

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

October 12, 2010

Date of Report (Date of earliest event reported)

**Discovery Laboratories, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**000-26422**  
(Commission File Number)

**94-3171943**  
(IRS Employer  
Identification Number)

**2600 Kelly Road, Suite 100**  
**Warrington, Pennsylvania 18976**  
(Address of principal executive offices)

**(215) 488-9300**  
(Registrant's telephone number, including area code)

(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:

- 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 October 12, 2010, Discovery Laboratories, Inc. (the “Company”) entered into a securities purchase agreement (the “Securities Purchase Agreement”) with PharmaBio Development Inc. (“PharmaBio”), as the sole purchaser, related to an offering of 2,380,952 shares of the Company’s common stock (the “Common Stock”) and warrants to purchase an aggregate of 1,190,476 shares of Common Stock (“Warrants”). The shares of Common Stock and Warrants are being sold as units (“Units”), with each Unit consisting of (i) one share of Common Stock, and (ii) one Warrant to purchase one-half of a share of Common Stock, at an offering price of \$0.21 per Unit (the “Offering”). The offering price per Unit was calculated based on the greater of (a) the volume-weighted average sale price (“VWAP”) per share of the Common Stock on The Nasdaq Capital Market for 10 consecutive trading days ending on October 11, 2010 and (b) the VWAP per share of the Common Stock on October 11, 2010.

Each warrant represents the right to purchase one-half of a share of Common Stock at an exercise price of \$0.273 per share, which represents 130% of the greater of (a) the VWAP per share of the Common Stock on The Nasdaq Capital Market for 10 consecutive trading days ending on October 11, 2010 and (b) the VWAP per share of the Common Stock on October 11, 2010. The Warrants to be issued in the Offering generally will be exercisable immediately upon issuance for a period of five years from the original date of issuance. The exercise price and number of shares of Common Stock issuable on exercise of the Warrants will be subject to adjustment in the event of any stock split, reverse stock split, stock dividend, recapitalization, reorganization or similar transaction.

The Company may also redeem any or all outstanding Warrants at any time within 20 days following the occurrence of a trading threshold at a per Warrant redemption price of \$0.001, upon 20 days’ written notice to the holder of the Warrant. A trading threshold will be deemed to have occurred on any date that the reported VWAP for any five (5) out of seven (7) consecutive trading days immediately prior to such date exceeds \$0.45, with a minimum average daily trading volume for such seven (7) day period of at least 500,000 shares of common stock (with such price and volume criteria being appropriately adjusted for any share dividend, share split or other similar transaction that may occur on or after the issuance). Upon the expiration of the 20-day notice period (as it may be extended if the registration statement is not effective), all warrants noticed for redemption that have not been exercised by the holder will, upon payment of the aggregate redemption price, cease to represent the right to purchase any shares of common stock and will be deemed cancelled and void and of no further force or effect without any further act or deed on the Company’s part.

The Offering is expected to close on October 14, 2010, subject to the satisfaction of customary closing conditions. Gross proceeds to the Company from the Offering will be \$500,000 and the net proceeds to the Company are expected to be approximately \$470,000, after deducting estimated expenses payable by the Company associated with the Offering. The Offering is being made by means of a prospectus supplement dated October 12, 2010 and an accompanying prospectus dated June 11, 2010, pursuant to the Company’s existing shelf registration statement on Form S-3 (File No. 333-151654).

The Securities Purchase Agreement contains customary representations, warranties, and agreements by the Company, and customary conditions to closing.

The agreements and instruments that have been attached as hereto as exhibits are intended to provide investors and security holders with information regarding the terms of those agreements and instruments and are not intended to provide any other factual information about the Company. The representations, warranties and covenants contained therein were made only for purposes of such agreements and instruments and as of specific dates, were solely for the benefit of the parties thereto, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of such agreements and instruments.

A copy of the Securities Purchase Agreement and the form of Warrant to be issued in connection with the Offering are filed herewith as Exhibits 10.1 and 4.1 and are incorporated herein by reference. The foregoing description of the Offering by the Company and the documentation related thereto does not purport to be complete and is qualified in its entirety by reference to such exhibits. A copy of the opinion of SNR Denton US LLP relating to the legality of the issuance and sale of the securities in the Offering is attached as Exhibit 5.1 hereto.

**Item 8.01.      Other Events.**

On October 13, 2010 the Company issued a press release announcing the entry into the Securities Purchase Agreement. The full text of the press release is set forth in Exhibit 99.1 to this Current Report on Form 8-K.

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

- (d) Exhibits
- 4.1 Form of Warrant
- 5.1 Opinion of SNR Denton US LLP
- 10.1 Securities Purchase Agreement dated October 12, 2010 by and between Discovery Laboratories, Inc. and PharmaBio Development Inc.
- 23.1 Consent of SNR Denton US LLP (included in its opinion filed as Exhibit 5.1 hereto)
- 99.1 Press release dated October 13, 2010

**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 hereunto duly authorized.

**Discovery Laboratories, Inc.**

By: /s/ John G. Cooper

Name: John G. Cooper

Title: President and Chief Financial Officer

Date: October 13, 2010

DISCOVERY LABORATORIES, INC.

