tax credits will begin expiring in 2027 unless previously used. Our state tax credits carryforward indefinitely. Additionally, our ability to use any net operating loss and credit carryforwards to offset taxable income or tax, respectively, in the future will be limited under Internal Revenue

California and certain states have suspended use of net operating loss carryforwards for certain taxable years, and other states are considering similar measures. As a result, we may incur higher state income tax expense in the future. Depending on our future tax position, continued suspension of our ability to use net operating loss carryforwards in states in which we are subject to income tax could have an adverse impact on our results of operations and financial condition.

Our results of operations and liquidity needs could be materially negatively affected by market fluctuations and economic downturns.

Our results of operations could be materially negatively affected by economic conditions generally, both in the United States and elsewhere around the world. Continuing concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining residential real estate market in the United States have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic recession and fears of a possible depression. Domestic and international equity markets continue to experience heightened volatility and turmoil. These events and the continuing market upheavals may have an adverse effect on us. In the event of a continuing market downturn, our results of operations could be adversely affected by those factors in many ways, including making it more difficult for us to raise funds if necessary, and our stock price may further decline.

Risks Related to Ownership of Our Common Stock

The market price of our common stock is highly volatile

Our stock price is volatile, and from February 3, 2011, the first day of trading of our common stock, to October 28, 2011, the trading prices of our stock have ranged from $6.16 to $15.34 per share. Our stock could be subject to wide fluctuations in price in response to various factors, including the following:

- the commercial success of EXPAREL;

- results of clinical trials of our product candidates or those of our competitors;
- changes or developments in laws or regulations applicable to our product candidates;
- introduction of competitive products or technologies;
- failure to meet or exceed financial projections we provide to the public;
- actual or anticipated variations in quarterly operating results;
- failure to meet or exceed the estimates and projections of the investment community;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- general economic and market conditions and overall fluctuations in U.S. equity markets;
- developments concerning our sources of manufacturing supply;
- disputes or other developments relating to patents or other proprietary rights;
- additions or departures of key scientific or management personnel;
- issuances of debt, equity or convertible securities;
- changes in the market valuations of similar companies; and
- the other factors described in this "Risk Factors" section.

In addition, the stock market in general, and the market for small pharmaceutical and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Our executive officers, directors and 5% stockholders and their affiliates beneficially own approximately 70% of our outstanding voting stock. As a result, these stockholders have significant influence and may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This concentration of ownership could delay or prevent any acquisition of our company on terms that other stockholders may desire.

Sales of a substantial number of shares of our common stock in the public market by our existing stockholders could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise adequate capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

Because we do not intend to pay dividends on our common stock, your returns will be limited to any increase in the value of our stock.

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business and do not

anticipate declaring or paying any cash dividends on our common stock for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock, if any.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our restated certificate of incorporation and our bylaws, as well as provisions of the Delaware General Corporation Law, or DGCL, could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include:

- authorizing the issuance of "blank check" preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, we are subject to Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our board of directors. This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders.

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

Unregistered Sales of Equity Securities

There were no issuances of unregistered shares of capital stock during the three month period ended September 30, 2011 covered by this report.

Use of Proceeds

In February 2011, we completed the initial public offering of our common stock pursuant to a registration statement on Form S-1, as amended (File No. 333-170245) that was declared effective on February 2, 2011.

There has been no material change in our planned use of proceeds from the initial public offering from that described in the final prospectus filed with the SEC on February 3, 2011. As of September 30, 2011, we invested $20.7 million of the net proceeds into investment grade commercial paper and corporate bonds with maturities of less than one year. The remaining proceeds are currently held in a liquid operating account with a major bank.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. [REMOVED AND RESERVED]

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
10.1*	Commercial Outsourcing Services Agreement, dated August 25, 2011, between the Registrant and Integrated Commercialization Solutions, Inc.
10.2*	Master Services Agreement, dated August 30, 2011, between the Registrant and Quintiles Commercial US, Inc.
31.1	Certification of President and Chief Executive Officer 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 Executive Chairman of the Board pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***
32.2	Certification of 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 Pharmaceuticals, Inc. for the quarter ended September 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Stockholders' Equity (Deficit), (iv) the Consolidated Statements of Cash Flows, and (v) the Condensed Notes to Consolidated Financial Statements, tagged as blocks of text.****

* Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

** Filed herewith

*** Furnished herewith

**** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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 PHARMACEUTICALS, INC.
(REGISTRANT)

Dated: October 31, 2011

/s/ DAVID STACK
David Stack
President and Chief Executive Officer
(Principal Executive Officer)

Dated: October 31, 2011

/s/ JAMES SCIBETTA
James Scibetta
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

COMMERCIAL OUTSOURCING SERVICES AGREEMENT

This Commercial Outsourcing Services Agreement ("Agreement") is entered into as of August 25, 2011 (the "Effective Date") by **INTEGRATED COMMERCIALIZATION SOLUTIONS, INC.**, a California corporation ("ICS") and **PACIRA PHARMACEUTICALS, INC.**, a California corporation (the "Company").

RECITALS

A. Company is, among other things, in the business of manufacturing, selling and distributing pharmaceutical products, including those listed on Schedule A ("Products");

B. ICS is, among other things, in the business of providing commercialization services for pharmaceutical products;

C. The Company desires to engage ICS as its agent to provide certain commercialization services related to Products pursuant to this Agreement; and

D. ICS desires to provide such commercialization services to the Company as its agent pursuant to this Agreement.

AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

1. Appointment As Exclusive Agent

The Company hereby appoints ICS as the exclusive provider of Services (as defined in Section 2) for Products sold to the Company's customers ("Customers") in the United States, Guam, Puerto Rico and the U.S. Territories during the Term (as defined in Section 4.1), as provided in this Agreement.

2. Services To Be Performed

2.1 Services. The Company hereby engages ICS to provide the following services with respect to Products ("Services"):

2.1.1 Customer Services as described in Exhibit B.

2.1.2 Warehousing and Inventory Program Services as described in Exhibit C.

2.1.3 Distribution Services as described in Exhibit D.

2.1.4 Warehousing and Distribution of Sample Products as described in Exhibit E.

2.1.5 Marketing Materials Fulfillment Services as described in Exhibit F.

2.1.6 Contract Administration and Chargeback Processing as described in Exhibit G.

2.1.7 Accounts Receivable Management and Cash Applications as described in Exhibit H.

2.1.8 Financial Management Services as described in Exhibit I.

2.1.9 Information Technology Services as described in Exhibit J.

2.2 ADR Status. Solely for the limited purpose of compliance with the pedigree requirements of the Prescription Drug Marketing Act and any similar state laws, ICS shall be considered an "Authorized Distributor of Record" for the Products and a third party logistics provider who does not take title to Product or have general responsibility to direct the Product's sale or disposition. The foregoing shall not be construed in a manner that results in ICS being considered a distributor or wholesaler for any other purpose or under any other law or regulation.

2.3 Taxes. ICS will not be responsible for collection or payment of any Taxes on behalf of the Company.

2.4 Definitions. Capitalized words used without definition in this Agreement will each have the meaning in Schedule C. Capitalized words used without definition in this Agreement will each have the meaning in Schedule C.

3. Compensation — Fees For Services

3.1 Compensation. The Company will compensate ICS for Services in accordance with Schedule B. ICS will provide monthly invoices for fees for Services to the Company, and will bill the Company for any pass through charges monthly or as ICS is billed. The Company will notify ICS of any disputed charges in writing within 30 days of the date of the invoice covering such charges. In the absence of any such notice of dispute, all invoices will be deemed to be correct and due in full within 30 days of the invoice date. If the Company disputes a portion of an invoice, the Company shall pay the undisputed portion of the invoice within 30 days of the invoice date. A late fee of [**]% per month (or any portion thereof) will be charged as of the due date on all amounts not paid within [**] days of the invoice date, except any amount disputed by the Company in good faith. If any dispute is resolved in favor of ICS, the Company will pay the applicable late fee on such amount from the original due date.

3.2 Price Changes. For all fees, excluding pass-through costs which are billed on a "cost plus" basis, ICS and the Company will negotiate annual adjustments to take effect on each anniversary of the date of this Agreement during the Term. ICS and the Company will negotiate such adjustments in good faith, taking into account all relevant factors including changes in the consumer price index, documented material changes to ICS costs of providing Services that have occurred (or are reasonably likely to occur), quantities of services used and any resultant economies of scale to ICS, and any other relevant factors (but without double-counting any cost increases addressed by Section 3.3). ICS and the Company will use commercially reasonable best efforts to agree upon any proposed adjustment at least one hundred twenty (120) days prior to its effective date

3.3 Cost Adjustment. If ICS can reasonably demonstrate to the Company that the costs to ICS for providing Services have materially increased (or are reasonably likely to increase materially during the following twelve (12) month period of the Term) as a result of any changes in the Requirements of Law, including the adoption of any new Requirements of Law impacting Services, then ICS may increase the applicable component of the fees for such Services provided in Schedule B ("Cost Adjustment"). ICS will notify the Company of any proposed Cost Adjustment at least one hundred twenty (120) days prior to its effective date. All Cost Adjustments will be determined under generally accepted accounting principles ("GAAP") and cost allocation methods applied on a consistent basis. If the Company objects to any Cost Adjustment and the parties are unable in good faith to resolve such objection to the reasonable satisfaction of both parties, then either party may terminate this Agreement upon ninety (90)

days' prior written notice to the other party.

3.4 Program Ready Date. If the Company requests that ICS delay the launch of Services more than thirty-five (35) days beyond the agreed-upon date on the signatory page (the "Program Launch Date") for any reason other than ICS' failure to be in compliance with its obligations under this Agreement, the Company will pay ICS the Stand-Ready Fee and any associated expenses as specified in Schedule B, including reasonable out-of-pocket costs and other expenses. The Company will give ICS at least one week's written notice of changes to the Program Launch Date. Program ready fees will continue until the Program Launch Date. After the Program Launch Date, the Company will pay applicable monthly program fees. For the first month during which Services are provided, ICS will prorate any difference between program ready fees and applicable monthly program fees.

4. Term And Termination

4.1 Initial Term. This Agreement will be effective as of the Effective Date and will continue for three (3) years (the "Term") unless sooner terminated in accordance with Section 4. The Term may be extended upon written mutual agreement of the parties, such extension to be negotiated in good faith six (6) months prior to the expiration of the Term.

4.2 Termination For Breach.

4.2.1 If a party fails to pay any amount due to the other party under this Agreement, such unpaid amount shall bear interest at the rate of [**] percent ([**]%) per month from the date due until paid. If such amount becomes more than [**] days past due, the other party may provide notice to the non-paying party specifying the amount due and notifying the non-paying party that the other party may terminate this Agreement if the non-paying party fails to pay the amount due within ten days of the date of the notice. If the non-paying party fails to pay the amount due within 10 days of the date of the notice, the other party may terminate this Agreement immediately and, in such event, shall provide written notice thereof to the non-paying party; provided that if such breach occurs more than three times during any 12-month period, the non-breaching party may terminate this Agreement upon five days' written notice without any opportunity for cure.

4.2.2 Time and timely performance, consistent with the mutually agreed SOPs, are of the essence of this Agreement. If a party fails to perform any obligation under this Agreement (other than payment of money), the other party may provide notice to the breaching party describing the breach in detail and notifying the breaching party that the other party may terminate this Agreement if the breaching party's failure to perform is not cured within ten (10) business days of the date of the notice. If the breaching party's failure to perform is not cured and, if necessary, a corrective action plan implemented, within ten business days of the date of the notice, then the other party may terminate this Agreement immediately and, in such event, shall provide written notice thereof to the breaching party; provided that such cure right may not be exercised more than once during any 12-month period for any given breach.

4.3 Termination For Specific Events. Either party may immediately terminate this Agreement upon written notice to the other party upon the other party's: (a) filing an application for or consenting to appointment of a trustee, receiver or custodian of its assets; (b) having an order for relief entered in Bankruptcy Code proceedings; (c) making a general assignment for the benefit of creditors; (d) having a trustee, receiver, or custodian of its assets appointed unless proceedings and the person appointed are dismissed within 30 days; (e) dissolving its existence under applicable state law; (f) insolvency within the meaning of Uniform Commercial Code Section 1-201 or failing generally to pay its debts as they become due within the meaning

of Bankruptcy Code Section 303(h)(1), as amended; or (g) certification in writing of its inability to pay its debts as they become due (and either party may periodically require the other to certify its ability to pay its debts as they become due) (each, a "Bankruptcy Event"). Each party agrees to provide immediate notice to the other party upon a Bankruptcy Event. The Company may terminate this Agreement as to any Product without cause, effective upon written notice, if the Company ceases marketing or divests the Product, or if any regulatory action suspends or materially restricts the marketing of the Product, provided that the Company will be obligated to pay the Monthly Management Fee for the month in which notice of termination is provided and the following month.

4.4 Expenses. Within 30 days of expiration or earlier termination of this Agreement for any reason, the Company will (a) pay ICS any amount owed; (b) return to ICS all hardware, software and other equipment, or pay to ICS the replacement cost of items not returned, other than consumables or Product-specific items; and (c) pay non-recoverable expenses for telecommunication, facsimile, postage, shipping and other services incurred by ICS up to the effective date of termination. Upon expiration or termination of this Agreement, ICS agrees to reasonably cooperate to transition the Services to Company's successor vendor with fees to be mutually agreed upon.

4.5 Survival. Accrued payment obligations, and any provision if its context shows that the parties intended it to survive, will survive expiration or termination of this Agreement for a period of two (2) years, confidentiality obligations will survive for a period of three years, and indemnity obligations will survive until the expiration of any applicable statute of limitations; in each case, except as expressly provided, expiration or termination will not affect any obligations arising prior to the expiration or termination date. Recordkeeping and documentation requirements will survive this Agreement for the period required by law or regulation.

5. Recalls; Other FDA Issues

5.1 Recalls. If the Company conducts a recall, market withdrawal or field correction of any Products ("Recall"), the Company will conduct the Recall or designate a third party to do so and be responsible for all Recall expenses. ICS will comply with the Company's reasonable requests in the Recall. If the Recall was not due primarily to ICS's negligence, the Company will pay or reimburse ICS's Recall expenses (including reasonable attorneys' fees) for those services requested by Company in writing. If the Recall was due primarily to ICS's negligence, ICS will pay or reimburse the Company's reasonable documented out-of-pocket Recall expenses (including reasonable attorneys' fees). Each party will use its best efforts to minimize Recall expenses. The Company will notify ICS of any proposed Recall as soon as possible and, in any event, will do so within forty-eight (48) hours of initiating a Recall. If both Parties' acts or omissions contributed to Recall, Recall expenses will be borne by each Party in proportion to its fault.

5.2 Government Notices; Adverse Events Notification. Each party will provide the other with a copy of any correspondence or notices it receives from the FDA, DEA or any counterpart state agency specifically relating to Services or relating to a material violation of any kind that is related to the Company or the Product, whether such violation resulted from an act or omission by the Company or by ICS, no later than three (3) business days following such receipt. In addition, ICS will provide the Company with any notice relating to Products promptly upon its receipt. Each party will also provide the other with concurrent copies of any responses to any such correspondence or notices (e.g., such as an FDA 483 notice, warning letters, untitled regulatory letters and establishment inspection reports). Where reasonably possible, ICS will give prior notice to the Company of any scheduled FDA or DEA inspections of ICS's

facilities specifically relating to any Products, and, if reasonably possible, will afford the Company the opportunity to be present at such inspection and to review and contribute to any written response, to the extent permitted by law. ICS shall warm transfer any calls from a customer to Company at 1-855-EXPAREL if the customer reports information that relates, refers or pertains to: (i) an adverse or unexpected event in humans relating to the Products; (ii) a technical or other complaint relating to the Products; or (iii) any report of any other problem involving the Products (e.g., contamination, discoloration, improper labeling, adulteration, *et cetera*).

6. Legal Compliance

6.1 General. During the Term, each party will comply with all Requirements of Law. ICS will comply with Requirements of Law related to storage, handling and distribution of Products. The Company will comply with Requirements of Law related to importation, manufacture, distribution, labeling, storage, sale and handling of Products.

6.2 Other. The Company hereby represents and warrants to ICS that, during the Term (a) no Products delivered by or on behalf of the Company to or on the order of ICS will be, at the time of shipment or delivery, adulterated, misbranded or otherwise prohibited within the meaning of the Act or within the meaning of any applicable state or local law, (b) all Products will be, at the time of shipment and delivery to ICS, merchandise that may be introduced and delivered into interstate commerce under the provisions of Sections 404 or 405 of the Act, (c) all Products will be the subject of a duly approved NDA or ANDA and may be legally transported or sold under Requirements of Law, (d) all Products will have been approved by each applicable Governmental Authority for commercial sale and shipment within the United States and (e) the Company either (i) owns or holds the duly approved Biologics License Application, as such term is used in the Public Health Service Act, Title 21, United States Code, as amended, or the duly approved NDA or ANDA , for each of the Products, or (ii) is otherwise considered the "manufacturer" of all Products within the meaning of any applicable federal, state or local law relating to pedigrees.

7. Representations And Warranties

7.1 By the Company. The Company represents and warrants to ICS that: (a) it has authority to enter into and perform this Agreement without restriction and this Agreement is a valid and binding obligation of the Company, (b) execution, delivery and performance of this Agreement by the Company has been duly authorized by all necessary corporate actions, (c) the Company has and will maintain, in full force and effect, all licenses and permits required under applicable law for the Company to sell and distribute Products under this Agreement, (d) as of the Program Launch Date, there is no proceeding or investigation pending or threatened that questions validity of this Agreement, marketing authorizations related to Products or actions pursuant to this Agreement, (e) Products, or any part thereof, have not been materially adversely affected in any way as a result of any legislative or regulatory change, revocation of the right to manufacture, distribute, handle, store, sell or market them or the Company's breach of this Agreement, and (f) no approvals, consents, orders or authorizations of or designation, registration, declaration or filing with any Governmental authority (within the United States) are required for Company's performance of its obligations under this Agreement, other than any approvals already obtained.

7.2 By ICS. ICS represents and warrants to the Company that: (a) it has authority to enter into and perform this Agreement without restriction and this Agreement is a valid and binding obligation of ICS, (b) execution, delivery and performance of this Agreement by ICS has

been duly authorized by all necessary corporate actions, (c) ICS has and will maintain in full force and effect, all licenses and permits required under applicable law for ICS to perform the Services under this Agreement, (d) there is no proceeding or investigation pending or threatened that questions validity of this Agreement, ICS's licenses to warehouse and distribute pharmaceuticals, or any actions pursuant to this Agreement, (e) Products have not been materially adversely affected while in ICS's possession as a result of any revocation of its licenses or ICS's breach of this Agreement, (f) ICS shall handle and store Product in a clean and orderly location, in conformity with Product specifications, and in a manner that maintains the proper rotation and quality of Product, (g) ICS shall comply with Company criteria in shipping and storing Product that requires special handling, and (h) no approval of or filing with any Governmental Authority (within the United States) is required to perform Services, other than any approvals already obtained. ICS will permit Company to conduct audits and inspections under normal working hours as not to disrupt ICS workflow and business operations, and shall permit Company to conduct a physical inspection of ICS storage facilities within ten (10) business days of a written request by Company for such inspection and shall reasonably cooperate to assist Company with such inspection, if requested. Inspections and audits will require reasonable advanced written notice and will be reasonable in time and scope (limited to validating compliance with terms and conditions of this Agreement, including all Exhibits and Schedules hereto).

7.3 Notice of Changes. The Company and ICS will give prompt written notice to the other if it becomes aware during the Term of any action or development that would cause any warranty in this Section 7 to become untrue.

