

**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 March 31, 2015

OR

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

For the transition period from to

Commission File Number: 001-35060

PACIRA PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

51-0619477
(I.R.S. Employer
Identification No.)

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

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

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

Smaller reporting company

(Do not check if a 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 April 23, 2015, 36,443,244 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

PACIRA PHARMACEUTICALS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2015

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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)

	March 31, 2015	December 31, 2014 (Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,897	\$ 37,520
Restricted cash	—	1,509
Short-term investments	113,989	119,138
Accounts receivable, net	24,511	22,366
Inventories, net	36,264	29,263
Prepaid expenses and other current assets	4,089	4,461
Total current assets	219,750	214,257
Long-term investments	19,938	24,431
Fixed assets, net	67,206	60,632
Goodwill	25,381	23,761
Intangibles, net	323	403
Other assets	2,432	2,588
Total assets	\$ 335,030	\$ 326,072
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,565	\$ 6,758
Accrued expenses	25,296	28,311
Convertible senior notes	104,135	103,100
Current portion of royalty interest obligation	—	276
Current portion of deferred revenue	1,426	1,426
Income taxes payable	31	139
Total current liabilities	136,453	140,010
Deferred revenue	9,152	9,508
Other liabilities	5,404	5,409
Total liabilities	151,009	154,927
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, par value \$0.001; 5,000,000 shares authorized, none issued and outstanding at March 31, 2015 and December 31, 2014	—	—
Common stock, par value \$0.001, 250,000,000 shares authorized; 36,343,731 shares issued and outstanding at March 31, 2015; 36,150,620 shares issued and outstanding at December 31, 2014	36	36
Additional paid-in capital	492,898	481,334
Accumulated deficit	(308,885)	(310,145)
Accumulated other comprehensive loss	(28)	(80)
Total stockholders' equity	184,021	171,145
Total liabilities and stockholders' equity	\$ 335,030	\$ 326,072

See accompanying condensed notes to consolidated financial statements.

PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended	
	March 31,	
	2015	2014
Revenues:		
Net product sales	\$ 57,086	\$ 35,742
Collaborative licensing and development revenue	356	252
Royalty revenue	874	668
Total revenues	<u>58,316</u>	<u>36,662</u>
Operating expenses:		
Cost of goods sold	17,580	18,127
Research and development	5,967	5,204
Selling, general and administrative	31,428	22,589
Total operating expenses	<u>54,975</u>	<u>45,920</u>
Income (loss) from operations	<u>3,341</u>	<u>(9,258)</u>
Other (expense) income:		
Interest income	155	42
Interest expense	(1,996)	(2,107)
Royalty interest obligation	(71)	(120)
Other, net	(117)	(34)
Total other expense, net	<u>(2,029)</u>	<u>(2,219)</u>
Income (loss) before income taxes	1,312	(11,477)
Income tax expense	(52)	—
Net income (loss)	<u>\$ 1,260</u>	<u>\$ (11,477)</u>
Net income (loss) per share:		
Basic and diluted net income (loss) per common share	\$ 0.03	\$ (0.34)
Weighted average common shares outstanding:		
Basic	36,235	33,711
Diluted	41,779	33,711

See accompanying condensed notes to consolidated financial statements.

**PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(Unaudited)
(In thousands)**

	Three Months Ended	
	March 31,	
	2015	2014
Net income (loss)	\$ 1,260	\$ (11,477)
Other comprehensive income:		
Net unrealized gain on investments	52	—
Total other comprehensive income	52	—
Comprehensive income (loss)	\$ 1,312	\$ (11,477)

See accompanying condensed notes to consolidated financial statements.

PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2015

(Unaudited)
(In thousands)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balances at December 31, 2014	36,151	\$ 36	\$ 481,334	\$ (310,145)	\$ (80)	\$ 171,145
Exercise of stock options	193	—	4,047	—	—	4,047
Stock-based compensation	—	—	7,517	—	—	7,517
Net unrealized gain on investments	—	—	—	—	52	52
Net income	—	—	—	1,260	—	1,260
Balances at March 31, 2015	<u>36,344</u>	<u>\$ 36</u>	<u>\$ 492,898</u>	<u>\$ (308,885)</u>	<u>\$ (28)</u>	<u>\$ 184,021</u>

See accompanying condensed notes to consolidated financial statements.

PACIRA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	Three Months Ended	
	March 31,	
	2015	2014
Operating activities:		
Net income (loss)	\$ 1,260	\$ (11,477)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of fixed assets and amortization of intangibles	2,743	2,603
Amortization of unfavorable lease obligation and debt issuance costs	122	122
Amortization of debt discount	1,035	1,035
Loss on disposal of fixed assets	—	8
Stock-based compensation	7,517	3,975
Changes in operating assets and liabilities:		
Restricted cash	1,509	1,633
Accounts receivable, net	(2,145)	(1,379)
Inventories	(7,001)	193
Prepaid expenses and other current assets	372	237
Accounts payable and accrued expenses	(4,316)	(1,531)
Royalty interest obligation	(276)	(181)
Other liabilities	29	278
Deferred revenue	(356)	(252)
Net cash provided by (used in) operating activities	493	(4,736)
Investing activities:		
Purchases of fixed assets	(9,237)	(3,808)
Purchases of short-term investments	(49,937)	(18,946)
Sales of short-term investments	59,631	32,772
Payment of contingent consideration	(1,620)	(999)
Net cash provided by (used in) investing activities	(1,163)	9,019
Financing activities:		
Proceeds from exercise of stock options	4,047	1,964
Net cash provided by financing activities	4,047	1,964
Net increase in cash and cash equivalents	3,377	6,247
Cash and cash equivalents, beginning of period	37,520	12,515
Cash and cash equivalents, end of period	\$ 40,897	\$ 18,762
Supplemental cash flow information:		
Cash paid for interest, including royalty interest obligation	\$ 2,297	\$ 2,251
Cash paid for income taxes	\$ 160	\$ —

See accompanying condensed 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 a specialty pharmaceutical company focused on the development, commercialization and manufacture of proprietary pharmaceutical products, based on its proprietary DepoFoam® extended release drug delivery technology, primarily 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 United States Food and Drug Administration, or FDA, on October 28, 2011 and launched commercially in April 2012. DepoFoam is also the basis for the Company’s other FDA-approved commercial product, DepoCyt(e), which the Company manufactures for its commercial partners.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP, and in accordance with the rules and regulations of the Securities and Exchange Commission 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. Income taxes payable have been reclassified to conform to the current presentation. 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, 2014.

The consolidated financial statements at March 31, 2015, and for the three months ended March 31, 2015 and 2014, are unaudited, but include all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial information set forth herein in accordance with GAAP. The balance sheet as of December 31, 2014 has been derived from the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. 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.

Concentration of Major Customers

The Company’s customers are national and regional wholesalers of pharmaceutical products as well as commercial, collaborative and licensing partners. The Company sells EXPAREL through a drop-ship program under which orders are processed through wholesalers (including AmerisourceBergen Health Corporation, Cardinal Health, Inc. and McKesson Drug Company), but shipments of the product are sent directly to individual accounts, such as hospitals, ambulatory surgery centers and individual doctors. The table below includes the percentage of revenue comprised by the Company’s three largest customers (i.e., wholesalers or commercial partners) in each period presented:

	Three Months Ended	
	March 31,	
	2015	2014
Largest customer	29%	32%
Second largest customer	29%	29%
Third largest customer	28%	23%
	86%	84%

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In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers*, which requires that an entity recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. In order to achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. This update will replace existing revenue recognition guidance under GAAP when it becomes effective for the Company beginning January 1, 2017, with early adoption not permitted. The updated standard will permit the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The adoption of ASU 2015-03 is not expected to have a material impact on the Company's consolidated financial position.

NOTE 3—INVENTORIES

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

	March 31, 2015	December 31, 2014
Raw materials	\$ 10,355	\$ 9,263
Work-in-process	12,511	8,617
Finished goods	13,398	11,383
Total	\$ 36,264	\$ 29,263

NOTE 4—FIXED ASSETS

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

	March 31, 2015	December 31, 2014
Machinery and laboratory equipment	\$ 30,167	\$ 29,697
Computer equipment and software	3,932	3,754
Office furniture and equipment	1,001	1,001
Leasehold improvements	26,560	26,350
Construction in progress	28,323	19,944
Total	89,983	80,746
Less: accumulated depreciation	(22,777)	(20,114)
Fixed assets, net	\$ 67,206	\$ 60,632

For the three months ended March 31, 2015 and 2014, depreciation expense was \$2.7 million and \$2.1 million, respectively. For the three months ended March 31, 2015 and 2014, capitalized interest on the construction of manufacturing sites was \$0.2 million and \$0.1 million, respectively.

NOTE 5—GOODWILL AND INTANGIBLE ASSETS

In March 2007, the Company acquired from SkyePharma Holding, Inc., or Skyepharma, its California operating subsidiary, referred to herein as the Acquisition. The Company's goodwill arose in April 2012 from a contingent milestone payment to Skyepharma in connection with the Acquisition. The Acquisition was accounted for under Statement of Financial Accounting Standards 141, *Accounting for Business Combinations*, which was the effective GAAP standard at the Acquisition date. In connection with the Acquisition, the Company agreed to certain earn-out payments based on a percentage of net sales

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of EXPAREL collected and certain other yet-to-be-developed products, as well as milestone payments for EXPAREL, as follows:

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

The first milestone was met in April 2012, resulting in a \$10.0 million payment to Skyepharma. The Company recorded this payment net of a \$2.0 million contingent consideration liability recognized at the time of the Acquisition, resulting in \$8.0 million recorded as goodwill. In September 2014, the Company made an \$8.0 million milestone payment to Skyepharma in connection with achieving \$100.0 million of annual EXPAREL net sales collected. For purposes of meeting future milestone payments, annual net sales are measured on a rolling quarterly basis. Cumulatively through March 31, 2015, the Company has recorded an additional \$9.4 million as goodwill for earn-out payments which are based on a percentage of net sales of EXPAREL collected. Any remaining earn-out payments will also be treated as additional costs of the Acquisition and, therefore, recorded as goodwill if and when each contingency is resolved.

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

	Carrying Value of Goodwill
Balance at December 31, 2014	\$ 23,761
Percentage payments on collections of net sales of EXPAREL	1,620
Balance at March 31, 2015	<u>\$ 25,381</u>

Intangible assets, net, consist of core technology, developed technology and trademarks and trade names acquired in the Acquisition and are summarized as follows (in thousands):

March 31, 2015	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Estimated Useful Life
Amortizable intangible assets:				
Core technology	\$ 2,900	\$ (2,577)	\$ 323	9 Years
Developed technology	11,700	(11,700)	—	7 Years
Trademarks and trade names	400	(400)	—	7 Years
Total intangible assets	<u>\$ 15,000</u>	<u>\$ (14,677)</u>	<u>\$ 323</u>	

December 31, 2014	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Estimated Useful Life
Amortizable intangible assets:				
Core technology	\$ 2,900	\$ (2,497)	\$ 403	9 Years
Developed technology	11,700	(11,700)	—	7 Years
Trademarks and trade names	400	(400)	—	7 Years
Total intangible assets	<u>\$ 15,000</u>	<u>\$ (14,597)</u>	<u>\$ 403</u>	

Amortization expense for intangible assets was \$0.1 million for the three months ended March 31, 2015 and \$0.5 million for the three months ended March 31, 2014. The approximate future amortization expense for intangible assets, all of which are subject to amortization on a straight-line basis, is as follows (in thousands):

Year	Future Amortization Expense
2015 (remaining nine months)	\$ 242
2016	81
Total	<u>\$ 323</u>

NOTE 6—DEBT

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

	March 31, 2015	December 31, 2014
Debt:		
Convertible senior notes	\$ 120,000	\$ 120,000
Discount on debt	(15,865)	(16,900)
Total debt, net of debt discount	104,135	103,100
Royalty interest obligation	—	276
Total debt and financing obligations	\$ 104,135	\$ 103,376

On January 23, 2013, the Company completed a private placement of \$120.0 million in aggregate principal amount of 3.25% convertible senior notes due 2019, or Notes, and entered into an indenture agreement, or Indenture, with respect to the Notes. The Notes accrue interest at a fixed rate of 3.25% per year, payable semiannually in arrears on February 1 and August 1 of each year. The Notes mature on February 1, 2019.