WARRANT TO PURCHASE COMMON STOCK

Warrant No.: \_\_\_\_

Number of Shares of Common Stock: 1,190,476

Date of Issuance: October 14, 2010 (“**Issuance Date**”)

Discovery Laboratories, Inc., a Delaware corporation (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PharmaBio Development Inc., a North Carolina corporation, the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the “**Warrant**”), at any time or times on or after the Issuance Date, but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), 1,190,476 (One Million, One Hundred and Ninety Thousand, Four Hundred and Seventy-Six) fully paid nonassessable shares of Common Stock (as defined below) (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 16. This Warrant is the Warrant to purchase Common Stock (this “**Warrant**”) issued pursuant to (i) Section 2(c) of that certain Securities Purchase Agreement (the “**Securities Purchase Agreement**”), dated as of October 12, 2010 (the “**Pricing Date**”), by and between the Company and PharmaBio Development Inc. and (ii) the Company’s Registration Statement on Form S-3 (File number 333-151654) (the “**Registration Statement**”).

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof, this Warrant may be exercised by the Holder on any day on or after the Issuance Date, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant and (ii) (A) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash or by wire transfer of immediately available funds or (B) provided the conditions for cashless exercise set forth in Section 1(d) are satisfied, by notifying the Company that this Warrant is being exercised pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the first (1st) Business Day following the date on which the Company has received each of the Exercise Notice and the Aggregate Exercise Price (or notice of a Cashless Exercise) (collectively, the “**Exercise Delivery Documents**”), the Company shall transmit by facsimile or electronic mail an acknowledgment of receipt of the Exercise Delivery Documents to the Holder and Continental Stock Transfer & Trust Company (the Company’s “**Transfer Agent**”). On or before the third (3rd) Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the “**Share Delivery Date**”), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit/Withdrawal At Custodian (“**DWAC**”) system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program or the Holder does not request delivery of the Warrant Shares via DWAC, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder’s DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded down to the nearest whole number. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

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(b) Exercise Price. For purposes of this Warrant, “**Exercise Price**” means \$0.273 subject to adjustment as provided herein.

(c) Company’s Failure to Timely Deliver Securities. If the Company shall fail for any reason or for no reason to issue to the Holder within three (3) Business Days of receipt of the Exercise Delivery Documents in compliance with the terms of this Section 1, a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company’s share register or to credit the Holder’s balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise of this Warrant, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of shares of Common Stock issuable upon such exercise that the Holder anticipated receiving from the Company (a “**Buy-In**”), then the Company shall, within three (3) Business Days after the Holder’s request and in the Holder’s discretion, either (i) pay cash to the Holder in an amount equal to the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the “**Buy-In Price**”), at which point the Company’s obligation to deliver such certificate (and to issue such Warrant Shares) shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Warrant Shares and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Closing Bid Price on the date of exercise.

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary, if, but only if, (i) a registration statement covering the issuance of the Warrant Shares that are the subject of the Exercise Notice (the “**Unavailable Warrant Shares**”) is not effective and (ii) in the written opinion of counsel to the Holder addressed to the Company, which is satisfactory in form and substance to the Company and its counsel, an exemption from registration for the issuance and resale of such Unavailable Warrant Shares would only be available if the exercise of the Warrant is effected pursuant to a Cashless Exercise pursuant to this Section 1(d), then the Holder may exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the “Net Number” of shares of Common Stock determined according to the following formula (a “**Cashless Exercise**”):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the arithmetic average of the Closing Sale Prices of the shares of Common Stock for the five (5) consecutive Trading Days ending on the Trading Day immediately preceding the date of the Exercise Notice.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

For sake of clarity, regardless of whether an effective registration statement or an exemption from registration is or is not available, there is no circumstance that requires the Company to effect a net cash settlement of the Warrants.

(e) Rule 144. For purposes of Rule 144(d) promulgated under the Securities Act, as in effect on the date hereof, it is intended that the Warrant Shares issued in a Cashless Exercise shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Securities Purchase Agreement.

(f) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed, and all such disputes shall be resolved pursuant to Section 13.

(g) Beneficial Ownership. The Company shall not effect the exercise of this Warrant, and the Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, such Person (together with such Person's affiliates) would beneficially own in excess of 9.99% (the "**Maximum Percentage**") of the shares of Common Stock outstanding immediately after giving effect to such exercise (including in connection with any Fundamental Transaction (as defined below)). For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by such Person and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude shares of Common Stock which would be issuable upon (i) exercise of the remaining, unexercised portion of this Warrant beneficially owned by such Person and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by such Person and its affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Warrant, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (1) the Company's most recent Form 10-K, Form 10-Q, Current Report on Form 8-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. To the extent that the limitation contained in this Section 1(g) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder) and of which a portion of this Warrant is exercisable shall be in the sole discretion of a Holder, and the submission of an Exercise Notice shall be deemed to be each Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder) and of which portion of this Warrant is exercisable, in each case subject to such aggregate percentage limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder and its affiliates since the date as of which such number of outstanding shares of Common Stock was reported. By written notice to the Company, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; *provided* that (i) any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1(g) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Adjustment upon Subdivision or Combination of Common Stock. If the Company at any time on or after the Pricing Date subdivides (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Pricing Date combines (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(a) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; provided that no such adjustment pursuant to this Section 2(b) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2 .