8. Trademarks/Data

Neither party may use the other party's name, trademarks, service marks, logos, other similar marks, other intellectual property, or other data or information in any manner without its prior written approval, except to satisfy its obligations under this Agreement. ICS shall not alter, modify, replace or reproduce any Product labeling, packaging or advertising. Data and information that belong to the Company will be any data and information related to Products (including sales information), except "ICS Data." ICS Data is data and information that is not specific to Products or the Company and was developed by ICS relating to its processes, reports and services provided to the Company under this Agreement. ICS Data, including information and data relating to any of ICS's customers and their profiles, belongs to ICS.

9. Confidentiality

9.1 Existing Agreement. The parties have previously executed a written Confidentiality Agreement ("Confidentiality Agreement"), attached as Schedule D. The parties will abide by its provisions during the Term and for at least five (5) years thereafter, regardless of any shorter term in the Confidentiality Agreement. Information disclosed under this Agreement and the terms and conditions of this Agreement (including all attachments) shall be deemed "Confidential Information" under the Confidentiality Agreement.

9.2 Termination. Upon expiration or termination of this Agreement for any reason each party will promptly: (a) return to the other party all documents and other material containing Confidential Information (as defined in the Confidentiality Agreement), including copies, other than those which a party is reasonably required to maintain for legal, tax or valid business purposes; or (b) certify to the other party that it has destroyed all such documentation and other materials.

10. Remedies

10.1 Generally. Rights and remedies under this Agreement are cumulative and in addition to any other available rights or remedies under any agreement, at law or in equity. In the event of termination pursuant to Section 4.2.2, the terminating party shall not have any further liability to the other party except for obligations accrued as of the date of termination and continuing compliance with any provisions of this Agreement which by their terms survive termination.

10.2 Equitable Relief. If either party violates or threatens to violate Recall, Legal Compliance, Trademark/Data infringement, Confidentiality or other provisions of this Agreement, the other party may suffer irreparable harm and its remedies at law may be inadequate. Accordingly, the other party may seek equitable relief.

10.3 Breach by the Company. The Company acknowledges the difficulty (if not the impossibility) of ascertaining the amount of damages that would be suffered by ICS if (i) the Company terminates this Agreement without cause or (ii) ICS terminates this Agreement following a breach by the Company. In such event, as compensation, as its sole remedy, and not as a penalty, the early termination fee (the "ETF") payable to ICS shall be equal to twenty percent (20%) of the aggregate amount of all fees and other sums that, in absence of such breach, would have been paid by the Company to ICS under this Agreement, [**], with such fees and other sums to be based on the average monthly amount paid or owed by the Company to ICS during the six months preceding such breach (or such shorter time as the Agreement has been in effect). The ETF is in addition to any other claims or amounts owed by Company to ICS under this Agreement, including Fees for Services performed and costs incurred prior to the effective date of termination and indemnification obligations under this Agreement and the Continuing Guaranty and Indemnification Agreement referenced in Section 13 below (the "Continuing Guaranty").

10.4 LIMITATIONS. EXCEPT FOR EACH PARTY'S OBLIGATIONS OF CONFIDENTIALITY UNDER SECTION 9, ETF UNDER SECTION 10.3, INDEMNIFICATION UNDER SECTIONS 11.1 AND 11.2, AND INTELLECTUAL PROPERTY UNDER SECTION 12:

(A) NO PARTY WILL BE LIABLE TO ANY OTHER PARTY FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL OR OTHER SIMILAR DAMAGES ARISING OUT OF OR IN CONNECTION WITH A BREACH OF THIS AGREEMENT;

(B) ANY LOSS DUE TO DAMAGE OR LOSS OF PRODUCTS WILL BE BASED UPON THE COMPANY'S COST OF MANUFACTURING OR ACQUIRING PRODUCTS, NOT ITS SELLING COST; AND

(C) COMPANY UNDERSTANDS AND AGREES THAT IT HOLDS TITLE AND RISK OF LOSS FOR THE PRODUCTS AT THE ICS FACILITY UNDER THIS AGREEMENT. AS A SERVICE PROVIDER, ICS DOES NOT ACCEPT LIABILITY FOR DAMAGE OR LOSS TO THE PRODUCT WHILE IN THE ICS FACILITY, EXCEPT FOR LIABILITY FOR THIRD PARTY CLAIMS SUBJECT TO INDEMNIFICATION UNDER SECTION 11.2 BELOW. NOTWITHSTANDING THE FOREGOING, ICS AGREES THAT IF DAMAGE OR LOSS TO PRODUCTS IS CAUSED BY: (1) A BREACH OF THIS AGREEMENT BY ICS, ICS SHALL BE LIABLE FOR SUCH LOSS UP TO A MAXIMUM AMOUNT EQUAL TO THE ETF (AS DEFINED UNDER SECTION 10.3(C) ABOVE); OR (2) ICS'S GROSSLY NEGLIGENT OR WILLFUL ACT OR OMISSION, THEN NO LIMITATION OF LIABILITY SHALL APPLY, EXCEPT FOR THE LIMITATIONS OF SECTIONS 10.4(A) AND (B) ABOVE. COMPANY IS RESPONSIBLE FOR ENSURING THAT IT HAS APPROPRIATE INSURANCE IN PLACE TO PROTECT ITSELF FROM POTENTIAL DAMAGE OR LOSS TO ITS PRODUCTS. THE

INSURANCE REQUIRED UNDER SECTION 13 BELOW IS A MINIMUM ONLY, AND ICS DOES NOT REPRESENT OR WARRANT THAT THESE COVERAGES ARE SUFFICIENT FOR COMPANY'S NEEDS.

11. Indemnification

11.1 By the Company. The Company will defend, indemnify and hold harmless ICS and its Related Parties from and against all claims, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees (collectively, "Claims") brought by third parties or the Company's employees caused by or arising from any (a) act or omission of the Company or its Related Parties in breach of this Agreement or violation of applicable law or regulation, (b) failure of the Company to perform its obligations or to comply with Requirements of Law, (c) breach of any warranty made by the Company in this Agreement (d) claims of patent, trademark, copyright or other infringement related to Products, (e) the Company's storage, handling, use, non-use, demonstration, consumption, ingestion, digestion, manufacture, production and assembly of Products and their transportation to ICS, or (f) Taxes imposed against ICS or its Related Parties; provided, however, the Company will have no obligations under this Section 11.1 for any Claims to the extent caused by any negligent act or omission of ICS or its Related Parties.

11.2 By ICS. ICS will defend, indemnify and hold harmless the Company and its Related Parties from and against all Claims brought by third parties or ICS's employees against the Company or its Related Parties caused by or arising from any (a) act or omission of ICS or its Related Parties in breach of this Agreement or in violation of applicable law or regulation, (b) failure of ICS to perform its obligations or to comply with Requirements of Law, (c) breach of any warranty made by ICS in this Agreement, (d) the storage, handling, and assembly of Products and their transportation by ICS in violation of the terms of this Agreement or mutually agreed upon SOP's, or (e) making by ICS of representations or warranties with respect to Products to the extent not expressly authorized by the Company in writing; provided, however, that ICS will have no obligations under this Section 11.2 for any Claims to the extent caused by any negligent act or omission of the Company or its Related Parties.

11.3 Procedures. The obligations and liabilities of the parties with respect to Claims subject to indemnification under this Section 11 ("Indemnified Claims") will be subject to the following terms and conditions:

11.3.1 The party claiming a right to indemnification hereunder ("Indemnified Person") will give prompt written notice to the indemnifying party ("Indemnifying Person") of any Indemnified Claim, stating its nature, basis and amount, to the extent known. Each such notice will be accompanied by copies of all relevant documentation, including any summons, complaint or other pleading that may have been served or any written demand or other document.

11.3.2 With respect to any Indemnified Claim: (a) the Indemnifying Person will defend or settle the Indemnified Claim, subject to provisions of this subsection, (b) the Indemnified Person will, at the Indemnifying Person's sole cost and expense, cooperate in the defense by providing access to witnesses and evidence available to it, (c) the Indemnified Person will have the right to participate in any defense at its own cost and expense to the extent that, in its judgment, the Indemnified Person may otherwise be prejudiced thereby, (d) the Indemnified Person will not settle, offer to settle or admit liability in any Indemnified Claim without the written consent of an officer of the Indemnifying Person, and (e) the Indemnifying Person will not settle, offer to settle or admit liability as to any Indemnified Claim in which it controls the defense if such settlement, offer or admission contains any admission of fault or

guilt on the part of the Indemnified Person, or would impose any liability or other restriction or encumbrance on the Indemnified Person, without the written consent of an officer of the Indemnified Person.

11.3.3 Each party will cooperate with, and comply with all reasonable requests of, each other party and act in a reasonable and good faith manner to minimize the scope of any Indemnified Claim.

12. Intellectual Property

All concepts, inventions, ideas, patent rights, data, trademarks, and copyrights that are related to Products will remain exclusive property of the Company, except those not specific to Products and that relate to the general processes, reports and services developed by ICS and provided to the Company. Any concepts, inventions, ideas, patent rights, data, trademarks, and copyrights that are developed by ICS that are not specific to Products or that relate to the processes, reports and services developed by ICS will remain the exclusive property of ICS.

13. Insurance

13.1 By the Company. During the Term, the Company will maintain: (a) casualty and theft or loss insurance in amounts sufficient to protect all Products and other materials consigned to ICS, and (b) products liability and commercial general liability insurance having a limit of not less than [**] dollars ($[**]) per occurrence, Combined Single Limit (Bodily Injury and Property Damage), pursuant to one or more insurance policies with reputable insurance carriers having a Best's Rating of A VII or otherwise as reasonably approved by ICS. If the required insurance is underwritten on a "claims made" basis, the insurance must include a provision for an extended reporting period ("ERP") of not less than twenty-four months; the Company further agrees to purchase the ERP if continuous claims made insurance, with a retroactive date not later than the date of this Agreement, is not continually maintained or is otherwise unavailable. The Company will designate ICS and its Related Parties as "additional insureds" under each such insurance policy. The Company will obtain a broad form vendor's endorsement for products liability for ICS and its Related Parties. Once the Products have been FDA approved, the Company will provide to ICS, upon request, a certificate of insurance indicating that such obligations have been satisfied. As a condition precedent to the effectiveness of this Agreement, the Company will execute the form of Continuing Guaranty and Indemnification Agreement attached as Exhibit A.

13.2 By ICS. During the Term, ICS will maintain the following insurance:

13.2.1 Workers' Compensation. Workers' compensation statutory coverage as required by law in states where Services are performed;

13.2.2 Employer's Liability. Employer's liability insurance with a limit of $[**] for bodily injury by accident per person, $[**] for bodily injury by accident, all persons and $[**] bodily injury by disease policy limit;

13.2.3 General Liability. Commercial general liability insurance, including personal injury blanket contractual liability and broad form property damage, with a $[**] combined single limit;

13.2.4 Umbrella Liability. Umbrella liability insurance in the amount of $[**] per occurrence and aggregate;

13.2.5 Property Insurance. Property insurance covering the business property of

ICS and others while at any unnamed location in the amount of $[**]; and

13.2.6 Other. ICS will not be obligated to insure Products against any loss or damage to Products arising from the shipment or storage of Products at the ICS Facility, other than for its obligations under Section 10.4 above.

13.3 Self-Insurance. The insurance required by Section 13 may be made up through a combination of self-insured retention and traditional insurance.

13.4 **Source of Recovery**. **Except to the extent that ICS is liable for Product damage or loss under Section 10.4(c) above, the Company agrees to look for recovery in respect of any such loss or damage solely to the casualty and theft or loss insurance provided by the Company in accordance with Section 13.1 of this Agreement.**

13.5 Notice and Proof of Insurance. Throughout the Term, ICS will (a) provide prompt written notice to the Company in the event ICS becomes aware or is notified that the insurance described in Section 13.2 will be materially adversely modified or cancelled and (b) provide the Company with proof of such insurance.

14. Notices

Notices will be in writing and will be delivered personally (which will include delivery by courier or reputable overnight delivery service) or sent by certified mail, postage and fee prepaid, return receipt requested, to the address on the signature page. Items delivered personally will be deemed delivered on the date of actual delivery. Items sent by certified mail will be deemed delivered on the date the return receipt is signed. A party may change its contact information by a written notice delivered in accordance with this Section 14.

15. Governing Law

This Agreement and the rights and obligations of the parties under this Agreement will be construed and interpreted under the internal laws of the State of Delaware, excluding its conflict and choice of law principles. The successful party in any legal action arising out of this Agreement, including enforcing its rights in a bankruptcy proceeding, may recover all costs, including reasonable attorneys' fees.

16. Severability

If any court determines a provision of this Agreement is invalid, such holding will not affect the validity of other provisions and they will remain in effect.

17. Complete Agreement; Amendments; Counterparts; Waivers; Signatures.

This Agreement and its schedules and exhibits, including the Confidentiality Agreement and Continuing Guaranty, contain the entire agreement between the parties and supersede any prior oral and written representations by the parties that relate to the subject matter of this Agreement. This Agreement may not be amended, supplemented or waived in any respect without written agreement of both parties, signed by their respective authorized representatives. This Agreement may be executed in one or more counterparts, which will together constitute but one agreement and each of which will be an original. A party's failure to insist, in one or more instances, upon performance of any provision of this Agreement will not be construed as a waiver of its right and the other party's obligations will continue in full force. Either party's consent to any act by the other party on any occasion will not be deemed consent on any other occasion. Facsimile transmissions bearing a party's signature will for all purposes be deemed

an original.

18. Force Majeure

If the performance of any part of this Agreement by any party will be affected for any length of time by fire or other casualty, government restrictions, war, terrorism, riots, strikes or labor disputes, lock out, transportation delays, electronic disruptions, internet, telecommunication or electrical system failures or interruptions, and acts of God, or any other cause which is beyond control of a party (financial inability excepted), such party will not be responsible for delay or failure of performance of this Agreement for such length of time, provided, however, (a) the affected party will cooperate with and comply with all reasonable requests of the non-affected party to facilitate Services to the extent possible, and (b) the obligation of one party to pay amounts due to any other party will not be subject to the provisions of this Section. If ICS is affected by any event of force majeure, it shall promptly notify the Company of the occurrence and, if known, the duration thereof. If the event is expected to or does prevent ICS' performance hereunder for ten days or more, Company shall have the right to terminate this Agreement without further liability, except payment for Services performed through the date of termination and costs for any transition services.

19. Interpretation

Each party to this Agreement (i) has participated in the preparation of this Agreement, (ii) has read and understands this Agreement, and (iii) has been represented by counsel of its own choice in the negotiation and preparation of this Agreement. Each party represents that this Agreement is executed voluntarily and should not be construed against a party solely because it drafted all or a portion of this Agreement. Headings of the various Sections are not part of the context of this Agreement, and are only labels to assist in locating those Sections, and will be ignored in construing this Agreement. When this Agreement requires approval of one or more parties, such approval may not be unreasonably withheld or delayed. Words, regardless of the number and gender specifically used, will be construed to include any other number, singular or plural, and any gender, masculine, feminine, or neuter, as the context requires. "And" includes "or." "Or" is disjunctive but not necessarily exclusive. "Including" means "including but not limited to."

20. Successors

Neither party may assign this Agreement (including pursuant to a merger or change in voting control) or any of its rights or obligations without prior written consent of the other party, which consent will not be unreasonably withheld or delayed. Upon such consent, this Agreement will be binding upon the successor party.

21. Relationship Of The Parties

Neither party has any ownership interest in the other and their relationship, as established by this Agreement, is that of agent and master within the confines of the terms of this Agreement. Other than such limited agency, this Agreement does not create any partnership, joint venture or similar business relationship between the parties. Notwithstanding the limited agency created hereunder, each party will remain fully responsible for its actions and the actions of its Related Parties not specifically related to this Agreement.

22. Letter of Intent

Pursuant to Section 17 of this Agreement, the parties' Letter of Intent dated February 7, 2011, is superseded by this Agreement, provided that,Company shall pay $[**] on

December 1, 2011, in full satisfaction of all amounts due under the Letter of Intent, which represents [**]% of the implementation fee set forth in Schedule B.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties have had a duly authorized officer, partner or principal execute this Commercial Outsourcing Services Agreement as of the Effective Date.

PACIRA PHARMACEUTICALS, INC., COMPANY:

By: /s/ James S. Scibetta

Name: James S. Scibetta

Title: CFO

Address: 5 Sylvan Way
Parsippany, NJ 07054

8/30/11

INTEGRATED COMMERCIALIZATION SOLUTIONS, INC.

By: /s/ Doug Cook

Name: Doug Cook

Title: VP, General Manager

Address: Attn: Executive Vice President and
General Manager
3101 Gaylord Parkway
Frisco, TX 75034

with a copy to:

AmerisourceBergen Specialty Group, Inc.
Attn: Group Counsel, 1N-E186
3101 Gaylord Parkway
Frisco, TX 75034

Program Launch Date: December 1, 2011

LIST OF SCHEDULES AND EXHIBITS

Schedules:

Schedule A	Description of Products
Schedule B	Summary of Fees
Schedule C	Additional Definitions
Schedule D	Copy of Executed Confidentiality Agreement

Exhibits:

Exhibit A	Continuing Guaranty and Indemnification Agreement
Exhibit B	Customer Services
Exhibit C	Warehousing and Inventory Program Services
Exhibit D	Distribution Services
Exhibit E	Warehousing and Distribution of Sample Products
Exhibit F	Marketing Materials Fulfillment Services
Exhibit G	Contract Administration and Chargeback Processing
Exhibit H	Accounts Receivable Management and Cash Applications
Exhibit I	Financial Management Services
Exhibit J	IT Services

SCHEDULE A

DESCRIPTION OF PRODUCTS

Description	**NDC Number**
EXPAREL™ is an extended-release liposome injection of bupivacaine, an amide-type local anesthetic/analgesic, indicated for single-dose local administration into the surgical wound to produce postsurgical analgesia.	
[**]	

Samples

Non- sampled product

Free Goods

Yes — selective basis

SCHEDULE B
SUMMARY OF FEES

Fee	Amount	Description
3PL Services		
Development and Implementation	$[**]	• [**]
Stand-Ready Fee	$[**]	[**]
Monthly Management Fee		
Customer Service	$[**]/month	• [**]
Warehouse & Distribution		
Returns Management		
Finance		
Information Technology & Reporting		
Chargeback Management		
Sample Management		
Marketing Material Management		
Customer Service Fees		
Order Processing Fee	$[**]	[**]
Customer Setup Fee	$[**]	[**]
Account Maintenance/License Updates	$[**]	[**]
Allocation Fee	$[**]	[**]
Rush Order	$[**]	[**]
Emergency Order	$[**]	[**]
International Order	$[**]	[**]
Warehouse & Distribution Fees		
Product Storage	$[**]	[**]

Fee	Amount	Description
Order Processing Fees (refrigerated)	$[**]	[**]
Receiving Fee	$[**]	[**]
Shipping Fee	$[**]	[**]
Bulk Shipments	$[**]	[**]
Packing Supplies	[**]	[**]
Freight	[**]	[**]
Finance		
Invoice Processing	$[**]	[**]
Credit Verification Reports — Dun & Bradstreet	$[**]	[**]
Credit Verification Reports — Experian	$[**]	[**]
Returns Management		
RGA Initiation	$[**]	[**]
Return Processing	$[**]	[**]
Partial Return Processing	$[**]	[**]
Returns Storage	$[**]	[**]
Contract and Chargeback Management		
Chargeback Processing — Manual	$[**]	[**]
Chargeback Processing — Electronic	$[**]	[**]
Membership Additions	$[**]	[**]
Contract Setup	$[**]	[**]
Contract Updates	$[**]	[**]
Information Technology and Reporting		
852/867: ABC, CAH, MCK	$[**]	[**]
Custom Reports	$[**]	[**]
Custom Development	$[**]	[**]

Fee	Amount	Description
Services		
Additional Fees		
Product Destruction	[**]	[**]
Telecom	[**]	[**]
FedEx/UPS/Postage Expenses	[**]	[**]
Pre-Approved Assessorial Labor Charge - Warehouse	$[**]	[**]
Pre-Approved Assessorial Labor Charge — Office Staff	$[**]	[**]
Pre-Approved Assessorial Labor Charge — QC,	$[**]	[**]
Management ICS Travel	[**]	[**]

SCHEDULE C

ADDITIONAL DEFINITIONS

"Act" means the Federal Food, Drug and Cosmetic Act, Title 21, United States Code, as amended, and the regulations promulgated thereunder.

