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

FORM 10-Q

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

FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

[ ] 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 000-29959

PAIN THERAPEUTICS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	91-1911336
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

250 EAST GRAND AVENUE, SUITE 70, SOUTH SAN FRANCISCO, CA 94080
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(650) 624-8200
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

Indicate the number of shares outstanding of each of issuer's classes of common stock, as of the latest practicable date.

COMMON STOCK, $0.001 PAR VALUE	26,717,716 SHARES
Class	Outstanding at October 31, 2000

PAIN THERAPEUTICS, INC.

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAIN THERAPEUTICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED BALANCE SHEETS
(UNAUDITED)

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,339,669	$ 81,996,938
Interest receivable	15,362	7,715
Prepaid expenses	41,387	571,043
Total current assets	9,396,418	82,575,696
Property and equipment, net	44,755	265,096
Total assets	$ 9,441,173	$ 82,840,792
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities:		
Accounts payable and accrued liabilities	$ 300,587	$ 1,351,555
Total liabilities	300,587	1,351,555
Commitments and contingencies		
Redeemable convertible preferred stock:		
Series C	--	--
Series B	9,703,903	--
	9,703,903	--
Stockholders' equity (deficit):		
Convertible preferred stock -- Series A	2,660	--
Common stock	9,445	26,718
Additional paid-in-capital	9,367,750	107,856,817
Deferred compensation	(4,980,180)	(6,802,284)
Notes receivable	(74,400)	(111,317)
Deficit accumulated during the development stage	(4,888,592)	(19,480,697)
Total stockholders' equity (deficit)	(563,317)	81,489,237
Total liabilities and stockholders' equity (deficit)	$ 9,441,173	$ 82,840,792

See accompanying notes to condensed financial statements.

PAIN THERAPEUTICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		MAY 4, 1998 (INCEPTION) THROUGH SEPTEMBER 30,
	1999	2000	1999	2000	2000
Operating expenses:					
Licensing fees	$ --	$ --	$ --	$ --	$ 100,000
Research and development	1,473,082	1,615,833	1,855,196	4,409,052	6,701,171
General and administrative	319,163	4,671,931	716,324	11,678,245	14,367,768
Total expenses	1,792,245	6,287,764	2,571,520	16,087,297	21,168,939
Operating loss	(1,792,245)	(6,287,764)	(2,571,520)	(16,087,297)	(21,168,939)
Other income:					
Interest income	13,140	1,017,287	64,318	1,495,792	1,690,442
Net loss before income taxes	(1,779,105)	(5,270,477)	(2,507,202)	(14,591,505)	(19,478,497)
Income tax expense	200	200	600	600	2,200
Net loss	(1,779,305)	(5,270,677)	(2,507,802)	(14,592,105)	(19,480,697)
Return to series C preferred shareholders for beneficial conversion feature	--	--	--	(14,231,595)	(14,231,595)
Loss available to common shareholders	$(1,779,305)	$(5,270,677)	$(2,507,802)	$(28,823,700)	$(33,712,292)
Basic and diluted loss per share	$ (0.19)	$ (0.22)	$ (0.27)	$ (2.01)	
Weighted-average shares used in computing basic and diluted loss per share	9,445,000	23,625,619	9,281,139	14,359,299	

See accompanying notes to condensed financial statements.