On or after August 1, 2018, until the close of business on the second scheduled trading day immediately preceding February 1, 2019, holders may convert their Notes at any time. Upon conversion, holders will receive cash up to the principal amount of the Notes and, with respect to any excess conversion value, may receive cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's option. The initial conversion rate for the Notes was 40.2945 shares of common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$24.82 per share of the Company's common stock. The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

Holders may convert their Notes prior to August 1, 2018, only if certain circumstances are met. One such circumstance which would allow conversion of the Notes during a calendar quarter would be if during the previous calendar quarter, the sales price of the Company's common stock was greater than 130% of the conversion price then applicable for at least 20 out of the last 30 consecutive trading days of the quarter. During the quarter ended March 31, 2015, this condition for conversion was met. As a result, the Notes are classified as a current obligation and will be convertible until June 30, 2015. As of March 31, 2015, the Notes had a market price of \$3,576 per \$1,000 principal amount, compared to an estimated conversion value of \$3,580. In the event of conversion, holders would forgo all future interest payments, any unpaid accrued interest and the possibility of further stock price appreciation. Upon the receipt of conversion requests, the settlement of the Notes will be paid pursuant to the terms of the Indenture, which state that the principal must be settled in cash. In the event that all of the Notes are converted, the Company would be required to repay the \$120.0 million in principal value and approximately \$309.6 million of cash or issue approximately 3.5 million shares of its common stock (or a combination of cash and shares of its common stock at the Company's option) to settle the conversion premium as of March 31, 2015, causing dilution to the Company's shareholders and/or significant expenditures of the Company's cash and liquid securities. In February 2015, the Company received notice of an election for conversion from one of the holders of the Notes. The principal amount of the conversion request was \$1.5 million which was paid in cash pursuant to the terms of the Indenture in April 2015. The Company elected to settle the conversion premium by issuing 44,287 shares of its common stock, calculated based on a daily volume-weighted adjusted price over a 40 trading-day observation period which ended on April 8, 2015.

While the Notes are classified in the Company's consolidated balance sheets at March 31, 2015 and December 31, 2014 as a current obligation, the future convertibility and resulting balance sheet classification of this liability will be monitored at each quarterly reporting date and will be analyzed dependent upon market prices of the Company's common stock during the prescribed measurement periods. In the event that the holders of the Notes continue to have the election to convert the Notes at any time during the prescribed measurement period, the Notes will continue to be considered a current obligation and classified as such. Prior to February 1, 2018, in the event that none of the conversion conditions are satisfied, the Notes would be reclassified as a long-term liability.

Under Accounting Standards Codification 470-20, *Debt with Conversion and Other Options*, an entity must separately account for the liability and equity components of convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The equity component is recorded in additional paid-in capital in the consolidated balance sheet at the issuance date and that equity component is treated as a discount on the liability component of the Notes. The initial carrying value of the liability component of \$95.1 million was

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calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying value of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the Notes. The equity component is not re-measured as long as it continues to meet the conditions for equity classification.

The Company allocated the total transaction costs of \$4.7 million related to the issuance of the Notes to the liability and equity components of the Notes based on their relative values. Transaction costs attributable to the liability component are amortized to interest expense over the six-year term of the Notes, and transaction costs attributable to the equity component are netted with the equity component in stockholders' equity.

The following table sets forth the total interest expense recognized (in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Contractual interest expense	\$ 967	\$ 975
Amortization of debt issuance costs	155	155
Amortization of debt discount	1,035	1,035
Total	<u>\$ 2,157</u>	<u>\$ 2,165</u>
Effective interest rate	7.19%	7.22%

NOTE 7—FINANCIAL INSTRUMENTS

Fair Value Measurements

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

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

The carrying value of financial instruments including cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their respective fair values due to the short-term nature of these items. The fair value of the Company's Notes at March 31, 2015 is calculated utilizing market quotations from an over-the-counter trading market for these Notes (Level 2). The carrying amount and fair value of the Notes are as follows (in thousands):

Financial Liabilities Carried at Historical Cost	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
March 31, 2015				
Convertible senior notes *	\$ 104,135	\$ —	\$ 429,075	\$ —

* The fair value of the Notes was based on the Company's closing stock price of \$88.85 per share at March 31, 2015 compared to a conversion price of \$24.82 per share which, if converted, would result in an approximate conversion premium of 3.5 million shares or \$309.6 million of cash. The maximum conversion premium that can be due on the Notes is 4.8 million shares, which assumes no increases in the conversion rate for certain corporate events.

Short-term investments consist of asset-backed securities collateralized by credit card receivables, 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. Long-term investments consist of corporate bonds with initial maturities greater than one year at the date of purchase. The net unrealized gains from the Company's short-term and long-term investments are reported in other comprehensive income. At March 31, 2015, all of the Company's short-term and long-term investments are classified as available for sale investments and are determined to be Level 2 instruments, which are measured at fair value using standard industry models with observable inputs. The fair value of the commercial paper is measured based on a standard industry model that uses the three-month Treasury bill rate as an observable input. The fair value of the asset-backed securities and corporate bonds is

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principally measured or corroborated by trade data for identical issues in which related trading activity is not sufficiently frequent to be considered a Level 1 input or that of comparable securities. At March 31, 2015, the Company's short-term investments were rated A or better by Standard & Poor's and had maturities ranging from 144 to 365 days from the date of purchase. The Company's long-term investments were also rated A or better by Standard & Poor's and had maturities ranging from 24 to 36 months from the date of purchase.

The following summarizes the Company's investments at March 31, 2015 and December 31, 2014 (in thousands):

March 31, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Level 2)
Debt securities:				
Short-term:				
Asset-backed securities	\$ 38,377	\$ 1	\$ (5)	\$ 38,373
Commercial paper	1,749	1	—	1,750
Corporate bonds	73,884	2	(20)	73,866
Subtotal	114,010	4	(25)	113,989
Long-term:				
Corporate bonds	19,945	9	(16)	19,938
Total	\$ 133,955	\$ 13	\$ (41)	\$ 133,927
December 31, 2014				
Debt securities:				
Short-term:				
Asset-backed securities	\$ 15,009	\$ —	\$ (9)	\$ 15,000
Commercial paper	1,747	3	—	1,750
Corporate bonds	102,430	—	(42)	102,388
Subtotal	119,186	3	(51)	119,138
Long-term:				
Corporate bonds	24,463	10	(42)	24,431
Total	\$ 143,649	\$ 13	\$ (93)	\$ 143,569

Certain assets and liabilities are measured at fair value on a nonrecurring basis, including assets and liabilities acquired in a business combination and long-lived assets, which would be recognized at fair value if deemed to be impaired or if reclassified as assets held for sale. The fair value in these instances would be determined using Level 3 inputs. At March 31, 2015, the Company had no financial instruments that were measured using Level 3 inputs.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, long-term investments and accounts receivable. The Company maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally-insured limits. The Company performs ongoing credit evaluations of its customers as warranted and generally does not require collateral.

As of March 31, 2015, three customers each accounted for over 10% of the Company's accounts receivable, at 32%, 29% and 27%, respectively. At December 31, 2014, three customers each accounted for over 10% of the Company's accounts receivable, at 33%, 29% and 27%, respectively (for additional information regarding the Company's customers, see Note 2, *Summary of Significant Accounting Policies*). Revenues are primarily derived from major wholesalers and pharmaceutical companies that generally have significant cash resources. Allowances for doubtful accounts receivable are maintained based on historical payment patterns, aging of accounts receivable and the Company's actual write-off history. As of March 31, 2015 and December 31, 2014, no allowances for doubtful accounts were deemed necessary by the Company on its accounts receivable.

NOTE 8—STOCK PLANS

Stock-Based Compensation

The Company recognized stock-based compensation expense in its consolidated statements of operations as follows (in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Cost of goods sold	\$ 1,103	\$ 494
Research and development	1,510	1,577
Selling, general and administrative	4,904	1,904
Total	<u>\$ 7,517</u>	<u>\$ 3,975</u>
Stock-based compensation from:		
Stock options (employee awards)	\$ 6,309	\$ 2,409
Stock options (consultant awards)	997	1,566
Employee stock purchase plan	211	—
Total	<u>\$ 7,517</u>	<u>\$ 3,975</u>

The following table summarizes the Company's stock option activity and related information for the three months ended March 31, 2015:

Stock Options	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2014	4,677,856	\$ 35.78
Granted	92,550	98.22
Exercised	(193,111)	20.96
Forfeited	(70,644)	47.05
Outstanding at March 31, 2015	<u>4,506,651</u>	<u>37.41</u>

NOTE 9—STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

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

	Three Months Ended	
	March 31,	
	2015	2014
Net unrealized gains (losses) from available for sale investments:		
Balance at beginning of period	\$ (80)	\$ 5
Other comprehensive income before reclassifications	52	—
Amounts reclassified from accumulated other comprehensive income	—	—
Balance at end of period	<u>\$ (28)</u>	<u>\$ 5</u>

NOTE 10—NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing the net income (loss) attributable to common shares by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing the net income (loss) attributable to common shares by the weighted average number of shares outstanding plus

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dilutive potential common stock outstanding during the period. Potential common shares include the shares of common stock issuable upon the exercise of outstanding stock options, warrants and the purchase of shares from the employee stock purchase plan (using the treasury stock method) as well as the conversion of the excess conversion value on the Notes. As discussed in Note 6, *Debt*, the Company must settle the principal of the Notes in cash upon conversion, and it may settle any conversion premium in either cash or shares of the Company's common stock, at the Company's option. For purposes of calculating the dilutive impact, it is presumed that the conversion premium will be settled in common stock. Potential common shares are excluded from the diluted net income (loss) per share computation to the extent that they would be antidilutive. Because the Company reported a net loss for the three months ended March 31, 2014, no potentially dilutive securities have been included in the computation of diluted net loss per share for that period.

The following table sets forth the computation of basic and diluted net income (loss) per share for the three months ended March 31, 2015 and 2014 (in thousands, except per share amounts):

	Three Months Ended	
	March 31,	
	2015	2014
Numerator:		
Net income (loss)	\$ 1,260	\$ (11,477)
Denominator:		
Weighted average shares of common stock outstanding—basic	36,235	33,711
Computation of diluted securities:		
Dilutive effect of stock options	1,885	—
Dilutive effect of convertible notes	3,652	—
Dilutive effect of warrants	6	—
Dilutive effect of employee stock purchase plan	1	—
Weighted average shares of common stock outstanding—diluted	41,779	33,711
Net income (loss) per share:		
Basic and diluted net income (loss) per share of common stock	\$ 0.03	\$ (0.34)

The following outstanding stock options, conversion premium on the Notes and warrants are antidilutive (in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Weighted average number of stock options	1,323	3,866
Conversion premium on the Notes	—	3,071
Weighted average number of warrants	—	58
Total	1,323	6,995

NOTE 11—TAXES

Based upon its estimated annual effective tax rate, the Company recorded a \$0.1 million tax provision for the three months ended March 31, 2015. This provision includes federal alternative minimum taxes as well as state income taxes. The Company's effective tax rate for the three months ended March 31, 2015 was 4%. The difference between the effective and the statutory tax rates was due to the anticipated utilization of net operating loss carryforwards. There was no tax provision for the three months ended March 31, 2014 due to continued net operating losses.