"ANDA" means an Abbreviated New Drug Application as defined in and contemplated by the Act.

"Customer" is defined in Agreement Section 1.

"DEA" means the United States Drug Enforcement Administration.

"FDA" means the United States Food and Drug Administration.

"Governmental Authority" means any nation, government, state or other political subdivision, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"ICS Facility" means the facility located at 420 International Blvd. Suite#500, Brooks, KY 40109 or 5360 Capital Court #102, Reno, NV 89502.

"NDA" means a New Drug Application as defined in and contemplated by the Act.

"Person" means any corporation, natural person, the Company, entity, firm, joint venture, partnership, trust, unincorporated organization, or Government Authority.

"Products" is defined in Agreement Recital A.

"Related Parties" means the subsidiaries, parents, affiliated companies, officers, directors, employees, independent contractors, representatives, shareholders, trustees and agents of any Person.

"Requirements of Law" means any law (including consumer law), treaty, rule or regulation or a final and binding determination of a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Services" is defined in Agreement Section 2.1.

"Taxes" means any and all liabilities, losses, expenses, and costs of any kind whatsoever that are, or are in the nature of taxes, fees, assessments, or other governmental charges, including interest, penalties, fines and additions to tax imposed by any federal, state or local government or taxing authority in the United States on or with respect to: (a) the Agreement or any related agreements or any future amendment, supplement, waiver, or consent requested by the Company or any required by the Agreement with respect to the execution, delivery or performance of any thereof, or the issuance, acquisition or subsequent transfer thereof, (b) the return, acquisition, transfer of title, storage, removal, replacement, substitution, purchase, acceptance, possession, rejection, ownership, delivery, non-delivery, use, operation, sale, abandonment, redelivery or other disposition of any interest in Products or any part thereof,

(c) the receipts or earnings arising from any interest in Products or any part thereof, (d) any payment made pursuant to this Agreement or to any Products, or (e) otherwise as a result of or by reason of the transactions contemplated by this Agreement, excluding, however, taxes imposed upon ICS that are based upon or measured by gross or net income and any franchise Taxes of ICS or any personal property taxes for Products or equipment owned by ICS.

"Term" is defined in Agreement Section 4.1.

SCHEDULE D
COPY OF EXECUTED CONFIDENTIALITY AGREEMENT

Pacira Pharmaceuticals, Inc.
10450 Science Center Drive
San Diego, CA 92121
Phone: 858-625-2424

MUTUAL CONFIDENTIALITY DISCLOSING AGREEMENT

Agreement dated November 4, 2010 (the "Effective Date"), between Pacira Pharmaceuticals, Inc., a California corporation (the "Company") with offices at 10450 Science Center Drive, San Diego, California 92121, and Integrated Commercialization Solutions, Inc., a California corporation with offices at 3101 Gaylord Parkway, Frisco, Texas 75034 ("ICS").

1. Background. The Company and ICS (the "parties") intend to engage in discussions and negotiations concerning the possible establishment of a business relationship between them or in furtherance of an existing business relationship between them. In the course of such discussions and negotiations and in the course of any such business relationship, it is anticipated that each party will disclose or deliver to the other party and to the other party's directors, officers, employees, authorized agents, attorneys, accountants, consultants and financial advisors) (collectively, "Representatives") certain of its trade secrets or confidential or proprietary information for the purposes of enabling the other party to evaluate the feasibility of such business relationship and to perform its obligations and exercise its rights under any such business relationship that is agreed to between the parties (the "Purposes"). The parties have entered into this Agreement in order to assure the confidentiality of such trade secrets and confidential or proprietary information in accordance with the terms of this Agreement. As used in this Agreement, the party disclosing Proprietary Information (as defined below) is referred to as the "Disclosing Party"; the party receiving such Proprietary Information is referred to as the "Recipient."

2. Proprietary Information. As used in this Agreement, the term "Proprietary Information" shall mean all trade secrets or confidential or proprietary information either (i) designated as such in writing (e-mail is sufficient) by the Disclosing Party, including, without limitation, by letter or by the use of an appropriate proprietary stamp or legend or otherwise identified as confidential, or (ii) or is of such a nature that a reasonable person would understand that such information is confidential, prior to or at the time any such trade secret or confidential or proprietary information is disclosed by the Disclosing Party to the Recipient. Proprietary Information may be disclosed in any manner including in writing, orally, electronically, or visually. The Company's Proprietary Information shall include all information relating to the Company's compounds, development work and materials, whether or not marked or otherwise identified as trade secrets or confidential or proprietary information. ICS's Proprietary Information shall include all information about processes, systems, strategic plans, business plans, operating data, customer information, pricing information, financial information and other information, whether or not marked or otherwise identified as trade secrets or confidential or proprietary information. In addition, the term "Proprietary Information" shall be deemed to include: (a) that portion of any notes, analyses, compilations, studies,

interpretations, memoranda or other documents prepared by the Recipient or its Representatives which contain, reflect or are based upon, in whole or in part, any Proprietary Information furnished to the Recipient or its Representatives pursuant hereto; and (b) the existence or status of, and any information concerning, the discussions between the parties concerning the possible establishment of a business relationship, including the fact that the parties hereto have entered into this Agreement and the terms and conditions thereof.

3. Use and Disclosure of Proprietary Information. The Recipient and its Representatives shall use the Proprietary Information only for the Purposes, and such Proprietary Information shall not be used for any other purpose without the prior written consent of the Disclosing Party. The Recipient and its Representatives shall hold in confidence, and shall not disclose to any person, except as permitted hereunder, any Proprietary Information or exploit such Proprietary Information for its own benefit or the benefit of another without the prior written consent of the Disclosing Party. Without limitation of the foregoing, the Recipient shall not cause or permit reverse engineering of any Proprietary Information or decompilation or disassembly of any drug products which are part of the Proprietary Information. The Recipient shall disclose Proprietary Information received by it under this Agreement only to its Representatives (i) who have a need to know such Proprietary Information in the course of the performance of their duties in connection with the Purposes, (ii) who are informed of the confidential nature of the Proprietary Information and (iii) who are obligated to the Recipient to maintain Proprietary Information under terms and conditions at least as stringent as those under this Agreement. The Recipient shall be responsible to the Disclosing Party for any disclosure or misuse of Proprietary Information that results from a failure to comply with terms of this Agreement by the Recipient and/or Recipient's Representatives. The Recipient shall promptly report to the Disclosing Party any actual or suspected violation of the terms of this Agreement and shall take all reasonable further steps requested by the Disclosing Party to prevent, control or remedy any such violation.

4. Compelled Disclosure. Notwithstanding anything contained in this Agreement to the contrary, if the Recipient or any of its Representatives is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Proprietary Information, the Recipient, to the extent legally permitted, shall promptly notify the Disclosing Party in writing of such request or requirement so that the Disclosing Party may seek an appropriate protective order or other appropriate remedy or waive compliance with the provisions of this Agreement. The Recipient shall reasonably cooperate with the Disclosing Party (at the Disclosing Party's sole cost and expense) to obtain such a protective order or other remedy. If such order or other remedy is not obtained, or the Disclosing Party waives compliance with the provisions of this Agreement, the Recipient shall only disclose that portion of the Proprietary Information which it is advised by counsel that it is legally required to so disclose and shall obtain reliable assurance (at the Disclosing Party's sole cost and expense) that confidential treatment will be accorded the Proprietary Information so disclosed.

5. Limitation on Obligations. The obligations of the Recipient specified in this Agreement shall not apply, and the Recipient shall have no further obligations, with respect to any Proprietary Information to the extent that such Proprietary Information:

(a) is generally known to the public at the time of disclosure or becomes generally known without the Recipient or its Representatives violating this Agreement;

(b) is in the Recipient's possession at the time of disclosure otherwise than as a result of Recipient's breach of any legal obligation;

(c) becomes known to the Recipient through disclosure by sources other than the Disclosing Party without such sources violating any confidentiality obligations to the Disclosing Party; or

(d) is independently developed by the Recipient without reference to or reliance upon the Disclosing Party's Proprietary Information.

6. Ownership of Proprietary Information. The Recipient agrees that it shall not receive any right, title or interest in, or any license or right to use, the Disclosing Party's Proprietary Information or any patent, copyright, trade secret, trademark or other intellectual property rights therein, by implication or otherwise.

7. Return of Proprietary Information. The Recipient shall, upon the written request of the Disclosing Party, promptly return to the Disclosing Party all Proprietary Information received by the Recipient or its Representatives from the Disclosing Party (and all copies and reproductions thereof). In addition, the Recipient shall destroy: (i) that portion of any notes, reports or other documents prepared by the Recipient which contain Proprietary Information of the Disclosing Party; and (ii) any Proprietary Information of the Disclosing Party (and all copies and reproductions thereof) which is in electronic form or cannot otherwise be returned to the Disclosing Party. Alternatively, upon written request of the Disclosing Party, the Recipient shall promptly destroy (with written certification of destruction) all Proprietary Information received by the Recipient or its Representatives from the Disclosing Party (and all copies and reproduction thereof) and that portion of any notes, reports or other documents prepared by the Recipient which contain Proprietary Information of the Disclosing Party. Notwithstanding the foregoing, the Recipient and its Representatives (i) may retain solely for compliance purposes one (1) copy of the Proprietary Information in order to comply with law or regulation and (ii) need not destroy electronic archives and backups made in the ordinary course of business where it would be commercially impracticable to do so. Moreover, notwithstanding the return or destruction of the Proprietary Information, the Recipient and its Representatives will continue to be bound by their obligations of confidentiality and other obligations hereunder.

8. No Representations and Warranties. The parties acknowledge and agree that the Proprietary Information is being provided to each party "as is" and without any representation or warranty of any kind, either express or implied. Each party understands and agrees that neither the Disclosing Party nor any of its Representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of the Proprietary Information nor will any of them have any liability to the Recipient or its Representatives or any other person relating to or resulting from the use of the Proprietary Information or any errors therein or omissions therefrom. Each party understands and agrees that the Disclosing Party is under no duty or obligation to provide the Recipient with access to any information, and nothing herein is intended to impose any such obligation on the Disclosing Party or any of its Representatives.

9. Communications. All questions and communications between the parties hereto with respect to the Purposes and/or the Proprietary Information will be submitted or directed only to the persons designated by the respective parties hereto. The parties hereto agree that no other employees of the other party shall be contacted in connection with the Purposes or the Proprietary Information.

10. Securities Laws. The Recipient hereby acknowledges that it is aware, and that Recipient shall use its best efforts to advise its Representatives who are informed of the matters which are the subject of this Agreement, that the United States securities laws place certain restrictions on any person who has material, non-public information concerning the issuer with respect to purchasing or selling securities of such issuer or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

11. Miscellaneous.

(a) This Agreement supersedes all prior agreements, written or oral, between the parties relating to the subject matter of this Agreement. This Agreement may not be modified, changed or discharged, in whole or in part, except by an agreement in writing signed by both parties.

(b) This Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns. This Agreement may be assigned by either party to any affiliate.

(c) This Agreement shall be construed and interpreted in accordance with the internal laws of the State of California, without giving effect to the principles of conflicts of law thereof.

(d) The provisions of this Agreement are necessary for the protection of the business and goodwill of the parties and are considered by the parties to be reasonable for such purpose. The parties hereto agree that money damages would not be a sufficient remedy for any breach or threatened breach of this Agreement by the Recipient or its Representatives, and the Disclosing Party shall be entitled to specific performance and injunctive relief and any other appropriate equitable remedies for any such breach. The Recipient shall not and shall cause its Representatives not to oppose the granting of such equitable relief, and to waive any requirement for the securing or posting of any bond in connection with such remedy. Such remedies shall not be deemed to be the exclusive remedies for a breach of this Agreement by the Disclosing Party or its Representatives but shall be in addition to all other remedies available at law or in equity.

(e) This Agreement covers Proprietary Information that is disclosed by the Disclosing Party to the Recipient until the first anniversary of the Effective Date. The Recipient's confidentiality obligations imposed by this Agreement shall continue with respect to Proprietary Information until the third (3rd) anniversary of the Effective Date; provided, however, that the confidentiality obligations imposed by this Agreement with respect to the trade secrets and the DepoFoam manufacture included in the Company's Proprietary Information shall continue in perpetuity.

(f) For the convenience of the parties, this Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and both of which taken together, shall constitute one agreement binding on both parties.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

PACIRA PHARMACEUTICALS, INC.

By: /s/ James S. Scibetta

Name: James S. Scibetta

Title: CFO

INTEGRATED COMMERCIALIZATION SOLUTIONS, INC.

By: /s/ Doug Cook

Name: Doug Cook

Title: General Manager

[SIGNATURE PAGE TO CONFIDENTIALITY AGREEMENT]

AmerisourceBergen

EXHIBIT A

CONTINUING GUARANTY AND INDEMNIFICATION AGREEMENT

The undersigned does hereby guarantee to AmerisourceBergen Corporation and each of its subsidiary companies and their successors that any food, drugs, devices, cosmetics, or other merchandise ("Products") now or hereafter shipped or delivered by or on behalf of the undersigned, its subsidiaries, divisions, affiliated companies and representatives ("Guarantors") to or on the order of AmerisourceBergen Corporation or any of its subsidiaries will not be, at the time such shipment or delivery, adulterated, misbranded, or otherwise prohibited under applicable federal, state and local laws, including applicable provisions of the Federal Food, Drug and Cosmetic Act, 21 U.S.C.A. §301 et seq., ("FDCA"), and Sections 351 and 361 of the Federal Public Health Service Act, 42 U.S.C.A. §§ 262 and 264, and their implementing regulations ("Applicable Laws"), each as amended and in effect at the time of shipment or delivery of such Products; and such Products are not, at the time of such shipment or delivery, merchandise which may not otherwise be introduced or delivered for introduction into interstate commerce under Applicable Laws, including FDCA section 301 (21 U.S.C.A. §331); and such Products are merchandise which may be legally transported or sold under the provisions of any other applicable federal, state or local law; and Guarantors guarantee further that, in the case of food shipments, only those chemicals or sprays approved by federal, state or local authorities have been used, and any residue in excess of the amount allowed by any such authorities has been removed from such Products.

Guarantors hereby agree to defend, indemnify and hold AmerisourceBergen Corporation and each of its subsidiaries harmless against any and all claims, losses, damages, and liabilities whatsoever (and expenses connected therewith, including counsel fees), arising as a result of (a) any actual or asserted violation of Applicable Laws or by virtue of which Products made, sold, supplied, or delivered by or on behalf of Guarantors may be alleged or determined to be adulterated, misbranded or otherwise not in full compliance with or in contravention of Applicable Laws, (b) possession, distribution, sale and/or use of, or by reason of the seizure of, any Products of Guarantors, including any prosecution or action whatsoever by any governmental body or agency or by any private party, including claims of bodily injury, death or property damage, (c) any actual or asserted claim that Guarantors' Products infringe any proprietary or intellectual property rights of any person, including infringement of any trademarks or service names, trade names, trade secrets, inventions, patents or violation of any copyright laws or any other applicable federal, state or local laws, and (d) any actual or asserted claim of negligence, willful misconduct or breach of contract by Guarantors. Guarantors further agree to maintain primary and noncontributing Products Liability Insurance of not less than U.S. $ [**] per occurrence, Combined Single Limit (Bodily Injury and Property Damage) including AmerisourceBergen Corporation and its subsidiary companies and their successors as Additional Insureds, including a Broad Form Vendors Endorsement. If the required insurance is underwritten on a "claims made" basis, the insurance must include a provision for an extended reporting period ("ERP") of not less than twenty-four months; Guarantors further agree to purchase the ERP if continuous claims made insurance, with a retroactive date not later than the date of this Agreement, is not continually maintained or is otherwise unavailable. Guarantors will endeavor to provide at least 30 days' prior written notice to the Additional Insureds in the event of cancellation or material reduction of coverage, and upon request promptly submit satisfactory evidence of such insurance. All insurance coverage must be with a carrier and in a form acceptable to AmerisourceBergen Corporation, at its sole discretion, including any deductible or self-insurance risk retained by Guarantors. In combination with significant excess liability insurance, any retained risk must be commercially reasonable, actuarially sound and acceptable to AmerisourceBergen Corporation, at its sole discretion. Each Guarantor warrants that its assets are sufficient to cover any self-insurance liability it assumes under this Agreement. Provisions in this Continuing Guaranty and Indemnification Agreement are in addition to, and not in lieu of, any terms set forth in any purchase orders accepted by Guarantors or any separate agreement entered into between AmerisourceBergen Corporation or any of its subsidiaries or their successors and Guarantors. In the event of any conflict between the language of such other documents and the language set forth herein, the language herein shall be controlling.

By: _____

Name: _____

Title: _____

EXHIBIT B

CUSTOMER SERVICES

ICS shall perform the following Services on and after the Program Launch Date during the Term of the Agreement:

1. ICS, as agent of the Company, will develop, operate and maintain an Integrated Access Center ("Access Center") to manage the comprehensive distribution Services related to Products described herein ("Customer Services") for the Company. ICS agrees to develop the Access Center and provide the Customer Services for the fees listed in Schedule B.

2. The Access Center includes the following:

2.1 A fully-integrated telecommunications and information system that will capture and manage key data from each Customer requesting information or specific services relating to Products;

2.2 A toll-free Company-dedicated telephone and fax number solely for the Access Center, with all costs being the Company's responsibility;

2.3 The capability to handle queries about Products related to order processing and account management; and

2.4 The capability to triage queries and forward to Company phones.

3. ICS, as agent of the Company, will retain, train and manage appropriate staff personnel to operate the Access Center. Responsibilities of Access Center personnel will be to:

3.1 Receive orders via Electronic Data Interchange ("EDI"), facsimile, email, mail or telephone, and (b) be available from 8:00 a.m. to 5:00 p.m. (Central) to receive orders or triage calls to the Company as necessary;

3.2 Receive EDI orders from the Company or its Customers. Upon receipt, ICS will:

3.2.1 Verify that product order file processed from customer and into ICS' ERP system;

3.2.2 Review EDI order processing error logs and communicate any non-processed orders and reasons to the Company or its Customers; and

3.2.3 Take appropriate action based on direction from the Company to resolve any issues and re-enter orders or order files into the ERP for processing;

3.3 Generate and issue packing slips for the sale of Products sold under this Agreement;

3.4 Manage the process of issuing Product return authorizations and Product destruction authorizations in accordance with the Company's policies that have been provided to ICS, and coordinate shipment of Product for destruction;

3.5 Set up customer accounts for Customers eligible to purchase from the Company according to parameters provided by the Company, and the Company will periodically supply ICS with its written criteria, as amended from time to time, for all Customer eligibility; and

3.6 At the Company's prior written request, verify that such Customers meet the Company's eligibility criteria by:

3.6.1 Credit verification using approved agencies and establishment of credit limits based on the Company's guidance;

3.6.2 Verification of licenses (including verification of DEA and state controlled substances, regulatory licenses and registrations when filling orders of controlled substances); and

3.6.3 License verification using the NTIS database augmented by a copy of the Customer license if necessary; and

3.7 Obtain Proofs of Deliveries (PODs) for the Company.

4. Order allocations encompass any inbound orders to ICS that need to have original conditions reviewed and/or manipulated as opposed to allowing the order to flow freely through the order process system. All allocated orders shall be filled in accordance with the Company's written instructions.