PAIN THERAPEUTICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	MAY 4, 1998 (INCEPTION) THROUGH SEPTEMBER 30, 2000
Cash flows from operating activities:			
Net loss	$(2,507,802)	$(14,592,105)	$(19,480,697)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,273	33,877	38,639
Amortization of deferred compensation	160,736	6,070,662	7,605,509
Noncash expense for options and warrants issued	--	2,646,000	2,767,829
Loss on disposal of property and equipment	--	2,729	2,729
Changes in operating assets and liabilities:			
Interest receivable	(387)	7,647	(7,715)
Prepaid expenses	(19,894)	(529,656)	(571,043)
Accounts payable and accrued liabilities	1,158,004	1,050,968	1,351,555
Net cash used in operating activities	(1,207,070)	(5,309,878)	(8,293,194)
Cash flows used in investing activities --purchase of property and equipment	(13,657)	(256,947)	(306,464)
Cash flows from financing activities:			
Proceeds from issuance of series B redeemable convertible preferred stock, net	--	--	9,703,903
Proceeds from issuance of series C redeemable convertible preferred stock, net	--	15,194,835	15,194,835
Deferred financing costs	(60,166)	--	--
Stock subscription received	5,000	12,083	17,083
Proceeds from issuance of series A convertible preferred stock, net	--	--	2,639,999
Proceeds from issuance of common stock	33,910	39,987	63,587
Proceeds from initial public offering, net	--	62,977,189	62,977,189
Net cash (used in) provided by financing activities	(21,256)	78,224,094	90,596,596
Net increase (decrease) in cash and cash equivalents	(1,241,983)	72,657,269	81,996,938
Cash and cash equivalents at beginning of period	2,333,512	9,339,669	--
Cash and cash equivalents at end of period	$ 1,091,529	$ 81,996,938	$ 81,996,938

See accompanying notes to condensed financial statements.

PAIN THERAPEUTICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. GENERAL

Pain Therapeutics, Inc. (a development stage enterprise) is a clinical-stage specialty pharmaceutical company which was incorporated on May 4, 1998. Since our inception in May 1998, we have licensed proprietary technology from Albert Einstein College of Medicine and have devoted substantially all of our resources to the development of a new generation of opioid painkillers with improved clinical benefits, which are based on this technology.

Our development activities involve inherent risks. These risks include, among others, dependence on key personnel and our ability to protect our intellectual property. In addition, we have product candidates which have not yet obtained Food and Drug Administration approval. Successful future operations depend on our ability to obtain approval for and commercialize these products.

We have prepared the unaudited financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In management's opinion, the accompanying financial statements have been prepared on a basis consistent with the audited financial statements and contain adjustments, all of which are of a normal and recurring nature, necessary to present fairly our financial position and results of operations. Interim financial results are not necessarily indicative of results anticipated for the full year. These unaudited financial statements should be read in conjunction with our 1999 audited financial statements and footnotes included in our Registration Statement on Form S-1, as amended (File No. 333-32370).

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses incurred during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND CASH EQUIVALENTS

We consider all highly liquid financial instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consists of cash maintained at one financial institution and money market funds invested in United States government securities.

NOTE 3. ISSUANCE OF SERIES C REDEEMABLE CONVERTIBLE PREFERRED STOCK

In February 2000 we issued 3,044,018 shares of series C redeemable convertible preferred stock for approximately $14.2 million, net of issuance costs. The series C redeemable convertible preferred stock has the same rights, preferences and privileges as the series B redeemable convertible preferred stock.

In connection with the issuance of the series C redeemable convertible preferred stock, we issued warrants to purchase 120,000 shares of common stock at $5 a share. The fair value of these warrants of $963,240 was estimated using a Black-Scholes model and the following assumptions: estimated volatility of 60%, a risk-free interest rate of 4.59%, no dividend yield, and an expected life equal to the contractual term of 5 years. This fair value was recognized as an increase to additional paid-in capital in the nine months ended September 30, 2000.

We determined that our series C preferred stock was issued with a beneficial conversion feature. The beneficial conversion feature has been recognized by allocating a portion of the preferred stock proceeds equal

PAIN THERAPEUTICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

to the intrinsic value of that feature, limited to the net proceeds received (approximately $14.2 million), to additional paid-in capital. The intrinsic value is calculated at the date of issue as the difference between the conversion price of the preferred stock and the fair value of our common stock, into which the preferred stock is convertible, multiplied by the number of common shares into which the preferred stock is convertible, limited to the net proceeds received. As our series C preferred stock is convertible into common stock at the option of the holder, at the issuance date of the preferred stock the entire $14.2 million discount resulting from the allocation of proceeds to the beneficial conversion feature has been treated as a dividend and recognized as a return to the preferred stockholders for purposes of computing basic and diluted loss per share in the nine months ended September 30, 2000.

