SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000

or

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

For the transition period from _____ to _____

Commission file number 000-26422

DISCOVERY LABORATORIES, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	94-3171943
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
350 South Main Street, Suite 307 Doylestown, Pennsylvania	18901
(Address of principal executive offices)	(Zip Code)

Registrants' telephone number, including area code: (215) 340-4699

Securities registered under Section 12 (b) of the Exchange Act: None

Securities registered under Section 12 (g) of the Exchange Act:

Common Stock, par value $.001 per share

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

As of August 10, 2000, 20,840,353 shares of Common Stock, par value $.001 per share, were outstanding.

Documents incorporated by reference: None.

Transitional Small Business Disclosure Format: |_| Yes |X| No

DISCOVERY LABORATORIES, INC.

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DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(a development stage company)

Consolidated Balance Sheets

	March 31, 2000 (Unaudited) (Restated)	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,591,000	$ 3,547,000
Inventory	575,000	575,000
Prepaid expenses and other current assets	122,000	66,000
Total current assets	24,288,000	4,188,000
Property and equipment, net of deprecation	447,000	426,000
Security deposits	18,000	18,000
	$ 24,753,000	$ 4,632,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 694,000	$ 425,000
Deferred revenue	1,036,000	1,036,000
Capitalized lease - current	15,000	15,000
Total current liabilities	1,745,000	1,476,000
Capitalized lease - noncurrent	44,000	48,000
Stockholders' Equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized:		
Series B convertible; None and 1,530,756 shares issued and outstanding at March 31, 2000 and December 31, 1999, respectively		2,000
Series C redeemable convertible; None and 2,039 shares issued and outstanding at March 31, 2000 and December 31, 1999, respectively		2,481,000
Common stock, $.001 par value; 35,000,000 authorized; 20,721,135 and 9,689,240 shares issued and outstanding at March 31, 2000 and December 31, 1999 respectively	21,000	10,000
Treasury stock (at cost; 33,743 and 2,000 shares of common stock at March 31, 2000 and December 31, 1999, respectively)	(250,000)	(5,000)
Additional paid-in capital	58,641,000	33,749,000
Unearned portion of compensatory stock options	(37,000)	(37,000)
Deficit accumulated during the development stage	(35,411,000)	(33,092,000)
Total stockholders' equity	22,964,000	3,108,000
	$ 24,753,000	$ 4,632,000

See notes to financial statements

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(a development stage company)

Consolidated Statements of Operations
(Unaudited)
(Restated)

	Three Months Ended March 31,		May 18, 1993 (Inception) Through March 31,
	2000	1999	2000
Interest	$ 22,000	$ 37,000	$ 1,490,000
License Fees			68,000
Research Grants	19,000		156,000
	41,000	37,000	1,714,000
Expenses:			
Write-off of acquired in-process research and development and supplies	13,508,000		
Research and development	774,000	1,419,000	13,643,000
General and administrative	735,000	628,000	8,348,000
Compensatory stock options	813,000	8,000	955,000
Interest	2,000		15,000
Total expenses	2,324,000	2,055,000	36,469,000
	(2,283,000)	(2,018,000)	(34,755,000)
Minority interest in net loss of subsidiary			26,000
Net loss	(2,283,000)	(2,018,000)	(34,729,000)
Other comprehensive income:			
Unrealized gain on marketable securities available for sale		(3,000)	
Total comprehensive loss	$ (2,283,000)	$ (2,021,000)	$(34,729,000)
Net loss per share - basic and diluted	$ (0.18)	$ (0.36)	
Weighted average number of common shares outstanding	12,668,000	5,613,000	

See notes to financial statements

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(a development stage company)

Consolidated Statements of Changes in Stockholders' Equity
January 1, 2000 through March 31, 2000
(Restated)

	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount
Balance - January 1, 2000	9,689,240	$ 10,000	(2,000)	$ (5,000)
Exercise of Stock Options	445,259		(31,743)	(245,000)
Common placement warrant conversions	14,130			
Preferred placement warrant conversions	18,511			
Exercise of Class C & D Warrants	2,480,009	3,000		
Series B preferred stock conversions	4,765,631	5,000		
Dividend Payable on Series C preferred stock				
Series C prefered stock conversions	398,186			
Compensation charge on vesting of stock options				
Common stock issued in payment for services	7,323			
Issuance of private placement units	2,902,846	3,000		
Net Loss				
Balance-March 31, 2000	20,721,135	$ 21,000	(33,743)	$ (250,000)