NOTE 12—COMMITMENTS AND CONTINGENCIES*Leases*

The Company leases research and development, manufacturing and warehouse facilities in San Diego, California which run through August 2020 and its corporate headquarters in Parsippany, New Jersey which runs through March 2028. In

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November 2014, the Company entered into lease contracts for additional research and development space at the Company's Science Center Campus in San Diego. These leases will commence in August 2015 and expire in October 2020.

As of March 31, 2015, annual aggregate minimum payments due under the Company's lease obligations are as follows (in thousands):

Year	Aggregate Minimum Payments
2015 (remaining nine months)	\$ 4,738
2016	7,263
2017	7,459
2018	7,660
2019	7,876
2020 through 2028	11,787
Total	\$ 46,783

CrossLink Agreement

In October 2013, the Company and CrossLink BioScience, LLC, or CrossLink, commenced a five-year arrangement for the promotion and sale of EXPAREL, pursuant to the terms of a Master Distributor Agreement. In February 2015, the Company entered into a Third Amendment to the Master Distributor Agreement (the "Third Amendment") with CrossLink to, among other things, amend certain payment terms of the agreement and specify certain sub-distributors that may promote and sell EXPAREL under the agreement. Under the terms of the Third Amendment, in the event the Company terminates the agreement, a termination payment based on a percentage of earned performance-based fees will be due to CrossLink.

Litigation

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

On October 3, 2014, a purported class action lawsuit was filed in the U.S. District Court for the District of New Jersey against the Company and three of its current officers, *Nicholas R. Lovallo v. Pacira Pharmaceuticals, Inc., et al.*, Case No. 2:14-cv-06172-WHW-CLW. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and is premised on allegedly false and/or misleading statements, and non-disclosure of material facts, regarding the Company's business, operations, prospects and performance during the proposed class period of April 9, 2012 to September 24, 2014. The Company intends to vigorously defend all claims asserted, including by filing a motion to dismiss. Given the early stage of the litigation, at this time the Company is unable to reasonably estimate possible losses or form a judgment that an unfavorable outcome is either probable or remote. It is not currently possible to assess whether or not the outcome of these proceedings will have a material adverse effect on the Company.

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

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

This Quarterly Report on Form 10-Q and certain other communications made by us contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including statements about our growth and future operating results, discovery and development of products, strategic alliances and intellectual property. For this purpose, any statement that is not a statement of historical fact should be considered a forward-looking statement. We often use the words "believe," "anticipate," "plan," "expect," "intend," "may," and similar expressions to help identify forward-looking statements. We cannot assure you that our estimates, assumptions and expectations will prove to have been correct. These forward-looking statements include, among others, statements about: the success of our sales and manufacturing efforts in support of the commercialization of EXPAREL®; 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; the Company's plans to expand the indications of EXPAREL, including nerve block, oral surgery, chronic pain and pediatrics; the related timing and success of a United States Food and Drug Administration, or FDA, supplemental New Drug Applications, or sNDA; the adverse effects and impacts of FDA warning letters; the outcome of the pending U.S. Department of Justice inquiry; the Company's plans to evaluate and pursue additional DepoFoam®-based product candidates; clinical studies in support of an existing or potential DepoFoam based product; the Company's plans to continue to manufacture and provide support services for its commercial partners who have licensed DepoCyt(e); our commercialization and marketing capabilities and our ability and that of Patheon UK Limited, or Patheon, to successfully and timely construct dedicated EXPAREL manufacturing suites. Important factors could cause our actual results to differ materially from those indicated or implied by forward-looking statements. We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and readers should not rely on the forward-looking statements as representing the Company's views as of any date subsequent to the date of the filing of this Quarterly Report on Form 10-Q.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include items mentioned herein and the matters discussed and referenced in Part I-Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2014 and in other reports as filed with the Securities and Exchange Commission, or SEC.

Unless the context requires otherwise, references to "Pacira," "we," the "Company," "us" and "our" in this Quarterly Report on Form 10-Q refer to Pacira 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 a specialty pharmaceutical company focused on the development, commercialization and manufacture of proprietary pharmaceutical products, based on our proprietary DepoFoam drug delivery technology, for use primarily in hospitals and ambulatory surgery centers. As of March 31, 2015, our commercial stage products are EXPAREL and DepoCyt(e):

- EXPAREL is a liposome injection of bupivacaine, an amide-type local anesthetic indicated for administration into the surgical site to produce postsurgical analgesia, and was approved by the FDA on October 28, 2011. We commercially launched EXPAREL in April 2012. We drop-ship EXPAREL directly to the end user based on orders placed to wholesalers or directly to us, and we have no product held by wholesalers.
- 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. We sell DepoCyt(e) to our commercial partners located in the United States and Europe.

We expect to continue to incur significant expenses as we commercialize EXPAREL; pursue the use of EXPAREL in additional indications, such as for nerve block, oral surgery, chronic pain and pediatrics; advance the development of DepoFoam-based product candidates, such as DepoMeloxicam and DepoTranexamic Acid; seek FDA approval for our product candidates that successfully complete clinical trials; develop our sales force and marketing capabilities to prepare for their commercial launch and expand and enhance our manufacturing capacity for EXPAREL.

Recent Highlights and Developments

- Total revenues increased \$21.7 million, or 59%, in the quarter ended March 31, 2015, as compared to the same period in 2014, primarily driven by EXPAREL product sales of \$56.0 million. Our gross margin improved to 70% in the three months ended March 31, 2015, up from 50% for the same period in 2014. Additionally, we had net income for the second consecutive quarter on a GAAP (U.S. Generally Accepted Accounting Principles) basis of \$1.3 million. This resulted in a basic and diluted net income per share of \$0.03 in the first quarter of 2015 as compared to a net loss of \$0.34 per share in the first quarter of 2014.
- In March 2015, Pacira announced receipt of a Complete Response Letter from the FDA following a review of its sNDA for the use of EXPAREL in nerve block to provide postsurgical analgesia.
- In April 2015, we received a subpoena from the U.S. Department of Justice, U.S. Attorney’s Office for the District of New Jersey, requiring the production of a broad range of documents pertaining to marketing and promotional practices related to EXPAREL. We intend to cooperate with the government’s inquiry. We can make no assurances as to the time or resources that will need to be devoted to this inquiry or its final outcome, or the impact, if any, of this inquiry or any proceedings on our business, financial condition, results of operations and cash flows.
- In September 2014, we received a warning letter from the FDA’s Office of Prescription Drug Promotion, or OPDP, pertaining to certain promotional aspects of EXPAREL, and in February 2015, an agreement was reached with the OPDP on the content and mechanisms for distribution of corrective action, which will consist of a Dear Healthcare Provider Letter and a corrective journal advertisement. We are actively working to ensure that our sales force and other promotional channels communicate the following points to customers thoroughly and accurately:
 - EXPAREL is indicated for administration into the surgical site to produce postsurgical analgesia. FDA approval of EXPAREL was based on pivotal trials conducted in excisional hemorrhoidectomy and bunionectomy surgical models, and thus, the basis for assessment of safety and efficacy was limited to those two procedures.
 - Regarding duration of efficacy in the hemorrhoidectomy trial, EXPAREL demonstrated a significant reduction in pain intensity scores compared to placebo for up to 24 hours. The primary endpoint of the study, cumulative pain scores over the first 72 hours, was statistically superior to placebo, however there was minimal to no difference in pain intensity scores between EXPAREL and placebo from 24 to 72 hours. There was a cumulative decrease in opioid consumption through 72 hours, the clinical benefit of which was not demonstrated.

Results of Operations

Comparison of the Three Months Ended March 31, 2015 and 2014

Revenues

Our net product sales include sales of EXPAREL in the United States and DepoCyt(e) in the United States and European Union. We also earn royalties based on sales by commercial partners of DepoCyt(e) and license fees, milestone payments and reimbursement for development work from third parties.

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

	Three Months Ended		% Increase / (Decrease)
	March 31,		
	2015	2014	
Net product sales:			
EXPAREL	\$ 55,951	\$ 34,401	63%
DepoCyt(e)	1,135	1,341	(15)%
Total net product sales	57,086	35,742	60%
Collaborative licensing and development revenue	356	252	41%
Royalty revenue	874	668	31%
Total revenues	<u>\$ 58,316</u>	<u>\$ 36,662</u>	59%

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EXPAREL revenue grew 63% in the three months ended March 31, 2015 compared to the same period in 2014, of which 54% was attributable to an increase in sales volume. The strong demand for EXPAREL has continued as a result of new accounts and growth within existing accounts, which has been driven by continued adoption in soft tissue procedures, as well as rapid adoption in orthopedic procedures. The remaining increase in EXPAREL revenue was due to a 5% price increase effective May 2014 coupled with changes in sales-related allowances and accruals, including volume rebates and chargebacks and returns allowances. DepoCyt(e) product sales decreased 15% in the three months ended March 31, 2015 compared to the same period in 2014, primarily due to a lower number of DepoCyt(e) lots sold to our commercial partners. The 41% increase in collaborative licensing and development revenue was primarily driven by the receipt of an \$8.0 million non-refundable upfront payment in May 2014 from Mundipharma International Corporation Limited in connection with the grant of rights to DepoCyt(e) in certain countries, which is being recognized on a straight-line basis over the contractual term.

Cost of Goods Sold

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

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

	Three Months Ended		% Decrease
	March 31,		
	2015	2014	
Cost of goods sold	\$ 17,580	\$ 18,127	(3)%
Gross margin *	70%	50%	

* The gross margin calculation excludes collaborative licensing and development revenue.

The decrease in cost of goods sold and corresponding improvement in gross margins in the three months ended March 31, 2015 versus the same period in 2014 was due to a lower manufacturing cost per vial, which was driven by increased utilization of our facilities to manufacture EXPAREL. The improvement during the first quarter of 2015 reflects the addition of two new manufacturing lines at our Science Center Campus located in San Diego, California to increase production capacity and thereby offset the high fixed cost infrastructure at our EXPAREL manufacturing facility.

Research and Development Expense

Research and development expenses consist primarily of costs related to clinical studies and related outside services, stock-based compensation expenses and other research and development costs, including Phase 4 studies that are required as a condition of FDA approval or are conducted to generate new data such as dosing and administration techniques. Clinical study expenses include costs for clinical personnel, clinical studies performed by third-party contract research organizations, materials and supplies, database management and other third-party fees. Product development, medical information and other research and development expenses include personnel, equipment, materials and contractor costs for both new process development and new product candidates and toxicology studies. Stock-based compensation expenses largely relate to the costs of option grants to employees and consultants.

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

	Three Months Ended		% Increase / (Decrease)
	March 31,		
	2015	2014	
Clinical studies	\$ 1,958	\$ 1,775	10%
Product development, medical information and other	2,499	1,852	35%
Stock-based compensation	1,510	1,577	(4)%
Total research and development expense	\$ 5,967	\$ 5,204	15%
% of total revenues	10%	14%	

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Research and development expenses increased 15% in the three months ended March 31, 2015 compared to the same period in 2014. The increase in clinical studies was primarily due to an increase in our Phase 4 trials expense of \$1.1 million partially offset by a \$0.9 million decrease related to the conclusion of our Phase 2/3 pivotal trial of EXPAREL administered as a femoral nerve block for total knee arthroplasty and our Phase 3 pivotal trial of EXPAREL as an intercostal nerve block for thoracotomy. The remaining increase was primarily driven by increased headcount in the medical information support function.