5. An order is defined as a shipment to a unique address that leaves the distribution center, regardless of the number of cartons or packages that constitute that shipment and/or the number of inbound requests for such order.

6. The following services are not a part of Customer Services normally provided in the Access Center:

6.1 Product substitution relating to backorder management:

6.2 Stock allocation of Product to the Company's Customer base:

6.3 Arranging for the re-distribution of Product within the Company's Customer base; or

6.4 Any services not identified in paragraphs 1 through 3 of this Exhibit B.

EXHIBIT C

WAREHOUSING AND INVENTORY MANAGEMENT SERVICES

ICS shall perform the following Services on and after the Program Launch Date during the Term of the Agreement:

1. ICS will warehouse and inventory Products at the ICS Facility.

2. ICS will visually inspect each shipment of Product for external container or package damage or loss in transit (based upon records provided to ICS by the Company Product, or in accordance with the Statement of Work for the applicable product, if otherwise specified.

3. ICS will promptly notify the Company upon ICS's discovery of any damage or loss to Product.

4. ICS will quarantine Product upon receipt and will release Product to salable inventory status within twenty-four (24) hours of written authorization from the Company.

5. ICS will store all Product in compliance with current good manufacturing practice regulations and guidelines and other requirements of the FDA, the U.S. Drug Enforcement Administration (including maintaining required registrations, licenses and other authorizations, observing all DEA security standards and timely filing any necessary ARCOS reports and other DEA forms, including DEA form 222), all other applicable Requirements of Law and in accordance with the Company's written instructions, if any.

6. The Company will pay all costs, charges, expenses and import and export duties for delivery and transportation of Product to and from an ICS Facility; provided that ICS shall be responsible for the costs of any transfers of Product from one ICS Facility to another ICS Facility that are initiated by ICS and not requested by the Company.

EXHIBIT D
DISTRIBUTION SERVICES

ICS shall perform the following Services on and after the Program Launch Date during the Term of the Agreement:

1. Distribution. ICS shall provide the following distribution tasks:

1.1 ICS shall use its best efforts to ensure that Products will be packaged and distributed by trained personnel in client approved shipment containers.

1.2 ICS shall use its best efforts to ship Products within one (1) business day of receipt of orders by ICS unless otherwise specified under the terms of this Agreement. Pacira will use drop ship through wholesaler Customers. Should a customer need an emergency shipment for Saturday delivery ICS will follow shipping SOP and customer emergency shipment billing.

1.3 ICS shall ship Veterans Administration and other government orders direct or to the designated PPV (Preferred Pharmaceutical Vendor).

1.4 ICS shall distribute bulk shipments by a designated carrier using carrier bulk shipment terms.

1.5 ICS shall use its best efforts to ensure that Products are distributed on a FEFO (first expired/first out) basis unless otherwise directed by the Company in writing.

1.6 ICS shall deliver Products as a drop ship to end-user customers and billed to the designated wholesaler

1.7 ICS shall use its best efforts to ensure that non-EDI orders received by ICS during standard warehouse hours of shipping (currently **M-F 8:00 a.m. to 3:00** p.m. Eastern, except holidays) and EDI orders received prior to the 3:00 p.m. Eastern cutoff time will be filled the same day. ICS shall also use its best efforts to ensure that orders received after this agreed upon cut-off time will be processed no later than the next business day. ICS shall use its best efforts to ensure that EDI orders arriving after the cutoff time will be processed within 24 hours of transmission to ICS.

1.8 At the Company's request, ICS shall provide a "Rush Order" service for specific order or orders to be processed and shipped the same day; provided however, that such services are dependent on ICS's ability to perform based upon order receipt time, ICS personnel, and transportation carrier availability. Such orders shall be subject to the Company's payment of the additional fees pursuant to Schedule B.

1.9 At the Company's request, ICS shall provide "Emergency Order" services, defined as any order received outside of scheduled working hours (currently M-F 8:00 a.m. to 5:00 p.m. Eastern Time) requiring ICS staff to return to the ICS Facility to process the order within the same day. Such Emergency Order services will be subject to additional fees pursuant to Schedule B. ICS shall clearly identify any such orders to the Company at the time of the Company's request.

2. Inventory. ICS will be responsible for the following inventory tasks:

2.1 ICS shall receive Products from the Company or a Company designee.

2.2 ICS shall ensure that any end of lot discrepancies evidenced by a difference in physical to book inventory as noted during Product distribution will trigger inventory counts and reconciliation by ICS to verify and determine, where possible, the cause for the discrepancy.

2.3 ICS shall provide the Company, at ICS's expense, one (1) physical product inventory per calendar year and routine cycle counts. ICS shall perform additional physical product inventories upon the Company's request and for an additional labor charge. Any such additional physical inventory requested by the Company will be scheduled based upon a written request from the Company and a mutually agreed upon inventory date.

2.4 ICS shall obtain any required packaging materials for distribution the cost of which shall be passed through to the Company pursuant to Schedule B.

2.5 ICS shall pay all labor costs for warehouse personnel providing the Services.

2.6 ICS shall provide tracking for all shipments as required by the Company;

2.7 ICS shall pay for all security costs for the ICS Facility and any other warehouse locations where Products may be stored in accordance with the terms of this Agreement.

2.8 ICS shall denote receipt of returns that include the proper RGA documentation within three (3) business days and process returns within seven business days of receipt at the ICS Facility.

2.9 ICS shall ship outdated/damaged Products to a site reasonably designated by the Company for disposal. All transportation and destruction costs will be borne by the Company pursuant to Schedule B.

2.10 ICS shall not responsible for maintaining inventory levels for Product fulfillment.

3. Product Title. The Company will at all times retain title to all of Products under this Agreement.

4. Exclusions. The following services will not be provided by ICS or included as Distribution Services under the terms of this Agreement:

4.1 Processing of Department of Transportation hazardous materials.

4.2 Re-stacking of inbound Products required at the ICS Facility.

4.3 Any other special labeling or packaging required for Products on or for shipments leaving the ICS Facility.

EXHIBIT E N/A

WAREHOUSING AND DISTRIBUTION OF SAMPLE PRODUCTS

ICS shall perform the following Services on and after the Effective Date during the Term of the Agreement. The parties' respective obligations are set forth below.

1. Sample Products. "Sample Products" shall mean [INSERT PRODUCT NAME], which is not intended to be sold and shall be re-labeled as such and is given to customers free of charge to promote sales.

2. Storage and Shipment of Samples. ICS will warehouse, inventory and distribute Samples and Free Goods consistent with standards for warehousing, inventory and distributing Services under Exhibit B. ICS will distribute Samples by mail or common carrier. ICS's obligation to perform Services is conditioned on the Company's performance of tasks as specified under Exhibit B.

3. Re-Labeling of Sample Products. ICS shall perform re-labeling services reasonably requested by Company and consistent with all Requirements of Law. ICS shall ensure that each Sample Product distributed by ICS bears a label that includes one of the following statements: "Sample," "Not for sale," or "Professional courtesy package." ICS shall include on the label of each Sample Product and on the outside container or packaging (if any) an identifying lot or control number that will permit the tracking of the distribution of each unit of Sample Product. ICS shall not make any other changes to labeling without prior written direction of Company.

4. Recipients. For purposes of sending samples the Company will, from time to time, provide ICS with a current and accurate list of recipients authorized to receive Sample Products ("Recipients"), including additions, corrections, and deletions. At a minimum, the list will include the name and ship-to address of each Recipient. ICS will adhere to its standard operating procedures for distribution of Sample Products to Recipients, as well as all Requirements of Law, including without limitation the PDMA, pertaining to distribution of samples to Recipients.

4.1 Physician Recipients. Prior to each delivery of Sample Product by ICS to a Physician Recipient, the Company will provide ICS with a completed sample request form in a form mutually agreed upon by the Parties, which shall be signed by the physician making the request (the "Sample Request Form"). The Sample Request Form will contain the following information:

4.1.1 the applicable state license or authorization number (or DEA number where a controlled substance is requested) for the physician authorized to receive Samples Products;

4.1.2 the name, address, professional title and signature of the physician making the request;

4.1.3 the proprietary or established name and strength of the Sample Product requested;

4.1.4 the amount of Sample Product requested;

4.1.5 the date of the request;

4.1.6 the full names of the Company and ICS; and

4.1.7 any other information required by § 203.30 or other applicable law for the distribution of Sample Products to a physician.

4.2 Pharmacy or Hospital Recipients. Prior to each delivery of Sample Product by ICS to pharmacy or hospital Recipient, the Company will provide ICS with a completed Sample Request Form, which is signed by the physician making the request. The Sample Request Form shall contain all of the information listed in Section 4.1 above and shall also include the name and address of the pharmacy or hospital to which the Sample Product shall be delivered.

5. Receipts for Sample Products. Upon delivery of the Sample Product, ICS shall obtain a receipt that contains the following information:

5.1 Physician Recipient. If the Recipient is a physician, the receipt will include at a minimum: (i) the signature of the physician or the physician's authorized designee acknowledging delivery of the Sample Product; (ii) the physician's name, address, professional title; (iii) the proprietary or established name and strength of the Sample Product; (iv) the quantity of the Sample Product delivered; and (v) the date of delivery.

5.2 Pharmacy or Hospital Recipients. If the Recipient is a Pharmacy or Hospital, the receipt will include at a minimum: (i) the name and address of the licensed physician requesting the Sample Product; (ii) the name and address of the pharmacy or hospital designated to receive the Sample Product; (iii) the name, address, professional title and signature of the person acknowledging delivery of the Sample Product; (iv) the proprietary or established name and strength of the Sample Product; (v) the quantity of the Sample Product requested; and (vi) the date of delivery.

6. Reconciliation of Sample Product Requests and Receipts; Losses. ICS shall be responsible for reconciling sample requests, receipts and inventory of Sample Products as mutually agreed by the parties and consistent with all Requirements of Law. ICS shall report all discrepancies, thefts and losses involving Sample Products to Company. Company shall develop an appropriate definition for "Significant Loss," and shall be responsible for determining whether any discrepancy, theft or loss constitutes a Significant Loss. In the event that Company determines that a Significant Loss exists, Company shall notify the FDA of the loss consistent with PDMA requirements.

7. Record Keeping Requirements. The Company and ICS will create and maintain all applicable forms and records required by all Requirements of Law applicable to warehousing and distribution of Samples and Free Goods including PDMA, Rules and Controlled Substance Laws. Prior to the distribution of any Samples or Free Goods, the Company and ICS will identify in a separate written procedure the specific forms and records each will maintain so that distribution of Samples and Free Goods will comply with all Requirements of Law. The Company and ICS will permit the other, upon reasonable advance notice, to audit and inspect all such forms and records it creates or maintains in distributing Samples Products. The Company and ICS will cooperate and assist with, and will provide the other with access to and copies of, such forms and records as may be useful in responding to, regulatory agency inspections or requests for such forms or records.

EXHIBIT F

MARKETING MATERIALS FULFILLMENT SERVICES

ICS will warehouse and manage distribution of Product and clinical and marketing materials that are sent to the Company's authorized personnel (the "Company Representatives") on and after the Program Launch Date during the Term as follows:

1. The Company will develop and provide to ICS all materials for use in the Access Center.

2. The Company will provide ICS with such bulk clinical and marketing materials in mutually agreeable packaging configuration shrink-wrapped packages designated as one "SKU" (Stock Keeping Unit). Whenever possible, the Company will direct its other vendors to adopt specifications and coding systems that are currently being utilized in ICS's Facility, with the SKU clearly marked with Product code to be used by ICS.

3. ICS will charge the Company the fees in Schedule B for the storage of marketing materials.

4. ICS will ship orders for marketing materials by ground unless otherwise specified in writing by the Company.

5. Upon prior written approval from the Company, ICS will begin responding to requests for marketing materials, which requests will be directed to ICS by the Company Representatives by facsimile or electronic mail. In addition, ICS will, upon written request of the Company, ship marketing materials to medical conventions, back to the Company or the Company's Representatives, care givers and other healthcare providers, for fees in Schedule B.

6. The Company will provide new product specifications as outlined in the "Product Set Up Sheets" to ICS at least five business days prior to product receipt at the warehouse.

7. The Company will ensure that Product is configured in the minimum order quantity for shipment purposes.

8 Services not covered under the terms of this Agreement include:

8.1 Any marking required at ICS's Facility for Product identification purposes; and

8.2 Processing or re-stocking marketing materials returned from trade shows.

8.3 Repackaging of marketing materials to meet ICS configuration requirements.

EXHIBIT G

CONTRACT ADMINISTRATION AND CHARGEBACKS PROCESSING

ICS is licensed to utilize BPI Contracts software developed by BPI Technologies Corporation to provide contract administration and chargeback processing services. ICS shall perform the following Services on and after the Program Launch Date during the Term of the Agreement:

1. Contract Administration. ICS shall enter into the BPI Contracts application key demographic information, membership, and pricing arrangements, as provided by the Company, as negotiated between the Company and its key government and non-government contract accounts, including DOD and VA. ICS shall assist the Company in managing information for such accounts, but shall have no liability for the timeliness, accuracy or reliability of the information provided by the Company under this Section.

2. Chargeback Processing. ICS will process debit memo submissions from wholesalers for wholesaler contract sales pricing reconciliation.

2.1 Reconciliation is based upon verification of the submitted wholesaler data against contract administration data. Results of this verification are:

2.1.1 Reconciliation reporting; and

2.1.2 Credit Memo generation.

2.2 Submissions by wholesalers will be either paper or electronic (EDI).

2.2.1 Paper — Processing time for paper submissions will be five (5) business days.

2.2.2 EDI — Processing time for EDI submissions will be three (3) business days.

2.2.3 These times do not apply to new or newly acquired Products for a period of ninety (90) days.

3. Rebates. ICS will provide documentation for rebates to be paid by the Company on a quarterly basis. ICS will also provide the Company with reports, in a format agreed upon by the parties, including pricing information for AMP and FAMP reports, and which otherwise allow the Company to monitor purchasing activity by its key accounts.

EXHIBIT H

ACCOUNTS RECEIVABLE MANAGEMENT AND CASH APPLICATIONS

ICS shall perform the following Services on and after the Program Launch Date during the Term of the Agreement:

1. ICS will manage all accounts receivable transactions related to the Company managed distribution programs for Product. The Company will establish a lock box at a financial institution of its choosing (the "Financial Institution""). Payments from Customers will be directed to the address of the lock box. The Financial Institution will sweep the lock box daily and deposit payments into the Company's operating account. The Financial Institution will forward copies of all payment transactions to ICS for cash application purposes. ICS and the Company will jointly determine the following:

1.1 Credit policy

1.2 Class of trade designations

1.3 Terms and conditions

1.4 License requirements

1.5 Dunning process for past due accounts

1.6 Reporting requirements

2. ICS will provide comprehensive accounts receivable management services in conformance with ICS's standard operating procedures, applicable Statements of Work, and the Company's collection policies as they apply to:

2.1 Invoicing (prepare and mail Customer invoices)

2.2 Cash application

2.3 Reconciliation of daily lock box deposits

2.4 Credit hold/release processing

2.5 Change to Customer credit limits per the Company's approval

Credit reports:

2.5.1. Experian

2.5.2 D & B

2.6 Return authorization credits

2.7 Credit and re-bills

2.8 Reconciliation of accounts receivable to chargebacks

3. ICS will adhere to state and federally mandated good credit and collection practices established jointly by ICS and the Company such as:

3.1 On-line details of calls

3.2 Call list of past due invoices

3.3 Past due reminder letters

3.4 Research and collection of unauthorized deductions

3.5 The Company approved write-offs

EXHIBIT I

FINANCIAL MANAGEMENT SERVICES

ICS shall perform the following Services on and after the Program Launch Date during the Term of the Agreement:

1. ICS will provide monthly reconciliation of all financial transactions related to the Company managed distribution program for Product and provided with 3 business days of calendar month end as follows:

1.1 Month end close

1.2 Reconciliation of cash, cash discounts and accounts receivable

1.3 Inventory roll over

1.4 Reconciliation of inventory adjustments

1.5 Reconciliation of goods received

1.6 Reconciliation of sales and cost of goods sold

1.7 Reconciliation of returns and cost of goods returns

2. ICS will provide on a monthly basis (or other agreed upon period), the following financial reports:

2.1 Trial Balance

2.2 Cash Application Summary

2.3 Accounts Receivable Reports

2.4 Inventory Reports

2.5 Sales Reports

2.6 Cash Discounts Report

EXHIBIT J
IT SERVICES

ICS shall perform the following Services on and after the Program Launch Date during the Term of the Agreement:

1. Application Software. ICS shall maintain a license to utilize ERP software developed by International Business Systems to provide Distribution and Financial Services to the Company.

2. Access. ICS shall ensure that access to the DataMart will be available to the Company Monday through Friday from 7:00 a.m. — 7:00 p.m. (Central) except for those holidays recognized by ICS ("Holidays"), a listing of which will be mutually agreed to by the Company and ICS. ICS will contact the Company with reasonable notice of any non-availability of the DataMart due to routine or non-routine system maintenance undertaken by ICS, . "DataMart" shall be defined as the repository of information available to ICS regarding Products and related standard reports, including but not limited to daily inventory reports and inventory adjustments.

3. On-Call Support. ICS shall maintain an on-call support line for answering Company questions, receiving requests for correction of errors and providing consulting services relative to the functionality and usage of the DataMart. The support line will be available from 8:30 a.m. — 5:00 p.m. (Central) except for Holidays.

4. Training. ICS shall provide user documentation and training for DataMart through data dictionaries of DataMart; provided, however, that ICS shall have no obligation to provide Crystal Training and licenses to utilize crystal reports to the Company.

5. Back-Ups. ICS shall perform back-up of all the Company transactions at the end of each working day. Such back-up will be performed at a scheduled time each day and will use an IBM utility product to copy all ICS's the Company data on a media selected by ICS.

6. Data Management and Reporting**.** ICS shall provide the Company with standard reports as may be reasonably requested by the Company from time to time. ICS has also developed a set of standard data file extracts that cover distribution and financial activity. Frequency for report or data file creation is in part based on functional requirement but may be daily, weekly, monthly or on demand. If customization is needed, the Company and ICS will jointly and reasonably determine the data elements and formats to be included in custom reports, as well as their frequency and data files. Mutually agreed-upon standard reports and files are included in the pricing provided under this Agreement. Additional charges will apply to special reports and data files created based upon hourly programming charges as listed in Schedule B for creation of specialized reports. The Company will be responsible for hardware or software costs directly and for fees listed in Schedule B.

7. Transfer Protocol. ICS will make available to the Company data in the form of electronic files on a detail or summary basis that reflects the operational activity in the Company's DataMart or CARS/IS environment. The frequency of the data file availability may be event based, daily, weekly or monthly. Certain timing restrictions apply based on type of data. Conversely ICS will receive files from the Company for the purpose of file building, file maintenance or order processing. The data may be delivered in one of four methods: 1) Cyclone Encrypted or PGP encrypted, 2) Secure Website, 3) E-mail (emergency only) or

4) Electronic Data Interchange:

8. System Disaster Recovery. ICS shall maintain in place disaster-relief plans consisting of disaster recovery procedures, telecommunications switch over during disaster or emergency period, and AS/400 System switch over during disaster or emergency period (collectively, “Disaster Plans”). ICS will maintain the Disaster Plans during the Term.

Exhibit 10.2

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Asterisks denote omissions.