	Preferred Stock Series B Shares	Preferred Stock Series B Amount	Preferred Stock Series C Shares	Preferred Stock Series C Amount
Balance - January 1, 2000	1,530,756	$ 2,000	2,039	$ 2,481,000
Exercise of Stock Options				
Common placement warrant conversions				
Preferred placement warrant conversions				
Exercise of Class C & D Warrants				
Series B preferred stock conversions	(1,530,756)	(2,000)		
Dividend Payable on Series C preferred stock				36,000
Series C prefered stock conversions			(2,039)	(2,517,000)
Compensation charge on vesting of stock options				
Common stock issued in payment for services				
Issuance of private placement units				
Net Loss				
Balance-March 31, 2000	--	--		

	Additional	Unearned Portion of Compenstory	Deficit Accumulated during

	Paid-In Capital	Stock Options	Development Stage	Total
Balance - January 1, 2000	$ 33,749,000	$ (37,000)	$(33,092,000)	$ 3,108,000
Exercise of Stock Options	440,000			195,000
Common placement warrant conversions				--
Preferred placement warrant conversions				--
Exercise of Class C & D Warrants	3,668,000			3,671,000
Series B preferred stock conversions	(3,000)			--
Dividend Payable on Series C preferred stock			(36,000)	--
Series C prefered stock conversions	2,517,000			--
Compensation charge on vesting of stock options	813,000			813,000
Common stock issued in payment for services	36,000			36,000
Issuance of private placement units	17,421,000			17,424,000
Net Loss			(2,283,000)	(2,283,000)
Balance-March 31, 2000	$ 58,641,000	$ (37,000)	$(35,411,000)	22,964,000

See notes to financial statements

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(a development stage company)

Consolidated Statements of Cash Flows
(Unaudited)
(Restated)

	Three Months Ended March 31,		May 18, 1993 (Inception) Through March 31,
	2000	1999	2000
Cash flows from operating activities:			
Net loss	$ (2,283,000)	$ (2,018,000)	$(34,729,000)
Adjustments to reconcile net loss to net cash used in operating activities			
Write-off of acquired in-process research and development and supplies			13,508,000
Write-off of licenses			683,000
Depreciation and amortization	24,000	19,000	240,000
Compensatory stock options	813,000	8,000	955,000
Expenses paid using treasury stock and common stock	36,000		114,000
Changes in:			
Prepaid expenses and other current assets	(56,000)	126,000	(91,000)
Accounts payable and accrued expenses	269,000	279,000	561,000
Deferred revenue			1,036,000
Other assets			(18,000)
Expenses paid on behalf of company			18,000
Employee stock compensation			42,000
Reduction of research and development supplies			(161,000)
Net cash used in operating activities	(1,197,000)	(1,586,000)	(17,842,000)
Cash flows from investing activities:			
Purchase of furniture and equipment	(45,000)	(14,000)	(591,000)
Proceeds from disposal of furniture and equipment			25,000
Acquisition of licenses			(711,000)
Purchase of marketable securities			(21,745,000)
Proceeds from sale or maturity of investments		1,078,000	22,150,000
Net cash payments on merger			(1,670,000)
Net cash provided by (used in) investing activities	(45,000)	1,064,000	(2,542,000)
Cash flows from financing activities:			
Proceeds on private placements of units, net of expenses	17,424,000		40,146,000
Purchase of treasury stock		(5,000)	(95,000)
Principal payments under capital lease obligation	(4,000)		(14,000)
Collections on stock subscriptions and proceeds on conversion of stock options and warrants	3,866,000	4,000	3,938,000
Net cash (used in) provided by financing activities	21,286,000	(1,000)	43,975,000
Net (decrease) increase in cash and cash equivalents	20,044,000	(523,000)	23,591,000
Cash and cash equivalents - beginning of period	3,547,000	1,474,000	
Cash and cash equivalents - end of period	$ 23,591,000	$ 951,000	$ 23,591,000
Supplementary disclosure of cash flows information:			
Interest Paid:	$ 2,000		$ 15,000
Noncash transactions:			
Accrued dividends on preferred stock	$ 36,000	$ 51,000	$ 682,000
Common stock and treasury stock issued in payment of services	36,000	69,000	109,000
Preferred Stock issued for inventory			575,000
Treasury stock received on exercise of options	245,000		245,000
Equipment acquired through capitalized lease			73,000
Series C preferred stock dividends paid using common stock			204,000

