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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 29, 2007

**CADENCE PHARMACEUTICALS, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-33103**  
(Commission  
File Number)

**41-2142317**  
(IRS Employer  
Identification No.)

**12481 High Bluff Drive, Suite 200, San Diego, California**  
(Address of Principal Executive Offices)

**92130**  
(Zip Code)

Registrant's telephone number, including area code: **(858) 436-1400**

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(Former Name or Former Address, if Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry Into a Material Definitive Agreement.**

On November 30, 2007, Cadence Pharmaceuticals, Inc. (the “Company”) entered into a Second Amendment to Loan and Security Agreement (the “Second Amendment”) with Oxford Finance Corporation, Silicon Valley Bank and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc. (each a “Lender” and collectively “Lenders”). The Second Amendment amends the Company’s existing loan and security agreement and provides the Company with a \$15 million term loan credit facility. The credit facility is available to the Company in up to two advances, with the first advance of \$5 million to be made within five business days after the execution of the Second Amendment and the second advance of \$10 million to be made upon written request by the Company on or before December 31, 2007. Upon the applicable drawdown, the Company will make interest-only payments for the first six months following each advance, and will then make principal and interest payments to fully amortize the advance over the subsequent 30 month term. The monthly fixed interest payments under each advance will equal the sum of 475 basis points plus the U.S. Treasury note yield to maturity for a term of 36 months, as quoted in the Wall Street Journal on the day of the advance. Under the terms of the Second Amendment, the failure of the Company to receive net cash proceeds of at least \$25 million from the sale of the Company’s capital stock by June 30, 2008 will constitute an event of default. The credit facility is secured by the Company’s assets, excluding intellectual property.

In connection with each term loan advance, the Company will issue to each Lender a warrant (“Warrant”) to purchase shares of the Company’s common stock. Each Warrant shall be exercisable for an aggregate number of shares of the Company’s common stock equal to 4.25% of each advance, divided by the average reported closing price for the Company’s common stock on the Nasdaq Global Market over the seven trading days immediately prior to the issue date of such Warrant. Excluding certain mergers or acquisitions, the Warrant will expire on the seven-year anniversary of the date of issuance.

In addition, on November 29, 2007, the Company entered into a Registration Rights Waiver and Amendment (the “Registration Rights Amendment”) with certain of its stockholders to amend that certain Amended and Restated Investor Rights Agreement dated as of February 21, 2006 (the “Investor Rights Agreement”) to, among other things, (i) grant piggy-back registration rights to the Lenders with respect to the shares issuable upon exercise of the Warrants, (ii) add the Lenders as parties to the Investor Rights Agreement, and (iii) terminate the restrictions against the grant by the Company of registration rights in the future.

The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Second Amendment, the Warrants and the Registration Rights Amendment, copies of which are attached as exhibits hereto and incorporated herein by reference.

**Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information contained in Item 1.01 of this Current Report on Form 8-K with respect to the Second Amendment is incorporated by reference herein and made a part hereof.

**Item 3.02. Unregistered Sales of Equity Securities.**

The information contained in Item 1.01 of this Current Report on Form 8-K with respect to the Warrants is incorporated by reference herein and made a part hereof.

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**Item 9.01. Financial Statements and Exhibits.**

(d) *Exhibits.*

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.5	Registration Rights Waiver and Amendment dated November 29, 2007.
4.6	Form of Warrant to Purchase Stock to be issued to Silicon Valley Bank.
4.7	Form of Warrant to Purchase Stock to be issued to Oxford Finance Corporation.
4.8	Form of Warrant to Purchase Stock to be issued to Merrill Lynch Capital.
10.1	Second Amendment to Loan and Security Agreement dated November 30, 2007 by and among the Company and Oxford Finance Corporation, Silicon Valley Bank and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc.

**SIGNATURES**

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

Date: December 3, 2007

CADENCE PHARMACEUTICALS, INC.

By: /s/ William R. LaRue  
Name: William R. LaRue  
Title: Senior Vice President, Chief Financial Officer,  
Treasurer and Assistant Secretary

**EXHIBIT INDEX**

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10.1	Second Amendment to Loan and Security Agreement dated November 30, 2007 by and among the Company and Oxford Finance Corporation, Silicon Valley Bank and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc.

**CADENCE PHARMACEUTICALS, INC.**  
**REGISTRATION RIGHTS WAIVER AND AMENDMENT**

**November 29, 2007**

Reference is made to the Amended and Restated Investor Rights Agreement (the “**Investor Rights Agreement**”), dated as of February 21, 2006, by and between Cadence Pharmaceuticals, Inc. (the “**Company**”) and the investor parties thereto (the “**Holder**s”). All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Investor Rights Agreement.

**WHEREAS**, the Company is proposing to file a Registration Statement on Form S-3 with the U.S. Securities and Exchange Commission pertaining to the potential offering, issuance and sale, from time to time, of common stock of the Company in an aggregate amount not to exceed \$100 million (the “**Registration Statement**”);

**WHEREAS**, the Holders are entitled to certain rights related to the registration of Registrable Securities of the Company, as set forth in the Investor Rights Agreement, including without limitation, the registration rights set forth in Section 3.2 (Piggyback Registration) thereof (the “**Registration Rights**”);

**WHEREAS**, the Company is providing this Registration Rights Waiver and Amendment to notify the Holders of its intention to file the Registration Statement and to request that the Holders waive their Registration Rights and related notice rights as provided herein with respect to the Registration Statement;

**WHEREAS**, in view of the conversion of all of the Convertible Securities into Common Stock in connection with the Company’s initial public offering, the parties wish to (A) delete Section 3.7 (Limitation on Registration Rights Granted to Other Securities) of the Investor Rights Agreement; and (B) amend Section 6.7 (Amendment of Agreement; Waivers) of the Investor Rights Agreement to clarify that henceforth, a written instrument signed by the holders of at least sixty percent (60%) of the Registrable Securities (i) issued or issuable upon conversion of the Company’s Series A-3 Preferred Stock and (ii) then entitled to Registration, shall be required to amend or waive any provision of the Investor Rights Agreement;

**WHEREAS**, the Company has issued, or proposes to issue, warrants to purchase Common Stock (“**Lender Warrants**”) to each of Silicon Valley Bank (“**SVB**”), Oxford Finance Corporation (“**Oxford**”), and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services (“**ML**” and together with SVB and Oxford, the “**Lenders**”), in connection with a proposed second amendment to the Company’s loan and security agreement dated February 17, 2006 with SVB and Oxford, and the Lenders have required that the Company grant piggy-back registration rights to the Lenders under the Investor Rights Agreement with respect to the shares issuable under such warrants; and

**WHEREAS**, in connection with the issuance of the Lender Warrants and pursuant to Section 3.7 of the Investor Rights Agreement, the parties desire to add as the Lenders as parties to the Investor Rights Agreement.