Selling, General and Administrative Expenses

Sales and marketing expenses primarily consist of compensation and benefits for our sales force and personnel that support our sales, marketing, medical and scientific affairs operations, commission payments to CrossLink BioScience, LLC, or CrossLink, for the promotion and sale of EXPAREL and expenses related to communicating health outcome benefits of EXPAREL patients and educational programs for our customers. General and administrative expenses consist of compensation and benefits for legal, finance, information technology, human resources, executive management and other supporting personnel. It also includes professional fees for legal, audit, tax and consulting services. Stock-based compensation expenses relate to the costs of option grants to employees and members of the Board of Directors.

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

	Three Months Ended		% Increase
	March 31,		
	2015	2014	
Sales and marketing	\$ 18,008	\$ 14,182	27%
General and administrative	8,516	6,503	31%
Stock-based compensation	4,904	1,904	158%
Total selling, general and administrative expenses	\$ 31,428	\$ 22,589	39%
% of total revenues	54%	62%	

Selling, general and administrative expenses increased 39% in the three months ended March 31, 2015 compared to the same period in 2014.

Sales and marketing expenses increased by 27% in the three months ended March 31, 2015 compared to the same period in 2014 primarily due to a \$2.6 million increase in compensation and benefits driven by an increase in the number of field-based sales, medical and scientific affairs personnel. In addition, a \$1.4 million increase in spending included commission based payments to CrossLink, educational initiatives and programs to create product awareness in the orthopedic market and other selling and promotional activities to support the growth of EXPAREL.

General and administrative expenses increased 31% in the three months ended March 31, 2015 compared to the same period in 2014 largely due to increases in compensation and benefits of \$1.0 million associated with increased headcount, as well as increased costs for outside services in areas such as human resources, investor relations and legal to support the commercial and manufacturing growth of EXPAREL.

Stock-based compensation increased 158% in the three months ended March 31, 2015 compared to the same period in 2014 largely due to substantial increases in headcount and significantly higher grant date fair values of our stock options as a result of an increase in our stock price over the past year.

Other Income (Expense)

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

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	Three Months Ended		% Increase / (Decrease)
	March 31,		
	2015	2014	
Interest income	\$ 155	\$ 42	269%
Interest expense	(1,996)	(2,107)	(5)%
Royalty interest obligation	(71)	(120)	(41)%
Other, net	(117)	(34)	244%
Total other expense, net	<u>\$ (2,029)</u>	<u>\$ (2,219)</u>	(9)%

Total other expense, net decreased by 9% in the three months ended March 31, 2015 compared to the same period in 2014 primarily due to an increase in interest income arising from higher cash and investment balances and higher capitalized interest.

Income Tax Expense

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

	Three Months Ended		% Increase / (Decrease)
	March 31,		
	2015	2014	
Income tax expense	\$ 52	\$ —	N/A
Effective tax rate	4%	—	

For the three months ended March 31, 2015, we recorded a provision for income taxes based on our estimated tax liability for the year which includes federal alternative minimum taxes as well as state and local income taxes. Prior to the fourth quarter of 2014, there had been no provision for federal and state income taxes since we had incurred net operating losses since inception.

Liquidity and Capital Resources

Since our inception in December 2006, we have devoted most of our cash resources to manufacturing, research and development and selling, general and administrative activities related to the development and commercialization of EXPAREL. We have financed our operations primarily with the proceeds from the sale of convertible senior notes, convertible preferred stock, common stock, secured and unsecured notes, borrowings under debt facilities, product sales and collaborative licensing and development revenue.

We are highly dependent on the commercial success of EXPAREL, which was launched in April 2012. As of March 31, 2015, we had an accumulated deficit of \$308.9 million, cash and cash equivalents, short-term investments and long-term investments of \$174.8 million and working capital of \$83.3 million.

Summary of Cash Flows

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

	Three Months Ended	
	March 31,	
	2015	2014
Net cash provided by (used in):		
Operating activities	\$ 493	\$ (4,736)
Investing activities	(1,163)	9,019
Financing activities	4,047	1,964
Net increase in cash and cash equivalents	<u>\$ 3,377</u>	<u>\$ 6,247</u>

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Operating Activities

During the three month period ended March 31, 2015, our net cash provided by operating activities was \$0.5 million and during the three month period ended March 31, 2014, our net cash used in operating activities was \$4.7 million. The \$5.2 million change in net cash from operating activities was driven primarily by the shift from an \$11.5 million net loss in the first quarter of 2014 to \$1.3 million of net income in the same period in 2015 due to the significant increase in EXPAREL product sales coupled with improved gross margins, partially offset by a higher investment in inventory in the first quarter of 2015.

Investing Activities

During the three months ended March 31, 2015, our net cash used in investing activities was \$1.2 million which reflected purchases of fixed assets of \$9.2 million and contingent consideration payments of \$1.6 million related to the March 2007 acquisition of Skyepharma Holding, Inc., or Skyepharma, offset by net sales of short-term investments of \$9.7 million. During the three months ended March 31, 2014, our net cash provided by investing activities was \$9.0 million, which consisted of net sales of \$13.8 million of short-term investments offset by \$3.8 million in purchases of fixed assets and \$1.0 million in payments of contingent consideration to Skyepharma.

Financing Activities

During the three months ended March 31, 2015 and 2014, our net cash provided by financing activities was \$4.0 million and \$2.0 million, respectively, which reflected proceeds from the exercise of stock options.

Convertible Senior Notes

On January 23, 2013, we completed a private offering of our \$120.0 million in aggregate principal amount of 3.25% convertible senior notes due 2019, or Notes. The net proceeds from the Notes offering were \$115.3 million, after deducting the initial purchasers' discounts and commissions as well as offering expenses. The Notes accrue interest at a rate of 3.25% per annum, payable semiannually in arrears on February 1 and August 1 of each year, and mature on February 1, 2019. As of March 31, 2015, the outstanding principal on the Notes was \$120.0 million.

On or after August 1, 2018, until the close of business on the second scheduled trading day immediately preceding February 1, 2019, holders may convert their Notes at any time. Upon conversion, holders will receive cash up to the principal amount of the Notes and, with respect to any excess conversion value, may receive cash, shares of our common stock or a combination of cash and shares of our common stock, at our option. The conversion rate for the Notes is initially 40.2945 shares of common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$24.82 per share of our common stock. The conversion rate will be subject to adjustment for some events (as outlined in the indenture governing the Notes), but will not be adjusted for any accrued and unpaid interest. Additionally, during any calendar quarter, the holders have the right to convert if our stock price closes at or above 130% of the conversion price then applicable (the "Consecutive Sales Price") during a period of at least 20 out of the last 30 consecutive trading days of any given quarter.

During the three months ended March 31, 2015, the requirements with respect to the Consecutive Sales Price were met and, as a result, the Notes are classified as a current obligation and are convertible at any time during the quarter ended June 30, 2015. The future convertibility and resulting balance sheet classification of the Notes will be monitored on a quarterly basis. Prior to February 1, 2018, in the event such requirements are not met in a given quarter, the Notes would be reclassified as a long-term liability. In the event of conversion, holders would forgo all future interest payments and the possibility of further stock price appreciation. In the event that all of the Notes are converted, we would be required to repay the \$120.0 million in principal value and approximately \$309.6 million of cash or issue approximately 3.5 million shares of our common stock (or a combination of cash and shares of our common stock at our option) to settle the conversion premium as of March 31, 2015, causing dilution to our current shareholders and/or significant expenditures of our cash and liquid securities.

In February 2015, we received notice of an election for conversion from one of the holders of the Notes. The principal amount of the conversion request was \$1.5 million which was paid in cash in April 2015 pursuant to the terms of an indenture agreement with respect to the Notes. We elected to settle the conversion premium by issuing 44,287 shares of our common stock, calculated based on a daily volume-weighted average price over a 40 trading-day observation period which ended on April 8, 2015.

See Note 6, *Debt*, to our consolidated financial statements included herein for further discussion of the Notes.

Future Capital Requirements

We believe that our existing cash and cash equivalents, short- and long-term investments and cash received from product sales will be sufficient to enable us to fund our operating expenses, capital expenditure requirements, payment of the principal on any conversions of the Notes and to service our indebtedness for at least the next 12 months.

Our future use of cash will depend on many forward-looking factors, including, but not limited to, the following:

- our ability to successfully continue to expand the commercialization of EXPAREL;
- the cost and timing of expanding our manufacturing facilities for EXPAREL and our other product candidates, including costs associated with certain technical transfer activities and the construction of manufacturing suites at Patheon's Swindon, United Kingdom facility;
- the extent to which the holders of our Notes elect to convert the Notes;
- the cost and timing of potential milestone payments to Skyepharma;
- the costs of performing additional clinical trials for EXPAREL, including the pediatric trials required by the FDA as a condition of approval, and costs of development for our other product candidates; and
- the extent to which we acquire or invest in products, businesses and technologies.

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

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as of March 31, 2015, except for operating leases, nor do we have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. None of our operating leases have, or are reasonably likely to have, a current or future material effect on our financial condition or changes in financial condition.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies since December 31, 2014, however, see Note 2, *Summary of Significant Accounting Policies*, to our consolidated financial statements included herein for a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable. For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our consolidated financial statements, refer to our most recent Annual Report on Form 10-K for the year ended December 31, 2014.

Revenue Recognition

Our principal sources of revenue include (i) sales of EXPAREL in the United States, (ii) sales of DepoCyt(e) in the United States and European Union, (iii) royalties based on sales by commercial partners of DepoCyt(e), and (iv) license fees, milestone payments and reimbursement for development work from third parties. We recognize revenue when there is persuasive evidence that an arrangement exists, title has passed, collection is reasonably assured and the price is fixed or determinable.

Net Product Sales

We sell EXPAREL through a drop-ship program under which orders are processed through wholesalers based on orders of the product placed by end users which include hospitals, ambulatory surgery centers and doctors. EXPAREL is delivered directly to the end user without the wholesaler ever taking physical possession of the product. We record revenue at the time the product is delivered to the end user. We also recognize revenue from products manufactured and supplied to commercial partners, such as DepoCyt(e) upon shipment. Prior to the shipment of manufactured products, we conduct initial product release and stability testing in accordance with current Good Manufacturing Practices.

Revenues from sales of products are recorded net of returns allowances, prompt payment discounts, wholesaler service fees and volume rebates and chargebacks. The calculation of some of these items requires management to make estimates based on sales data, contracts, inventory data and other related information which may become known in the future. We review the adequacy of our provisions on a quarterly basis.

[Table of Contents](#)*Returns Allowances*

We allow customers to return product that is damaged or received in error. In addition, we allow EXPAREL to be returned beginning six months prior to, and twelve months following, product expiration. As EXPAREL is a newly commercially available product, we estimate our sales returns reserve based on return history from other hospital-based products with similar distribution models and our historical experience, which we believe is the best estimate of the anticipated product to be returned. The returns reserve is recorded at the time of sale as a reduction to gross product sales and an increase in accrued expenses.

Our commercial partners can return Depocyt(e) within contractually specified timeframes if the product does not meet the applicable inspection tests. We estimate our returns reserves based on our experience with historical return rates. Historically, our product returns have not been material.

Prompt Payment Discounts

The prompt payment reserve is based upon discounts offered to wholesalers as an incentive to meet certain payment terms. We accrue discounts to wholesalers based on contractual terms of agreements and historical experience. We account for these discounts at the time of sale as a reduction to gross product sales and a reduction to accounts receivable.

Wholesaler Service Fees

Our customers include major and regional wholesalers with whom we have contracted a fee for service based on a percentage of gross product sales. This fee for service is recorded as a reduction to gross product sales and an increase to accrued expenses at the time of sale, and is recorded based on the contracted percentage.