NOTE 4. DEFERRED STOCK BASED COMPENSATION

Deferred stock compensation for options granted to employees represents the difference between the exercise price of the option and the fair value of our common stock on the date of grant in accordance with Accounting Principles Board Opinion No. 25 and its related interpretations. Deferred compensation for non-employees is recorded at the fair value of the options granted in accordance with Statement of Financial Accounting Standards No. 123 and Emerging Issues Task Force Issue No. 96-18, Accounting for Equity Investments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services.

As of September 30, 2000 the Company has recorded a cumulative $14.6 million of deferred stock compensation related to stock options granted to employees and non-employees. During the three month period ended September 30, 2000 $3.2 million of deferred stock compensation was recorded in connection with the remeasurement of stock options granted to non-employees in accordance with EITF 96-18. Stock compensation expense is being recognized over the vesting period for employees and the service period for non-employees in accordance with Financial Accounting Standards Board Interpretation No. 28 as that methodology most closely approximates the way in which our options are earned by the option holder. The Company recognized stock compensation expense for options of $6.1 million and $161,000 for the nine months ended September 30, 2000 and 1999, respectively.

NOTE 5. LOSS PER SHARE

Basic loss per share is based on the weighted-average number of common shares outstanding for the reporting period. Diluted loss per share is computed on the basis of the weighted-average number of common shares plus dilutive potential common shares outstanding using the treasury stock method. Potentially dilutive securities, consisting of convertible preferred stock, shares issuable to holders of unexercised stock options and outstanding warrants, have been excluded from the diluted loss per share calculation as their effect is antidilutive.

NOTE 6. INITIAL PUBLIC OFFERING

On July 19, 2000 we completed an initial public offering in which we sold 5,000,000 shares of common stock at $12 per share for net proceeds of approximately $54.6 million, net of underwriting discounts, commissions and estimated offering expenses. Upon the closing of the offering, all the Company's convertible preferred and redeemable convertible preferred stock converted into 11,108,912 shares of common stock. After the offering the Company's authorized capital consisted of 120,000,000 shares of common stock, $0.001 par value, and 10,000,000 shares of preferred stock, $0.001 par value, of which 25,967,091 shares of common stock was issued and outstanding.

PAIN THERAPEUTICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

On July 27, 2000 the underwriters exercised an over-allotment option to purchase an additional 750,000 shares resulting in net proceeds of approximately $8.4 million.

NOTE 7. COMMITMENTS

We currently occupy approximately 3,250 square feet of leased space for which the operating lease expired in September 2000. In September 2000 we entered into a sublease agreement effectively extending the lease term on a month-to-month basis through at least December 31, 2000. Either party may terminate the sublease with 60 days written notice, provided that the sublandlord can not effect any termination which would be effective prior to April 30, 2001.

In September 2000 we entered into an agreement to sublease and now occupy approximately 2,900 square feet of additional space in South San Francisco, California which is used as general office space. The initial term of the sublease agreement will end on February 28, 2001. Thereafter the sublease will continue on a month-to-month basis until terminated by either party with 30 days written notice.

In July 2000 we entered into an agreement to lease approximately 10,000 square feet of space in South San Francisco, California to be used as general office space. Future lease payments under this agreement total approximately $1.8 million and commence in October 2000 through the ten year term of the lease. The construction of tenant improvements is currently in progress. We expect to relocate to this facility in the first quarter of 2001 at which time the sublease agreements noted above will be terminated.

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

This discussion and analysis should be read in conjunction with our condensed financial statements and accompanying notes included in this report and the financial statements and notes thereto for the year ended December 31, 1999 included in our Registration Statement on Form S-1, as amended (File No. 333-32370) which was declared effective by the Securities and Exchange Commission on July 13, 2000. Operating results are not necessarily indicative of results that may occur in future periods.