NOTE 1 - THE COMPANY AND BASIS OF PRESENTATION

The Company

Discovery Laboratories, Inc. (the "Company") was formed to license and develop pharmaceutical products to treat a variety of human diseases. The accompanying financial statements include the accounts of the Company and its wholly owned subsidiary, Acute Therapeutics, Inc. All intercompany balances and transactions have been eliminated.

The accompanying unaudited, consolidated, condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information in accordance with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normally recurring accruals) considered for fair presentation have been included. Operating results for the three-month period ended March 31, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's 1999 Annual Report on Form 10-KSB.

The Company's activities since incorporation have primarily consisted of conducting research and development, performing business and financial planning and raising capital. Accordingly, the Company is considered to be in the development stage, and expects to incur increasing losses and require additional financial resources to achieve commercialization of its products.

The Company also depends on third parties to conduct research on the Company's behalf through various research agreements. All of the Company's current products under development are subject to license agreements that will require the payment of future royalties.

Net Loss Per Share

Net loss per share is computed based on the weighted average number of common shares outstanding for the periods and common shares issuable for little or no cash consideration. Common shares issuable upon the exercise of options and warrants and the conversion of convertible securities are not included in the calculation of the net loss per share as their effect would be antidilutive.

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

Plan of Operations

Since its inception, the Company has concentrated its efforts and resources on the development and commercialization of pharmaceutical products and technologies. The Company has been unprofitable since its inception and has incurred a cumulative net loss of approximately $34.7 million as of March 31, 2000. The Company expects to incur significantly increasing operating losses over the next several years, primarily due to the expansion of its research and development programs, including clinical trials for some or all of its existing products and technologies and other products and technologies that it may acquire or develop. The Company's ability to achieve profitability depends upon, among other things, its ability to discover and develop products, obtain regulatory approval for its proposed products, and enter into agreements for product development, manufacturing and commercialization. None of the Company's products currently generates revenues and the Company does not expect to achieve product revenues for the foreseeable future. Moreover, there can be no assurance that the Company will ever achieve significant revenues or profitable operations from the sale of any of its products or technologies.

The Company is a development stage pharmaceutical company that is focused on developing compounds intended for neonatal use in critical care hospital settings. The Company is also developing its lead product candidate, Surfaxin(R), for the treatment of various critical care respiratory conditions. The Company anticipates that during the next 12 months it will conduct substantial research and development of its compounds.

The Company is currently engaged in the development and commercialization of drugs for critical care that are intended to be used in a hospital setting. The Company anticipates that during the next 12 months it will conduct substantial research and development of its products under development and that it will focus primarily on the conduct of clinical trials for Surfaxin(R) indications. The Company expects to expand its research and development activities as a result of its receipt of approximately $17.4 million of net proceeds from its

offering completed in March 2000. The Company anticipates the near term acquisition of equipment necessary to manufacture Surfaxin(R). The Company also anticipates the hiring of further personnel to augment the clinical development of Surfaxin(R).

SURFAXIN(R) (lucinactant)

Meconium Aspiration Syndrome (MAS)

The Company recently initiated a pivotal Phase 3 trial in MAS. The trial intends to enroll 200 MAS patients. The Company announced results of a Phase 2 clinical trial in MAS in full-term newborns in February 1999. The 22-patient Phase 2 trial showed an improvement in oxygenation parameters and a three-day savings on mechanical ventilation. An Orphan Products Development Grant awarded to the Company by the FDA Office of Orphan Products Development is expected to contribute significantly towards reducing the costs of this Phase 3 trial. The Company has received Fast Track designation for Surfaxin(R) from the FDA for MAS.