Volume Rebates and Chargebacks

Volume rebates and chargeback reserves are based upon contracted discounts and promotional offers we provide to certain end users such as members of group purchasing organizations. Volume rebates are recorded at the time of sale as a reduction to gross product sales and an increase in accrued expenses. Chargeback reserves are recorded at the time of sale as a reduction to gross product sales and a reduction to accounts receivable.

The following tables provide a summary of activity with respect to our sales related allowances and accruals for the three months ended March 31, 2015 and 2014 (in thousands):

March 31, 2015	Returns Allowances	Prompt Pay Discounts	Wholesaler Service Fees	Volume Rebates and Chargebacks	Total
Balance at December 31, 2014	\$ 1,559	\$ 575	\$ 588	\$ 321	\$ 3,043
Provision	117	1,139	830	350	2,436
Payments/Credits	(21)	(1,108)	(934)	(412)	(2,475)
Balance at March 31, 2015	<u>\$ 1,655</u>	<u>\$ 606</u>	<u>\$ 484</u>	<u>\$ 259</u>	<u>\$ 3,004</u>

March 31, 2014	Returns Allowances	Prompt Pay Discounts	Wholesaler Service Fees	Volume Rebates and Chargebacks	Total
Balance at December 31, 2013	\$ 897	\$ 313	\$ 266	\$ 402	\$ 1,878
Provision	181	706	500	327	1,714
Payments/Credits	(86)	(693)	(467)	(82)	(1,328)
Balance at March 31, 2014	<u>\$ 992</u>	<u>\$ 326</u>	<u>\$ 299</u>	<u>\$ 647</u>	<u>\$ 2,264</u>

Total reductions of gross product sales from sales-related allowances and accruals were \$2.4 million and \$1.7 million, or 4.1% and 4.6% of gross product sales for the quarters ended March 31, 2015 and 2014, respectively. The overall increase in sales-related allowances and accruals was directly related to the increase in EXPAREL sales. The decrease in the percentage of sales-related allowances and accruals from 2014 to 2015 related primarily to a reduction in our estimate of product returns based on historical returns experience and a reduction in chargebacks offset by an increase in rebates due to accounts achieving higher sales volume. As a percentage of gross product sales, the prompt payment discounts and wholesaler service fees remained consistent from 2014 to 2015.

Contractual Obligations

In October 2013, we and CrossLink commenced a five-year arrangement for the promotion and sale of EXPAREL, pursuant to the terms of a Master Distributor Agreement. In February 2015, we entered into a Third Amendment to the Master Distributor Agreement (the "Third Amendment") with CrossLink to, among other things, amend certain payment terms of the agreement and specify certain sub-distributors that may promote and sell EXPAREL under the agreement. Under the terms of the Third Amendment, in the event we terminate the agreement, a termination payment based on a percentage of earned performance-based fees will be due to CrossLink.

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

The primary objective of our cash investment activities is to preserve principal while at the same time maximizing the income that we receive from our investments without significantly increasing risk. Some of the securities that we invest in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the interest rate later rises, we expect the fair value of our investment will decline. A hypothetical 100 basis point increase in interest rates reduces the fair value of our available-for-sale securities at March 31, 2015 by approximately \$0.5 million. To minimize this risk, we maintain our portfolio of cash equivalents and marketable securities in a variety of securities, which may include commercial paper, government and non-government debt securities, asset-backed securities and/or money market funds that invest in such securities.

Most of our transactions are conducted in United States dollars. We do have certain agreements with commercial partners located outside the United States, which have transactions conducted in Euros. As of March 31, 2015, we had approximately \$0.6 million in receivables from customers denominated in currencies other than the United States dollar. A hypothetical 10% change in foreign exchange rates would have a potential impact on our revenue of approximately \$0.2 million for the quarter ended March 31, 2015.

Our Notes carry a fixed interest rate and, thus, we are not subject to interest rate risk with respect to the Notes.

Item 4. *CONTROLS AND PROCEDURES*

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under 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 SEC rules and forms, and that such information is accumulated and communicated to our management, including our President, Chief Executive Officer and Chairman and Senior Vice President, Chief Financial Officer and Head of Technical Operations, as appropriate, to allow timely decisions regarding required disclosure. Based on their evaluation with participation of our management, our President, Chief Executive Officer and Chairman and Senior Vice President, Chief Financial Officer and Head of Technical Operations concluded that our disclosure controls and procedures were effective as of March 31, 2015. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the disclosure controls and procedures are met. The design of any disclosure control and procedure 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.

(b) Changes in Internal Control over Financial Reporting

No change in our 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 March 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

On October 3, 2014, a purported class action lawsuit was filed in the U.S. District Court for the District of New Jersey against us and three of our current officers, *Nicholas R. Lovallo v. Pacira Pharmaceuticals, Inc., et al.*, Case No. 2:14-cv-06172-WHW-CLW. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and is premised on allegedly false and/or misleading statements, and non-disclosure of material facts, regarding our business, operations, prospects and performance during the proposed class period of April 9, 2012 to September 24, 2014. We intend to vigorously defend all claims asserted, including by filing a motion to dismiss.

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

Item 1A. RISK FACTORS

You should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 and set forth below, which could materially affect our business, financial condition, cash flows or future results. Except as set forth below, there have been no material changes in our risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2014. The risks described herein and in our Annual Report on Form 10-K for the year ended December 31, 2014 are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

We are involved in an ongoing inquiry by the United States Department of Justice, the results of which could result in significant liability and have a material adverse effect on our sales, financial condition, results of operations and cash flows.

In April 2015, we received a subpoena from the U.S. Department of Justice, U.S. Attorney's Office for the District of New Jersey, requiring the production of a broad range of documents pertaining to marketing and promotional practices related to EXPAREL. We intend to cooperate with the government's inquiry. We cannot estimate what impact this inquiry and any results from this inquiry or any proceedings could have on our business, financial condition, results of operations or cash flows. Cooperation with this inquiry may divert the attention of management and require the devotion of a substantial amount of time and resources. The existence of the inquiry could also adversely impact our sales activity or our customers' perception of us or EXPAREL. Any of these impacts could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If, as a result of this inquiry, proceedings are initiated and we are found to have violated one or more applicable laws, we may be subject to significant liability, including without limitation, civil fines, criminal fines and penalties, civil damages and exclusion from federal funded healthcare programs such as Medicare and Medicaid, as well as potential liability under the federal False Claims Act and state false claims acts, and/or be required to enter into a corporate integrity or other settlement with the government, any of which could materially affect our reputation, business, financial condition, results of operations and cash flows. Conduct giving rise to such liability could also form the basis for private civil litigation by third-party payors or other persons allegedly harmed by such conduct. In addition, if some of our existing business practices are challenged as unlawful, we may have to change those practices, including changes and impacts on the practices of our sales force, which could also have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business could be materially adversely affected if the FDA determines that we are promoting or have in the past promoted the "Off-label" use of drugs.

The FDA strictly regulates marketing, labeling, advertising and promotion of prescription drugs. These regulations include standards and restrictions for direct-to-consumer advertising, industry-sponsored scientific and educational activities,

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promotional activities involving the internet and off-label promotion. Companies may not promote drugs for “Off-label” uses—that is, uses that are not described in the product’s labeling and that differ from those that were approved by the FDA. For example, the FDA-approved label for EXPAREL does not include an indication in obstetrical paracervical block anesthesia. 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 in the United States may choose, and are generally permitted 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 narrowly limited to those indications that are specifically approved by the FDA. “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. Although recent court decisions suggest that certain off-label promotional activities may be protected under the First Amendment, the scope of any such protection is unclear. Moreover, while we promote our products consistent with what we believe to be the approved indication for our drugs, the FDA may disagree. If the FDA determines that our promotional activities fail to comply with the FDA’s 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, bring an enforcement action against us, 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 reputation and our business.

In September 2014, we received a warning letter from the OPDP pertaining to certain promotional aspects of EXPAREL, and in February 2015, agreement was reached with the OPDP on the content and mechanisms for distribution of corrective action, which will consist of a Dear Healthcare Provider Letter and a corrective journal advertisement. We are actively working to ensure that our sales force and other promotional channels communicate this point to customers thoroughly and accurately: EXPAREL is indicated for administration into the surgical site to produce postsurgical analgesia. However, the FDA might determine that our promotion of EXPAREL fails to comply with the FDA’s regulations and guidelines.

We are unable to predict whether such clarifications in promotional activities will have an effect on EXPAREL sales. We can make no assurances that we will not receive FDA warning letters in the future or be subject to other regulatory action. As noted above, any regulatory violation or allegations of a violation may have a material adverse effect on our reputation and business.

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

None.

Item 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

Item 4. *MINE SAFETY DISCLOSURES*

Not applicable.

Item 5. *OTHER INFORMATION*

Not applicable.

Item 6. EXHIBITS

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

<u>Exhibit No.</u>	<u>Description</u>
10.1 †	Third Amendment to Master Distributor Agreement, dated February 20, 2015, between Pacira Pharmaceuticals, Inc. and CrossLink BioScience, LLC. *
10.2 +	Employment Agreement, dated November 29, 2012, between Pacira Pharmaceuticals, Inc. and Kristen Williams. *
10.3 +	Amendment No. 1 to Employment Agreement, dated March 13, 2013, between Pacira Pharmaceuticals, Inc. and Kristen Williams. *
10.4 +	Amendment # 4 to Services Agreement, dated November 17, 2014, among Pacira Pharmaceuticals, Inc., MPM Asset Management LLC and Gary Patou. *
10.5 +	Amendment # 5 to Services Agreement, dated March 17, 2015, among Pacira Pharmaceuticals, Inc., MPM Asset Management LLC and Gary Patou. *
31.1	Certification of President, Chief Executive Officer and Chairman pursuant to Rule 13a-14(a) and 15d-14(a), as amended. *
31.2	Certification of Senior Vice President, Chief Financial Officer and Head of Technical Operations pursuant to Rule 13a-14(a) and 15d-14(a), as amended. *
32.1	Certification of President, Chief Executive Officer and Chairman 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 Senior Vice President, Chief Financial Officer and Head of Technical Operations 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 March 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Loss; (iv) the Consolidated Statement of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Condensed Notes to Consolidated Financial Statements. *

* Filed herewith.

** Furnished herewith.

+ Denotes management contract or compensatory plan or arrangement.

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

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: April 30, 2015

/s/ DAVID STACK

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

Dated: April 30, 2015

/s/ JAMES SCIBETTA

James Scibetta
Senior Vice President, Chief Financial Officer
and Head of Technical Operations
(Principal Financial Officer)

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE REDACTED PORTIONS OF THIS EXHIBIT. THE REDACTIONS ARE INDICATED WITH “[*]”. A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION.

THIRD AMENDMENT TO MASTER DISTRIBUTOR AGREEMENT

This Third Amendment to Master Distributor Agreement (this “Amendment”), is effective as of March 1, 2015 (the “Third Amendment Effective Date”), by and among **Pacira Pharmaceuticals, Inc.**, a California corporation (“Pacira”) and **CrossLink BioScience, LLC**, a Georgia limited liability company (“Master Distributor”) (individually the “Party”, collectively the “Parties”).

RECITALS

WHEREAS, Pacira and Master Distributor are parties to that certain Master Distributor Agreement effective as of April 1, 2013, as amended by that certain First Amendment to Master Distributor Agreement effective as of April 1, 2013 and that certain Second Amendment to Master Distributor Agreement effective as of September 5, 2013 (collectively, the “Agreement”) pursuant to which Master Distributor has been providing services to Pacira on the terms and conditions set forth in the Agreement; and

WHEREAS, Pacira and Master Distributor wish to amend certain terms of the Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and Agreements made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Definitions**. Capitalized terms used but not defined herein shall have the respective meanings given to such items in the Agreement.