3. RIGHTS UPON DISTRIBUTION OF ASSETS. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to all holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case:

(a) any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (i) the numerator shall be the Closing Bid Price of the shares of Common Stock on the Trading Day immediately preceding such record date minus the value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of Common Stock, and (ii) the denominator shall be the Closing Bid Price of the shares of Common Stock on the Trading Day immediately preceding such record date; and

(b) the number of Warrant Shares shall be increased to a number of shares equal to the number of shares of Common Stock obtainable immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding paragraph (a); *provided* that in the event that the Distribution is of shares of Common Stock (or common stock) ("**Other Shares of Common Stock**") of a company whose shares of common stock are traded on a national securities exchange or a national automated quotation system, then the Holder may elect to receive a warrant to purchase Other Shares of Common Stock in lieu of an increase in the number of Warrant Shares, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the number of shares of Other Shares of Common Stock that would have been payable to the Holder pursuant to the Distribution had the Holder exercised this Warrant immediately prior to such record date and with an aggregate exercise price equal to the product of the amount by which the exercise price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the immediately preceding paragraph (a) and the number of Warrant Shares calculated in accordance with the first part of this paragraph (b).

#### 4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.



(b) Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes this Warrant in accordance with the provisions of this Section (4)(b), including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the shares of Common Stock reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and satisfactory to the Holder. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of the Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had this Warrant been converted immediately prior to such Fundamental Transaction, as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a “Corporate Event”), the Company shall make appropriate provision to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the Fundamental Transaction but prior to the Expiration Date, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had the Warrant been exercised immediately prior to such Fundamental Transaction. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The provisions of this Section 4 shall apply similarly and equally to successive Fundamental Transactions and Corporate Events and shall be applied without regard to any limitations on the exercise of this Warrant.

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, 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 of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as this Warrant is outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of this Warrant, 100% of the number of shares of Common Stock issuable upon exercise of this Warrant then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person’s capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person’s capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

## 7. REISSUANCE OF WARRANTS.

(a) **Transfer of Warrant.** If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company together with a written assignment of this Warrant in the form attached hereto as Exhibit B duly executed by the Holder or its agent or attorney, whereupon the Company will forthwith, subject to compliance with any applicable securities laws, issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) **Lost, Stolen or Mutilated Warrant.** Upon receipt by the Company 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, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) **Exchangeable for Multiple Warrants.** This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional shares of Common Stock shall be given.

(d) **Issuance of New Warrants.** Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant, which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

8. **OPTIONAL REDEMPTION.** At any time within 20 days following the occurrence of a Trading Threshold (as defined in Section 16(q)), the Company shall be entitled to redeem the Warrants, or any of them, at a per Warrant Share redemption price of \$0.001 (the “**Redemption Price**”), upon 20 days’ written notice to the Holder. Hereinafter such 20-day period, as it may be extended pursuant to this Section 8, is referred to as the “**Redemption Period.**” Upon the expiration of the Redemption Period (the “**Redemption Date**”), all Warrants noticed for redemption that have not theretofore been exercised by the Holder shall, upon payment of the aggregate Redemption Price therefor, cease to represent the right to purchase any shares of Common Stock and shall be deemed cancelled and void and of no further force or effect without any further act or deed on the part of the Company. The Holder undertakes to return the certificate representing any redeemed Warrants to the Company upon their redemption and to indemnify the Company with respect to any losses, claims, damages or liabilities arising from the Holder’s failure to return such certificate. In the event the certificate so returned represents a number of Warrants in excess of the number being redeemed, the Company shall as promptly as practicable issue to the Holder a new certificate for the number of unredeemed Warrants. If at any time during a Redemption Period that begins prior to the 181<sup>st</sup> day that follows the Issuance Date, the prospectus used in connection with the disposition of the Warrant Shares pursuant to the Registration Statement may not be used by the Holder for the resale of the Warrant Shares because the Registration Statement is not effective, then the Redemption Period shall be extended by the period of time that the Holder may not so use the prospectus plus 20 days.

9. **NOTICES.** The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in writing, will be mailed (a) if within the domestic United States by first-class registered or certified mail, or nationally recognized overnight express courier, postage prepaid, or by facsimile or (b) if delivered from outside the United States, by International Federal Express or facsimile, and (c) will be deemed given (i) if delivered by first-class registered or certified mail domestic, three business days after so mailed, (ii) if delivered by nationally recognized overnight carrier, one business day after so mailed, (iii) if delivered by International Federal Express, two business days after so mailed and (iv) if delivered by facsimile, upon electronic confirmation of receipt, and will be delivered and addressed as follows:

(a) if to the Company, to:

Discovery Laboratories, Inc.  
2600 Kelly Road  
Warrington, Pennsylvania 18976  
Attention: John G. Cooper  
Facsimile: 215-488-9301

with copies to:

SNR Denton US LLP  
Two World Financial Center  
225 Liberty Street  
New York, NY 10281-2699  
Attention: Ira L. Kotel, Esq.  
Fax: 212-768-6800

(b) if to the Holder, to:

PharmaBio Development Inc.  
c/o Quintiles Transnational Corp.  
4820 Emperor Blvd  
Durham, NC 27703  
Attn: President  
Facsimile: (919) 998-2090

with copies to:

Smith, Anderson, Blount, Dorsett,  
Mitchell & Jernigan, L.L.P.  
2500 Wachovia Capitol Center  
Raleigh, NC 27601  
Attn: Christopher B. Capel  
Facsimile: (919) 821-6800,

or to Holder's address on any Exercise Notice delivered to the Company in the form attached as Exhibit A hereto, or at such other address or addresses as may have been furnished to the Company in writing.

10. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended only with the written consent of the Company and the Holder, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only with the written consent of the Holder.

11. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Delaware.

12. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

13. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile or electronic mail within two (2) Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile or electronic mail (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

14. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant.

15. TRANSFER. Subject to compliance with any applicable securities laws, this Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "**Bloomberg**" means Bloomberg Financial Markets.

(b) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(c) "**Change of Control**" means any Fundamental Transaction other than (A) any reorganization, recapitalization or reclassification of the Common Stock, in which holders of the Company's voting power immediately prior to such reorganization, recapitalization or reclassification continue after such reorganization, recapitalization or reclassification to hold publicly traded securities and, directly or indirectly, the voting power of the surviving entity or entities necessary to elect a majority of the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities, or (B) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company.

(d) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or the last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as determined by the Board of Directors of the Company in the exercise of its good faith judgment. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(e) “**Common Stock**” means (i) the Company’s shares of Common Stock, par value \$0.001 per share, and (ii) any share capital into which such Common Stock shall have been changed or any share capital resulting from a reclassification of such Common Stock.

(f) RESERVED

(g) “**Convertible Securities**” means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for shares of Common Stock.

(h) “**Eligible Market**” means the Principal Market, The New York Stock Exchange, Inc., The American Stock Exchange, The NASDAQ Global Select Market, The NASDAQ Global Market or OTC Bulletin Board.

(i) “**Expiration Date**” means the date five (5) years following the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next date that is not a Holiday.

(j) “**Fundamental Transaction**” means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), (v) reorganize, recapitalize or reclassify its Common Stock, or (vi) any “person” or “group” (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock.

(k) “**Options**” means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(l) “**Parent Entity**” of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(m) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(n) “**Principal Market**” means The NASDAQ Capital Market.

(o) “**Successor Entity**” means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(p) **“Trading Day”** means any day on which shares of Common Stock are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market or electronic quotations system on which the shares of Common Stock are then traded; *provided* that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange, market or system for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange, market or system (or if such exchange, market or system does not designate in advance the closing time of trading on such exchange, market or system, then during the hour ending at 4:00 p.m., New York time).

(q) A **“Trading Threshold”** shall be deemed to occur on any date that the reported Weighted Average Price for any five (5) out of seven (7) consecutive Trading Days immediately prior to such date, exceeds \$0.45 with a minimum average daily trading volume for such seven (7) day period of at least 500,000 shares of Common Stock as reported by the Principal Market for such period (with such price and volume criteria being appropriately adjusted for any share dividend, share split or other similar transaction that may occur on or after the Issuance Date).

(r) **“Weighted Average Price”** means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market (or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market or electronic quotations system on which the shares of Common Stock are then traded) during the period beginning at 9:30:01 a.m., New York City time, and ending at 4:00:00 p.m., New York City time, as reported by Bloomberg through its “Volume at Price” function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York City time, and ending at 4:00:00 p.m., New York City time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the “pink sheets” by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Weighted Average Price cannot be calculated for such security on such date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 13 with the term “Weighted Average Price” being substituted for the term “Exercise Price.” All such determinations shall be appropriately adjusted for any share dividend, share split or other similar transaction during such period.

**[Signature Page Follows]**

**IN WITNESS WHEREOF**, the parties have caused this Warrant to Purchase Common Stock to be duly executed and delivered as of the Issuance Date set out above.

**DISCOVERY LABORATORIES, INC.**

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

Name: John G. Cooper

Title: President and Chief Financial Officer

**PHARMABIO DEVELOPMENT INC.**

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

Name: John L. Bradley, Jr.

Title: Vice President

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EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS  
WARRANT TO PURCHASE COMMON STOCK

DISCOVERY LABORATORIES, INC.

The undersigned holder hereby exercises the right to purchase \_\_\_\_\_ of the shares of Common Stock (“**Warrant Shares**”) of Discovery Laboratories, Inc, a Delaware corporation (the “**Company**”), evidenced by the attached Warrant to Purchase Common Stock (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

\_\_\_\_\_ a “Cash Exercise” with respect to \_\_\_\_\_ Warrant Shares; and/or

\_\_\_\_\_ a “Cashless Exercise” with respect to \_\_\_\_\_ Warrant Shares (provided the conditions for cashless exercise set forth in Section 1(d) of the Warrant are satisfied).