Respiratory Distress Syndrome (RDS) in premature infants

The Company is currently planning to commence a Phase 3 clinical trial of Surfaxin(R) for the treatment of RDS in premature infants during 2000. Such trial, and any other clinical trials of the Company's products in development that have not yet commenced, will require the approvals by the United States Food and Drug Administration (the "FDA") and/or world health authorities. There can be no assurance as to the receipt or the timing of such approvals.

Acute Lung Injury/Acute Respiratory Distress Syndrome (ALI/ARDS)

A pivotal Phase 2/3 clinical trial of Surfaxin? for the treatment of ALI/ARDS was commenced in July 1998. This trial was stopped on January 27, 2000 due to the Company's cash position and so that a new Phase 2 ARDS/ALI trial could be commenced using a new, less viscous formulation of Surfaxin(R). A new Phase 2 trial is currently being planned, which the Company expects to commence following submission of a protocol and subsequent agreement by the FDA. The Company has received Fast Track designation for Surfaxin(R) from the FDA for ARDS.

SUPERVENT(TM) (tyloxapol)

Cystic Fibrosis (CF)

The Company began a Phase 2A clinical trial of SuperVent(TM) for the treatment of CF on August 4, 1999. Preliminary analysis of the data show that SuperVent(TM) decreased the amount of Interleukin 8 (IL-8) in the sputum of treated patients compared to controls. IL-8 is an important body chemical that causes the migration of inflammatory cells to the site of release. The Phase 2A clinical trial involved 8 patients. An additional Phase 2 trial will likely be required prior to commencement of a Phase 3 trial. Previously, the Company completed a Phase 1 trial in 20 normal healthy volunteers and determined a dose (1.25% tyloxapol concentration) that did not produce significant adverse effects.

Chronic Bronchitis (CB)

The Company plans to investigate the potential clinical application of SuperVent(TM) in CB following its successful Phase 2A trial in CF. A pilot study will be reviewed during 2000.

DSC-103 (Vitamin D analog)

Postmenopausal Osteoporosis

On December 5, 1997 a Phase 1 clinical study of DSC-103 as a once-daily, orally administered drug for the treatment of postmenopausal osteoporosis in the United States was initiated. Part B of such trial was commenced on April 2, 1998 and was successfully completed on June 29, 1998. The Company has had discussions with the licensor of DSC-103 regarding the possibility of terminating its license.

Results of Operations

The Company's expenses increased from $2,055,000 in the first quarter of 1999 to $2,324,000 in the first quarter of 2000. The increase was primarily due to a compensation charge of $813,000 recorded on the vesting of certain milestone options offset by a slow-down in research and development due to the Company's cash position. As a result of the receipt of proceeds from the private placement completed in March, 2000, the Company expects to significantly increase its

research and development and clinical trial efforts. The Company's total comprehensive net loss increased from $2,021,000 in the first quarter of 1999 to $2,283,000 in the first quarter of 2000. In addition, due to the increase in the weighted average common shares outstanding during the first quarter of 2000, the Company's net loss per share decreased from $0.36 in 1999 to $0.18 in 2000.

Liquidity

At March 31, 2000, the Company had working capital of $22.5 million. In March 2000, the Company completed a private placement pursuant to which it received net proceeds of approximately $17.4 million. The Company believes it has sufficient resources to meet its planned research and development activities through the fourth quarter 2001.

The Company will be required to raise additional capital in order to meet its business objectives, and there can be no assurance that it will be successful in doing so or, in general, that the Company will be able to achieve its business objectives.

The Company's working capital requirements will depend upon numerous factors, including, without limitation, progress of the Company's research and development programs, preclinical and clinical testing, timing and cost of obtaining regulatory approvals, levels of resources that the Company devotes to the development of manufacturing and marketing capabilities, technological advances, status of competitors and the ability of the Company to establish collaborative arrangements with other organizations.