“**Approved Sub-Distributors**” are defined as [*].

2. **Amendment to Section 2.02**. Section 2.02 of the Agreement shall be amended by adding the following additional language to the end of Section 2.02.

“Notwithstanding anything in this Agreement to the contrary, beginning on the Third Amendment Effective Date, Pacira consents to the use of the Approved Sub-Distributors to promote the sale of the Product in their respective Sub-Distributor Territory. “Sub-Distributor Territory” shall mean the portions of the Territory where Sub-Distributor is permitted to sell Product as set forth in the applicable contract between Master Distributor and such Sub-Distributor.

All other provisions of Section 2.02 shall remain unchanged and in full force and effect.

3. **Amendment to Exhibit B**. The Agreement shall be amended by deleting Exhibit B (as previously amended) in its entirety and replacing it with “Intentionally Left Blank.”

4. **Amendment to Exhibit C**. The Agreement shall be amended by deleting Exhibit C (as previously amended) in its entirety and replacing it with a new Exhibit C attached hereto as “Third Amendment to Master Distributor Agreement - Exhibit C (Performance Based Payments).”

5. **Amendment to Section 2.10**. Section 2.10 of the Agreement shall be amended by deleting Section 2.10 in its entirety and replacing it with the following:

“Intentionally Left Blank.”

6. **Amendment to Section 8.03(d)**. Section 8.03(d) of the Agreement shall be amended by deleting Section 8.03(d) in its entirety and replacing it with the following:

“Intentionally Left Blank.”

7. **Amendment to Section 8.07.** Section 8.07 of the Agreement shall be amended by deleting the first sentence of Section 8.07 in its entirety and replacing it with the following:

“In the event that Pacira terminates this Agreement pursuant to Section 8.04 effective September 30, 2016 as provided above, then Pacira shall pay to Master Distributor a termination fee (the “Termination Fee”) equal to [**] of the aggregate total Performance Based Payments earned by Master Distributor with respect to the [**].”

All other provisions of Section 8.07 shall remain unchanged and in full force and effect.

8. **No Other Amendments.** Except as expressly amended hereby the Agreement as amended shall continue in full force and effect.

9. **Governing Law.** This Amendment shall be governed by, and construed in accordance with, the laws of New Jersey without giving effect to the choice of law provisions thereof.

10. **Counterparts.** For the convenience of the Parties hereto, this Amendment may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same Agreement.

11. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the Parties hereto and each of their successors and assigns, including, without limitation, any successors or surviving entities thereto by operation of merger.

12. **Entire Agreement.** The Agreement, as amended hereby, constitutes the entire Agreement of all Parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the Parties hereto with respect to the subject matter hereof. All references in the Agreement to “this Agreement”, “hereof”, “hereby” and words of similar import shall refer to the Agreement as amended hereby.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties hereto have entered into this Third Amendment to Master Distributor Agreement effective as of the date first above written.

PACIRA PHARMACEUTICALS, INC.

By: /s/ David Stack

Name: David Stack

Title: CEO

CROSSLINK BIOSCIENCE, LLC

By: /s/ Thomas Fleetwood

Name: Thomas Fleetwood

Title: President

THIRD AMENDMENT TO MASTER DISTRIBUTOR AGREEMENT

EXHIBIT C

PERFORMANCE BASED PAYMENTS

1. In consideration for the services described in this Agreement, Master Distributor shall be entitled to a performance based payment (the “Performance Based Payment”) equal to [**] of Pacira’s [**] Net Sales of Product in the United States.
 - a. “Net Sales” shall mean Product net sales as calculated using generally accepted accounting principles consistent with Pacira’s external financial reporting which, for clarity, is total product sales net of allowances for sales returns, prompt payment discounts, volume rebates and distribution service fees payable to wholesalers. For the purposes of calculating Net Sales, Pacira shall exclude any Net Sales amounts associated with the sale of Product for [**] uses.
 - b. Pacira shall calculate and pay Master Distributor the estimated Performance Based Payment for each [**] during the Term within 30 days following the end of each such [**]. The [**] payment shall be an estimate of actual sales because the parties recognize that Pacira’s earnings/revenue is Pacira’s Confidential Information and is considered material non-public information. Therefore, to protect against earnings/revenue data being released prior to public disclosure, the below ‘estimate and later true-up’ payment schedule will be adopted for the remainder of the Term as provided below:

[**]

Quarterly “true-up” reconciliation (payments or refund) will be made on or before February 28 (Q4 reconciliation); May 31 (Q1 reconciliation); August 31 (Q2 reconciliation); or November 30 (Q3 reconciliation). In the event that public earnings/revenue disclosure is delayed or falls after the scheduled “true-up” payment date, the parties will work together in good faith to determine a “true -up” date that does not risk disclosure of earnings/revenue data prior to public disclosure. The parties agree that any sales data provided by Pacira will only be used to calculate payment to the Approved Sub-Distributor, and will only be provided by Pacira to [**] (or the person who takes over his responsibility) and those who need to know this information to calculate payment to the Approved Sub-Distributor. The parties will meet prior to the start of [**] to determine estimated rates beyond [**].
 - c. Within [**] of the close of a [**], Pacira shall provide Master Distributor with a separate written report for each Approved Sub-Distributor detailing the current box sales totals of Products purchased within each Sub-Distributor Territory during the applicable [**] by specific account for the purposes of facilitating Master Distributor’s payments to each Sub-Distributor. Master Distributor will treat all reports as Pacira’s Confidential Information and only share with each Sub-Distributor that specific Sub-Distributor’s reported information on an as-needed basis.
 - d. All payments made under this Agreement shall be in U.S. dollars.
2. In the event that any Sub-Distributor is no longer an Approved Sub-Distributor under this Agreement (e.g., due to termination of such Sub-Distributor’s applicable contract with Master Distributor), Pacira shall make an adjustment to the Performance Based Payments by subtracting a percentage reflecting the excluded Sub-Distributor’s portion of the Territory from the base commission percentage of [**] as follows:

[**] - Indicates certain information has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the redacted portions.

Sub-Distributor	% Adjustment
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]

3. By way of example and not in limitation of the foregoing, in the event [**] has been removed from the scope of this Agreement, the Performance Based Payment shall thereafter be [**] of Pacira’s [**] Net Sales (calculated as [**]).
4. Within ninety days of removal of the former Approved Sub-Distributor, Master Distributor will present one or several sub-distributor candidates to Pacira for approval pursuant to Section 2.02 of the Agreement. Upon approval, the percentage of [**] Net Sales will be increased back to the level attained prior to removal of the former Approved Sub-Distributor.
5. Pacira, Master Distributor and each Sub-Distributor shall identify and develop a list of target accounts within each Sub-Distributor Territory and each Sub-Distributor shall work collaboratively within those accounts with Pacira as outlined below. Such target list shall include, at a minimum, the accounts that each Sub-Distributor has been reporting as of January 31, 2015.
6. Pacira will work with Master Distributor (and Master Distributor shall in turn work with each Sub-Distributor) to mutually agreed upon and implement new weekly reporting tools regarding each Sub-Distributor’s activities under this Agreement. Pacira will compile such reports (with information to be provided regularly to Master Distributor) to include but not be limited to, the following:
 - a. Reporting of face-to-face and phone related meetings between the Sub-Distributor representatives and Pacira sales representatives and other Pacira personnel;
 - b. Reporting of Sub-Distributor facilitated introductions and relationship building with surgeons within targeted accounts;
 - c. Reporting of all leads for new accounts or new surgeons generated by the Sub-Distributor representatives;
 - d. Reporting of participation in all Sub-Distributor or Pacira sponsored programs; and
 - e. All other cooperative efforts by the Sub-Distributor representative to support the Product and participate cooperatively with Pacira sales representatives and other Pacira personnel.

The Master Distributor and Pacira will periodically meet to review the performance of the program.

7. For [**] periods only, Master Distributor shall report to Pacira by the [**] following the end of the [**], surgeon customers (by medical centers) that have, to the knowledge of Master Distributor, used the Product in the Territory for [**] (the “[**] Report”). Commencing [**] and continuing until the end of the Term, and notwithstanding any provision in the Agreement to the contrary, neither the [**] Report, the [**] report generated by the Master Distributor and Sub-Distributor filed representatives prior to [**], nor anything comparable to these reports will be required of Master Distributor or any Sub-Distributor.

[**] - Indicates certain information has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the redacted portions.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), is entered into as of November 29, 2012 (the "Effective Date"), by and between Pacira Pharmaceuticals, Inc., a California corporation (the "Company"), and Kristen Williams (the "Employee").

RECITALS

WHEREAS, the Company wishes to employ the Employee, and the Employee desires to continue to be employed by the Company, for such purpose and upon the terms and conditions hereinafter provided; and

WHEREAS, the parties wish to establish the terms of the Employee's future employment with the Company and set out fully their respective rights, obligations and duties.

AGREEMENT

In consideration of the promises and the terms and conditions set forth in this Agreement, the parties agree as follows:

1. **Title and Capacity**. The Company hereby agrees to continue to employ the Employee, and the Employee hereby accepts continued employment with the Company, under the terms set forth in this Agreement. The Employee will serve as the Corporate Counsel and shall perform such duties as are ordinary, customary and necessary in such role. The Employee will report directly to the Chief Financial Officer of the Company. The Employee shall devote her full business time, skill and attention to the performance of her duties on behalf of the Company. The Company acknowledges that the permanent residence of Employee is not within daily commuting distance of, and therefore Employee has no attendance obligations to, any of the Company's corporate offices.

2. **Compensation and Benefits**.

(a) **Salary**. The Company agrees to pay the Employee an annual base salary of Two Hundred Eighteen Thousand Eight Hundred Dollars (\$218,800) payable in accordance with Company's customary payroll practice (the "Base Salary"). The Employee's Base Salary shall be reviewed periodically by the Board of Directors of the Company (the "Board"); *provided, however*, that any such review will not necessarily result in an adjustment to the Employee's Base Salary. Any change in the Employee's Base Salary must be approved by the Board.

(b) **Bonus**. The Employee is eligible to receive, in addition to the Base Salary and subject to the terms hereof and at the full discretion of the Board, a targeted incentive bonus of thirty percent (25%) of Base Salary (the "Targeted Incentive Bonus"). The Targeted Incentive Bonus shall be based on the Employee's and the Company's performance during the applicable fiscal year, as determined by the Board. The Targeted Incentive Bonus criteria or "goals" will be determined by agreement between the Board and the Employee at beginning of each fiscal year. The award of the Target Incentive Bonus may be in an amount either above or below the amount specified by the Board at the beginning of each fiscal year based on the ultimate performance assessed by the Board.

Targeted Incentive Bonuses shall be determined and approved by the Board in its sole discretion.

All salary and bonuses shall be subject to all applicable withholdings and deductions.

(c) **Stock Options**. Any equity incentives, if any, shall be determined by the Board (or a committee thereof) in its sole discretion. All share figures shall be subject to adjustment for stock splits, stock dividends, stock combinations, recapitalizations and similar events.

(d) **Benefits**. The Employee (and, where applicable, the Employee's qualified dependents) will be eligible to participate in health insurance and other employee benefit plans and policies established by the Company for its executive team from time to time on substantially the same terms as are made available to other such employees of the Company generally. The Employee's participation (and the participation of the Employee's qualified dependents) in the Company's benefit plans and policies will be subject to the terms of the applicable plan documents and the Company's generally applied policies, and the Company in its sole discretion may from time to time adopt, modify, interpret or discontinue such plans or policies.