**Now, THEREFORE**, in consideration of the foregoing and in order to enable the Company to (A) file the Registration Statement, (B) grant piggy-back registration rights to the Lenders under the Investor Rights Agreement with respect to the shares issuable under the Lender Warrants, and (C) add the Lenders as parties to the Investor Rights Agreement, the undersigned Holders hereby agree with the Company as follows:

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## 1. AMENDMENT TO INVESTOR RIGHTS AGREEMENT

Section 1(o) of the Investor Rights Agreement is hereby amended and restated to read in its entirety as follows:

“(o) “**Registrable Securities**” shall mean (i) all Common Stock not previously sold to the public issued or issuable upon conversion of any of the Convertible Securities purchased by or issued to the Investors, (ii) all shares of Common Stock owned by the Investors, (iii) for the purposes of Section 3.2, the shares of Common Stock owned by Theodore R. Schroeder and David A. Socks, (iv) for the purposes of Section 3.2, the 48,125 shares of Common Stock issuable upon conversion of the Convertible Securities issuable upon exercise of that certain Warrant to Purchase Stock dated February 17, 2006 by and between the Corporation and Silicon Valley Bank (“**SVB**”), (v) for the purposes of Section 3.2, the 48,125 shares of Common Stock issuable upon conversion of the Convertible Securities issuable upon exercise of that certain Warrant to Purchase Stock dated February 17, 2006 by and between the Corporation and Oxford Finance Corporation (“**Oxford**”), (vi) for the purposes of Section 3.2, the shares of Common Stock issuable upon exercise of that certain Warrant to Purchase Stock dated on or about November 30, 2007 by and between the Corporation and SVB, (vii) for the purposes of Section 3.2, the shares of Common Stock issuable upon exercise of that certain Warrant to Purchase Stock dated on or about November 30, 2007 by and between the Corporation and Oxford, (viii) for the purposes of Section 3.2, the shares of Common Stock issuable upon exercise of that certain Warrant to Purchase Stock dated on or about November 30, 2007 by and between the Corporation and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc. (“**ML**”), and (ix) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the Common Stock described in clauses (i) through (viii) of this definition.”

Section 3.7 (Limitations on Registration Rights Granted to Other Securities) of the Investor Rights Agreement is hereby deleted, in its entirety.

Section 6.7 (Amendment of Agreement; Waivers) of the Investor Rights Agreement is hereby amended and restated to read in its entirety as follows:

“6.7 Amendment of Agreement; Waivers. Subject to Section 3.7 and Section 4.4, any provision of this Agreement may be amended or waived by a written instrument signed by the Company and by Persons holding at least sixty percent (60%) of the Registrable Securities (A) issued or issuable upon conversion of the Series A-3 Preferred Stock and (B) then entitled to Registration under Sections 3.1 or 3.2; provided, however, if such amendment would adversely affect the rights of a specific Investor in a manner different from the other Investors, then such amendment shall require the consent of such Investor. Any amendment or waiver effected in accordance with Section 3.7 or this Section 6.7 shall be binding upon the Company and all Holders and each of their respective successors and assigns. In addition, the Company may waive performance of any obligation owing to it, as to some or all of the Investors, or agree to accept alternatives to such performance, without obtaining the consent of any Investor.”

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**2. WAIVER OF NOTICE.**

The undersigned Holders hereby waive, for and on behalf of all Holders, the right to any notice under the Investor Rights Agreement with respect to the Registration Statement, including without limitation, any amendments and supplements thereto and combined registration statements therewith.

**3. WAIVER OF REGISTRATION RIGHTS.**

The undersigned Holders hereby waive, for and on behalf of all Holders, the Registration Rights and all other related or similar rights under the Investor Rights Agreement with respect to (A) the Registration Statement, including without limitation, any amendments and supplements thereto and combined registration statements therewith, and (B) the grant by the Company of piggy-back registration rights to the Lenders under the Investor Rights Agreement with respect to the shares issuable under the Lender Warrants.

**4. ADDITIONAL PARTIES.**

The undersigned holders hereby consent to the addition of each of SVB, Oxford and ML as parties to the Investor Rights Agreement with regard to the shares issuable under the Lender Warrants. Upon execution of a counterpart of the Investor Rights Agreement by such additional parties and by the Company, each of such additional parties shall be considered an Investor only for purposes of Section 3.2 of the Investor Rights Agreement. Schedule A of the Investor Rights Agreement shall be amended to identify each such additional party and the additional Registrable Securities held by such party.

**5. MISCELLANEOUS.**

This Registration Rights Waiver and Amendment may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute the same Registration Rights Waiver and Amendment. This Registration Rights Waiver and Amendment is being signed by each undersigned Holder with respect to all Registrable Securities held by the same, as a stockholder of the Company and for all other purposes. This Registration Rights Waiver and Amendment is irrevocable and shall be effective with respect to each of the undersigned Holders and all affiliates, successors, heirs, personal representatives, and assigns of the undersigned Holders.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, each of the undersigned Holder has executed this Registration Rights Waiver and Amendment as of the date first written above.

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**Versant Side Fund II, L.P.**

By: Versant Ventures II, L.L.C.

Its: General Partner

By: /s/ Brian G. Atwood

Authorized Signature

Brian G. Atwood

Name and Title of Person Signing, if necessary

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**Versant Venture Capital II, L.P.**

By: Versant Ventures II, L.L.C.

Its: General Partner

By: /s/ Brian G. Atwood

Authorized Signature

Brian G. Atwood

Name and Title of Person Signing, if necessary

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**Versant Affiliates Fund II-A, L.P.**

By: Versant Ventures II, L.L.C.

Its: General Partner

By: /s/ Brian G. Atwood

Authorized Signature

Brian G. Atwood

Name and Title of Person Signing, if necessary

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IN WITNESS WHEREOF, each of the undersigned Holder has executed this Registration Rights Waiver and Amendment as of the date first written above.

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**PROQUEST INVESTMENTS III, L.P.**

By: ProQuest Associates III LLC

Its: General Partner

By: /s/ Pasquale DeAngelis\_\_\_\_\_

Authorized Signature

Pasquale DeAngelis, Managing Member\_\_\_\_\_

Name and Title of Person Signing, if necessary

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IN WITNESS WHEREOF, each of the undersigned Holder has executed this Registration Rights Waiver and Amendment as of the date first written above.

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**FRAZIER HEALTHCARE V, L.P.**

By FHM V, L.P., its general partner

By FHM V, L.L.C., its general partner

By: /s/ Alan D. Frazier

Authorized Signature

Managing Partner

Name and Title of Person Signing, if necessary

(please print)

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IN WITNESS WHEREOF, each of the undersigned Holder has executed this Registration Rights Waiver and Amendment as of the date first written above.

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**Domain Partners VI, L.P.**

By: One Palmer Square Associates VI, L.L.C.

Its: General Partner

By: /s/ Kathleen K. Shoemaker

Authorized Signature

Managing Member

Name and Title of Person Signing, if necessary

(please print)

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IN WITNESS WHEREOF, each of the undersigned Holder has executed this Registration Rights Waiver and Amendment as of the date first written above.

