

THREE ARCH ASSOCIATES IV LP  
 Form 4  
 February 18, 2011

**FORM 4**

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

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 Three Arch Management IV, L.L.C.

2. Issuer Name and Ticker or Trading Symbol  
 ACELRX PHARMACEUTICALS  
 INC [ACRX]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
 3200 ALPINE ROAD,  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 02/16/2011

\_\_\_\_ Director  
 \_\_\_\_ Officer (give title below)  
 \_\_\_X\_\_\_ 10% Owner  
 \_\_\_\_ Other (specify below)

PORTOLA VALLEY, CA 94028  
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 \_\_\_ Form filed by One Reporting Person  
 \_\_\_X\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities Acquired (A) or Disposed of (D)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Underlying (Instr. 3 a)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8) Code	(Instr. 3, 4, and 5) V (A) (D)	Date Exercisable	Expiration Date	Title	
Series C Convertible Preferred Stock	<u>(7)</u>	02/16/2011	C		24,878	<u>(10)</u>	<u>(11)</u>	Common Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	J	267 <u>(17)</u>		<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	X		267	<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	X	267		<u>(10)</u>	<u>(11)</u>	Common Stock
Series C Convertible Preferred Stock	\$ 5	02/16/2011	S		211 <u>(23)</u>	<u>(10)</u>	<u>(11)</u>	Common Stock
Series C Convertible Preferred Stock	<u>(7)</u>	02/16/2011	C		56	<u>(10)</u>	<u>(11)</u>	Common Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	J	12,119 <u>(18)</u>		<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	X		12,119	<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
	<u>(14)</u>	02/16/2011	X	12,119		<u>(10)</u>	<u>(11)</u>	

Series C Convertible Preferred Stock								Common Stock
Series C Convertible Preferred Stock	\$ 5	02/16/2011	S		9,557 <sup>(24)</sup>	<u>(10)</u>	<u>(11)</u>	Common Stock
Series C Convertible Preferred Stock	<u>(7)</u>	02/16/2011	C		2,562	<u>(10)</u>	<u>(11)</u>	Common Stock
Convertible Promissory Note	<u>(19)</u>	02/16/2011	J	\$ 4,220.08 <u>(17)</u>		<u>(19)</u>	<u>(19)</u>	Common Stock
Convertible Promissory Note	<u>(20)</u>	02/16/2011	J	\$ 191,131.94 <u>(18)</u>		<u>(20)</u>	<u>(20)</u>	Common Stock
Convertible Promissory Note	<u>(19)</u>	02/16/2011	C		\$ 4,220.08	<u>(19)</u>	<u>(19)</u>	Common Stock
Convertible Promissory Note	<u>(20)</u>	02/16/2011	C		\$ 191,131.94	<u>(20)</u>	<u>(20)</u>	Common Stock

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Three Arch Management IV, L.L.C. 3200 ALPINE ROAD PORTOLA VALLEY, CA 94028		X		
THREE ARCH ASSOCIATES IV LP 3200 ALPINE ROAD PORTOLA VALLEY, CA 94028		X		
WAN MARK A C/O THREE ARCH PARTNERS 3200 ALPINE RD PORTOLA VALLEY, CA 94028	X			
JAEGER WILFRED E C/O THREE ARCH PARTNERS 3200 ALPINE RD PORTOLA VALLEY, CA 94028		X		
		X		

THREE ARCH PARTNERS IV LP

## Signatures

/s/ Stephen J. Bonelli,  
Attorney-in-fact

02/18/2011

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
  - (2) The shares are held by Three Arch Associates IV, L.P. The voting and dispositive decisions with respect to the shares held by Three Arch Associates IV, L.P., are made by the following Managing Members of its general partner Three Arch Management IV, L.L.C.: Mark Wan and Wilfred Jaeger, each of whom disclaims beneficial ownership of such shares.
 

The shares are held by Three Arch Partners IV, L.P. The voting and dispositive decisions with respect to the shares held by Three Arch Partners IV, L.P., are made by the following Managing Members of its general partner Three Arch Management IV, L.L.C.: Mark Wan and Wilfred Jaeger, each of whom disclaims beneficial ownership of such shares.
  - (4) The shares reflect the automatic conversion of shares of the Issuer's Series C Convertible Preferred Stock into Common Stock on a one-for-one basis upon the closing of the Issuer's initial public offering.
  - (7) Immediately convertible into shares of the Issuer's Common Stock.
  - (10) These shares have no expiration date.
  - (11) The exercise price is \$3.942 per share.
  - (14) Immediately exercisable prior to and contingent upon the closing of the Issuer's initial public offering.
 

Pursuant to its terms, the warrant was to be terminated at the closing of the Issuer's initial public offering. Holder elected to net exercise the warrants immediately prior to the closing of the Issuer's initial public offering. In the event the Issuer's public offering did not occur, the warrant would have terminated on September 14, 2017, unless earlier terminated in accordance with its terms, in a liquidation or change of control transaction.
  - (16) Pursuant to that certain Note and Warrant Transfer Agreement dated February 16, 2011, ACP IV, L.P. transferred (i) a convertible promissory note in the amount of \$4,292.76 including accrued interest and (ii) an associated warrant to purchase preferred stock of the Issuer, exercisable into 267 shares of Series C Convertible Preferred Stock to Three Arch Associates IV, L.P., for a nominal consideration, contingent upon the closing of the Issuer's initial public offering.
  - (17) Pursuant to that certain Note and Warrant Transfer Agreement dated February 16, 2011, ACP IV, L.P. transferred (i) a convertible promissory note in the amount of \$194,423.66 including accrued interest and (ii) an associated warrant to purchase preferred stock of the Issuer, exercisable into 12,119 shares of Series C Convertible Preferred Stock to Three Arch Partners IV, L.P., for a nominal consideration, contingent upon the closing of the Issuer's initial public offering.
  - (18) A note with the principal amount plus accrued interest of \$4,292.76 converted automatically upon the closing of the Issuer's initial public offering into shares of Common Stock at a conversion price of \$4.00, which is 80.0% of the per share price of the Common Stock sold in the Issuer's initial public offering.
  - (19) A note with the principal amount plus interest of \$194,423.66 converted automatically upon the closing of the Issuer's initial public offering into shares of Common Stock at a conversion price of \$4.00, which is 80.0% of the per share price of the Common Stock sold in the Issuer's initial public offering.
  - (20) These shares represent the net exercise of a warrant to purchase Series C Convertible Preferred Stock for an acquisition of 56 shares of Series C Convertible Preferred Stock of the Issuer.
  - (23) These shares represent the net exercise of a warrant to purchase Series C Convertible Preferred Stock for an acquisition of 2,562 shares of Series C Convertible Preferred Stock of the Issuer.
  - (24)

### Remarks:

Form 2 of 2

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Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.