(e) Expenses. The Company will reimburse the Employee for all reasonable and necessary expenses incurred by the Employee in connection with the Company's business, in accordance with the applicable Company policy as may be amended from time to time.

(f) Vacation and Holidays. The Employee shall be eligible for twenty (20) days' paid vacation/flexible time off per calendar year subject to the applicable terms and conditions of the Company's vacation policy and applicable law.

(g) Termination of Benefits. Except as set forth in Section 3 or as otherwise specified herein or in any other agreement between the Employee and the Company, if the Employee's employment is terminated by the Company for any reason, with or without Cause (as defined below), or if the Employee resigns the Employee's employment voluntarily, with or without Good Reason (as defined below), no compensation or other payments will be paid or provided to the Employee for periods following the date when such a termination of employment is effective, provided that any rights the Employee may have under the Company's benefit plans shall be determined under the provisions of such plans. If the Employee's employment terminates as a result of the Employee's death or disability, no compensation or payments will be made to the Employee other than those to which the Employee may otherwise be entitled under the benefit plans of the Company.

3 . Compensation and Benefits Upon Termination of Employment. Upon termination of the Employee's employment (such date of termination being referred to as the "Termination Date"), the Company will pay the Employee the compensation and benefits as described in this Section 3.

(a) General Benefits Upon Termination. The Company will pay the Employee on or about the Termination Date all salary and vacation/personal time off pay, if any, that has been earned or accrued through the Termination Date and that has not been previously paid.

(b) Termination without "Cause" or for "Good Reason". In the event that the Company terminates the Employee's employment without Cause (as defined below) or, in the event the Employee terminates her employment for Good Reason (as defined below), in each case, (i) the Employee shall be entitled to receive (A) continuing payments of the then effective Base Salary for a period of nine (9) months beginning on the Payment Commencement Date and payable in accordance with the Company's payroll policies and (B) the benefits set forth in Section 3(e), and (ii) the Employee shall be entitled to acceleration of vesting of such number of Option Shares as would have vested in the nine (9) month period following the Termination Date had the Employee continued to be employed by the Company for such period, *provided, however* that in each case the receipt of such payments and benefits is expressly contingent upon the Employee's execution and delivery of a severance and release of claims agreement drafted by and satisfactory to counsel for the Company (the "Release") which Release must be executed and become effective within sixty (60) days following the Termination Date. The payments and benefits shall be paid or commence on the first payroll period following the date the Release becomes effective (the "Payment Commencement Date"). Notwithstanding the foregoing, if the 60th day following the Termination Date occurs in the calendar year following the termination, then the Payment Commencement Date shall be no earlier than January 1st of such subsequent calendar year. The provision of payments and benefits pursuant to this Section shall be subject to the terms and conditions set forth on Exhibit A.

(c) Termination without "Cause" or for "Good Reason" Prior to or Following a Change of Control. In the event that the Company terminates the Employee's employment without Cause (as defined below) or, in the event the Employee terminates her employment for Good Reason (as defined below), in each case, within thirty (30) days prior to, or twelve (12) months following, the consummation of a Change of Control, then (i) the Employee shall be entitled to receive (A) continuing payments of the then effective Base Salary for a period of nine (9) months beginning on the Payment Commencement Date and payable in accordance with the Company's payroll policies and (B) the benefits set forth in Section 3(e), and (ii) acceleration of vesting of one hundred percent (100%) of the then unvested Option Shares, provided, however that in each case: (x), the receipt of such payments and benefits is expressly contingent upon the Employee's execution and delivery of a Release as described above drafted by and satisfactory to counsel for the Company, which Release must be executed and become effective within sixty (60) days following the Termination Date. The provision of payments and benefits pursuant to this Section shall be subject to the terms and conditions set forth in Exhibit A.

(d) Definitions.

(i) "Change of Control" means (A) a merger or consolidation of either the Company or Pacira, Inc., a Delaware corporation ("Parent") into another entity in which the stockholders of the Company or Parent (as applicable) do not control fifty percent (50%) or more of the total voting power of the surviving entity (other than a reincorporation merger); (B) the sale, transfer or other disposition of all or substantially all of the Company's assets in liquidation or dissolution of the Company; or (C) the sale or transfer of more than fifty percent (50%) of the outstanding voting stock of the Company. In the case of each

of the foregoing clauses (A), (B) and (C), a Change of Control as a result of a financing transaction of the Company or Parent shall not constitute a Change of Control for purposes of this Agreement

(ii) “Cause” means (A) the Employee’s failure to substantially perform her duties to the Company after there has been delivered to the Employee written notice setting forth in detail the specific respects in which the Board believes that the Employee has not substantially performed her duties and, if the Company reasonably considers the situation to be correctable, a demand for substantial performance and opportunity to cure, giving the Employee thirty (30) calendar days after she receives such notice to correct the situation; (B) the Employee’s having engaged in fraud, misconduct, dishonesty, gross negligence or having otherwise acted in a manner injurious to the Company or in intentional disregard for the Company’s best interests; (C) the Employee’s failure to follow reasonable and lawful instructions from the Board and the Employee’s failure to cure such failure after receiving twenty (20) days advance written notice; (D) the Employee’s material breach of the terms of this Agreement or the Employee Proprietary Information and Inventions Assignment Agreement or any other similar agreement that may be in effect from time to time; or (E) the Employee’s conviction of, or pleading guilty or nolo contendere to, any misdemeanor involving dishonesty or moral turpitude or related to the Company’s business, or any felony.

(iii) “Good Reason” means the occurrence of any one or more of the following events without the prior written consent of the Employee: (A) any material reduction of the then effective Base Salary other than in accordance with this Agreement or which reduction is not related to a cross-executive team salary reduction; (B) any material breach by the Company of this Agreement; or (C) a material reduction in the Employee’s responsibilities or duties, provided that in the case of clause (C), a mere reassignment following a Change of Control to a position that is substantially similar to the position held prior to the Change of Control transaction shall not constitute a material reduction in job responsibilities or duties; provided, however, that no such event or condition shall constitute Good Reason unless (x) the Employee gives the Company a written notice of termination for Good Reason not more than ninety (90) days after the initial existence of the condition, (y) the grounds for termination (if susceptible to correction) are not corrected by the Company within thirty (30) days of its receipt of such notice and (z) the Termination Date occurs within one (1) year following the Company’s receipt of such notice.

(e) Benefits Continuation. If the Employee’s employment is terminated pursuant to Section 3(b) or Section 3(c) and provided that the Employee is eligible for and elects to continue receiving group health and dental insurance pursuant to the federal “COBRA” law, 29 U.S.C. § 1161 et seq., the Company will, for a twelve (12) month period following the Payment Commencement Date (the “Benefits Continuation Period”), continue to pay the share of the premium for such coverage that is paid by the Company for active and similarly-situated employees who receive the same type of coverage. The remaining balance of any premium costs shall be paid by the Employee on a monthly basis for as long as, and to the extent that, the Employee remains eligible for COBRA continuation. Notwithstanding the above, in the event the Employee becomes eligible for health insurance benefits from a new employer during the Benefits Continuation Period, the Company’s obligations under this Section 3(e) shall immediately cease and the Employee shall not be entitled to any additional monthly premium payments for health insurance coverage. Similarly, in the event the Employee becomes eligible for dental insurance benefits from a new employer during the Benefits Continuation Period, the Company’s obligations under this Section 3(e) shall immediately cease and the Employee shall not be entitled to any additional monthly premium payments for dental insurance. The Employee hereby represents that she will notify the Company in writing within three (3) days of becoming eligible for health or dental insurance benefits from a new employer during the Benefits Continuation Period

(f) Death. This Agreement shall automatically terminate upon the death of the Employee and all monetary obligations of Company under Section 2 of this Agreement shall be pro rated to the date of death and paid to the Employee’s estate.

(g) Disability. The Company may terminate the Employee’s employment if the Employee is unable to perform any of the duties required under this Agreement for a period of three (3) consecutive months due to a “Total and Permanent Disability”. The term “Total and Permanent Disability” shall mean the existence of a permanent physical or mental illness or injury, which renders the Employee incapable of performing any material obligations or terms of this Agreement. Any dispute regarding the existence of a Total and Permanent Disability shall be resolved by a panel of three (3) physicians, one selected by Company, one selected by the Employee, and the third selected by the other two physicians. A termination of employment pursuant to this Section 3(f) shall constitute a termination for Cause.

4 . At-Will Employment. The Employee will be an “at-will” employee of the Company, which means the employment relationship can be terminated by either the Employee or the Company for any reason, at any time, with or without prior notice and with or without cause. The Company makes no promise that the Employee’s employment will continue for any particular period of time, nor is there any promise that it will be terminated only under particular circumstances. No raise or bonus, if any, shall alter the Employee’s status as an “at-will” employee or create any implied contract of employment. Discussion of possible or potential benefits in future years is not an express or implied promise of continued employment. No manager, supervisor

or officer of the Company has the authority to change the Employee's status as an "at-will" employee. The "at-will" nature of the employment relationship with the Employee can only be altered by a written resolution approved by the Board.

5. Non-Solicitation.

(a) Non-Solicit. The Employee agrees that during the term of the Employee's employment with the Company, and for a period of twelve (12) months immediately following the termination of the Employee's employment with the Company for any reason, whether with or without Cause or Good Reason, the Employee shall not either directly or indirectly solicit, induce, recruit or encourage any of the Company's or its affiliates' employees or consultants to terminate such employee's or consultant's relationship with the Company or its affiliates, or attempt to solicit, induce, recruit, encourage or take away employees or consultants of the Company or any of its affiliates, either for the Employee or for any other person or entity. Further, during the Employee's employment with the Company or any of its affiliates and at any time following termination of the Employee's employment with the Company or any of its affiliates for any reason, with or without Cause or Good Reason, the Employee shall not use any confidential information of the Company or any of its affiliates to attempt to negatively influence any of the Company's or any of its affiliates' clients or customers from purchasing Company products or services or to solicit or influence or attempt to influence any client, customer or other person either directly or indirectly, to direct such person's or entity's purchase of products and/or services to any person, firm, corporation, institution or other entity in competition with the business of the Company or any of its affiliates.

(b) Specific Performance. In the event of the breach or threatened breach by the Employee of this Section 5, the Company, in addition to all other remedies available to it at law or in equity, will be entitled to seek injunctive relief and/or specific performance to enforce this Section 5.

6. Director and Officer Liability Insurance; Indemnification. During the term of the Employee's employment hereunder, the Employee shall be entitled to the same indemnification and director and officer liability insurance as the Company and its affiliates maintain for other corporate officers.

7. Proprietary Information and Inventions Assignment Agreement. The Employee has executed and delivered the Company's standard Employee Proprietary Information and Inventions Assignment Agreement or similar agreement and the Employee represents and warrants that the Employee shall continue to be bound and abide by such Employee Proprietary Information and Inventions Assignment Agreement or similar agreement.

8. Attention to Duties; Conflict of Interest. While employed by the Company, the Employee shall devote the Employee's full business time, energy and abilities exclusively to the business and interests of the Company, and shall perform all duties and services in a faithful and diligent manner and to the best of the Employee's abilities. The Employee shall not, without the Company's prior written consent, render to others services of any kind for compensation, or engage in any other business activity that would materially interfere with the performance of the Employee's duties under this Agreement. The Employee represents that the Employee has no other outstanding commitments inconsistent with any of the terms of this Agreement or the services to be rendered to the Company. While employed by the Company, the Employee shall not, directly or indirectly, whether as a partner, employee, creditor, shareholder, or otherwise, promote, participate or engage in any activity or other business competitive with the Company's business. The Employee shall not invest in any company or business which competes in any manner with the Company, except those companies whose securities are listed on reputable securities exchanges in the United States or European Union.