MASTER SERVICES AGREEMENT

This Master Services Agreement (this "Master Agreement"), with an Effective Date of August 30, 2011, will set forth the terms and conditions between Pacira Pharmaceuticals Inc. a California corporation, _5 Sylvan Way Parsippany, NJ 07054, (hereinafter "Pacira"), and Quintiles Commercial US, Inc., 10 Waterview Boulevard, Parsippany, NJ 07054 (hereinafter "Quintiles").

Background:

A. Pacira is in the business of developing, manufacturing and/or distributing pharmaceutical and/or biotechnology products ("Pacira Product(s)"). Quintiles is in the business of providing sales, marketing, educational and alternative commercialization services for the pharmaceutical, healthcare and biotechnology industries.

B. Pacira and Quintiles desire to enter into this Master Agreement to provide the terms and conditions upon which Pacira may engage Quintiles and its corporate Affiliates from time-to-time to provide contract sales, marketing, educational and alternative commercialization services for individual projects by executing individual Work Orders (as defined below) specifying the details of the services and the related terms and conditions.

Agreement:

1.0 Definitions

1.1 "Affiliate" shall mean any corporation or business entity controlled by, controlling, or under common control with a party to this Master Agreement. For this purpose, "control" shall mean direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock or income interest in such corporation or other business entity, or such other relationship as, in fact, constitutes actual control.

1.2 "Calendar Quarter"" means the following periods: January 1 through March 31, April 1 through June 30, July 1st through September 30, and October 1 through December 31.

1.3 "FDA" shall mean the US Food and Drug Administration or successor agency performing similar functions.

1.4 "Fees" shall mean the fair market value compensation payable to Quintiles in return for Services. Fees shall not include Pass-Through Expenses.

1.5 "Net Product Sales" shall mean the gross amounts billed by Pacira, its Affiliates, or Licensees in respect of sales of EXPAREL to unrelated parties, less the following deductions, to the extent each is applicable to the given sale: (a) trade, cash, or quantity discounts actually allowed and taken with respect to such sales; (b) taxes imposed upon and paid with respect to the sale, delivery, or use of the

product; and (c) amounts repaid or credited by reason of billing corrections, rejections, defects, recalls, or returns. Such amounts shall be determined in accordance with generally accepted accounting principles, consistently applied.

1.6 "Pass-Through Expenses" shall mean the reasonable and necessary out-of-pocket costs and expenses actually incurred without markup by Quintiles in providing Services, in accordance with a mutually agreed written budget or the express terms of a Work Order.

1.7 "Project" shall mean the complete task or set of tasks described in a specific Work Order.

1.8 "Services" shall mean the responsibilities, obligations and activities which are to be performed by Quintiles, as they are described in this Master Agreement and in specific Work Orders.

1.9 "Term" and "Project Term" shall have the meanings described in Section 11.1.

1.10 "Work Order" shall have the meaning described in Section 2.2.

2. Scope of Master Agreement; Services to be Provided; Work Orders; Project Teams.

2.1 Scope of Master Agreement. This Master Agreement allows the parties to contract for multiple Projects through the issuance of multiple Work Orders. This Master Agreement covers the provision of professional sales and marketing services by Quintiles and Quintiles's corporate Affiliates (see Section 12), including, but not limited to, recruitment of field personnel, full-time or flex-time sales force services, promotional education programs and other related commercialization services, when requested by Pacira and agreed to by Quintiles as set forth in the relevant Work Order. Pacira shall, in its sole discretion, determine when and whether to offer projects to Quintiles and its corporate Affiliates, including the decision whether or not to enter into a specific Work Order.

2.2 Work Orders. The specific details and tasks of each Project shall be separately negotiated and specified in writing on terms and in a form acceptable to the parties (each such writing, a "Work Order"). The first Work Order (#6508, attached hereto) is of even date hereof and subsequently issued Work Orders may follow the same basic template. Any Services performed prior to the execution of the first Work Order that were not requested by Pacira in writing shall be performed at Quintiles' financial risk. Thereafter, no Services shall be performed prior to the execution of a Work Order covering such Services. Each Work Order will include, as appropriate, identification of the Pacira Products to be involved in the Services, a schedule of Quintiles Responsibilities and Obligations, Pacira Responsibilities and Obligations and Fees and Pass-Through Expenses. Each Work Order shall be subject to all of the terms and conditions of this Master Agreement, in addition to the specific details set forth in the Work Order. To the extent any terms or provisions of a Work Order conflict with the terms and provisions of

this Master Agreement, the terms and provisions of this Master Agreement shall control, unless the Work Order expressly and specifically states an intent to supersede the Master Agreement on a specific matter (but then only with respect to the particular Work Order and with respect only to the matter so specified). A change in a Work Order shall be evidenced by an amendment to the relevant Work Order duly executed by Pacira and Quintiles in form acceptable to both parties.

3. Payment of Fees and Pass-Through Expenses.

3.1 Pacira shall pay Quintiles the Fees and Pass-Through Expenses expressly described in each Work Order. Unless otherwise agreed in a particular Work Order, Quintiles will use commercially reasonable efforts to invoice Pacira monthly in advance no later than the fifteenth day of each month for the estimated Fees and Pass-Through Expenses relating to the Project to be incurred during the following month. Supporting documentation will be made available to Pacira upon request. Pacira shall make payment of all undisputed amounts within forty-five (45) days after the receipt of each monthly itemized invoice and (as applicable) any requested supporting documentation, after which time interest shall be due and payable on the unpaid balance at the rate of 1.5% per month. If any portion of an invoice is disputed, Pacira shall pay the undisputed amounts within the aforementioned forty-five (45) days, and the parties shall use good faith efforts to reconcile the disputed amount for payment as soon as practicable. Unpaid disputed amounts shall not be subject to interest. At the end of each calendar month, Quintiles shall reconcile the advance payment made with the actual Daily Fees and Pass-Through Expenses incurred and shall issue a credit or debit as appropriate on the next month's estimated invoice.

3.2 If the period of non-payment of an undisputed amount exceeds ten (10) days following the date on which the payment would have been due, Quintiles may, at its sole discretion and without prejudice to any other rights or remedies, provide Pacira a ten (10) day written notice of intent to suspend Services in connection with a particular Project, and if the non-payment continues after the ten (10) day period, Quintiles may (i) declare Pacira in breach and cease the Services on that Project or (ii) exercise its right to give notice of a default in accordance with Section 11.3. Notwithstanding the foregoing, both parties shall continue to perform their obligations hereunder during the pendency of any dispute concerning the non-payment of disputed Fees and Pass Through Expenses.

3.3 Payments shall be by wire-transfer, automatic clearing house (ACH) or by check as follows:

Postal Mail:
Quintiles Commercial US, Inc.
PO Box 601070
Charlotte, NC 28260-1070

Overnight Mail:
Quintiles Commercial US, Inc.

c/o Wachovia Bank
Lockbox #601070
1525 West WT Harris Blvd - 2C2
Charlotte, NC 28262

Electronic Payment:
Quintiles Commercial US, Inc.
Account Number: 2000016952739
ACH Payment ABA#: 053 101 626
Fedwire ABA#: 053 000 219
Wachovia Bank - Charlotte, NC

Quintiles Federal Employment ID Number is 22-3529314.

3.4 In the event that taxes or duties, of whatever nature, are required to be made or withheld on payments made pursuant to this Master Agreement or an applicable Work Order by any state, federal, provincial or foreign government, including, but not limited to, Value Added Tax, Pacira shall promptly pay said taxes and duties to the appropriate taxing authority without any deduction to any amount owed to Quintiles. Pacira shall secure and deliver to Quintiles any official receipt for any such taxes paid. Alternatively, Quintiles may invoice Pacira for the taxes, without a mark-up, as a pass-through expense, collect the taxes from Pacira, and pay the taxes due on the Services. For the avoidance of doubt, the requirements of this provision shall not apply to any income, employment-related taxes, duties, or withholding and shall only apply to taxes directly applicable to the Services.

3.5 At least ten (10) business days prior to the first day of each Calendar Quarter, Quintiles shall provide Pacira with the forecasted budget estimate for such Calendar Quarter for each open Work Order (the "Quarterly Budget Forecast"). The Quarterly Budget Forecast shall be substantially in the form of Attachment C to Work Order #6508.

4. Confidentiality and Ownership of Information.

4.1 Each of the parties acknowledges that, in the course of performing its obligations hereunder, it may receive information from the other party which is proprietary to the disclosing party and which the disclosing party wishes to protect from public disclosure ("Confidential Information"). Quintiles and Pacira agree to retain in confidence, during the Term of this Master Agreement and any Work Order, and any subsequent renewals thereof, and thereafter for a period of five (5) years (or, in the case of Confidential Information identified by the disclosing party as a trade secret, for as long as such Confidential Information remains a trade secret), all Confidential Information disclosed to it by or on behalf of the other party, and that it will not, without the written consent of such other party, use Confidential Information for any purpose other than the purposes indicated herein. These restrictions shall not apply to Confidential Information which: (i) is or becomes public knowledge (through no fault of the receiving party); (ii) is made

lawfully available to the receiving party by an independent third party; (iii) is already in the receiving party's possession at the time of receipt from the disclosing party (and such prior possession can be properly demonstrated by the receiving party); (iv) is independently developed by the receiving party and/or Affiliates (and such independent development can be properly demonstrated by the receiving party); or (v) is required by law, regulation, rule, act or order of any governmental authority or agency to be disclosed by the receiving party, provided, however, if reasonably possible, such receiving party gives the disclosing party sufficient advance written notice to permit it to seek a protective order or other similar order with respect to such Confidential Information and, thereafter, the receiving party discloses only the minimum Confidential Information required to be disclosed in order to comply.

4.2 Quintiles and Pacira shall limit disclosure of the other party's Confidential Information to only those of their respective officers, representatives, agents and employees (collectively "Agents") who are directly concerned with the performance of this Master Agreement and have a legitimate need to know such Confidential Information. Upon receipt of notice of termination by Pacira, Quintiles shall return all Pacira Confidential Information to Pacira.

4.3 All Pacira patents, trade secrets, copyrights, trade names, trademarks, service marks, proprietary materials or intellectual property and all improvements to any of the foregoing (collectively "Pacira Property") used in connection with the Services provided pursuant to this Master Agreement or any Work Order shall remain the sole and exclusive property of Pacira, and Quintiles's rights to use such Pacira Property shall be limited to those permitted by this Master Agreement or any Work Order.

4.4 Pacira acknowledges that Quintiles possesses certain inventions, processes, know-how, trade secrets, improvements, other intellectual properties and other assets, including but not limited to analytical methods, procedures and techniques, computer technical expertise and software, and business practices, including, but not limited to the Quintiles Sales Force Automation System (SFA) or Customer Relationship Management System (CRM) as applicable, the Quintiles Pharmaceutical Selling System, and the Quintiles Sample Accountability System which have been independently developed by Quintiles (collectively "Quintiles Property"). Pacira and Quintiles agree that any Quintiles Property or improvements thereto which are used, improved, modified or developed by Quintiles under or during the term of this Master Agreement or any Work Order are the sole and exclusive property of Quintiles. Pacira and Quintiles agree that any (i) data or (ii) systems licenses (including but not limited to SFA, CRM, and any other systems that may be licensed or independently developed by Quintiles for purposes of storing data on behalf of Pacira), shall, upon Pacira's request, be provided, transferred, assigned, or licensed to Pacira (as applicable), or maintained by Quintiles for ongoing management by Quintiles on behalf of Pacira. As to software licenses described in Section 4.4(ii) above, the term of such transferred, assigned or licensed licenses shall be limited to the applicable Project Term, unless otherwise agreed to by the parties in writing.

4.5 No party shall issue a press release or other formal public announcement (except for corporate presentations to respective board members or inter-company announcements) relating to this Master Agreement or the activities contemplated herein without the prior written approval of the other party. Quintiles shall not unreasonably withhold its approval of any press release or other public announcement concerning information that is material to Pacira Pharmaceuticals or that is required by law. For press releases required by law, if Quintiles fails to provide approval of such press release within three (3) business days (or sooner if required by law and Quintiles is notified of such shorter response time in writing) of receiving a draft, Pacira may deem such draft approved by Quintiles.

5. Independent Contractor Relationship.

5.1 For the purposes of this Master Agreement and any Work Order, the parties hereto are independent contractors and nothing contained in this Master Agreement or any Work Order shall be construed to place them in the relationship of partners, principal and agent, employer and employee or joint venturers. Neither party shall have the power or right to bind or obligate the other party, nor shall either party hold itself out as having such authority.

5.2 No provision of this Master Agreement or any Work Order shall be deemed to create or imply any contract of employment between Pacira and any employee of Quintiles. All persons performing Services shall be employees of Quintiles, or subcontractors engaged by Quintiles with prior written consent of Pacira, and shall not be entitled to any benefits applicable to employees of Pacira.

5.3 Quintiles will (i) maintain all necessary personnel and payroll records for Quintiles employees; (ii) compute wages and withhold applicable Federal, State and local taxes and Federal FICA payments for Quintiles employees; (iii) remit Quintiles employee withholdings to the proper governmental authorities and make employer contributions for Federal FICA and Federal and State unemployment insurance payments; (iv) pay net wages and fringe benefits, if any, directly to Quintiles employees; and (v) provide for employer's liability and Workers' Compensation insurance coverage.

5.4 Quintiles shall be responsible for management of all employer obligations in connection with Quintiles employees who perform the Services. Quintiles employees shall remain exclusively under the direct authority and control of Quintiles and shall execute the acknowledgement form attached as Exhibit A to this Master Agreement. No employees of Quintiles shall be entitled to any compensation, healthcare coverage or insurance, life insurance, disability benefits, pension or profit-sharing benefits, any other employee benefit or participation in any employee incentive compensation or stock option plan offered or provided by Pacira to Pacira employees. Pacira may be involved in providing training, direction or equipment to a Quintiles employee only in the manner and to the

extent specifically described in a Work Order. The employer obligations of Quintiles shall include: (i) human resource issues, including establishment of employee policies, and administration of health and benefits plans, 401K plan, and other employee benefit plans; (ii) work performance and work behavior issues, including probationary period, periodic and annual appraisals, employee discipline and termination; (iii) administration of systems for time-keeping, payroll and employee expense reimbursement; (iv) day to day management of employment issues in connection with performance of the Services.

5.5 Quintiles shall ensure that all Quintiles employees have executed appropriate confidentiality agreements requiring such employees to maintain the confidentiality of any Confidential Information they may receive while performing the Services.

6. Regulatory Compliance.

6.1 In carrying out their responsibilities under this Master Agreement and each Work Order, Quintiles and Pacira agree to comply, to the extent applicable, with all laws, rules and regulations, including, but not limited to the Federal Equal Employment Opportunity Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the Immigration Reform and Control Act of 1986, the Food, Drug and Cosmetic Act, Section 1128B(b) of the Social Security Act (42 U.S.C. §1320a-7b), and the Prescription Drug Marketing Act, and with industry standards of practice, including those set forth in the PhRMA Code on Interactions with Healthcare Professionals. Pacira shall be primarily responsible for compliance with the Physician Payment Sunshine Act, Cal. Health & Safety Code s. 119400-119402, and any similar law or regulation of any other governmental unit and shall provide Quintiles with any applicable per physician spending limits arising therefrom. To facilitate Pacira's compliance with federal and state physician spend reporting requirements, Quintiles will provide its standard monthly excel file that includes all data required for federal and state reporting requirements as jointly determined by the Parties.

6.2 If Quintiles or its employees become aware of adverse drug experience reports involving the use of any Pacira Product, while performing any Services in connection with the Pacira Product, they shall immediately notify Pacira in accordance with Pacira procedures. Pacira shall deliver to Quintiles a written copy of such Pacira notification procedures.

6.3 Pacira shall be solely responsible for responding to any government or regulatory agency concerning use or marketing of Pacira Products, except where (i) such responsibility is expressly transferred to Quintiles in a Work Order; or (ii) to the extent any notice or reporting requirement is by law made directly applicable to Quintiles. Reports made by Quintiles shall be charged to the customer on a time and materials basis. Both Quintiles and Pacira shall provide the other with copies of all written reports, including all applicable documentation, made to any governmental or regulatory agency. Both Quintiles and Pacira shall provide the other with a written summary of any oral or telephonic report made to any governmental or regulatory agency. Quintiles shall

promptly notify Pacira of any information Quintiles receives regarding any threatened or pending action by a government or regulatory agency that may affect the Pacira Products, or of any communication received by Quintiles from a government or regulatory agency with Quintiles regarding a Pacira Product or the Services provided by Quintiles hereunder. Each party shall notify the other of every instance of actual or suspected fraud or misconduct on the part of a Quintiles employee in connection with the Services provided to Pacira under a Work Order promptly after the initial discovery of any suspicious findings or possible evidence of such. Quintiles shall, at the request of Pacira, cooperate with Pacira in order to respond, or in formulating a procedure for taking appropriate action. In no event shall Quintiles respond to any agency without the prior consent of Pacira, unless compelled to do so by law.

7. Reports and Project Administration

Quintiles will manage and administer each Project in accordance with the specifications and milestones contained in each Work Order. Quintiles shall provide Pacira a periodic Project report, the content of which will be determined between Quintiles and Pacira leadership in the frequency and with content as more particularly described in each Work Order. The Project report shall generally include: (i) headcount, turnover, status of recruitment; (ii) Project status and progress toward achieving objectives or milestones; (iii) financial accountability, and tracking expenses against budget. All information transmitted by Quintiles pursuant to this Master Agreement will be sent by either telephone, email or certified mail in accordance with the provision of Section 16 of this Master Agreement. Quintiles shall not transmit any such information by facsimile unless explicitly authorized by Pacira in writing. Pacira hereby consents and authorizes Quintiles to send emails or certified mailings relating to the Services, or relating to potential future services, to any office of Pacira or Pacira's affiliates in accordance with Section 16 of this Master Agreement.

8. Return of Pacira Materials.

Within sixty (60) days after the completion of Services by Quintiles, or upon termination of the Master Agreement or any Work Order, Confidential Information, Pacira Property and other data owned by Pacira, regardless of the method of storage or retrieval, shall at Pacira's request either be delivered to Pacira in such form as is then currently in the possession of Quintiles, or disposed of, at the direction and written request of Pacira, unless such materials are otherwise required to be stored or maintained by Quintiles as a matter of law or regulation. Pacira shall pay the costs associated with any of the above options. Quintiles reserves the right to retain, at its own expense and subject to the confidentiality provisions herein, one copy of all materials provided in connection with performance of the Services, to be used to satisfy regulatory requirements or to resolve disputes regarding the Services.

9. Indemnification and Liability Limits.

9.1 Quintiles shall indemnify, defend and hold harmless Pacira, its Affiliates and its and their respective directors, officers, employees and agents from and against any and all losses, claims, actions, damages, liabilities, penalties, costs and expenses (including reasonable attorneys' fees and court costs) (collectively, "Losses") incurred in connection with a third party claim or governmental action (collectively, "Third Party Claims") resulting from any (i) breach by Quintiles, its employees, or subcontractors of its obligations hereunder; (ii) willful misconduct or negligent acts or omissions of Quintiles, its employees, or its subcontractors in the performance of Services pursuant to this Master Agreement or Work Order; (iii) violation by Quintiles or its employees or subcontractors of any municipal, county, state or federal laws, rules or regulations applicable to Quintiles' performance of Services pursuant to this Master Agreement or Work Order; (iv) the marketing, promotion, or sale of Pacira Products by Quintiles, its employees, or its subcontractors in a manner which violates this Master Agreement, any Work Order, or applicable law, except to the extent acting under the direction of Pacira; (v) representation or misrepresentation by Quintiles, its employees, or subcontractors relating to Pacira Products that is not consistent with the labeled claims or the product literature, except to the extent acting under the direction of Pacira; and (vi) the determination by any governmental authority that any Quintiles employees are employees of Pacira; all except to the extent such Losses are determined to have resulted from the action or inaction by Pacira, or by the negligence or willful misconduct of Pacira or its employees.