Safe Harbor Statement Under the Private Securities Litigation Act of 1996

Certain statements set forth in this report, including, without limitation, statements concerning the Company's research and development programs, the possibility of submitting regulatory filings for the Company's products under development, the seeking of collaboration arrangements with pharmaceutical companies or others to develop, manufacture and market products, the research and development of particular compounds and technologies and the period of time for which the Company's existing resources will enable the Company to fund its operations, are forward-looking statements. All such statements involve significant risks and uncertainties. Actual results may differ materially from those contemplated in the forward looking statements as a result of risks and uncertainties, including but not limited to the following: the Company's ability to obtain substantial additional funds; the uncertainties inherent in the process of developing products of the kind being developed by the Company; the Company's ability to establish additional collaborative and licensing arrangements and the degree of success of the Company's collaboration partners; the Company's ability to obtain and maintain all necessary patents or licenses; the Company's ability to demonstrate the safety and efficacy of product candidates and to receive required regulatory approvals; the Company's ability to meet obligations and required milestones under its license agreement; the Company's ability to compete successfully against other products and to market products in a profitable manner; and other risks and uncertainties set forth in the Company's filings with the Securities and Exchange Commission.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGE IN SECURITIES.

On March 23, 2000, the Company received approximately $17,400,000 in net proceeds from the sale of 37.74 units in a private placement. Each unit consists of 76,923 shares of common stock and Class E warrants to purchase an additional 15,385 shares of common stock at $7.38 per share. In connection with this private placement, the placement agent, Paramount Capital, Inc. ("Paramount") received fees of $1,321,000 and the Company agreed to issue to Paramount warrants to purchase 348,341 shares of common stock at $8.11 per share.

During the Quarter ended March 31, 2000, the company received $3,671,689 in proceeds from the exercise of 2,024,792 Class D warrants and 455,217 Class C warrants.

For each of the issuances described above, the securities received by investors were deemed to be exempt from registration under the Act in reliance on Section 4(2) thereof because such issuance did not involve a public offering. Investors in each financing represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities certificates issued in such transactions. The investors in each financing had adequate access to information about the Company. Moreover, such investors represented to the Company, and the Company believed, that they were experienced in financial matters.

On March 3, 2000, Johnson & Johnson, Inc. elected to convert their shares of Series C Preferred stock into 398,186 shares of common stock. Subsequent to this conversion, the Company no longer has any shares of Series C Preferred stock outstanding.

On March 14, 2000, the Company forced the conversion of all its outstanding Series B Preferred Stock (827,750) into common. Pursuant to Section Fourth (B) (5) of the Restated Certificate of Incorporation of the Company, the Company exercised its right to cause the conversion. Subsequent to this conversion, the Company no longer has any classes of Preferred stock outstanding nor any long term debt.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

ITEM 5. OTHER INFORMATION.

Management has determined to restate the Company's financial statements for the three months ended March 31, 2000, to report a compensation charge of $812,500 during the period due to the vesting of certain other performance milestone options granted to employees. This charge puts the loss for the three months ended March 31, 2000, at $2,283,000 instead of the $1,470,000 as previously reported.

The Company has entered into an agreement to purchase an approximately 4,000 square foot building adjacent to its current headquarters in Doylestown, Pennsylvania for $515,000. The Company intends to close on this purchase on June 30, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

1. Form of Class E Warrant filed with original Form 10-QSB, May 2000

27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

1. Form 8-K filed with the Commission on February 8, 2000.

2. Form 8-K filed with the Commission on March 7, 2000.

3. Form 8-K filed with the Commission on March 20, 2000.

4. Form 8-K filed with the Commission on March 29, 2000.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Discovery Laboratories, Inc.
(Registrant)

Date: August 14, 2000

/s/ Robert J. Capetola

Robert J. Capetola, Ph.D.
President/Chief Executive Officer

Date: August 14, 2000

/s/ Evan Myrianthopoulos

Evan Myrianthopoulos
Vice President, Finance
(Principal Financial Officer)

Date: August 14, 2000

/s/ Cynthia Davis

Cynthia Davis
Controller
(Principal Accounting Officer)

This schedule contains summary financial information extracted from 10-QSB/A and is qualified in its entirety by reference to such financial statements.

3-MOS	
DEC-31-2000	
JAN-01-2000	
MAR-31-2000	
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	72,000
	0
	575,000
	24,288,000
	664,000
	(217,000)
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	1,745,000
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	0
	21,000
	22,943,000
	24,753,000
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	0
	0
	0
	2,322,000
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	2,000
	(2,283,000)
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	(2,283,000)
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	(0.18)