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**Garner Investments, L.L.C.**

By: /s/ Cam Garner  
Authorized Signature

Cam Garner, President

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**Acknowledged and Agreed:**  
**CADENCE PHARMACEUTICALS, INC.**

By: /s/ Theodore R. Schroeder

Name: Theodore R. Schroeder  
Title: President & CEO



THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

### WARRANT TO PURCHASE STOCK

Company: CADENCE PHARMACEUTICALS, INC., a Delaware corporation  
Number of Shares: as set forth below  
Class of Stock: Common Stock  
Warrant Price: as set forth below  
Issue Date: November 30, 2007  
Expiration Date: Subject to Section 1.6 hereof, the 7th anniversary after the Issue Date

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, including without limitation the mutual promises contained in that certain Loan and Security Agreement dated as of February 17, 2006, as amended by that certain First Amendment to Loan and Security Agreement dated as of September 13, 2007, as further amended by that certain Second Amendment to Loan and Security Agreement of even date herewith (as amended, the "Loan Agreement") entered into by and among SILICON VALLEY BANK ("Holder"), Oxford Finance Corporation, Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., and the company named above (the "Company"), Holder is entitled to purchase the number of fully paid and nonassessable shares of Common Stock (the "Shares") of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. This Warrant is issued in connection with the Loan Agreement.

As used herein:

"Number of Shares" means the cumulative, aggregate number of shares of Common Stock equal to: (i) 4.25% of each Term Loan (as defined in the Loan Agreement) made by Silicon Valley Bank to the Company, divided by (ii) the Warrant Price.

"Warrant Price" means the average of the closing prices of the Common Stock over the seven (7) trading days immediately prior to the Issue Date.

#### ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the

conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value. If the Company's Common Stock is traded in a public market, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company. If the Company's Common Stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition

giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company’s assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

C) Notwithstanding the foregoing provisions of this Section 1.6, in the event that the acquirer in an Acquisition does not agree to assume this Warrant at and as of the closing thereof, this Warrant, to the extent not exercised or converted on or prior to such closing, shall terminate and be of no further force or effect as of immediately following such closing if all of the following conditions are met: (i) the acquirer is subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, (ii) the class of stock or other security of the acquirer that would be received by Holder in connection with such Acquisition were Holder to exercise or convert this Warrant on or prior to the closing thereof is listed for trading on a national securities exchange or approved for quotation on an automated inter-dealer quotation system, (iii) the value (determined as of the closing of such Acquisition in accordance with the definitive agreements therefor) of the acquirer stock and/or other securities that would be received by Holder in respect of each Share were Holder to exercise or convert this Warrant on or prior to the closing of such Acquisition is equal to or greater than three (3) times the then-effective Warrant Price, and (iv) upon the exercise or conversion of this Warrant on or prior to the closing of such Acquisition, Holder would be able to publicly resell all of the acquirer stock and/or other securities that would be received by Holder in such Acquisition within 120 days following the closing thereof pursuant to an effective registration statement covering such acquirer stock and/or other securities or pursuant to the provisions of Rule 144 under the Act.

D) Upon the closing of any Acquisition other than those particularly described in subsections (A), (B) and (C) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten (10) percent or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and each of such person’s or entity’s officers, directors, joint venturers or partners, as applicable.

## ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the Shares payable in Common Stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares or takes any other action which increases the amount of stock into which the Shares are convertible, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 [Reserved].

2.4 No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment; provided, however, that notwithstanding the foregoing, nothing in this Section 2.4 shall restrict or impair the Company's right to effect changes to the rights, preferences and privileges associated with the Shares with the requisite consent of the stockholders as may be required to amend the Certificate of Incorporation from time to time so long as such amendment affects the rights, preferences and privileges granted to Holder associated with the Shares in the same manner as the other holders of Common Stock.

2.5 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value, as determined in accordance with Section 1.3, of a full Share.

2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

### ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants and covenants to the Holder as follows:

(a) Intentionally omitted.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) Intentionally omitted.

3.2 Notice of Certain Events. The Company shall send concurrently to Holder the same notice as the Company gives to the holders of registration rights under the Investor Rights Agreement (defined below) if the Company proposes to offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company's securities for cash.

3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares shall have certain incidental, or "Piggyback," registration rights pursuant to and as set forth in the Company's Amended and Restated Investor Rights Agreement dated February 21, 2006 (as amended from time to time, the "Investor Rights Agreement") or similar agreement. The provisions set forth in the Investor Rights Agreement or similar agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to the Holder.

3.4 No Stockholder Rights. Except as provided in this Warrant, the Holder will not have any rights as a stockholder of the Company until the exercise of this Warrant.

3.5 Information. If the Company ceases to be a public company, then the Company will provide information requested by Holder reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER. The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by the Holder will be acquired for investment for the Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that the Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. The Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. The Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Holder or to which the Holder has access.

4.3 Investment Experience. The Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. The Holder has experience as an investor in securities of companies in the development stage and acknowledges that the Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that the Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables the Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. The Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. The Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

ARTICLE 5. MISCELLANEOUS.

5.1 Term: This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to Holder's parent company, SVB Financial Group (formerly Silicon Valley Bancshares), or any other affiliate of Holder. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144, including, without limitation, the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale.

5.4 Transfer Procedure. Upon receipt by Holder of the executed Warrant, Holder will transfer all of this Warrant to Holder's parent company, SVB Financial Group, by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares to any

person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or the Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to the Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

SVB Financial Group  
Attn: Treasury Department  
3003 Tasman Drive, HA 200  
Santa Clara, CA 95054  
Telephone: 408-654-7400  
Facsimile: 408-496-2405

Notice to the Company shall be addressed as follows until the Holder receives notice of a change in address:

Cadence Pharmaceuticals, Inc.  
12481 High Bluff Drive, Suite 200  
San Diego, CA 92130  
Attn: General Counsel  
Telephone: (858) 436-1400  
Facsimile: (858) 436-1401

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney's fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.



5.10 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

*[Remainder of page intentionally left blank; signature page follows]*

“COMPANY”

CADENCE PHARMACEUTICALS, INC.

By: /s/ Theodore R. Schroeder

Name: Theodore R. Schroeder  
Title: President and CEO

By: /s/ William R. LaRue

Name: William R. LaRue  
Title: Chief Financial Officer

“HOLDER”

SILICON VALLEY BANK

By: /s/ R. Michael White

Name: R. Michael White  
Title: Deal Team Leader

**APPENDIX 1**  
**NOTICE OF EXERCISE**

1. Holder elects to purchase \_\_\_\_\_ shares of the Common Stock of \_\_\_\_\_ pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for \_\_\_\_\_ of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the shares in the name specified below:

\_\_\_\_\_

Holder's Name

\_\_\_\_\_

\_\_\_\_\_

(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Date): \_\_\_\_\_

**APPENDIX 2**  
**ASSIGNMENT**

For value received, Silicon Valley Bank hereby sells, assigns and transfers unto

Name: SVB Financial Group  
Address: 3003 Tasman Drive (HA-200)  
Santa Clara, CA 95054

Tax ID: 91-1962278

that certain Warrant to Purchase Stock issued by Cadence Pharmaceuticals, Inc. (the "Company"), on \_\_\_\_\_, 2007 (the "Warrant") together with all rights, title and interest therein.

SILICON VALLEY BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

By its execution below, and for the benefit of the Company, SVB Financial Group makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

SVB Financial Group

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

**WARRANT TO PURCHASE STOCK**

Company: CADENCE PHARMACEUTICALS, INC., a Delaware corporation  
Number of Shares: as set forth below  
Class of Stock: Common Stock  
Warrant Price: as set forth below  
Issue Date: November 30, 2007  
Expiration Date: Subject to Section 1.6 hereof, the 7th anniversary after the Issue Date

THIS WARRANT CERTIFIES THAT, for the agreed upon value of \$1.00 and for other good and valuable consideration, including without limitation the mutual promises contained in that certain Loan and Security Agreement dated as of February 17, 2006, as amended by that certain First Amendment to Loan and Security Agreement dated as of September 13, 2007, as further amended by that certain Second Amendment to Loan and Security Agreement of even date herewith (as amended, the "Loan Agreement") entered into by and among OXFORD FINANCE CORPORATION ("Holder"), Silicon Valley Bank, Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., and the company named above (the "Company"), Holder is entitled to purchase the number of fully paid and nonassessable shares of Common Stock (the "Shares") of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. This Warrant is issued in connection with the Loan Agreement.