The following discussion contains forward-looking statements that are based upon current expectations. Our actual results and the timing of events may differ significantly from the results discussed in the forward-looking statements. Examples of such forward-looking statements include, but are not limited to, statements about our future operating losses and anticipated operating and capital expenditures, statements about increases in our research and development expenses, statements about the timing and progress of our clinical trials, statements about future non-cash charges related to option grants to our employees, statements about the sufficiency of our cash on hand and the net proceeds from our recent initial public offering to fund our operations for the next 12 months, statements about anticipated hiring, statements about the build out of our new facility and the timing of the relocation of our offices and statements about the effect of changes in interest rates on our business and financial results. Such forward looking statements involve risks and uncertainties, including, but not limited to, those risks and uncertainties relating to difficulties or delays in development, testing, regulatory approval, production and marketing of the Company's drug candidates, unexpected adverse side effects or inadequate therapeutic efficacy of the Company's drug candidates that could slow or prevent product approval (including the risk that current and past results of clinical trials are not necessarily indicative of future results of clinical trials), the uncertainty of patent protection for the Company's intellectual property or trade secrets and the Company's ability to obtain additional financing if necessary. In addition such statements are subject to the risks and uncertainties discussed elsewhere in this document and the "Risk Factors" section of our Registration Statement on Form S-1, as amended (File No. 333-32370).

OVERVIEW

Pain Therapeutics is engaged in the development of a new generation of opioid painkillers. We use our technology to reformulate opioid drugs, such as morphine, into new painkillers with improved clinical benefits. We currently have four opioid painkillers in Phase II clinical trials. We believe our drugs offer enhanced pain relief, fewer adverse side effects and reduced tolerance and addiction compared to existing opioid painkillers.

We have yet to generate any revenues from product sales. We have not been profitable and, since our inception, we have incurred a cumulative deficit of $19.5 million through September 30, 2000. These losses have resulted principally from costs incurred in connection with research and development activities, including costs of clinical trials associated with our four product candidates, and general and administrative expenses.

We expect to incur additional operating losses for the next several years. We also expect to continue to incur significant operating and capital expenditures and anticipate that our expenses will increase substantially in the foreseeable future as we:

- continue to undertake clinical trials for our product candidates;

- seek to obtain regulatory approvals for our product candidates;

- develop, formulate, manufacture and commercialize our drugs;

- implement additional internal systems and infrastructure; and

- hire additional personnel.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

Research and Development

Research and development expense consists of drug development work associated with product candidates, including costs of clinical trials and clinical supplies, and research payments to the Albert Einstein College of Medicine. Research and development expenses were $1.6 million for the three months ended September 30, 2000 compared to $1.5 million for the three months ended September 30, 1999, reflecting clinical development activities for our four product candidates. We expect research and development expenses to increase significantly over the next several years as we increase our development efforts and our product candidates enter into phase III clinical trials.

General and Administrative

General and administrative expense consists primarily of amortization of deferred compensation for options granted to employees and consultants (as described below), charges resulting from stock issuances pursuant to restricted stock purchase agreements, salaries and related benefit costs, consulting and professional services expenses, travel, facilities expenses and other general corporate expenses. General and administrative expenses increased to $4.7 million for the three months ended September 30, 2000 from $320,000 for the three months ended September 30, 1999. This increase was primarily attributable to the amortization of deferred compensation, the hiring of additional personnel and related expenses, and increased consulting and professional services expenses. There will be future non-cash charges for options granted to employees and consultants.

Deferred Non-Cash Compensation

Deferred stock compensation for options granted to employees represents the difference between the exercise price of the option and the fair value of our common stock on the date of grant in accordance with Accounting Principles Board Opinion No. 25 and its related interpretations. Deferred compensation for non-employees is recorded at the fair value of the options granted in accordance with Statement of Financial Accounting Standards No. 123 and is periodically remeasured as the underlying options vest in accordance with Emerging Issues Task Force No. 96-18.

In connection with the remeasurement of deferred stock compensation for grants of stock options to non-employees, we recorded deferred stock compensation of $3.2 million for the three month period ended September 30, 2000. $340,000 of deferred stock compensation was recorded for the three month period ended September 30, 1999 related to the grant of options to employees and non-employees. These amounts were recorded as a component of stockholders' equity (deficit) and are being amortized as charges to operations. We recognized non-cash stock compensation amortization expense for options granted of $3.4 million and $96,000 for the three months ended September 30, 2000 and 1999, respectively.