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of \$\_\_\_\_\_ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver \_\_\_\_\_ Warrant Shares in the name of the undersigned holder or in the name of \_\_\_\_\_ in accordance with the terms of the Warrant to the following DWAC Account Number or by physical delivery of a certificate to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
Name of Registered Holder

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

\_\_\_\_\_



**ACKNOWLEDGMENT**

The Company hereby acknowledges this Exercise Notice and hereby directs Continental Stock Transfer & Trust Company to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated [ ], 2010 from the Company and acknowledged and agreed to by Continental Stock Transfer & Trust Company.

**DISCOVERY LABORATORIES, INC**

By:

\_\_\_\_\_

Name:

Title:

\_\_\_\_\_

**EXHIBIT B**

**ASSIGNMENT FORM**

(To assign the foregoing warrant, execute this form and supply required information. Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, all of or [\_\_\_\_\_] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

\_\_\_\_\_ whose address is  
\_\_\_\_\_  
\_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

Holder's Signature:

Holder's Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

\_\_\_\_\_

October 12, 2010

EXHIBIT 5.1

Board of Directors  
Discovery Laboratories, Inc.  
2600 Kelly Road, Suite 100  
Warrington, Pennsylvania 18976-3622

Re: Sale of Common Stock and Warrants registered pursuant to  
Registration Statement on Form S-3 (File No. 333-151654)

Ladies and Gentlemen:

In our capacity as counsel to Discovery Laboratories, Inc., a Delaware corporation (the “**Company**”), we have been asked to render this opinion in connection with a registration statement on Form S-3 (the “**Registration Statement**”), heretofore filed by the Company with the Securities and Exchange Commission (the “**Commission**”) under the Securities Act of 1933, as amended (the “**Act**”), the prospectus supplement filed pursuant to Rule 424(b) under the Act, dated as of October 12, 2010 (the “**Prospectus Supplement**”), under which the following securities being sold by the Company have been registered: (i) 2,380,952 shares (the “**Shares**”) of common stock, par value \$0.001 per share, of the Company (the “**Common Stock**”), (ii) warrants to purchase 1,190,476 shares of Common Stock at an exercise price of \$0.273 per share (each a “**Warrant**” and collectively, the “**Warrants**”) and (iii) 1,190,476 shares (the “**Warrant Shares**”) of Common Stock that are issuable upon exercise of the Warrants. The securities are being sold as units (the “**Units**”) with each Unit being comprised of (i) one Share and (ii) one Warrant.

We are delivering this opinion to you at your request in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Act.

In connection with rendering this opinion, we have examined and are familiar with (i) the Company’s Amended and Restated Certificate of Incorporation, (ii) the Company’s By-Laws, (iii) the Registration Statement, including the base prospectus contained therein and as restated as of June 11, 2010 and filed pursuant to Rule 424(b) under the Act (such base prospectus, the “**Base Prospectus**”), (iv) the Prospectus Supplement (such Base Prospectus and Prospectus Supplement are collectively referred to herein as the “**Prospectus**”), (v) corporate proceedings of the Company relating to the Shares, the Warrants and the Warrant Shares, and (vi) such other instruments and documents as we have deemed relevant under the circumstances.

In making the aforesaid examinations, we have assumed the genuineness of all signatures and the conformity to original documents of all copies furnished to us as original or photostatic copies. We have also assumed that the corporate records furnished to us by the Company include all corporate proceedings taken by the Company to date.

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Based upon the foregoing and subject to the assumptions and qualifications set forth herein, we are of the opinion that:

1. The Shares have been duly authorized by the Company and, when issued in accordance with the terms set forth in the Registration Statement and the Prospectus, will be validly issued, fully paid and non-assessable.
2. The Warrant Shares have been duly authorized by the Company and, when issued in accordance with the terms set forth in the Registration Statement and the Prospectus, and, when issued and paid for in accordance with the terms of the Warrants, will be validly issued, fully paid and non-assessable.
3. The Warrants have been duly authorized by the Company and, when issued in accordance with the terms set forth in the Registration Statement and the Prospectus, will be validly issued.

The foregoing opinion is limited to the laws of the United States of America and Delaware corporate law (which includes the Delaware General Corporation Law and applicable provisions of the Delaware constitution, as well as reported judicial opinions interpreting same), and we do not purport to express any opinion on the laws of any other jurisdiction.

We hereby consent to the use of our opinion as an exhibit to the Registration Statement and to the reference to this firm and this opinion under the heading "Legal Matters" in the prospectus comprising a part of the Registration Statement and any amendment thereto. In giving such consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the Act, or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ SNR DENTON US LLP

SNR DENTON US LLP

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SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT dated as of October 12, 2010 (this "Agreement"), by and between DISCOVERY LABORATORIES, INC., a Delaware corporation ("Company"), and PHARMABIO DEVELOPMENT INC., a North Carolina corporation ("Investor").