As used herein:

"Number of Shares" means the cumulative, aggregate number of shares of Common Stock equal to: (i) 4.25% of each Term Loan (as defined in the Loan Agreement) made by Oxford Finance Corporation to the Company, divided by (ii) the Warrant Price.

"Warrant Price" means the average of the closing prices of the Common Stock over the seven (7) trading days immediately prior to the Issue Date.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as

Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value. If the Company's Common Stock is traded in a public market, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company. If the Company's Common Stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable

information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company’s assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

C) Notwithstanding the foregoing provisions of this Section 1.6, in the event that the acquirer in an Acquisition does not agree to assume this Warrant at and as of the closing thereof, this Warrant, to the extent not exercised or converted on or prior to such closing, shall terminate and be of no further force or effect as of immediately following such closing if all of the following conditions are met: (i) the acquirer is subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, (ii) the class of stock or other security of the acquirer that would be received by Holder in connection with such Acquisition were Holder to exercise or convert this Warrant on or prior to the closing thereof is listed for trading on a national securities exchange or approved for quotation on an automated inter-dealer quotation system, (iii) the value (determined as of the closing of such Acquisition in accordance with the definitive agreements therefor) of the acquirer stock and/or other securities that would be received by Holder in respect of each Share were Holder to exercise or convert this Warrant on or prior to the closing of such Acquisition is equal to or greater than three (3) times the then-effective Warrant Price, and (iv) upon the exercise or conversion of this Warrant on or prior to the closing of such Acquisition, Holder would be able to publicly resell all of the acquirer stock and/or other securities that would be received by Holder in such Acquisition within 120 days following the closing thereof pursuant to an effective registration statement covering such acquirer stock and/or other securities or pursuant to the provisions of Rule 144 under the Act.

D) Upon the closing of any Acquisition other than those particularly described in subsections (A), (B) and (C) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten (10) percent or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and

each of such person's or entity's officers, directors, joint venturers or partners, as applicable.

## ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the Shares payable in Common Stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares or takes any other action which increases the amount of stock into which the Shares are convertible, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 [Reserved].

2.4 No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment; provided, however, that notwithstanding the foregoing, nothing in this Section 2.4 shall restrict or impair the Company's right to effect changes to the rights, preferences and privileges associated with the Shares with the requisite consent of the stockholders as may be required to amend the Certificate of Incorporation from time to time so long as such amendment affects the rights, preferences and privileges granted



to Holder associated with the Shares in the same manner as the other holders of Common Stock.

2.5 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value, as determined in accordance with Section 1.3, of a full Share.

2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

### ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants and covenants to the Holder as follows:

(a) Intentionally omitted.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) Intentionally omitted.

3.2 Notice of Certain Events. The Company shall send concurrently to Holder the same notice as the Company gives to the holders of registration rights under the Investor Rights Agreement (defined below) if the Company proposes to offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company's securities for cash.

3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares shall have certain incidental, or "Piggyback," registration rights pursuant to and as set forth in the Company's Amended and Restated Investor Rights Agreement dated February 21, 2006 (as amended from time to time, the "Investor Rights Agreement") or similar agreement. The provisions set forth in the Investor Rights Agreement or similar agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to the Holder.

3.4 No Stockholder Rights. Except as provided in this Warrant, the Holder will not have any rights as a stockholder of the Company until the exercise of this Warrant.

3.5 Information. If the Company ceases to be a public company, then the Company will provide information requested by Holder reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER. The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by the Holder will be acquired for investment for the Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that the Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. The Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. The Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Holder or to which the Holder has access.

4.3 Investment Experience. The Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. The Holder has experience as an investor in securities of companies in the development stage and acknowledges that the Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that the Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables the Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. The Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. The Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

ARTICLE 5. MISCELLANEOUS.

5.1 Term: This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to any other affiliate of Holder. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144, including, without limitation, the availability of current information as referenced in Rule 144(c). Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale.

5.4 Transfer Procedure. Upon receipt by Holder of the executed Warrant, Holder may transfer this Warrant to any affiliate of Holder, by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing Company with written notice, any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or the Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to the Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Oxford Finance Corporation  
133 N. Fairfax Street  
Alexandria, VA 22314  
Attn: Michael J. Altenburger, Chief Financial Officer  
Telephone: (703) 519-4900  
Facsimile: (703) 519-5225

Notice to the Company shall be addressed as follows until the Holder receives notice of a change in address:

Cadence Pharmaceuticals, Inc.  
12481 High Bluff Drive, Suite 200  
San Diego, CA 92130  
Attn: General Counsel  
Telephone: (858) 436-1400  
Facsimile: (858) 436-1401

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney's fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

*[Remainder of page intentionally left blank; signature page follows]*

“COMPANY”

CADENCE PHARMACEUTICALS, INC.

By: /s/ Theodore R. Schroeder

Name: Theodore R. Schroeder  
Title: President and CEO

By: /s/ William R. LaRue

Name: William R. LaRue  
Title: Chief Financial Officer

“HOLDER”

OXFORD FINANCE CORPORATION

By: /s/ T.A. Lex

Name: T.A. Lex  
Title: COO

**APPENDIX 1**  
**NOTICE OF EXERCISE**

1. Holder elects to purchase \_\_\_\_\_ shares of the Common Stock of \_\_\_\_\_ pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for \_\_\_\_\_ of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the shares in the name specified below:

\_\_\_\_\_

Holder's Name

\_\_\_\_\_

\_\_\_\_\_

(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Date): \_\_\_\_\_

**APPENDIX 2**  
**ASSIGNMENT**

For value received, Oxford Finance Corporation hereby sells, assigns and transfers unto

Name:  
Address:  
Tax ID:

that certain Warrant to Purchase Stock issued by Cadence Pharmaceuticals, Inc. (the "Company"), on \_\_\_\_\_, 2007 (the "Warrant") together with all rights, title and interest therein.

OXFORD FINANCE CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

By its execution below, and for the benefit of the Company, \_\_\_\_\_ makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

**WARRANT TO PURCHASE STOCK**

Company: CADENCE PHARMACEUTICALS, INC., a Delaware corporation  
Number of Shares: as set forth below  
Class of Stock: Common Stock  
Warrant Price: as set forth below  
Issue Date: November 30, 2007  
Expiration Date: Subject to Section 1.6 hereof, the 7th anniversary after the Issue Date

THIS WARRANT CERTIFIES THAT, for the agreed upon value of \$1.00 and for other good and valuable consideration, including without limitation the mutual promises contained in that certain Loan and Security Agreement dated as of February 17, 2006, as amended by that certain First Amendment to Loan and Security Agreement dated as of September 13, 2007, as further amended by that certain Second Amendment to Loan and Security Agreement of even date herewith (as amended, the "Loan Agreement") entered into by and among MERRILL LYNCH CAPITAL, A DIVISION OF MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC. ("Holder"), Silicon Valley Bank, Oxford Finance Corporation and the company named above (the "Company"), Holder is entitled to purchase the number of fully paid and nonassessable shares of Common Stock (the "Shares") of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. This Warrant is issued in connection with the Loan Agreement.