Interest Income

Interest income increased to $1.0 million for the three months ended September 30, 2000 from $13,000 for the period ended September 30, 1999. This increase resulted from higher average balances of cash and cash equivalents following the sale of our series B and series C redeemable convertible preferred stock in the fourth quarter of 1999 and the first quarter of 2000, respectively, and the completion of our initial public offering in July 2000.

NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

Research and Development

Research and development expenses increased to $4.4 million for the nine months ended September 30, 2000 from $1.9 million for the nine months ended September 30, 1999. This increase reflects increased clinical development activities for our four product candidates in the current nine month period. Clinical trial activity was initiated during the second quarter of 1999. We expect research and development expenses to increase significantly over the next several years as we increase our development efforts and our product candidates enter into phase III clinical trials.

General and Administrative

General and administrative expenses increased to $11.7 million for the nine months ended September 30, 2000 from $716,000 for the nine months ended September 30, 1999. This increase was primarily attributable to the amortization of deferred compensation (as described below), charges resulting from stock issuances pursuant to restricted stock purchase agreements, the hiring of additional personnel and related expenses and increased consulting and professional services expense. There will be future non-cash charges for options granted to employees and consultants.

Deferred Non-Cash Compensation

In connection with the grant of stock options to employees as well as the remeasurement of deferred stock compensation for grants of stock options to non-employees, we recorded deferred stock compensation of $8.1 million for the nine month period ended September 30, 2000. $806,000 of deferred stock compensation was recorded for the nine month period ended September 30, 1999 related to the grant of options to employees and non-employees. These amounts were recorded as a component of stockholders' equity (deficit) and are being amortized as charges to operations. We recognized non-cash stock compensation amortization expense for options granted of $6.1 million and $161,000 for the nine months ended September 30, 2000 and 1999, respectively.

Interest Income

Interest income increased to $1.5 million for the nine months ended September 30, 2000 from $64,000 for the nine months ended September 30, 1999. This increase resulted from higher average balances of cash and cash equivalents following the sale of our series B and series C redeemable convertible preferred stock in the fourth quarter of 1999 and the first quarter of 2000, respectively, and the completion of our initial public offering in July 2000.

Return to Series C Preferred Stockholders for Beneficial Conversion Feature

In February 2000 we issued 3,044,018 shares of Series C redeemable convertible preferred stock for $14.2 million, net of issuance costs. We determined that our series C preferred stock was issued with a beneficial conversion feature. The beneficial conversion feature has been recognized by allocating a portion of the preferred stock proceeds equal to the intrinsic value of that feature, limited to the net proceeds received ($14.2 million), to additional paid-in capital. The intrinsic value is calculated at the date of issue as the difference between the conversion price of the preferred stock and the fair value of our common stock, into which the preferred stock is convertible, multiplied by the number of common shares into which the preferred stock is convertible, limited to the net proceeds received. As our series C preferred stock is convertible into common stock at the option of the holder, at the issuance date of the preferred stock the entire $14.2 million discount resulting from the allocation of proceeds to the beneficial conversion feature has been treated as a dividend and recognized as a return to the preferred stockholders for purposes of computing basic and diluted loss per share in the nine months ended September 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have financed our operations primarily through the private placement of our preferred stock and the public sale of our common stock. In February 2000 we received net proceeds of $15.2 million from issuance of our series C redeemable convertible preferred stock, and in July 2000 we received net proceeds of $63 million from issuance of common stock in our initial public offering. As of September 30, 2000, cash and cash equivalents were $82 million.

Net cash used in operating activities was $5.3 million for the nine months ended September 30, 2000 compared to $1.2 million for the nine months ended September 30, 1999. Cash used in operating activities related to the funding of net operating losses and prepaid expenses, partially offset by increases in non-cash compensation, non-cash charges resulting from stock issuances pursuant to stock purchase agreements and accounts payable and accrued liabilities.