9.2 Pacira shall indemnify, defend and hold harmless Quintiles, its Affiliates and its and their respective directors, officers, employees and agents from and against any and all Losses incurred in connection with a Third Party Claim resulting from (i) the manufacture, storage, packaging, production, transportation, distribution, promotion (except to the extent such Losses are subject to the indemnity obligations of Quintiles set forth in Section 9.1(iv) or (v) above), sale, use or other disposition of the Products; (ii) breach by Pacira or its employees of its obligations hereunder; (iii) willful misconduct or negligent acts or omissions of Pacira or its employees; (iv) the conduct of the Services, but only to the extent such conduct is consistent with the instructions provided by Pacira; and (v) violation by Pacira or its employees of any municipal, county, state or federal laws, rules or regulations; all except to the extent such Losses are determined to have resulted from the action or inaction (unless such action or inaction was pursuant to instruction or direction by Pacira), negligence or willful misconduct of Quintiles or its employees.

9.3 The party seeking indemnification hereunder (the "Indemnified Party") shall: (a) give the party obligated to indemnify (the "Indemnifying Party") prompt written notice of any such claim or law suit (including a copy thereof); (b) Indemnified Party and its employees shall fully cooperate with Indemnifying Party and its legal representatives in the investigation and defense of any matter the subject of indemnification; and (c) Indemnified Party shall not unreasonably withhold its approval of the settlement of any such claim, liability, or action by Indemnifying Party covered by this Indemnification provision; provided, however, that Indemnified Party's failure to comply with its obligations pursuant to Section 9.3 shall not constitute a breach of this Master Agreement nor relieve Indemnifying Party of its indemnification obligations pursuant to Section 9, except to the extent, if any, that Indemnifying Party's defense of the affected claim,

action or proceeding actually was materially impaired thereby.

9.4 Neither Quintiles nor Pacira, nor their respective affiliates, directors, officers, employees, subcontractors or agents shall have any liability (including without limitation, contract, negligence and tort liability) for any loss of profits, opportunities or goodwill or any type of indirect or consequential damages in connection with this Master Agreement or any Work Order or the Services performed by Quintiles. In addition, in no event shall the collective, aggregate liability (including without limitation, contract, negligence and tort liability) of either Quintiles or Pacira, or their respective affiliates, directors, officers, employees, subcontractors or agents, under this Master Agreement (excluding indemnity obligations for Third Party Claims arising under section 9.1 herein, and further excluding liability for a party's gross negligence or willful misconduct) exceed the amount of fees actually received by Quintiles from Pacira under the applicable Work Order.

9.5 Quintiles shall not be liable to Pacira for claims or losses arising out of the statements or representations of Quintiles employees with respect to Pacira Products to the extent the statements or representations conform to the written or printed statements or representations made to Quintiles and Quintiles employees by Pacira with respect to the Pacira Products.

9.6 In the event that a party ("Subject Party") or any of its Affiliates, employees, agents or subcontractors is served with or becomes subject to any subpoena, order, judgment, complaint, proceeding, enforcement or other legal process (each, a "Legal Proceeding") to which the other party is a party or subject, but Subject Party is not, which Legal Proceeding seeks from Subject Party disclosure of any documents or information related to the Services, then the other party shall bear and/or reimburse the Subject Party for all reasonable third party fees, costs and expenses (including reasonable attorneys' fees) associated with such Legal Proceeding. In the event of a Legal Proceeding involving both parties, each party shall bear its own costs, fees and expenses associated therewith.

10. Insurance.

Quintiles and Pacira shall each, at its own cost and expense, obtain and maintain in full force and effect, the following insurance during the Term (and any subsequent renewals thereof): (i) worker's compensation insurance in accordance with the statutory requirements of each state in which the Services are to be performed; (ii) employer's liability insurance with a minimum limit of [**] dollars ($[**]); (iii) comprehensive general liability insurance, including contractual liability, with a minimum limit of [**] dollars ($[**]), combined single limit per occurrence; (iv) comprehensive auto liability, covering bodily injury and property damage, for owned, hired or non-owned automobiles with a minimum limit of [**] dollars ($[**]), combined single limit per occurrence; (v) professional errors and omissions, with a minimum limit of [**] ($[**]), per occurrence; and (vi) products liability insurance covering the Product, with a minimum limit of [**] ($[**]), per occurrence (not required for Quintiles). Each party shall provide the other party an original signed certificate of insurance evidencing all coverage herein required,

within thirty (30) days after the effective date of this Master Agreement. Pacira must provide thirty (30) days prior written notice of cancellation or material change in insurance coverage. The insurance obligations hereunder may be met by a program of self-insurance.

11. Term and Termination.

11.1 This Master Agreement shall be effective as of the Effective Date and shall continue until terminated as hereinafter provided (the "Term"). Each Work Order shall include a statement of the Project start date and the Project end date (the "Project Term").

11.2 Pacira may terminate this Master Agreement or any Work Order without cause at any time by providing sixty (60) days prior written notice to Quintiles. Pacira may partially terminate a Work Order for Sales Force Services by providing Quintiles with a written list of the field territories to be eliminated within sixty (60) days prior to the effective date of such partial termination. During such sixty (60) day notice period, Quintiles shall use commercially reasonable efforts to arrange for the Sales Force members under any terminated Work Order to be placed in an alternate position as of the date of project termination. For avoidance of doubt, unless Pacira provides written instruction otherwise, Quintiles shall continue to fully perform its obligations under this Master Agreement or any Work Order that is terminated during the foregoing sixty (60) day notice period.

11.3 Either party may terminate this Master Agreement by written notice at any time if the other party defaults in the performance of its material obligations under the Master Agreement. Either party may terminate a Work Order by written notice at any time if the other party defaults in the performance of its material obligations under the Work Order. In the event of such default, the party declaring the default shall provide the defaulting party with written notice setting forth the nature of the default, and the defaulting party shall have thirty (30) days to cure the default. Provided, however, that if the nature of the default is such that it cannot reasonably be cured within thirty (30) days, the defaulting party may cure such default by commencing in good faith to cure such default promptly after its receipt of such written notice and prosecuting the cure of such default to completion with diligence and continuity within a reasonable time thereafter. If the defaulting party fails to cure the default within the foregoing time periods, the other party may terminate the Master Agreement or Work Order, as the case may be, by written notice to the defaulting party, which notice shall be effective upon receipt.

11.4 Either party may terminate this Master Agreement by written notice to the other party, effective upon receipt with no right to cure the default, if the other party files a petition for bankruptcy, reorganization or arrangement under any state statute, or makes an assignment for the benefit of creditors or takes advantage of any insolvency statute or similar statute, or if a receiver or trustee is appointed for the property and assets of the party and the receivership proceedings are not dismissed within sixty (60) days of such appointment.

11.5 In the event this Master Agreement or a Work Order is terminated other than by Pacira for a breach as set forth in Section 11.3, Pacira shall (a) pay to Quintiles all Fees for Services rendered which are due and owing to Quintiles because of any completed performance of Quintiles's obligations prior to the effective date of termination; (b) pay all Pass-Through Expenses actually incurred by Quintiles prior to the effective date of termination; and (c) pay any other costs which have been expressly identified in a Work Order as being due upon termination of such Work Order.

11.6 Termination of this Master Agreement or any Work Order for whatever reason shall not affect the accrued rights of either Quintiles or Pacira arising under this Master Agreement or a Work Order, and all provisions which expressly or by implication survive the termination or expiration of the Master Agreement or a Work Order shall remain in full force and effect.

12. Relationship with Affiliates.

12.1 Pacira agrees that Quintiles may on notice to Pacira utilize the Services of its corporate Affiliates to fulfill Quintiles's obligations under this Master Agreement and any Work Order. Any Quintiles Affiliate so utilized shall be (i) subject to all of the terms and conditions applicable to Quintiles under this Master Agreement and the Work Order applicable to such Project(s), including, but not limited to, provisions establishing the standards for performance, (ii) entitled to all rights and protections afforded Quintiles under this Master Agreement and the Work Order applicable to such Project(s), including, but not limited to, the indemnity and limitation of liability protections set forth herein; and (iii) pre-approved in writing by Pacira and specifically referenced in the applicable Work Order, *provided* that no such pre-approval shall be required to the extent that such Affiliates provide only legal, HR, finance, IT, and other ancillary support of the Services. Any such Affiliate of Quintiles may execute a Work Order directly and, with respect to the corresponding Project, the rights and obligations of the parties shall be governed by all of the terms and conditions of this Master Agreement, to the same extent as if such Quintiles Affiliate was a party to this Master Agreement.

12.2 Pacira and Quintiles acknowledge that certain Affiliates of Pacira may utilize the services of Quintiles (and its Affiliates) under this Master Agreement and under any Work Order. In such event, (i) Pacira shall cause such Pacira Affiliate to acknowledge and be bound by all the terms and conditions of this Master Agreement and the specific Work Order, and (ii) Pacira shall remain responsible and obligated under this Master Agreement and the Work Order, as if Pacira was directly receiving the Services provided to such Pacira Affiliate. Any such Affiliate of Pacira may execute a Work Order directly and, with respect to the corresponding Project, the rights and obligations of the parties shall be governed by all of the terms and conditions of this Master Agreement, to the same extent as if such Pacira Affiliate was a party to this Master Agreement.

13. Cooperation.

All data and information in Pacira's possession or control necessary for Quintiles to

conduct Project assignments will be delivered by Pacira to Quintiles. Quintiles shall not be liable to Pacira nor be deemed to have breached this Master Agreement or any Work Order as a result of errors, delays or other consequences directly arising from Pacira's failure to provide documents, materials or information or to otherwise cooperate with Quintiles in order for Quintiles to timely and properly perform Quintiles's obligations.

14. Force Majeure.

If the performance or observance of this Master Agreement or any obligation of this Master Agreement or any Work Order is prevented or delayed by reason of an act of God, civil commotion, storm, fire, riots, strikes, legal moratorium (other than FDA action), war or revolution, the party so affected shall, upon prompt notice of such cause being given to the other party, be excused from such performance or observance to the extent of such prevention or during the period of such delay, provided that the party so affected shall use its best efforts to avoid or remove the cause(s) of non-performance and observance with utmost dispatch.

15. Review of Work; Audit.

During the term of this Master Agreement, Quintiles will permit Pacira's representative(s) (unless such representatives are competitors of Quintiles), at reasonable times and in a reasonable manner, and at Pacira's expense, to (i) examine the work performed hereunder to determine that the Services are being conducted in accordance with the agreed terms, or (ii) audit the financial records related to Quintiles's performance of the Services. If the audit reveals that Pacira overpaid any amounts to Quintiles, Pacira shall, at its option, either receive a credit for such overpaid amounts or be reimbursed for such overpaid amounts within thirty (30) days of the audit. If the audit reveals that Quintiles overcharged any amounts to Pacira by more than five percent (5%), then Quintiles shall reimburse Pacira for Pacira's out-of-pocket expenses associated with conducting the audit within thirty (30) days after receiving the audit results.

16. Notices.

Any notice required or permitted to be given by either party shall be in writing. All notices shall be to the parties and addresses listed below, and shall be sufficiently given (i) when received, if delivered personally or sent by facsimile transmission, or (ii) one business day after the date mailed or sent by an internationally recognized overnight delivery service.

If to Quintiles: Quintiles Commercial US, Inc.

10 Waterview Blvd.
Parsippany, NJ 07054
Attention: Joseph F. Chirillo, Sr. VP Commercialization
Strategic and Risk-Based Business

With a copy to: General Counsel
Quintiles Commercial US, Inc.
4820 Emperor Blvd.
Durham, NC 27709

If to Pacira: Pacira Pharmaceuticals
5 Sylvan Way
Parsippany, NJ 07054
Attention: Taunia Markvicka, VP Commercial Development

With a copy to: General Counsel, Attention: Kristin Williams
and
Customer Legal Dept
Pacira Pharmaceuticals
5 Sylvan Way
Parsippany, NJ 07054

17. Assignment.

Except for Affiliates, as stated above in Section 12, neither party may assign any of its rights or obligations under this Master Agreement or any Work Order to any third party without the written consent of the other party, which consent shall not be unreasonably withheld; *provided*, however, that either party may assign this Master Agreement or any Work Order to a third party without the prior written consent of the other party in connection with a change of control transaction (whether by merger, consolidation, sale of equity interests, sale of all or substantially all assets, or otherwise) to an entity.

18. Arbitration.

Resolution of disputes concerning any aspect of the Services, this Master Agreement or any Work Order shall be accomplished by good faith negotiations between Pacira and Quintiles, to be commenced within thirty (30) days after notice. If necessary, thereafter, resolution of such disputes shall be accomplished, at written request of either party to the other party, by binding arbitration, which shall not interfere with the timely rendering of Services. Arbitration will be pursuant to the Rules of Conciliation and Arbitration of the American Arbitration Association, using a three-person panel of arbitrators, one (1) to be designated by Pacira, one (1) by Quintiles, and a third to be agreed upon by the other two (2) arbitrators. If the two party-appointed arbitrators are unable to agree on a third arbitrator within thirty (30) days after the second arbitrator is appointed, the third arbitrator shall be selected by the American Arbitration Association. Notwithstanding the foregoing, each Party shall be entitled to, in addition to all other remedies available under this Master Agreement, seek equitable relief, including injunction and specific

performance, in any court of competent jurisdiction.

19. Additional Warranties and Representations.

19.1 Quintiles and Pacira warrant and represent to the other that they have the full right and authority to enter into this Master Agreement and that there is no impediment that would inhibit their ability to perform their respective obligations under this Master Agreement or any Work Order.

19.2 Quintiles and Pacira agree to perform their obligations hereunder in a timely, professional and competent manner.

19.3 Pacira warrants and represents that it possesses good title to, or the right to use, any and all trademarks of the Pacira Products, free and clear of any claims or encumbrances that would impede the performance by either party under the terms of this Master Agreement or any Work Order. In addition, Pacira owns or controls the patents or appropriate licenses in connection with all Pacira Products to be involved in the Services, and has no knowledge of the existence of any claim or adverse rights which would restrict or prevent Pacira or Quintiles from performing the Services pursuant to this Master Agreement or a Work Order.

19.4 Quintiles represents and warrants that it is not and has not been (i) excluded from participation in, or otherwise ineligible to participate in a "Federal Health Care Program" (as defined in 42 U.S.C. § 1320a-7b(f)) or in any other government payment program; (ii) listed on the General Services Administration's List of Parties Excluded from Federal Procurement and Nonprocurement Programs; or (iii) debarred under the Generic Drug Enforcement Act of 1992 (the "GDE Act") (21 U.S.C. § 335(a) and (b)). Quintiles further represents and warrants that Quintiles does not and will not use in any capacity the services of any person excluded or debarred as set forth above. Quintiles shall immediately notify Pacira of a breach of this provision.

20. General Provisions

20.1 This Master Agreement shall be construed, governed, interpreted, and applied in accordance with the laws of the State of New Jersey, without giving effect to the principles of conflict of laws.

20.2 The rights and obligations of Pacira and Quintiles under this Master Agreement and any Work Order, which by intent or meaning have validity beyond such termination (including, but not limited to, rights with respect to confidentiality, mutual indemnification and liability limitations) shall survive the termination of this Master Agreement or such Work Order.

20.3 This Master Agreement contains the entire understandings of the parties with respect to the subject matter herein, and cancels all previous agreements (oral and written),

negotiations and discussions, dealing with the same subject matter. The parties, from time to time during the term of this Master Agreement, may modify any of the provisions hereof only by an instrument in writing duly executed by the parties.

20.4 References to any Schedule, Appendix, Attachment or Exhibit attached to this Master Agreement or any Work Order shall be deemed to incorporate the entire contents of the Schedule, Appendix, Attachment or Exhibit by reference, as if it were fully set forth in the Master Agreement or Work Order to which it is attached.

20.5 No failure or delay on the part of a party in either exercising or enforcing any right under this Master Agreement or any Work Order will operate as a waiver of, or impair, any such right. No single or partial exercise or enforcement of any such right will preclude any other or further exercise or enforcement thereof or the exercise or enforcement of any other right. No waiver of any such right will have effect unless given in a signed writing. No waiver of any such right will be deemed a waiver of any other right.

20.6 If any part or parts of this Master Agreement or a Work Order are held to be illegal, void or ineffective, the remaining portions of the Master Agreement or Work Order shall remain in full force and effect. If any of the terms or provisions are in conflict with any applicable statute or rule of law, then such term(s) or provision(s) shall be deemed inoperative to the extent that they may conflict therewith, and shall be deemed to be modified or conformed with such statute or rule of law. In the event of any ambiguity respecting any term or terms hereof, the parties agree to construe and interpret such ambiguity in good faith in such a way as is appropriate to ensure its enforceability and viability. Neither party shall assert against the other that the compensation arrangement provided in this Master Agreement or any Work Order is ground for voiding the Master Agreement or Work Order, or rendering the same unenforceable.

20.7 The headings contained in this Master Agreement and any Work Order are used only as a matter of convenience, and in no way define, limit, construe or describe the scope or intent of any section of this Master Agreement or such Work Order.

21. Execution in Counterparts

21.1 This Master Agreement may be executed in any number of counterparts, each of which when executed and delivered, shall constitute an original, but all of which together shall constitute one agreement binding on all parties, notwithstanding that all parties are not signatories to the same counterpart.

21.2 Transmission by fax or by electronic mail in portable document format (pdf) of an executed counterpart of this Master Agreement shall be deemed to constitute due and sufficient delivery of such counterpart. The parties shall deliver to each other an original counterpart of this Master Agreement promptly after delivery by fax or electronic mail provided however, that failure by either party to so deliver an original counterpart shall not affect the sufficiency of a fax or electronic mail of such counterpart as provided in the

first sentence of this paragraph.

IN WITNESS WHEREOF, this Master Agreement has been executed by the parties hereto through their duly authorized officers on the date(s) set forth below.

QUINTILES COMMERCIAL US, INC. PHARMACEUTICALS	**PACIRA**
By: /s/ Daryl Gaugler	By: /s/ David Stack
Name: Daryl Gaugler	Name: David Stack
Title: Sr. VP. Head of North America Commercial Solutions	Title: CEO and President
Date:	Date: August 30, 2011

Exhibit A to Master Service Agreement

Employee Acknowledgement Form

ACKNOWLEDGMENT OF STATUS

I hereby expressly acknowledge that I am not an employee of Pacira Pharmaceuticals Inc. ("Pacira") or any of its affiliates, and that I am not subject to day-to-day direction, control or supervision of Pacira or any of its affiliates, or any agent, representative or employee of Pacira or its affiliates, in carrying out this work assignment.

I further acknowledge that I am an employee of Quintiles, and that I am subject to day-to-day direction, control and supervision of Quintiles, in carrying out this work assignment. I understand that any problems or complaints that I may have regarding this work assignment must be directed to my supervisor at Quintiles, and not to Pacira or any of its affiliates, or any agent, representative or employee of Pacira or its affiliates.

I also acknowledge that I am not eligible to participate in any benefit plans of Pacira or any of its affiliates, including such things as medical benefits, life insurance benefits, pension benefits and stock options. I further acknowledge that I am not eligible to participate in any such benefit plans even if it is later determined that my status was that of an employee of Pacira or any of its affiliates during the period of this work assignment.

I HEREBY EXPRESSLY WAIVE ANY CLAIM FOR PARTICIPATION IN ANY BENEFIT PLANS OF PACIRA OR ANY OF ITS AFFILIATES ATTRIBUTABLE TO THE PERIOD OF THIS WORK ASSIGNMENT.