As used herein:

"Number of Shares" means the cumulative, aggregate number of shares of Common Stock equal to: (i) 4.25% of each Term Loan (as defined in the Loan Agreement) made by Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., to the Company, divided by (ii) the Warrant Price.

"Warrant Price" means the average of the closing prices of the Common Stock over the seven (7) trading days immediately prior to the Issue Date.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as

Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value. If the Company's Common Stock is traded in a public market, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company. If the Company's Common Stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable

information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company’s assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

C) Notwithstanding the foregoing provisions of this Section 1.6, in the event that the acquirer in an Acquisition does not agree to assume this Warrant at and as of the closing thereof, this Warrant, to the extent not exercised or converted on or prior to such closing, shall terminate and be of no further force or effect as of immediately following such closing if all of the following conditions are met: (i) the acquirer is subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, (ii) the class of stock or other security of the acquirer that would be received by Holder in connection with such Acquisition were Holder to exercise or convert this Warrant on or prior to the closing thereof is listed for trading on a national securities exchange or approved for quotation on an automated inter-dealer quotation system, (iii) the value (determined as of the closing of such Acquisition in accordance with the definitive agreements therefor) of the acquirer stock and/or other securities that would be received by Holder in respect of each Share were Holder to exercise or convert this Warrant on or prior to the closing of such Acquisition is equal to or greater than three (3) times the then-effective Warrant Price, and (iv) upon the exercise or conversion of this Warrant on or prior to the closing of such Acquisition, Holder would be able to publicly resell all of the acquirer stock and/or other securities that would be received by Holder in such Acquisition within 120 days following the closing thereof pursuant to an effective registration statement covering such acquirer stock and/or other securities or pursuant to the provisions of Rule 144 under the Act.

D) Upon the closing of any Acquisition other than those particularly described in subsections (A), (B) and (C) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten (10) percent or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and

each of such person's or entity's officers, directors, joint venturers or partners, as applicable.

## ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the Shares payable in Common Stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares or takes any other action which increases the amount of stock into which the Shares are convertible, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 [Reserved].

2.4 No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment; provided, however, that notwithstanding the foregoing, nothing in this Section 2.4 shall restrict or impair the Company's right to effect changes to the rights, preferences and privileges associated with the Shares with the requisite consent of the stockholders as may be required to amend the Certificate of Incorporation from time to time so long as such amendment affects the rights, preferences and privileges granted

to Holder associated with the Shares in the same manner as the other holders of Common Stock.

2.5 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value, as determined in accordance with Section 1.3, of a full Share.

2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

### ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants and covenants to the Holder as follows:

(a) Intentionally omitted.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) Intentionally omitted.

3.2 Notice of Certain Events. The Company shall send concurrently to Holder the same notice as the Company gives to the holders of registration rights under the Investor Rights Agreement (defined below) if the Company proposes to offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company's securities for cash.

3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares shall have certain incidental, or "Piggyback," registration rights pursuant to and as set forth in the Company's Amended and Restated Investor Rights Agreement dated February 21, 2006 (as amended from time to time, the "Investor Rights Agreement") or similar agreement. The provisions set forth in the Investor Rights Agreement or similar agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to the Holder.

3.4 No Stockholder Rights. Except as provided in this Warrant, the Holder will not have any rights as a stockholder of the Company until the exercise of this Warrant.

3.5 Information. If the Company ceases to be a public company, then the Company will provide information requested by Holder reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER. The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by the Holder will be acquired for investment for the Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that the Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. The Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. The Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Holder or to which the Holder has access.

4.3 Investment Experience. The Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. The Holder has experience as an investor in securities of companies in the development stage and acknowledges that the Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that the Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables the Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. The Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. The Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. The Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

ARTICLE 5. MISCELLANEOUS.

5.1 Term: This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to any other affiliate of Holder. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144, including, without limitation, the availability of current information as referenced in Rule 144(c). Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale.

5.4 Transfer Procedure. Upon receipt by Holder of the executed Warrant, Holder may transfer this Warrant to any affiliate of Holder, by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing Company with written notice, any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or the Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to the Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc.  
222 N. LaSalle Street, 16th Floor  
Chicago, Illinois 60601  
Attn: Account Manager for MLC-HCF Cadence transaction  
Facsimile: 1-866-231-8408  
E-Mail: MLC\_HCF\_ABL1@ml.com

With copies to:

Merrill Lynch Capital  
222 N. LaSalle Street, 16th Floor  
Chicago, Illinois 60601  
Attn: Group Senior Transaction Attorney, Healthcare Finance  
Facsimile Number: (312) 499-3245

Merrill Lynch Capital  
7700 Wisconsin Ave., Suite 400  
Bethesda, Maryland 20814  
Attn: Group Senior Transaction Attorney, Healthcare Finance  
Facsimile Number: (866) 341-9053

Blank Rome LLP  
130 N. 18th Street  
One Logan Square  
Philadelphia, PA 19103  
Attn: Lawrence F. Flick, II, Esq.  
Facsimile Number: (215) 569-5555

Notice to the Company shall be addressed as follows until the Holder receives notice of a change in address:

Cadence Pharmaceuticals, Inc.  
12481 High Bluff Drive, Suite 200  
San Diego, CA 92130  
Attn: General Counsel  
Telephone: (858) 436-1400  
Facsimile: (858) 436-1401



5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorney's fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

*[Remainder of page intentionally left blank; signature page follows]*

“COMPANY”

CADENCE PHARMACEUTICALS, INC.

By: /s/ Theodore R. Schroeder

Name: Theodore R. Schroeder  
Title: President and CEO

By: /s/ William R. LaRue

Name: William R. LaRue  
Title: Chief Financial Officer

“HOLDER”

MERRILL LYNCH CAPITAL, a division of Merrill  
Lynch Business Financial Services Inc.

By: /s/ Chris York

Name: Chris York  
Title: VP

**APPENDIX 1**  
**NOTICE OF EXERCISE**

1. Holder elects to purchase \_\_\_\_\_ shares of the Common Stock of \_\_\_\_\_ pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for \_\_\_\_\_ of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the shares in the name specified below:

\_\_\_\_\_  
Holder's Name

\_\_\_\_\_  
\_\_\_\_\_  
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Date): \_\_\_\_\_

**APPENDIX 2**  
**ASSIGNMENT**

For value received, MERRILL LYNCH CAPITAL, a division of Merrill Lynch Business Financial Services Inc. hereby sells, assigns and transfers unto

Name:  
Address:  
Tax ID:

that certain Warrant to Purchase Stock issued by Cadence Pharmaceuticals, Inc. (the "Company"), on \_\_\_\_\_, 2007 (the "Warrant") together with all rights, title and interest therein.