Our investing activities used cash of $257,000 for the nine months ended September 30, 2000 compared to $14,000 for the nine months ended September 30, 1999. Investing activities consisted of purchases of property and equipment as well as the funding of tenant improvements in conjunction with the buildout of new office space. We expect to continue to make investments in our infrastructure to support our operations, including the purchase of property and equipment and the ongoing funding of tenant improvements as we complete the buildout of our new facility.

Our financing activities provided cash of $78.2 million for the nine months ended September 30, 2000. In February 2000 we issued an aggregate of 3,044,018 shares of our series C redeemable convertible preferred stock, raising total net proceeds of $15.2 million. On July 19, 2000 we completed our initial public offering in which we sold 5,000,000 shares of common stock at $12 per share for net proceeds of $54.6 million, net of underwriting discounts, commissions and estimated offering expenses. On July 27, 2000 the underwriters exercised an over-allotment option to purchase an additional 750,000 shares resulting in net proceeds of $8.4 million. From the time of receipt through October 31, 2000 all of the net proceeds of the initial public offering were invested primarily in short-term, investment grade, interest bearing U.S. government securities or money market funds invested in similar securities.

We currently occupy approximately 3,250 square feet of leased space for which the operating lease expired in September 2000. In September 2000 we entered into a sublease agreement effectively extending the lease term on a month-to-month basis through at least December 31, 2000. Either party may terminate the sublease with 60 days written notice, provided that the sublandlord cannot effect any termination which would be effective prior to April 30, 2001. In September 2000 we entered into an agreement to sublease and now occupy approximately 2,900 square feet of additional space in South San Francisco, California, which is used as general office space. The initial term of the sublease agreement will end on February 28, 2001. Thereafter the sublease will continue on a month-to-month basis until terminated by either party with 30 days written notice. In July 2000 we entered into an agreement to lease approximately 10,000 square feet of space in South San Francisco, California to be used as general office space. Future lease payments under this agreement total $1.8 million and commenced in October 2000 through the ten year term of the lease. The construction of tenant improvements is currently in progress. We expect to relocate to this facility in the first quarter of 2001 at which time the sublease agreements noted above will be terminated.

We expect our cash requirements to increase as we continue our development efforts, implement additional internal systems and infrastructure, hire additional personnel and expand our leased facilities. Additionally, as our clinical development efforts grow we anticipate a significant cash requirement for working capital growth, capital expenditures and investment in infrastructure. The amount and timing of cash requirements will depend on regulatory and market acceptance of our products, if any, and the resources we devote to researching and developing, formulating, manufacturing, commercializing and supporting our products. We believe that the net proceeds from our initial public offering together with our current cash and cash equivalents should be sufficient to fund our operations for at least the next 12 months. However, we may require additional financing within this timeframe and such additional funding, if needed, may not be available on terms acceptable to us or at all. Further, any additional equity financing may be dilutive to current shareholders.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In accordance with SFAS 133, an entity is required to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS 133, as amended by SFAS 137 and 138, shall be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. We believe that the implementation of SFAS 133, as amended, will not have a material effect on our results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to changes in interest rates in the United States. This exposure is directly related to our normal operating activities. Our cash and cash equivalents are invested with high quality issuers and are of a short-term nature. As a result, we do not believe that near-term changes in interest rates will have a material effect on our future results of operations.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
27.1..	Financial Data Schedule.

(b) Reports on Form 8-K.

The Company did not file any reports on Form 8-K during the three months ended September 30, 2000.

SIGNATURES

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

PAIN THERAPEUTICS, INC.

(Registrant)

Date: November 10, 2000

/s/ REMI BARBIER

Remi Barbier
President, Chief Executive Officer
and Chairman of the Board of Directors

/s/ DAVID L. JOHNSON

David L. Johnson
Chief Financial Officer

PAIN THERAPEUTICS, INC.

INDEX OF EXHIBITS

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
81,996,938
0
0
0
0
82,575,696
303,735
38,639
82,840,792
1,351,555
0
0
0
26,718
81,489,237
82,840,792
0
0
0
0
16,087,297
0
0
(14,591,505)
600
0
0
0
0
(14,592,105)
(2.01)
(2.01)