_____

Print Name

_____

Signature

_____

Date

SALES FORCE WORK ORDER # 6508

This Sales Force Work Order is entered into between Pacira Pharmaceuticals and Quintiles Commercial US, Inc. ("Quintiles"), pursuant to the Master Services Agreement, having an Effective Date as of the date signed by Pacira ("Effective Date") , between Pacira and Quintiles, and is subject to all the terms and conditions set forth therein, except as may be otherwise expressly provided herein.

A. BRIEF DESCRIPTION OF SALES FORCE PROJECT:

Quintiles is providing an initial total of 63 Sales Representatives, 6 Regional Managers, and 1 Project Leader, with an optional plan for expansion targeted for the third Calendar Quarter in 2012 in support of EXPAREL a long-acting bupivacaine (anesthetic/ analgesic) product for postsurgical pain management. This sales team will be calling on hospitals and key pain specialists and surgeons as this analgesic is used for post-surgical pain control. Subject to the termination provisions herein and in the Master Services Agreement, the number of Sales Representatives and Regional Managers may vary at Pacira's discretion.

B. PROJECT TEAMS:

Pacira	**contact:**	**Taunia Markvicka, VP Commercial Development**
	address:	**Pacira Pharmaceuticals** **5 Sylvan Way** **Parsippany NJ 07054**
	phone:	**973-254-3565**
Quintiles Contact Person:		**Joseph F. Chirillo Sr. VP of Commercialization** Strategic and Risk-Based Business
	address:	**Quintiles Commercial US, Inc**. **10 Waterview Blvd.** **Parsippany, NJ 07054**
	phone:	**215-396-8344**

Routine correspondence relevant to the operation of the sales force should be sent to the above-named contact persons. All notices or similar communications in regard to the terms or a change of terms of this Work Order are to be sent to the parties named in the Master Services Agreement - Section 16. Notices.

C. PROJECT TERM AND KEY DATES:

Project Start Date	Effective Date
Project Leader Start Date	ASAP after Effective Date
Regional Manager Start Date	[**]

Sales Representative Start Date	[**]
Initial Classroom Training Dates	[**]
Last Sales Representative Field Day	[**]
Last Regional Manager Day/Project End Date	[**]

"Project Term" shall mean the period of time beginning on the Project Start Date and ending on the Project End Date. This Work Order shall renew automatically for successive one year terms, unless terminated by either party within sixty (60) days prior to the Project End Date. Upon each such renewal, the Project End Date will be advanced one full year. Any increases or reductions in Daily Fees and other fees due to Quintiles shall be mutually agreed to between Pacira and Quintiles.

D. DEFINITIONS

1. "Daily Fee" shall mean the applicable fee due Quintiles for each Day Worked.

2. "Day Worked" shall mean a day of service during which a Sales Representative details Prescribers, or attends scheduled company training and/or specifically designated home study. A "Day Worked" by a Regional Manager shall mean a day during which the Regional Manager performs duties and responsibilities described in the Work Order. Days Worked shall not include days on leave, holidays, sick days or vacations.

3. "Detail" shall mean an interactive face-to-face contact by a Sales Representative with a Prescriber or the Prescriber's legally empowered designee, during which a promotional message involving the Product is given in accordance with the Promotional Program. When used as a verb, "detail," "details" and "detailed" shall mean to engage in a Detail as defined herein.

4. "Prescriber" shall mean physicians and other health care professionals legally authorized to write prescriptions for pharmaceutical products.

5. "Product" shall mean the Pacira pharmaceutical products specifically identified in the Work Order or any other product whose promotion and detailing is assigned to Quintiles by mutual agreement with Pacira.

6. "Promotional Expense Budget" shall mean the funding and guidelines for use of such funding that are provided by Pacira for use by the Sales Force when detailing Product.

7. "Promotional Material" shall mean the Product labeling and package inserts, sales aids and detailing materials, and other promotional support items provided by Pacira to Quintiles, for use in promotion of the Product.

8. "Promotional Program" shall mean the marketing plan, strategy and promotional message for the Product, which will include use of the Promotional Material and the Promotional Expense Budget.

9. "Qualified Candidate" shall mean a candidate for inclusion on the Sales Force that meets the Sales Force Qualifications set forth in Section E(3) of this Work Order.

10. "Sales Force" shall mean the Sales Representatives, Regional Managers and Project Leader, individually and as a group, that have been assigned to deliver Details of the Product in accordance with the terms of this Work Order.

11. "Sales Representative" shall mean a Quintiles employee who has been trained and equipped to detail Prescribers.

12. "Target Prescriber" shall mean one of the specifically identified Prescribers within a Sales Representative's territory to be detailed by the Sales Representative.

13. "Territory" shall mean the United States and Puerto Rico. In connection with an individual Sales Representative, the territory shall be the geographic area assigned to the individual Sales Representative.

E. QUINTILES RIGHTS, RESPONSIBILITIES AND OBLIGATIONS

1. Sales Force. The Sales Force will initially be composed of the following Quintiles employees:

Number	Position Title
63	Sales Representatives
6	Regional Managers
1	Project Leader

Pacira Pharmaceuticals may request that Quintiles provide additional Sales Force Personnel by submitting a written request in substantially the form attached hereto as Exhibit 1 ("Additional Personnel Request Form"). As the total number of Sales Representatives increases for the Sales Force, additional Regional Managers may also be increased in order to maintain a mutually agreed upon number of Regional Managers.

2. Recruitment. Quintiles shall be responsible for recruitment and re-recruitment (replacement) of the Sales Representatives and Regional Managers in accordance with the Sales Force Qualifications described below. Quintiles shall obtain all appropriate background checks and drug screens. Quintiles shall provide an average of three Qualified Candidates per Sales Force position. If Pacira elects to participate in the final selection of members of the Sales Force, Pacira shall approve or disapprove qualified candidates within five (5) business days after the Qualified Candidates are submitted to Pacira for final selection. Absent such approval or disapproval from Pacira, Quintiles

shall select from the final Qualified Candidates. If Pacira rejects three Qualified Candidates for a territory, Pacira shall reimburse Quintiles for any costs incurred in sourcing additional qualified candidates until the territory is filled. For candidates that Pacira has identified to Quintiles, Quintiles agrees to credit the recruiting fee with respect to such candidates, and charge Pacira only for those costs incurred in connection with the actual employment of the candidate.

3. Sales Force Qualifications. Quintiles will exercise its best commercial efforts to recruit from a diverse candidate base. A qualified candidate for Sales Representatives shall meet the following minimum qualifications: four-year college degree (B.A., B.S. or equivalent); minimum 2 years outside sales experience, 3 years pharmaceutical experience and at least 1 year of hospital experience. A qualified candidate for Regional Manager shall meet the following minimum qualifications: four-year college degree (B.A., B.S. or equivalent); minimum 2 years outside sales experience, minimum one year previous management experience and have hospital experience. Pacira may provide a target list to Quintiles to support the recruitment. In such event, Quintiles shall use its best commercial efforts to identify qualified candidates from such list and recruit such qualified candidates.

4. Position Descriptions and Duties. Quintiles shall manage, supervise and evaluate the performance of the Project Leader, Regional Managers and Sales Representatives in accordance with the responsibilities and duties identified below. All Sales Force employees shall demonstrate the following: work ethic and integrity; planning, organizing and territory management skills; strong interpersonal skills; excellent communication skills; critical thinking and analysis; problem solving; decisiveness; sound judgment; customer-focused selling skills; basic computer skills; ability to listen and learn.

Sales Representatives

- Generate sales in line with assigned territory quota
- Maintain and update current and prospective target physician profiles
- Keep current with market knowledge and competitive products
- Maintain a professional image for Pacira and Pacira Products
- Participate in all training and sales meetings
- Plan and organize territory to meet sales and call targets
- Make sales presentations (details) — individual, one-on-one, in-services
- Make complete, accurate and timely submission of all time-keeping, call activity, sample activity and expense reports
- Compliance with Promotional Program, and proper use of Promotional Materials and Promotional Expense Budgets
- Participate or coordinate Lunch & Learns, dinner programs, weekend events, as appropriate

- Have appropriate interaction with co-promotional partners or counterparts
- Ability to comply with credentialing requirements

Project Leader

- Recruit, interview and select Sales Representatives *(and subordinate managers)*
- Handle 180 day and annual performance review, personnel issues, discipline and termination of *(Sales Representatives and)* subordinate managers
- Generate sales in line with project TRX goals
- Acts as the primary link between the Pacira and Quintiles for all operational and HR needs
- Prepare monthly reports to Pacira, as required by the terms of this Work Order.
- Make regular field visits: to develop and motivate Sales Representatives for attainment of sales objectives; to assess and monitor field activity and work schedules; to monitor and manage field reporting by Sales Representatives, including call and sample reporting.
- Assist with the planning and delivery of training, and periodic sales meetings
- Review and approve expense reports; monitor compliance with expense policies.
- Monitors compliance with Promotional Program, and proper use of Promotional Materials and Promotional Expense Budgets
- Monitors compliance with PDMA and sample accountability procedures
- Monitors time-keeping and attendance

Project Leaders, Regional Managers

- Recruit, interview and select Sales Representatives and subordinate managers
- Handle 180 day and annual performance review, personnel issues, discipline and termination of Sales Representatives and subordinate managers
- Generate sales in line with project TRX goals
- Regional Managers shall make regular field visits: to develop and motivate Sales Representatives for attainment of sales objectives; to assess and monitor field activity and work schedules; to monitor and manage field reporting by Sales Representatives, including call and sample reporting.
- Communicate with Pacira field/regional managers on regular and timely basis
- Assist with the planning and delivery of training, and periodic sales meetings
- Review and approve expense reports; monitor compliance with expense policies.
- Monitors compliance with Promotional Program, and proper use of Promotional Materials and Promotional Expense Budgets
- Monitors time-keeping and attendance

5. Sales Force Compensation; Benefits. Quintiles shall compensate the Sales Force employees with a combination of salary and variable incentive (bonus). Bonuses and other incentives shall not be included in the Daily Fee. Quintiles shall establish a target average salary and salary matrix, which recognizes greater experience and training, and

preferred selection criteria. The terms and conditions of a variable incentive compensation plan ("Incentive Plan") shall be mutually determined by Quintiles and Pacira, including eligibility criteria and performance targets. The plan may also include incentive awards such as trips and prizes. Quintiles shall administer the Incentive Plan, determine eligibility and pay the incentive compensation and awards, in accordance with the Incentive Plan. Sales Force employees shall be eligible to receive an auto allowance, and shall be entitled to participate in the Quintiles employee benefit plans for health and dental care, and 401k, all in accordance with company eligibility criteria.

6. Pacira Training and Periodic Sales Meetings. Quintiles shall facilitate the participation of the Sales Force in Pacira's initial sales training, backfill training of replacements for Regional Managers and Sales Representatives and all follow-up training, including periodic sales meetings. Pacira may request Quintiles's participation in the delivery of training and Quintiles will provide such services on a time and materials basis as the parties may agree in a written amendment to this Work Order. In all cases, Quintiles shall monitor and observe all Pacira training. Quintiles may have Sales Force Members participate in the Quintiles LEAD(1) and LEAD(2) Leadership Education and Development Programs.

7. Sales Force Development Training. Quintiles shall provide the Sales Force with the following training. For experienced managers, the training may need to be adapted or revised.

- **Manager Development Training Phase 1 (Home Study)**

Home Study Modules

DDI Targeted Selection
DDI Certification
Taleo Training
Fleet Safety Training
PeopleSoft Time and Labor
Concur
IDEALS Overview
Pacira Product / Disease State Backgrounders
Progressive Discipline
Regulatory Agency Searches & Inspection
Adverse Drug Reaction Reporting
Benefits Overview
PeopleSoft Direct Access for Managers
Co-Employment
It's All About Respect
Culture of Compliance
Global Privacy Awareness
Professional Skills
HIPAA

Business Ethics
Conflict of Interest

- **Manager Development Training Phase 2 (Classroom)**

Classroom Modules

Quintiles Overview
Pacira Company Overview
Project Lead Expectations and Project Metrics
The Manager's Role
Setting Region / Team Expectations
Pacira Product / Disease Review (Optional)
Pacira Marketing Overview (Optional)
HR Forum & Generations at Work
Benefits Review (Optional)
IDEALS Overview
Building Trust
Motivating Others
iCoach including Role Plays
iCoach certification
Field Administration (including close out process)
Innsight Field Contact Report and Coaching System
Train-the-Trainer for launch meeting

- **Rep Initial Development Training (Home Study)**

Home Study Modules

Fleet Safety Training
PeopleSoft Time and Labor
Concur-Expense Field Employee Training
IDEALS Overview
Pacira Product / Disease State Backgrounders

Regulatory Agency Searches & Inspection
Adverse Drug Reaction Reporting
Benefits Overview
PeopleSoft HR Employee Direct Access
Sample Accountability
It's All About Respect
Culture of Compliance
Global Privacy Awareness
Good Promotional Practices
HIPAA
Business Ethics at Quintiles

Conflict of Interest Management
Professional Skills

- **Rep Initial Development Training (Classroom)**

Classroom Modules

Quintiles Overview & Expectations
Pacira Company Overview
Corporate Compliance
Good Promotional Practices
It's All About Respect
HIPAA
Field Administration
Fleet Administration

Sample Accountability
PI & Competition
Pacira Product / Disease Review (Optional)
Pacira Marketing Overview (Optional)
Adverse Event (Pharmacovigilance)
SFA
IDEALS Overview
Objection Workshop
Clinical Reprint
Role Plays- Vis Aid tour, practice sessions etc
Role-Play Certification
Train-the-Trainer for launch meeting

- **Quintiles Learning Management System (Learning Curve) Access**

- **Custom Training Module Development**

At the request of Pacira, Quintiles will customize existing therapeutic training materials or create new training materials for Pacira's products and therapy areas. These training modules may come from a variety of existing or market available resources, or be developed to Pacira's specifications from scratch. The cost of this customization or development will be conveyed to Pacira in a written estimate with work commencing upon the execution of a written amendment to this Work Order.

8. Promotional Activities. Quintiles shall be responsible for managing and monitoring the promotional activities of the Sales Force, in strict adherence to the Promotional Program and using only the Promotional Materials provided by Pacira and in accordance with all applicable laws, rules and regulations. Sales Representatives shall not be permitted to develop, create or use any other promotional material or literature in connection with the

promotion of the Product. The Sales Representatives will be required to immediately cease the use of any Promotional Materials when instructed to do so by Pacira. Quintiles shall monitor that Promotional Materials are not changed, (including, without limitation, by underlining or otherwise highlighting any text or graphics or adding any notes thereto) by the Sales Representatives. Sales Representatives shall be required to limit their statements and claims regarding the Product, including as to efficacy and safety, to those which are consistent with the Product labels, package inserts and Promotional Materials. The Sales Representatives shall not be permitted to add, delete or modify claims of the efficacy or safety in the promotion of the Product, nor shall the Sales Representatives be permitted to make any untrue or misleading statements or comments about the Products or any Pacira competitors or competitor products.

9. Monthly Reporting. Quintiles and Pacira will agree on a monthly project summary report, the content to be agreed upon by both parties.

10. Reporting by Sales Representatives. Sales Representatives shall be required to report all field activities and expenditures in a manner that is timely, accurate and honest, and in accordance with policies and procedures for the applicable reporting systems. Quintiles Regional Managers shall routinely reinforce the importance of compliance with the reporting guidelines and policies (e.g. sample accountability, call reporting, promotional budget expenditures, travel expenses). Newly hired Sales Representatives shall receive training on the reporting systems, guidelines and policies during the initial sales training program

11. Management and Discipline of the Sales Force. Quintiles shall be responsible to manage the Sales Force. Quintiles has sole authority to remove employees from the Sales Force. In conformance with Quintiles policy, Quintiles shall provide appropriate employee counseling and discipline, up to and including termination, to Sales Force members who violate employment rules and who are otherwise under performing their job responsibilities. Quintiles will promptly follow-up on any reports made by Pacira of Sales Force member non-compliance and will apply such counseling or discipline as may be warranted in Quintiles' sole judgment.

F. PACIRA RIGHTS, RESPONSIBILITIES AND OBLIGATIONS

1. Promotional Program and Promotional Materials. Pacira shall be responsible for providing a Promotional Program, Promotional Materials and Promotional Expense Budget that (i) will not involve the counseling or promotion of a business arrangement that violates federal or state law; (ii) will be in compliance with the PhRMA Code on Interactions with Healthcare Providers and the Compliance Program Guidance for Pharmaceutical Manufacturers developed by the United States Department of Health and Human Services Office of the Inspector General; and (iii) shall not require or encourage the Sales Representatives to offer, pay, solicit or receive any remuneration from or to Prescribers to induce referrals or purchase of Pacira Product. Pacira shall be responsible for providing written guidelines for proper use of the Pacira's Promotional Expense Budget.

2. Training and Periodic Sales Meetings.
Pacira shall be responsible for the following:

- Programming, materials and facilities for initial Sales Force training. The initial training agenda shall include one day designated for Quintiles training regarding personnel management, compensation and benefits and field administration and 1 day of SFA training
- Programming, materials and facilities for periodic sales meetings or product launch meetings as designated by Pacira.

3. Sales Data. Pacira shall be solely responsible for obtaining historic and ongoing sales data regarding Pacira Products. Pacira shall be solely responsible to pay any applicable fee required by any third party, including, but not limited to, any per rep fee imposed by the American Medical Association or any third party charge from IMS Health, SDI, or other third party data provider for support and services.

4. Productivity Reports. Every month, Pacira shall provide Quintiles with the data Pacira receives from its third party logistics provider to produce productivity reports for the Sales Force in order to calculate bonuses, evaluate performance, and any other mutually agreed purposes, including but not limited to, (i) Actual purchases or DDD sales data by territory, region, and nation; and (ii) Early view by territory. Pacira shall make all reasonable efforts to deliver to Quintiles the data with the same frequency and with the same speed as such are received and distributed by Pacira with regard to their own sales forces.

5. Business Cards; Detail bags. Quintiles shall supply the Sales Force with business cards, the content of which shall be subject to approval by Pacira, such approval not to be unreasonably withheld. Quintiles shall supply the Sales Force with detail bags at Pacira's expense

6. Reimbursable Expenses. Pacira shall be responsible to reimburse Quintiles for the following expenses in accordance with the expense budget agreed upon by the parties, when necessary and actually incurred by Quintiles in support of the Project:

- Travel expenses in association with recruitment
- Travel expenses in connection with all training and periodic sales meetings
- Travel expenses in connection with field management and audits in the territories
- Spends made pursuant to the Promotional Program
- Costs arising from field representative licensure or reporting requirements.

7. No Recruitment. Subject to Section G.2 below, through the Project End Date, and for one year thereafter, neither Pacira nor Quintiles shall attempt to actively recruit or solicit any personnel from the other Party without the prior written consent of such other Party; provided that, notwithstanding the foregoing, each Party shall be permitted to engage in general recruitment through advertisements or recruiting through head-hunters so long as the other Party's employees and personnel are not specifically targeted.

G. FEES AND PASS-THROUGH EXPENSES

1. All relevant fees and pass-through expenses are set forth in more detail on Attachment B, attached hereto. In the event of any inconsistency between this paragraph G and Attachment B, Attachment B shall govern.