MERRILL LYNCH CAPITAL, a division of Merrill Lynch  
Business Financial Services Inc.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

By its execution below, and for the benefit of the Company, \_\_\_\_\_ makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SECOND AMENDMENT  
TO  
LOAN AND SECURITY AGREEMENT**

THIS **SECOND AMENDMENT** to Loan and Security Agreement (this "Amendment") is entered into this 30th day of November, 2007, by and among Oxford Finance Corporation, as Agent ("**Collateral Agent**"), Oxford Finance Corporation, Silicon Valley Bank and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc. (each a "**Lender**" and collectively "**Lenders**") and Cadence Pharmaceuticals, Inc., a Delaware corporation ("**Borrower**") whose address is 12481 High Bluff Drive, Suite 200, San Diego, California 92130.

**RECITALS**

**A. WHEREAS**, Oxford Finance Corporation ("**Oxford**"), Silicon Valley Bank ("**SVB**") and Borrower have previously entered into that certain Loan and Security Agreement dated as of February 17, 2006, as amended by that certain First Amendment to Loan and Security Agreement dated as of September 13, 2007 (as the same may from time to time be amended, modified, supplemented or restated, the "**Loan Agreement**").

**B. WHEREAS**, Oxford and SVB have previously extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C. WHEREAS**, Borrower has requested that Oxford and SVB amend the Loan Agreement to (i) make a term loan facility available to Borrower thereunder, (ii) add Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc. ("**Merrill**") as a Lender, and (ii) make certain other revisions to the Loan Agreement as more fully set forth herein.

**AGREEMENT**

**Now, THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement.**

**2.1 Lenders; Collateral Agent; Security Grant.** As of the Second Amendment Effective Date, Merrill shall be one of the Lenders and Oxford shall be Collateral Agent as well as a Lender. Borrower shall separately set up an ACH payment structure in favor of Merrill, reasonably satisfactory to Merrill. Borrower hereby reaffirms the grant of a security interest in the Collateral under the Loan Agreement and Borrower hereby grants to: (i) Collateral Agent, for the ratable benefit of each Lender, and to each Lender, to secure the payment and performance in full of all of the Obligations and the performance of each of Borrower's duties under the Loan

Documents, a continuing security interest in, and pledges and assigns to each Lender the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof, and (ii) SVB, for the ratable benefit of each Lender, to secure the payment and performance in full of all of the Obligations and the performance of each of Borrower's duties under the Loan Documents, a continuing security interest in, all of Borrower's deposit accounts maintained by SVB, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower acknowledges and agrees that (i) any account control agreement Oxford has entered, or may enter, into shall perfect via control all Lenders and any such account control agreement shall perfect via control the Obligations, and (ii) any deposit account that SVB maintains for Borrower is perfected via control on behalf of all Lenders.

**2.2 Section 2.1.2 (Term Loan Facility).** A new **Section 2.1.2** is added to the Loan Agreement which reads in its entirety as follows:

**2.1.2 Term Loan Facility.**

(a) Availability. Subject to the terms and conditions of this Agreement, Lenders agree, severally and not jointly, to lend to Borrower from time to time through the Term Loan Commitment Termination Date, advances (each a "**Term Loan**" and collectively the "**Term Loans**") in an aggregate amount not to exceed the Term Loan Commitment according to each Lender's pro rata share of the Term Loan Commitment (based upon the respective Term Loan Commitment Percentage of each Lender). When repaid, the Term Loans may not be re-borrowed. Lenders' obligation to lend hereunder shall terminate on the earlier of (i) at Lenders' option, the occurrence and continuance of an Event of Default, or (ii) the Term Loan Commitment Termination Date. The first Term Loan shall be in an amount of Five Million Dollars (\$5,000,000) (the "**First Term Loan**") and shall be made on the fifth Business Day after the Second Amendment Effective Date. The second Term Loan shall be in an amount of Ten Million Dollars (\$10,000,000) (the "**Second Term Loan**").

(b) Repayment. For each Term Loan, Borrower shall make monthly payments of interest only commencing on the first day of the month following the month in which the Term Loan Funding Date occurs with respect to such Term Loan and continuing thereafter on the first day of each successive calendar month during the Term Loan Interest Only Period. Commencing on the Term Loan Amortization Date, Borrower shall make thirty (30) equal monthly payments of principal and interest which would fully amortize the outstanding Term Loan as of the Term Loan Amortization Date over the Term Loan Repayment Period and on the first day of each successive month and continuing thereafter during the Term Loan Repayment Period (each a "**Term Loan Scheduled Payment Date**"). All unpaid principal and accrued interest is due and payable in full on the Term Loan Maturity Date with respect to such Term Loan. A

Term Loan may only be prepaid in accordance with Sections 2.1.2(d) and 2.1.2(e).

**(c) Final Payment.** On the Term Loan Maturity Date with respect to each Term Loan, Borrower shall pay, in addition to the unpaid principal and accrued interest and all other amounts due on such date with respect to such Term Loan, an amount equal to the Term Loan Final Payment.

**(d) Mandatory Prepayment Upon an Acceleration.** If the Term Loans are accelerated following the occurrence and during the continuance of an Event of Default, Borrower shall immediately pay to Lenders an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest, (ii) the Term Loan Final Payment, (iii) the Term Loan Prepayment Fee, plus (iv) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

**(e) Permitted Prepayment of Loans.** So long as Borrower is concurrently prepaying all Growth Capital Advances under Section 2.3(d), Borrower shall have the option to prepay all, but not less than all, of the Term Loans advanced by Lenders under this Agreement, provided Borrower (i) delivers written notice to Agent of its election to prepay the Term Loans at least thirty (30) days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) all outstanding principal plus accrued and unpaid interest, (B) the Term Loan Final Payment, (C) the Term Loan Prepayment Fee (except as provided in Section 7.3), plus (D) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

**(f) Interest Rate.** Subject to Section 2.2(b), the principal amount outstanding under each Term Loan shall accrue interest, which interest shall be payable monthly, at the fixed per annum rate equal to the sum of (a) four hundred seventy five (475) basis points or 4.75%, plus (b) the Treasury Rate as determined by Collateral Agent on the applicable Term Loan Funding Date. Interest is computed on the basis of a 360 day year of twelve 30-day months.

**(g) Borrowing Procedure.** The Term Loan Funding Date for the First Term Loan shall be the fifth Business Day after the Second Amendment Effective Date, and no further notice from Borrower shall be required with respect to such Term Loan Funding Date. To obtain the Second Term Loan, Borrower must notify Lenders by facsimile or telephone by 12:00 p.m. Pacific Time seven (7) Business Days prior to the date the Second Term Loan is to be made. If such notification is by telephone, Borrower must promptly confirm the notification by delivering to Lenders a completed Payment/Advance Form in the form attached as

Exhibit B. In addition, a Note payable to each Lender in the form of Exhibit E must be signed by a Responsible Officer or designee. On the Term Loan Funding Date, each Lender shall credit and/or transfer (as applicable) to Borrower's deposit account, an amount equal to its Term Loan Commitment Percentage multiplied by the amount of the Term Loan. Each Lender may make Term Loans under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Term Loans are necessary to meet Obligations which have become due. Each Lender may rely on any telephone notice given by a person whom such Lender reasonably believes is a Responsible Officer or designee. Borrower shall indemnify each Lender for any loss Lender suffers due to such reliance.