9. Miscellaneous.

(a) Severability. If any provision of this Agreement shall be found by any arbitrator or court of competent jurisdiction to be invalid or unenforceable, then the parties hereby waive such provision to the extent that it is found to be invalid or unenforceable and to the extent that to do so would not deprive one of the parties of the substantial benefit of its bargain. Such provision shall, to the extent allowable by law and the preceding sentence, be modified by such arbitrator or court so that it becomes enforceable and, as modified, shall be enforced as any other provision hereof, all the other provisions continuing in full force and effect.

(b) No Waiver. The failure by either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way affect the right to require such performance or compliance at any time thereafter. The waiver by either party of a breach of any provision hereof shall not be taken or held to be a waiver of any preceding or succeeding breach of such provision or as a waiver of the provision itself. No waiver of any kind shall be effective or binding, unless it is in writing and is signed by the party against whom such waiver is sought to be enforced.

(c) Assignment. This Agreement and all rights hereunder are personal to the Employee and may not be transferred or assigned by the Employee at any time. The Company may assign its rights, together with its obligations hereunder, to any parent, subsidiary, affiliate or successor, or in connection with any sale, transfer or other disposition of all or substantially all of its business and assets; *provided, however*, that any such assignee assumes the Company's obligations hereunder.

(d) Withholding. All sums payable to the Employee hereunder shall be reduced by all federal, state, local and other withholding and similar taxes and payments required by applicable law.

(e) Entire Agreement. This Agreement, including the agreements referred to herein (which are deemed incorporated by reference herein) constitute the entire and only agreement and understanding between the parties governing the terms and conditions of employment of the Employee with the Company and this Agreement supersedes and cancels any and all previous contracts, arrangements or understandings with governing the terms and conditions of the Employee's employment by the Company. In the event of any conflict between the terms of any other agreement between the Employee and the Company entered into prior to the Effective Date, the terms of this Agreement shall control.

(f) Amendment. This Agreement may be amended, modified, superseded, cancelled, renewed or extended only by an agreement in writing executed by both parties hereto.

(g) Headings. The headings contained in this Agreement are for reference purposes only and shall in no way affect the meaning or interpretation of this Agreement. In this Agreement, the singular includes the plural, the plural included the singular, the masculine gender includes both male and female referents, and the word "or" is used in the inclusive sense.

(h) Notices. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including, personal delivery by facsimile transmission or the third day after mailing by first class mail) to the Company at its primary office location and to the Employee at her address as listed on the Company payroll (which address may be changed by written notice).

(i) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which, taken together, constitute one and the same agreement.

(j) Governing Law, Forum Selection, Jury Waiver. This Agreement and the rights and obligations of the parties hereto shall be construed in accordance with the laws of the State of California without giving effect to the principles of conflict of laws. Any action, suit or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of New Jersey (or, if appropriate, a federal court located within Southern District of Jersey), and the Company and the Employee each consents to the jurisdiction of such a court. *Both the Company and the Employee expressly waive any right that any party either has or may have to a jury trial of any dispute arising out of or in any way related to the Employee's employment with or termination from the Company.*

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company and the Employee have executed this Employment Agreement as of the date first above written.

PACIRA PHARMACEUTICALS, INC.:

By: /s/ David Stack
David Stack
Chief Executive Officer

Employee:

/s/ Kristen Williams
Kristen Williams

EXHIBIT A

Payments Subject to Section 409A

1. Subject to this Exhibit A, any severance payments and benefits that may be due under the Agreement shall begin only upon the date of the Employee's "separation from service" (determined as set forth below) which occurs on or after the termination of the Employee's employment. The following rules shall apply with respect to distribution of the severance payments and benefits, if any, to be provided to the Employee under the Agreement, as applicable:

(a) It is intended that each installment of the severance payments and benefits under the Agreement provided under shall be treated as a separate "payment" for purposes of Section 409A. Neither the Company nor the Employee shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

(b) If, as of the date of the Employee's "separation from service" from the Company, the Employee is not a "specified employee" (within the meaning of Section 409A), then each installment of the severance payments or benefits shall be made on the dates and terms set forth in the Agreement.

(c) If, as of the date of the Employee's "separation from service" from the Company, the Employee is a "specified employee" (within the meaning of Section 409A), then:

(i) Each installment of the severance payments and benefits due under the Agreement that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the Employee's separation from service occurs, be paid within the short-term deferral period (as defined under Section 409A) shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A and shall be paid at the time set forth in the Agreement; and

(ii) Each installment of the severance payments and benefits due under the Agreement that is not described in this Exhibit A, Section 1(c)(i) and that would, absent this subsection, be paid within the six-month period following the Employee's "separation from service" from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, the Employee's death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following the Employee's separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of payments and benefits if and to the maximum extent that that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of the Employee's second taxable year following the taxable year in which the separation from service occurs.

2. The determination of whether and when the Employee's separation from service from the Company has occurred shall be made and in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this Exhibit A, Section 2, "Company" shall include all persons with whom the Company would be considered a single employer under Section 414(b) and 414(c) of the Code.

3. The Company makes no representation or warranty and shall have no liability to the Employee or to any other person if any of the provisions of the Agreement (including this Exhibit) are determined to constitute deferred compensation subject to Section 409A but that do not satisfy an exemption from, or the conditions of, that section.

**AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT**

This Amendment No. 1 to Employment Agreement (this "Amendment"), is entered into as of March 13, 2013, by and between Pacira Pharmaceuticals, Inc., a California corporation (the "Company") and Kristen Williams ("Employee").

RECITALS

A. The Parties desire to amend the Employment Agreement, dated November 29, 2012, by and between the Company and Employee (the "Original Agreement").

B. On March 5, 2013 the Compensation Committee of Pacira Pharmaceuticals, Inc., a Delaware corporation and parent company to the Company, approved amending the Original Agreement as set forth in this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the representations, warranties and agreements contained in this Amendment and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

1. **Amendment to the Original Agreement.** Section 3(c)(i) of the Original Agreement is hereby amended and restated as follows:

"(i) the Employee shall be entitled to receive (A) continuing payments of the then effective Base Salary for a period of twelve (12) months beginning on the Payment Commencement Date and payable in accordance with the Company's payroll policies, (B) in lieu of the Targeted Incentive Bonus, a bonus payment in the amount of twenty-five percent (25%) of Employee's then current Base Salary payable in one lump sum on the Payment Commencement Date and (C) the benefits set forth in Section 3(e)"

2. **Conflicts: Original Agreement in Full Force and Effect as Amended.** If there is any conflict between the provisions of this Amendment and those in the Original Agreement, the provisions of this Amendment govern. Capitalized terms used and not defined herein have the same meanings as defined in the Original Agreement. Except as expressly amended hereby, all other terms and provision of the Original Agreement remain in full force and effect.

3. **Headings.** The paragraph headings used in this Amendment are for convenience only and shall not affect the interpretation of any of the provisions hereof.

4. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or electronic "pdf" transmission shall be equally effective as delivery of a manually executed counterpart of a signature page to this Amendment.

5. **Applicable Law.** This Amendment shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of New Jersey, without regard to conflicts of law principles.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first above written.

**PACIRA PHARMACEUTICALS, INC., a
California corporation**

By: /s/ David Stack
David Stack
President and Chief Executive Officer

Employee

/s/ Kristen Williams
Kristen Williams

AMENDMENT #4 TO SERVICES AGREEMENT

This Amendment #4 to Services Agreement (this "Amendment"), is entered into as of November 17, 2014, by and between Pacira Pharmaceuticals, Inc., (the "Company"), MPM Asset Management LLC ("MPM") and Gary Patou ("Consultant").

This Amendment #4 amends the Services Agreement dated October 28, 2010 by and among the Company, MPM and Consultant, as amended on December 8, 2011, November 29, 2012 and September 11, 2013 (the "Original Agreement"). If there is any conflict between the provisions of this Amendment and those in the Original Agreement, the provisions of this Amendment govern. Except as expressly stated in this Amendment, capitalized terms used and not defined herein have the same meanings defined in the Original Agreement. Except as expressly amended herein, all other terms and provision of the Original Agreement remain in full force and effect.

RECITALS

A. Consultant currently devotes approximately 80% of his business time to the Company for a monthly service fee of \$26,467.33 through December 31, 2014. The parties wish to extend this agreement through December 31, 2015 and agree that from January 1, 2015 through December 31, 2015, the Consultant will devote approximately 50% of his business time to the Company for a monthly service fee of \$15,880.40.

AGREEMENT

NOW, THEREFORE, in consideration of the representations, warranties and agreements contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

1. Section 4(a) is hereby amended to add that the amount of Monthly Services Fee is \$15,880.40 from January 1, 2015 through December 31, 2015.
2. Exhibit A is hereby amended to add that Consultant shall devote approximately 50% of his business time to the Company from January 1, 2015 through December 31, 2015.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first above written.

PACIRA PHARMACEUTICALS, INC.

By: /s/ David Stack
Dave Stack
President, CEO and Chairman

MPM ASSET MANAGEMENT LLC

By: /s/ Luke Evin
Luke Evin
Managing Director

CONSULTANT

/s/ Dr. Gary Patou
Dr. Gary Patou

AMENDMENT #5 TO SERVICES AGREEMENT

This Amendment #5 to Services Agreement (this "Amendment"), is entered into as of March 17, 2015, by and between Pacira Pharmaceuticals, Inc., (the "Company"), MPM Asset Management LLC ("MPM") and Gary Patou ("Consultant").

This Amendment #5 amends the Services Agreement dated October 28, 2010 by and among the Company, MPM and Consultant, as amended on December 8, 2011, November 29, 2012, September 11, 2013 and November 17, 2014 (the "Original Agreement"). If there is any conflict between the provisions of this Amendment and those in the Original Agreement, the provisions of this Amendment govern. Except as expressly stated in this Amendment, capitalized terms used and not defined herein have the same meanings defined in the Original Agreement. Except as expressly amended herein, all other terms and provision of the Original Agreement remain in full force and effect.

RECITALS

Consultant currently devotes approximately 50% of his business time to the Company for a monthly service fee of \$15,880.40 through December 31, 2015. Due to the fact that 50% of the consultant's business time currently costs MPM \$20,904 per month, the Company agrees to a monthly service fee of \$20,904 per month from April 1, 2015 through the remainder of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the representations, warranties and agreements contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

1. Section 4(a) is hereby amended to add that the amount of Monthly Services Fee as of April 1, 2015 is \$20,904.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first above written.

PACIRA PHARMACEUTICALS, INC.

By: /s/ David Stack
Dave Stack
President, CEO and Chairman

MPM ASSET MANAGEMENT LLC

By: /s/ Luke Evin
Luke Evin
Managing Director

CONSULTANT

/s/ Dr. Gary Patou
Dr. Gary Patou

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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 30, 2015

/s/ David Stack

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

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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 30, 2015

/s/ James Scibetta

James Scibetta
Senior Vice President, Chief Financial Officer
and Head of Technical Operations
(Principal Financial Officer)

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

Pursuant to 18 U.S.C. §1350, the undersigned certifies that this Quarterly Report on Form 10-Q of Pacira Pharmaceuticals, Inc. for the quarter ended March 31, 2015, 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: April 30, 2015

/s/ David Stack

David Stack

President, Chief Executive Officer and Chairman
(Principal Executive Officer)

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

Pursuant to 18 U.S.C. §1350, the undersigned certifies that this Quarterly Report on Form 10-Q of Pacira Pharmaceuticals, Inc. for the quarter ended March 31, 2015, 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: April 30, 2015

/s/ James Scibetta

James Scibetta

Senior Vice President, Chief Financial Officer
and Head of Technical Operations
(Principal Financial Officer)