2. Daily Fees. Pacira shall pay Quintiles a Daily Fee for each Day Worked by Sales Representatives and Regional Managers during the Project Term and thereafter if required for Project close-out. The Daily Fees and total estimated Daily Fees during the Project Term are stated in the following table, and are also set forth on Attachment B:

	Number	Daily Fee	Estimated Days Worked	Estimated Total Days Worked	Estimated Total Fees
Sales Representatives	63	[**]	[**]	[**]	[**]
Regional Managers	6	[**]	[**]	[**]	[**]
Project Leaders	1	[**]	[**]	[**]	[**]
			Estimated Total Fees		[**]

3. Pass-Through Expenses. Pacira shall play Quintiles for Pass-Through expenses as incurred. Estimated Pass-Through expenses are set forth on Attachment B.

4. Incentive Plan Administration. Pacira shall pay Quintiles an amount equal to (i) the amount of all non-salary compensation earned by Sales Force members in accordance with the terms of the Incentive Plan or otherwise requested by Pacira; and (ii) an amount equal to [**]% of such compensation for Quintiles's employer costs (payroll taxes, benefits), as further set forth on Attachment B.

5. Training Fee. For the Quintiles training services as described in Paragraph E(7) of this Work Order, Pacira shall pay Quintiles a fee of $ [**]. Further details regarding the training services and associated fees are set forth on Attachment B. The training fees shall be invoiced by Quintiles immediately following the conclusion of the initial Sales Force training program.

6. Promotional Fees. A promotional budget is to be determined by Pacira, in its sole reasonable discretion.

7. Recruiting/Backfill Recruiting Fees. For every Sales Representative, Regional Manager or Project Leader placed onto the project by Quintiles initially or on backfill, Pacira shall pay Quintiles a Recruiting Fee of $[**], respectively, as further set forth on Attachment B. No Recruiting Fee shall be due if Pacira identified such Sales Representative, Regional Manager, or Project Leader as a target to Quintiles. During the Project Term, and notwithstanding the backfill actually required, Pacira shall only be responsible for Replacement Recruiting Fees for up to [**] percent ([**]%) of the initial personnel set

forth on the table in Section G.1 of this Work Order. Replacement Recruiting Fees for any backfill exceeding [**]% of such initial personnel shall be waived by Quintiles. Estimated Recruiting / Backfill Recruiting Fees are set forth on Attachment B

8. SFA Fees. Pacira shall pay the following fees in connection with SFA, as further set forth on Attachment B: (a) an immediate payment of $[**] for start-up and deployment; and (b) a monthly SFA services fee in the amount of $ [**] for computers, licenses and other items listed in Attachment C. In the event that any equipment or IT hardware (including, without limitation, laptops and mobile devices) are purchased for the Project and the cost for such equipment and hardware invoiced to and paid by Pacira, such equipment and hardware shall, at Pacira's option, become the property of Pacira; in the event any equipment and/or hardware is not paid in full as of the Project End Date, and Pacira wishes to retain such property, Pacira will be required to pay to Quintiles any amounts remaining on the equipment lease or the asset value, based upon straight-line depreciation of the equipment and/or hardware, as more fully described in Attachment D hereto.

9. Dollars at Risk. Once Net Product Sales as recognized by Pacira have reached $30 million, Pacira will pay Quintiles $[**] for each additional million in Net Product Sales (the "Risk Payment"), up until Net Product Sales have reached $[**], as follows:

Product Sales	Quintiles Payment	Cumulative Payment to Quintiles
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	[**]
[**]	[**]	

In addition, in the event that at any time during the Project Term the Pacira Products are subject to back order or stock out or are generally unavailable for distribution for any cause not attributable to Quintiles or a Force Majeure event ("Shortage"), Pacira shall provide Quintiles with notice of such Shortage. If a Shortage shall occur, the length of time during which there is a Shortage shall be added onto the Project End Date solely for

purposes of calculating the Risk Payment set forth herein. (By way of example, if there is a Shortage that lasts thirty (30) days, then the Project End Date shall be extended for a period of thirty (30) days solely for purposes of calculating the Risk Payment which may be due hereunder).

10. Payment Schedule. Quintiles shall invoice Pacira monthly for all Fees, Take-on Fees and Pass-Through Expenses, as further set forth on Attachment B. At the end of each calendar month Quintiles shall provide Pacira a list of the billable Sales Force personnel and the total number of Days Worked multiplied by the respective Daily Fee rate. Quintiles shall invoice Pacira in advance for all incentive compensation and related employer costs, and the incentive compensation shall be paid to the Quintiles Personnel by Quintiles only after Pacira pays to Quintiles the amount of the applicable incentive compensation invoices.

11. Early Termination. Pursuant to the terms of the Master Agreement, this Work Order may be terminated by Pacira by providing Quintiles with sixty (60) days' prior written notice of its intent to terminate. Throughout the notice period, the terms and conditions of this Work Order shall remain in full force and effect and Pacira will continue to be responsible for all Fees and Pass-through Expenses that are payable in accordance with Section 11.5 of the Master Services Agreement, as well as any non-cancelable obligations incurred in accordance with the terms of this Work Order, net of recoveries (e.g. cancellation fees) with respect to the canceled territories. For avoidance of doubt, unless Pacira provides written instruction otherwise, Quintiles shall continue to fully perform its obligations under this Work Order during the foregoing sixty (60) day notice period.

12. Changes in Scope; Additional Services . All prices and costs contained in this Work Order are subject to mutually agreed revision as needed to reflect changes in the scope of services being provided by Quintiles. Additional services will be provided at Quintiles's normal and customary rates, subject to the prior written approval of Pacira. No change or amendment to this Work Order shall be effective without the prior written approval of both Parties.

13. Expense Allocation Chart . The financial responsibility of Quintiles and Pacira for expenses and costs of Sales Force operation shall be allocated in accordance with the terms of this Work Order, which are summarized for illustrative purposes in the "Sales Force Expense Allocation" chart (Attachment A).

14. Sales Force Roll Over.

a. Pacira may hire any members of the Sales Force prior to or contemporaneously with the Project End Date by providing Quintiles sixty (60) days prior notice. .

b. End of Term. In order to protect the integrity of future sales teams to which Quintiles field employees may be assigned, in the event Pacira does not hire members of the Sales Force as provided in Section G 14(a) above, for one year after the end of the Project Term, Pacira may not directly solicit or recruit

any Sales Force member who remains employed by Quintiles following the Project End Date to work for Pacira. In the event Pacira breaches this obligation, , Pacira shall be liable to Quintiles in the amount $50,000 for each Sales Force member solicited or recruited. The restriction in this Section G 14(b) shall not apply to any solicitation directed at the general public in publications available to the general public.

H. ADDITIONAL TERMS

1. Steering Committee. Pacira shall make all decisions with respect to the strategy and resources for the marketing and promotion of the Products. However, other issues may arise under the terms of this Work Order or between the parties while operating under this Work Order which are appropriate for consultation between the parties to ensure maximum productivity of the Sales Force, including, but not limited to, the establishment of work rules or the response to greater than expected Sales Force turnover and other changing market conditions. The parties shall, therefore, establish a Steering Committee, chaired by Pacira and consisting of up to three (3) members from each party. The chairperson's duties shall include site selection, logistics, agenda and facilitation; provided however, that a Quintiles Committee member may submit agenda items to the Chair and such items shall be included in the next regular meeting of the Steering Committee. Each member of the Committee shall be an employee or member of the Board of Directors of the party that appointed such member. Initial appointments shall be made within fourteen (14) days of the date of this Work Order. A member of the Committee may be removed at any time, with or without cause, Work Order by the party that appointed such member. The Committee shall meet each quarter, or otherwise at the call of the chairperson to review, coordinate, and discuss issues regarding the Promotional Program. In addition, the Committee shall review and resolve issues pertaining to this Work Order. The members of the Committee will use reasonable efforts to reach consensus on all decisions.

In Witness Whereof, Pacira and Quintiles have caused this Work Order # 6508 to be duly executed on their behalf by their authorized representatives and made effective as of Effective Date of Work Order appearing above.

Accepted and Agreed to by:

QUINTILES COMMERCIAL US, INC.	**PACIRA PHARMACEUTICALS**
/s/ Daryl Gaugler	/s/ David Stack
By: By: Daryl Gaugler	By: David Stack
Title: Title: Sr. VP of Commercialization	Title: CEO and President
Date:	Date: August 30, 2011

Attachment A to Sales Force Work Order
SALES FORCE EXPENSE ALLOCATION

DATE

Project # 6508

Category	Included in Daily Fee	Additional Fee Due Quintiles	Pass-Through Expenses	Pacira Direct Expenses
Salary, including payroll taxes, for Sales Representatives, Regional Managers, Project Leader	X			
Incentive compensation (bonus) for Sales Representatives, including payroll taxes			X	
Benefits package, including (401k), medical, dental, Rx, vacation, holidays	X			
Auto Costs in territory, including monthly allowance, mileage reimbursement, parking and tolls.	X			
Basic Business Expenses in territory, including phone, paper supplies, postage and voice mail.	X			
Business Cards & Detail Bags			X	
Call Reporting & Sample Accountability		X		
Computers for Sales Representatives, including software, helpdesk support, data/replication lines		X		
Computers for DMs, RSMs, NSM, including software, helpdesk support, data/replication lines		X		
IMS Third Party Charges			X	
Infrastructure support (operations, HR, finance, legal)	X			
Liability Insurance: employment, workers comp, E & O, CGL, auto	X			
Initial recruitment, includes drug screens, background and motor vehicle checks		X		
Backfill recruitment, includes drug screens, background and motor vehicle checks		X		
Meetings: Pacira national and regional meetings; product launches				X
Promotional Expense Budget (access money)			X	
Promotional Program and Promotional Materials (sales aids)				X
Promotional marketing expenses, including sales data				X
Training program, materials and facilities; initial and follow-up		X		
Quintiles core curriculum training program, materials and facilities		X		
Field Sales Licensure or Reporting Expenses		X		
Travel Expenses (air, hotel, meals, T&E)			X	
Licensing and Credentialing			X	

Attachment B to Sales Force Work Order

Full Time Representatives	**63**
District Managers	**6**
Project Leader	**1]**

DIRECT COSTS (IN DAILY RATE)

COMPENSATION			
Representatives Compensation & Benefits		**$**	**[**]**
	Salary	*$*	*[**]*
	Benefits/Taxes	*$*	*[**]*
District Manager Compensation & Benefits		**$**	**[**]**
	Salary	*$*	*[**]*
	Benefits/Taxes	*$*	*[**]*
PL Compensation & Benefits		**$**	**[**]**
	Salary	*$*	*[**]*
	Benefits/Taxes	*$*	*[**]*
Project Coordinator Support		**$**	**[**]**
Systems and Services Manager		**$**	**[**]**
Total Compensation		**$**	**[**]**
EXPENSES			
Rep Field Expenses		*$*	*[**]*
	Auto Allowance	*$*	*[**]*
	Others	*$*	*[**]*
DM Field Expenses		**$**	**[**]**
	Auto Allowance	*$*	*[**]*
	Others	*$*	*[**]*
PL Field Expenses		**$**	**[**]**
	Auto Allowance	*$*	*[**]*
	Others	*$*	*[**]*
Total Expenses		**$**	**[**]**
Direct Costs Subtotal		**$**	**[**]**

Assumptions:

$[**] annual salary payroll taxes (FICA, SICA, etc.), medical/dental, life, 401(k), W/C, EAP

$[**] annual salary includes additional months for startup/closeout payroll taxes (FICA, SICA, etc.), medical/dental, life, 401(k), W/C, EAP

$[**] annual salary includes additional months for startup/closeout payroll taxes (FICA, SICA, etc.), medical/dental, life, 401(k), W/C, EAP Project Coordinator salary and employment costs SSM salary and employment costs

car + gas + insurance + maintenance
telephone, ISP, supplies, postage, parking & tolls, voicemail, AMA license

car + gas + insurance + maintenance
telephone, ISP, supplies, postage, parking & tolls, voicemail

car + gas + insurance + maintenance
telephone, ISP, supplies, postage, parking & tolls, voicemail

ADDITIONAL COSTS (NOT IN DAILY RATE)

RECRUITING			
Initial Recruitment		**$**	**[**]**
	Rep	*$*	*[**]*
	DM	*$*	*[**]*
	PL	*$*	*[**]*
Total Recruitment Costs		**$**	**[**]**
BONUS			
Target Bonus		**$**	**[**]**

	Rep	*$*	*[**]*
	DM	*$*	*[**]*
	PL	*$*	*[**]*
Total Bonus		**$**	**[**]**
TRAINING			
Manager Development Training Phase I - Homestudy		**$**	**[**]**
Manager Development Training Phase II - Classroom		**$**	**[**]**
Representative Initial Development Training (Single Session)		**$**	**[**]**
SFA Training		**$**	**[**]**
Quintiles Learning System		**$**	**[**]**
Total Training Costs		**$**	**[**]**
SFA/IT			
Startup Costs		**$**	**[**]**
	IT	*$*	*[**]*
	SFA	*$*	*[**]*
Annual Costs		**$**	**[**]**
	IT	*$*	*[**]*
	SFA	*$*	*[**]*
Total SFA/IT Costs		**$**	**[**]**
SAMPLE ACCOUNTABILITY			
SA Automated Model		**$**	—
Additional Costs Subtotal		**$**	**[**]**
SERVICE FEE		**$**	**[**]**
TOTAL PROJECT COSTS		**$**	**[**]**

Assumptions:

$[**] per rep - includes drug screen and reference check
$[**] per DM - includes drug screen and reference check
$[**] per PL - includes drug screen and reference check

[**]% bonus potential + [**]% tax
[**]% bonus potential + [**]% tax
[**]% bonus potential +[**]% tax

Targeted Selection Certification, FastTrackSelect Recruiting Model, Field Sales Administration
Training Delivery, Materials
Training Development, Training Delivery, Training Account Executive, Materials
Training on SFA platform
Web based training for home study and on going development

Extranet hardware, shipping, MS Office/Utilities setup, set-up and implementation, helpdesk Veeva SFA implementation and setup

Computers, accessories, printers, shipping, MS Office/Utilities licenses, system maintenance, helpdesk Veeva SFA license fee

Reconciliations, inventories, transaction processing, data entry, reporting compliance

Attachment B (cont.) to Sales Force Work Order
Project #6508

COSTS TO BE CHARGED AS INCURRED
ESTIMATED BACKFILL RECRUITING

Backfill Recruiting	Rep	**$**	[**]
TRAVEL EXPENSES			
T/E for recruiting travel			**[**]**
T/E to training (Single Session)		**$**	**[**]**
T/E to meetings		**$**	**[**]**
T/E to support sales		**$**	**[**]**
LICENSING & CREDENTIALS			
Licensing & Credentials		**$**	**[**]**
Total As Incurred Expenses		**$**	**[**]**
Risk Metrics		**$**	**[**]**

[**] per rep backfill and[**]%turnover

Estimated travel costs for manager and sales rep recruiting

Estimated travel, lodging, and meals to classroom training, assumes single training session for entire team

Estimated POA meetings: 2two-day meetings

Estimated at 1 day per month per Rep @ $[**]per day, [**] days per month per Mgr @ $[**] per day, [**] days per month per PL @ $[**] per day

Estimate of $[**] per team member is being included as a pass-through due to a growing industry trend of requiring credentials in order to gain access to a facility.

Attachment C to Sales Force Work Order
Project #6508

Budgeted Project Costs

Section of Work Order	G1	G2	G3	G4	G5	G6	G7	G8	
Month	Budgeted Labor	Estimated PT Costs	P/T Bonus	Training	Promotional Funds	Backfill/Recruiting Estimate	IT/CRM	Risk	Total
Contract Yr 1									
Jun-11									-
Jul-11									-
Aug-11	[**]							[**]	[**]
Sep-11	[**]					[**]	[**]	[**]	[**]
Oct-11	[**]					[**]		[**]	[**]
Nov-11	[**]							[**]	[**]
Dec-11	[**]					[**]		[**]	[**]
Jan-12	[**]	[**]	[**]	[**]		[**]	[**]	[**]	[**]
Feb-12	[**]	[**]				[**]	[**]	[**]	[**]
Mar-12	[**]	[**]				[**]	[**]	[**]	[**]
Apr-12	[**]	[**]	[**]			[**]	[**]	[**]	[**]
May-12	[**]	[**]				[**]	[**]	[**]	[**]
Jun-12	[**]	[**]				[**]	[**]	[**]	[**]
Jul-12	[**]	[**]	[**]			[**]	[**]	[**]	[**]
Aug-12	[**]	[**]				[**]	[**]	[**]	[**]
Sep-12	[**]	[**]				[**]	[**]	[**]	[**]
Oct-12	[**]	[**]	[**]			[**]	[**]	[**]	[**]
Nov-12	[**]	[**]				[**]	[**]	[**]	[**]
Dec-12	[**]	[**]				[**]	[**]	[**]	[**]
Jan-13			[**]						[**]
Total Budget contract	[**]	[**]	[**]	[**]	-	[**]	[**]	[**]	[**]

Attachment D to Sales Force Work Order
Hardware Amortization
Project #6508

Pacira IT rollover costs

	Purchase price per unit	Monthly amortization*	Book value per unit after [**] months	Book value per unit after [**] months
Laptop, CD/DVD, Maintenance Plan	$ [**]	$ [**]	$ [**]	$ [**]
Peripherals, AC adapters, printers, carry bag	$ [**]	$ [**]	$ [**]	$ [**]
	$ [**]	$ [**]	$ [**]	$ [**]
Add'l costs per unit to be incurred at time of purchase				
Shipping Estimate (Pass-through)	$ [**]	$ [**]	$ [**]	$ [**]
Total cost to purchase including shipping based on:	$ [**]	units	$ [**]	$ [**]

*- Based on [**] month straight line depreciation
Does not include any server, help desk or infrastructure support costs.

EXHIBIT 1 to Sales Force Work Order

ADDITIONAL PERSONNEL REQUEST FORM

This Request for Additional Personnel is made pursuant to Master Services Agreement dated as of between Pacira Pharmaceuticals and Quintiles Commercial US, Inc. ("Quintiles"), and Work Order #6508 Dated .

PART 1

Number and Category of Personnel Requested:	Additional Fees Required For Each Added Personnel:
☐ Sales Representatives	Recruiting Fee — $ Training Fee — $
☐ Regional Managers	Estimated Pass-Throughs — $ Monthly Incremental Fees : $ (SFA), $
☐ Other (describe):	(Sample Accountability), $ (Fleet)

TERRITORY LOCATION(S)

REQUESTED START DATE(S)

AUTHORIZED PACIRA REPRESENTATIVE SUBMITTING REQUEST

Signature: _____

Name:
Title:
Date:
Phone:
Fax:

PART 2 — **To Be Completed by Quintiles**

This Additional Personnel Request Form was Received by Quintiles on the following date:

Request is Accepted, and Recruitment shall begin immediately:

_____

(sign and date)
Contact Person:
Phone:

Request is Not Accepted (identify above information which must be clarified or changed before Request may be accepted by Quintiles):

_____

(sign and date)
Contact Person:
Phone:

Exhibit 31.1

CERTIFICATION

I, David Stack, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacira Pharmaceuticals, 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) 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

(c) 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: October 31, 2011

/s/David Stack

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

Exhibit 31.2

CERTIFICATION

I, James Scibetta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacira Pharmaceuticals, 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) 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

(c) 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: October 31, 2011

/s/ James Scibetta

James Scibetta
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

STATEMENT 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 Pharmaceuticals, Inc. for the quarter ended September 30, 2011 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 Pharmaceuticals, Inc.

Date: October 31, 2011

/s/ David Stack

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

A signed original of this written statement required by Section 906 has been provided to Pacira Pharmaceuticals, Inc. and will be retained by Pacira Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

STATEMENT 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 Pharmaceuticals, Inc. for the quarter ended September 30, 2011 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 Pharmaceuticals, Inc.

Date: October 31, 2011

/s/ James Scibetta

James Scibetta
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Pacira Pharmaceuticals, Inc. and will be retained by Pacira Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.