**2.3 Section 2.3(d) (Permitted Prepayment of Loans)**. **Section 2.3(d)** of the Loan Agreement shall be replaced in its entirety and read as follows:

Permitted Prepayment of Loans. So long as Borrower is concurrently prepaying all Term Loans under Section 2.1.2(e), Borrower shall have the option to prepay all, but not less than all, of the Growth Capital Advances advanced by Lenders under this Agreement, provided Borrower (i) provides written notice to Lenders of its election to prepay the Growth Capital Advances at least thirty (30) days prior to such prepayment, and (ii) pays, on the date of such prepayment (A) all outstanding principal plus accrued interest, plus (B) the Prepayment Fee (except as provided in Section 7.3), plus (C) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

**2.4 Section 7.3 (Mergers or Acquisitions)**. The first sentence of **Section 7.3** of the Loan Agreement shall be replaced in its entirety and read as follows:

Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person; provided, however, if Lenders do not consent to any such transaction, then Borrower shall be entitled to prepay all of the Obligations without payment of the Prepayment Fee (as more fully set forth in Section 2.3(d) of this Agreement) or the Term Loan Prepayment Fee (as more fully set forth in Section 2.1.2(e) of this Agreement).

**2.5 Section 8.10 (Equity Milestone)**. A new **Section 8.10** shall be added to the Loan Agreement, which reads in its entirety follows:



Between the Effective Date and June 30, 2008, Borrower fails to receive at least Twenty-Five Million Dollars (\$25,000,000) in net cash proceeds from Borrower's sale of its capital stock.

**2.6 Section 9.1 (Rights and Remedies).** The first clause of **Section 9.1** of the Loan Agreement, before subsection 9.1(a), shall be replaced in its entirety and read as follows:

When an Event of Default occurs and continues Collateral Agent or any Lender may, without notice or demand, do any or all of the following:

**2.7 Section 9.5 (Lenders' Liability for Collateral).** The word "neither" in **Section 9.5** of the Loan Agreement is replaced with the word "no."

**2.8 Section 10 (Notices).** The following addresses for notice for Merrill is added to **Section 10** of the Loan Agreement:

If to Merrill: 222 N. LaSalle Street, 16th Floor  
Chicago, Illinois 60601  
Attn: Account Manager for MLC-HCF Cadence transaction  
Facsimile: 1-866-231-8408  
E-Mail: MLC\_HCF\_ABL1@ml.com

With copies to:

Merrill Lynch Capital  
222 N. LaSalle Street, 16<sup>th</sup> Floor  
Chicago, Illinois 60601  
Attn: Group Senior Transaction Attorney, Healthcare Finance  
Facsimile Number: (312) 499-3245

Merrill Lynch Capital  
7700 Wisconsin Ave., Suite 400  
Bethesda, Maryland 20814  
Attn: Group Senior Transaction Attorney, Healthcare Finance  
Facsimile Number: (866) 341-9053

Blank Rome LLP  
130 N. 18<sup>th</sup> Street  
One Logan Square  
Philadelphia, PA 19103  
Attn: Lawrence F. Flick, II, Esq.  
Facsimile Number: (215) 569-5555

**2.9 Section 13 (Definitions).** The following terms and their respective definitions are added in **Section 13.1** of the Loan Agreement in proper alphabetical order:

“**Second Amendment**” is the Second Amendment to Loan and Security Agreement by and among Agent, Lenders and Borrower.

“**Second Amendment Effective Date**” is the date the Second Amendment goes effective.

“**Term Loan**” or “**Term Loans**” is defined in Section 2.1.2(a).

“**Term Loan Amortization Date**” means, for each Term Loan, the day six (6) months after its Term Loan Funding Date, or if such date is not the first day of the month, then the first day of the calendar month immediately following such date.

“**Term Loan Amount**” in respect of each Term Loan is the original principal amount of such Term Loan.

“**Term Loan Commitment**” is Fifteen Million Dollars (\$15,000,000).

“**Term Loan Commitment Percentage**” means: (i) 20% with respect to SVB, (ii) 33.3333% with respect to Merrill, and (ii) 46.6667% with respect to Oxford.

“**Term Loan Commitment Termination Date**” is: (i) with respect to the First Term Loan, the fifth Business Day after the Second Amendment Effective Date, and (ii) with respect to the Second Term Loan is December 31, 2007.

“**Term Loan Final Payment**” is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) for each Term Loan due on the earlier of (a) the Term Loan Maturity Date for such Term Loan or (b) the acceleration of such Term Loan, equal to: the Term Loan Amount for such Term Loan multiplied by the Term Loan Final Payment Percentage. The “Term Loan Final Payment” for all of the Term Loans shall be the sum of all of the “Term Loan Final Payments” for every Term Loan.

“**Term Loan Final Payment Percentage**” is, for each Term Loan, two and one-half percent (2.50%).

“**Term Loan Funding Date**” is any date on which a Term Loan is made to or on account of Borrower which shall be a Business Day.

“**Term Loan Interest Only Period**” means, for each Term Loan, the period of time commencing on its Term Loan Funding Date through the day before the Term Loan Amortization Date.

“**Term Loan Maturity Date**” is, for each Term Loan, the earlier of: (i) the 30<sup>th</sup> Term Loan Scheduled Payment Date for such Term Loan, or (ii) December 1, 2010.

“**Term Loan Prepayment Fee**” shall be, for each Term Loan, an amount equal to: (1) if the prepayment date is on or before one year after the Term Loan Amortization Date, four percent (4.0%) of the outstanding principal balance as of the prepayment date, (2) if the prepayment date is more than one year after the Term Loan Amortization Date, but on or before two years after the Term Loan Amortization Date, three percent (3.0%) of the outstanding principal balance as of the prepayment date, and (3) if the prepayment date is more than two years after the Term Loan Amortization Date, two percent (2.0%) of the outstanding principal balance as of the prepayment date. The “Term Loan Prepayment Fee” for Term Loans shall be the sum of all of the “Term Loan Prepayment Fees” for every Term Loan.

“**Term Loan Repayment Period**” is a period of time equal to thirty (30) consecutive months commencing on the Term Loan Amortization Date.

“**Term Loan Scheduled Payment Date**” is defined in Section 2.1.2(b).

“**Term Loan Warrants**” are that certain Warrant to Purchase Stock dated as of the Second Amendment Effective Date executed by Borrower in favor of Oxford, that certain Warrant to Purchase Stock dated as of the Second Amendment Effective Date executed by Borrower in favor of SVB and that certain Warrant to Purchase Stock dated as of the Second Amendment Effective Date executed by Borrower in favor of Merrill.

**2.10 Section 13 (Definitions)**. The following terms and their respective definitions set forth in **Section 13.1** of the Loan Agreement are amended in their entirety and replaced with the following:

“**Credit Extension**” is each Growth Capital Advance, Term Loan or any other extension of credit by any Lender for Borrower’s benefit.

“**Default Rate**” means for each Credit Extension, five percent (5%) above the highest rate otherwise applicable thereto.

“**Note**” means: (i) for each Growth Capital Advance, one of the secured promissory notes of Borrower substantially in the form of Exhibit D, and (i) for each Term Loan, one of the secured promissory notes of Borrower substantially in the form of Exhibit E.

“**Treasury Rate**” means the U.S. Treasury note yield to maturity for a 36-month term as quoted in the Wall Street Journal on the day the Note for the applicable Growth Capital Advance or Term Loan is prepared.