The Investor hereby confirms its agreement with the Company as follows:

1. Offering and sale of the Units. (a) The Company has authorized the sale and issuance (the "Unit Purchase") to the Investor of 2,380,952 units (the "Units"), at a price of \$0.21 per Unit (the "Unit Price"), with each Unit consisting of (i) one share (the "Share," and collectively, the "Shares") of its common stock, par value \$.001 per share ("Common Stock"), and (ii) one warrant (the "Warrant," and collectively, the "Warrants") to purchase one-half of a share of Common Stock in substantially the form attached hereto as Exhibit A. Each Warrant will represent the right to purchase one-half of a share of Common Stock at an exercise price of \$0.273 per share of Common Stock (subject to adjustment as set forth in the Warrant). Units will not be issued or certificated. The Shares and Warrants are immediately separable and will be issued separately. The shares of Common Stock issuable upon exercise of the Warrants are referred to herein as the "Warrant Shares" and, together with the Units, the Shares and the Warrants, are referred to herein as the "Securities").

(b) The offering and sale of the Units (the "Offering") are being made pursuant to (a) an effective Registration Statement on Form S-3, No. 333-151654 (the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission"), including the Prospectus contained therein and dated June 11, 2010 (the "Base Prospectus"), (b) if applicable, certain "free writing prospectuses" (as that term is defined in Rule 405 under the Securities Act of 1933, as amended (the "Act")), that have been or will be filed, if required, with the Commission and delivered to the Investor on or prior to the date hereof (the "Free Writing Prospectus"), containing certain supplemental information regarding the Units, the terms of the Offering and the Company and (c) a Prospectus Supplement (the "Prospectus Supplement" and, together with the Base Prospectus, the "Prospectus") containing only certain supplemental information regarding the Units and terms of the Offering that will be filed with the Commission and delivered to the Investor prior to the Closing (or made available to the Investor prior to the Closing by the filing by the Company of an electronic version thereof with the Commission).

2. Closing. The closing of the issuance and sale of the Units (the "Closing") shall take place at 10:00 a.m. on October 14, 2010 (the "Closing Date"). The Closing shall be held at the offices of the Company, 2600 Kelly Road, Suite 100, Warrington, Pennsylvania. At the Closing, (a) the Investor shall cause to be delivered to the Company via wire transfer of immediately available funds the purchase price of \$500,000.00 for the Units (the "Purchase Price") to an account specified to the Investor by the Company at least one business day prior to the Closing, (b) the Company shall cause the Company's transfer agent (the "Transfer Agent") to credit the Shares to which the Investor is entitled to the Investor's balance account (through Merrill Lynch) with Depository Trust Corporation through its Deposit/Withdrawal At Custodian (DWAC) system as indicated on Exhibit B, and (c) the Company shall cause the executed Warrants to be delivered to the Investor, registered in the name of the Investor or, if so indicated on Exhibit B, in the name of a nominee designated by the Investor.

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3. Conditions to Closing of the Company. The Company's obligations at the Closing are subject to: (i) the receipt by the Company of the Purchase Price, and (ii) the accuracy as of the Closing of the representations and warranties made by the Investor and the fulfillment of those undertakings of the Investor to be fulfilled prior to the Closing Date.

4. Conditions to Closing of the Investor. The Investor's obligations at the Closing are subject to the accuracy as of the Closing of the representations and warranties made by the Company and the fulfillment of those undertakings of the Company to be fulfilled prior to the Closing Date.

5. Representations of Investor. The Investor hereby represents, warrants and agrees that:

(a) The Investor has full power and authority to enter into, execute, deliver and perform this Agreement and all other agreements and instruments to be executed by the Investor in connection herewith. All of such actions have been duly authorized by all necessary corporate action on the part of the Investor and no further approval or authorization by Investor's shareholders or any other persons or entities are necessary to take such actions. This Agreement constitutes the legal, valid and binding obligation of the Investor enforceable against the Investor in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other laws and subject to general principles of equity.

(b) The Investor has legally available and sufficient funds to pay the Purchase Price at Closing.

(c) The execution and delivery of this Agreement, the consummation of the Unit Purchase and all of the other transactions contemplated hereby will not result:

(i) in a breach of any of the terms and provisions of or constitute a default under Investor's articles of incorporation or bylaws, or any indenture, mortgage, deed or trust, or other agreement or instrument to which the Investor is a party; or

(ii) in a violation of or default under any state or federal statute or any of the rules or regulations applicable to the Investor of any court or of any federal and state regulatory body or administrative agency.

(d) The Investor has received (or otherwise had made available to it by the filing by the Company of an electronic version thereof with the Commission) the Prospectus, which is a part of the Registration Statement, the documents incorporated by reference therein, and the Free Writing Prospectus (collectively, the "Disclosure Package"), prior to or in connection with the execution of this Agreement. The Investor acknowledges that, prior to the execution of this Agreement, the Investor has also received certain additional information regarding the Offering (the "Offering Information") by any means permitted under the Act, including the Prospectus Supplement, a Free Writing Prospectus and oral communications. In connection with its decision to purchase the Shares, the Investor has received, and is not relying upon anything other than, the Disclosure Package and the documents incorporated by reference therein and the Offering Information.

(e) The Investor (i) is knowledgeable, sophisticated and experienced in making, and is qualified to make decisions with respect to, investments in securities presenting an investment decision like that involved in the purchase of the Units, including investments in securities issued by the Company and investments in comparable companies, and (ii) has provided the required information on Exhibit B and such information is the true and correct as of the date hereof and will be true and correct as of the Closing Date. The Investor can afford the financial risk of an investment in the Securities.