**2.11 Exhibit C (Compliance Certificate)**. Compliance Certificates delivered by Borrower on or after the Second Amendment Effective Date shall be addressed to Oxford, SVB and Merrill.

**2.12 Exhibit E (Form of Term Loan Note).** A new **Exhibit E** is added to the Loan Agreement and is in the form of Exhibit 1 to the Second Amendment.

**3. Limitation of Amendments.**

**3.1** The amendments set forth in **Section 2** above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Collateral Agent or Lenders may now have or may have in the future under or in connection with any Loan Document.

**3.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**4. Representations and Warranties.** To induce Lenders to enter into this Amendment, Borrower hereby represents and warrants to Lenders as follows:

**4.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

**4.2** Borrower has the power and authority to execute and deliver this Amendment and the Term Loan Warrants and to perform its obligations under the Loan Agreement, as amended by this Amendment, and the Term Loan Warrants;

**4.3** The organizational documents of Borrower delivered to Lenders on the Second Amendment Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**4.4** The execution and delivery by Borrower of this Amendment and the Term Loan Warrants and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, and the Term Loan Warrants have been duly authorized;

**4.5** The execution and delivery by Borrower of this Amendment and the Term Loan Warrants and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, and the Term Loan Warrants do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, except as may have been properly waived, (c) any order, judgment or decree of any court or other

governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

**4.6** The execution and delivery by Borrower of this Amendment and the Term Loan Warrants and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, and the Term Loan Warrants do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

**4.7** This Amendment and the Term Loan Warrants have been duly executed and delivered by Borrower and are the binding obligations of Borrower, enforceable against Borrower in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**5. Fees.** Borrower shall pay to Lenders:

**5.1 Deposit; Loan Fee.** A fully earned, non-refundable loan fee of \$45,000 (the "**Loan Fee**") on the Term Loan Funding Date of the First Term Loan, which Lenders shall debit from the amount of the First Term Loan proceeds disbursed to Borrower.

**5.2 Lenders Expenses.** All Lenders Expenses (including reasonable attorneys' fees and reasonable expenses for documentation and negotiation of this Amendment) incurred through and after the Second Amendment Effective Date, when due. Borrower has paid Collateral Agent a good faith deposit of \$30,000 (the "**Deposit**"). Agent shall use the Deposit to pay Lenders Expenses for documentation and negotiation of this Amendment and the remainder, if any, of the Deposit will be refunded to Borrower promptly after the First Term Loan is made.

**6. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**7. Effectiveness.** This Amendment shall be deemed effective upon the occurrence of all of the following (the "**Second Amendment Effective Date**"):

- (a) the due execution and delivery of this Amendment by each party hereto,
- (b) Borrower shall have delivered duly executed original signatures to the three Term Loan Warrants;
- (c) Borrower shall have paid the Lenders Expenses then due as specified in Section 5 of this Amendment,

**(d)** Borrower shall have delivered: (i) a copy of its most current certificate of incorporation, as amended to date, certified by the Delaware Secretary of State, and (ii) a copy of Borrower's signed By-laws, and (iii) a copy of its most recent signed investor rights agreement, as amended,

**(e)** Borrower shall have delivered good standing certificates of Borrower certified by the Secretary of State of the States of California and Delaware as of a date no earlier than thirty (30) days prior to the date of this Amendment;

**(f)** Borrower shall have delivered certified copies, dated as of a recent date, of financing statement searches, as Collateral Agent shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

**(g)** Borrower shall have delivered duly executed original signatures to the completed Corporate Borrowing Certificate as to this Amendment; and

**(h)** Borrower shall have delivered insurance certificates in favor of Merrill.

[Signature page follows.]

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

CADENCE PHARMACEUTICALS, INC., as  
Borrower

By: /s/ Theodore R. Schroeder  
Name: Theodore R. Schroeder  
Title: President and CEO

OXFORD FINANCE CORPORATION, as Collateral  
Agent and as a Lender

By: /s/ T.A. Lex  
Name: T.A. Lex  
Title: COO

SILICON VALLEY BANK, as a Lender

By: /s/ R. Michael White  
Name: R. Michael White  
Title: Deal Team Leader

MERRILL LYNCH CAPITAL, a Division of  
Merrill Lynch Business Financial Services Inc., as a Lender

By: /s/ Chris York  
Name: Chris York  
Title: VP

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**EXHIBIT 1**  
**FORM OF TERM LOAN NOTE**  
**SECURED PROMISSORY NOTE**

\$ \_\_\_\_\_

Dated: [Date]

FOR VALUE RECEIVED, the undersigned, CADENCE PHARMACEUTICALS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of [LENDER] ("Lender") the principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) or such lesser amount as shall equal the outstanding principal balance of the Term Loan made to Borrower by Lender pursuant to the Loan Agreement (defined below), and to pay all other amounts due with respect to the Term Loan on the dates and in the amounts set forth in the Loan Agreement. (Capitalized terms, unless defined in this Note, shall have the meaning given such capitalized term in the Loan Agreement.)

Interest on the principal amount of this Note from the date of this Note shall accrue at \_\_\_% per annum based on a 360-day year of twelve 30-day months or, if applicable, the Default Rate. Borrower shall make payments of accrued interest only on the outstanding principal amount of the Term Loan on the first day of each month ("Payment Date"), commencing \_\_\_\_\_, 200\_, through and including \_\_\_\_\_ 1, 200\_. Commencing on \_\_\_\_\_ 1, 200\_, and continuing on consecutive Payment Dates thereafter, Borrower shall make to Lender thirty (30) equal payments of principal and accrued interest on the then outstanding principal amount in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_).

Principal, interest and all other amounts due with respect to the Term Loan, are payable in lawful money of the United States of America to Lender as set forth in the Loan Agreement. The principal amount of this Note and the interest rate applicable thereto, and all payments made with respect thereto, shall be recorded by Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Loan and Security Agreement dated as February 17, 2006, as amended by that certain First Amendment to Loan and Security Agreement dated as of September 13, 2007, as further amended by that certain Second Amendment to Loan and Security Agreement dated as of [Date], to which Borrower and Lender are parties (as the same may from time to time be amended, modified, supplemented or restated, the "Loan Agreement"). The Loan Agreement, among other things, (a) provides for the making of this secured Term Loan to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not be prepaid except as set forth in Sections 2.1.2 and 7.3 of the Loan Agreement. This Note and the obligation of Borrower to repay the unpaid principal amount of the Term Loan, interest on the Term Loan and all other amounts due Lenders under the Loan Agreement is secured under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

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Borrower shall pay all reasonable fees and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by Lenders in the enforcement or attempt to enforce any of Borrower's obligations hereunder not performed when due. This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by one of its officers thereunto duly authorized on the date hereof.

**CADENCE PHARMACEUTICALS, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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LOAN INTEREST RATE AND PAYMENTS OF PRINCIPAL

Date

Principal  
Amount

Interest Rate

Scheduled  
Payment  
Amount

Notation By

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**SCHEDULE 1 (FOR LOAN ADMINISTRATION PURPOSES ONLY)**

TERM LOAN COMMITMENT: \$15,000,000.00

	<u>Commitment</u>	<u>Commitment Percentage</u>
Oxford:	\$7,000,000	46.6667%
Merrill:	\$5,000,000	33.3333%
SVB:	\$3,000,000	<u>20%</u>