(f) Except as set forth below, (i) the Investor has had no position, office or other material undisclosed relationship within the past three years with the Company or persons known to it to be affiliates of the Company, (ii) the Investor is not a member of the Financial Industry Regulatory Authority, Inc. or an Associated Person (as such term is defined under the NASD Membership and Registration Rules Section 1011) as of the Closing, and (iii) neither the Investor nor any group of investors (as identified in a public filing made with the Commission) of which the Investor is a part in connection with the Offering of the Securities, acquired, or obtained the right to acquire, 20% or more of the Common Stock (or securities convertible into or exercisable for Common Stock) or the voting power of the Company on a post-transaction basis.

(g) The Investor understands that nothing in this Agreement, the Prospectus, the Disclosure Package, the Offering Information or any other materials presented to the Investor in connection with the transactions contemplated by this Agreement constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors and made such investigation as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Securities.

(h) Since 10 days before the date hereof, the Investor has not disclosed any information regarding the Offering to any third parties (other than its legal, accounting and other advisors) and has not engaged in any purchases or sales involving the securities of the Company (including, without limitation, any Short Sales (as defined below) involving the Company's securities). The Investor covenants that it will not engage in any purchases or sales in the securities of the Company (including Short Sales) prior to the time that the transactions contemplated by this Agreement are publicly disclosed. The Investor agrees that it will not cover any short position in the Common Stock if doing so would be in violation of applicable securities laws. For purposes hereof, "Short Sales" include, without limitation, all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act of 1934, as amended (the "Exchange Act"), whether or not against the box, and all types of direct and indirect stock pledges, forward sales contracts, options, puts, calls, short sales, swaps, "put equivalent positions" (as defined in Rule 16a-1(h) under the Exchange Act) and similar arrangements (including on a total return basis), and sales and other transactions through non-US broker dealers or foreign regulated brokers.

6. Representations of the Company. The Company hereby represents, warrants and agrees that:

(a) The Company has full power and authority to enter into, execute, deliver and perform this Agreement and all other agreements and instruments to be executed by the Company in connection herewith. All of such actions have been duly authorized by all necessary corporate action on the part of the Company and no further approval or authorization by the Company's stockholders or any other persons or entities are necessary to take such actions. This Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other laws and subject to general principles of equity.

(b) The execution and delivery of this Agreement, the consummation of the Unit Purchase and all of the other transactions contemplated hereby will not result:

(i) in a breach of any of the terms and provisions of or constitute a default under the Company's certificate of incorporation or bylaws;

(ii) in the creation of any lien, charge, security interest or encumbrance upon any assets of the Company pursuant to the terms or provisions of, or will not conflict with, result in the breach or violation of, or constitute, either by itself or upon notice or the passage of time or both, a default under any indenture, mortgage, deed or trust, or other agreement or instrument to which the Company is a party; or

(iii) in a violation of or default under any state or federal statute or any of the rules or regulations applicable to the Company of any court or of any federal and state regulatory body or administrative agency.

(c) Except for (i) applicable filings, if any, with the Commission pursuant to the Exchange Act and the Securities Act, (ii) filings with The Nasdaq Capital Market in connection with the listing of the Shares, and (iii) filings, if any, under state securities or "blue sky" laws, no consent, authorization or order of, or filing or registration with, any governmental authority is required to be obtained or made by the Company for the execution, delivery and performance of this Agreement or the consummation of the Unit Purchase and all of the other transactions contemplated hereby.

(d) The Shares and the Warrants to be issued and sold by the Company to the Investor hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein will be duly and validly issued, fully paid and non-assessable. The Warrant Shares have been duly and validly authorized and, when issued and delivered against payment therefor as provided in the Warrants, will be duly and validly issued, fully paid and non-assessable. The Company has reserved a reasonably adequate number of authorized but unissued shares of Common Stock for issuance upon exercise of the Warrants and such shares shall remain so reserved (subject to reduction from time to time for Common Stock issued upon the exercise of the Warrants) as long as the Warrants are exercisable.



(e) The Company has complied in all material respects with all applicable Laws, including securities laws, in connection with the offer, issuance and sale of the Securities hereunder.

(f) The Registration Statement has been declared effective by the Commission and there is no stop order suspending the effectiveness of the Registration Statement. The Company meets the requirements for the use of Form S-3 under the Act in connection with the offer, issuance and sale of the Securities hereunder. The Registration Statement in the form in which it became effective and also in such form as it may be when any post-effective amendment thereto became effective and the Base Prospectus and any supplement or amendment thereto, including the Prospectus Supplement relating to the Units, when filed with the Commission under Rule 424(b) under the Act, complied (or will comply) as to form with the provisions of the Act and did not (or will not) at any such times contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Commission has not issued any order preventing or suspending the use of any Prospectus.

(g) As of the Closing Date, the Registration Statement as supplemented by any post-effective amendment thereto and any prospectus supplements, including the Prospectus Supplement relating to the Units, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7. Survival. Notwithstanding any investigation made by any party to this Agreement, all agreements, representations and warranties made by the Company and the Investor herein will survive the execution of this Agreement and the delivery to the Investor of the Shares and the Warrants.

8. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement or amendments thereto and of signature pages by facsimile transmission or by email transmission in portable document format, or similar format, shall constitute effective execution and delivery of such instrument(s) as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or by email transmission in portable document format, or similar format, shall be deemed to be original signatures for all purposes.

9. Notices. All notices, requests, consents and other communications hereunder will be in writing, will be mailed (a) if within the domestic United States by first-class registered or certified mail, or nationally recognized overnight express courier, postage prepaid, or by facsimile or (b) if delivered from outside the United States, by International Federal Express or facsimile, and (c) will be deemed given (i) if delivered by first-class registered or certified mail domestic, three business days after so mailed, (ii) if delivered by nationally recognized overnight carrier, one business day after so mailed, (iii) if delivered by International Federal Express, two business days after so mailed and (iv) if delivered by facsimile, upon electronic confirmation of receipt and will be delivered and addressed as follows (or to such other address or addresses as may have been furnished by notice to the other party):

if to the Company, to:

Discovery Laboratories, Inc.  
2600 Kelly Road  
Warrington, PA 18976  
Attention: Legal Department  
Facsimile: 215-488-9301

with copies to:

SNR Denton US LLP  
Two World Financial Center  
225 Liberty Street  
New York, NY 10281-2699  
Attention: Ira L. Kotel, Esq.  
Fax: 212-768-6800

if to the Investor, to:

PharmaBio Development Inc.  
c/o Quintiles Transnational Corp.  
4820 Emperor Blvd  
Durham, NC 27703  
Attn: President  
Facsimile: (919) 998-2090

with copies to:

Smith, Anderson, Blount, Dorsett,  
Mitchell & Jernigan, L.L.P.  
2500 Wachovia Capitol Center  
Raleigh, NC 27601  
Attn: Christopher B. Capel  
Facsimile: (919) 821-6800.

10. Applicable Law. This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Delaware, as applied to contracts made and to be performed entirely within such State, without giving effect to the principles of conflicts of law that would require the application of the laws of any other jurisdiction.

11. No Implied Rights or Remedies. Except as otherwise expressly provided herein, nothing herein expressed or implied is intended or shall be construed to confer upon or to give any person, other than the Company and the Investor, any rights or remedies under or by reason of this Agreement.

12. No Waiver. No failure on the part of any of the parties to this Agreement to exercise, no delay in exercising and no course of dealing with respect to, any right or remedy under this Agreement will operate as a waiver thereof. No single or partial exercise of any right or remedy under this Agreement will preclude any other further exercise thereof or the exercise of any other right or remedy.

13. Headings. The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of this Agreement.

14. Successors and Assigns. This Agreement may not be assigned without the written consent of all of its parties; provided, however, that Investor may at any time following the Closing assign or transfer any of its rights or obligations under this Agreement to an affiliate. This Agreement and all of its provisions shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs and legal representatives.

15. Severability. If any provision of this Agreement shall be invalid or unenforceable, the other provisions of this Agreement shall continue in full force, and the validity and enforceability of such other provisions shall not be adversely affected.

16. Press Release. The Company and the Investor agree that the Company shall, prior to the opening of the financial markets in New York City on the business day immediately after the date hereof, (i) issue a press release announcing the Offering, and (ii) file a Current Report on Form 8-K with the Commission, including a form of this Agreement.

[Remainder of page intentionally blank]

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

PHARMABIO DEVELOPMENT INC.

By: /s/ John L. Bradley, Jr.

Name: John L. Bradley, Jr.

Title: Vice President

DISCOVERY LABORATORIES, INC.

By: /s/ John G. Cooper

Name: John G. Cooper

Title: President and Chief Financial Officer

[Signature Page to Securities Purchase Agreement]

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Exhibit A

Form of Warrant

See Exhibit 4.1 to Form 8-K

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**Exhibit B**

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|----|---|--|
| 1. | The exact name that your Shares and Warrants are to be registered in. You may use a nominee name if appropriate:        | PharmaBio Development Inc.   |
| 2. | The relationship between the Investor and the registered holder listed in response to item 1 above:                     | Same   |
| 3. | The mailing address of the registered holder listed in response to item 1 above:  | c/o Quintiles Transnational Corp.<br>4820 Emperor Blvd<br>Durham, NC 27703 |
| 4. | The Tax Identification Number of the registered holder listed in the response to item 1 above:                          | 56-2019326   |
| 5. | Name of DTC Participant (broker-dealer at which the account or accounts to be credited with the Shares are maintained): | Merrill Lynch  |
| 6. | DTC Participant Number:   | 5198   |
| 7. | Name of Account at DTC Participant being credited with the Shares:  | PharmaBio Development Inc.   |
| 8. | Account Number at DTC Participant being credited with the Shares:   | 8PW-07056  |
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## PharmaBio Expands Investment in Discovery Labs to Advance Surfaxin LS™ and Aerosurf® Programs

**Warrington, PA —October 13, 2010 — Discovery Laboratories, Inc. (Nasdaq: DSCO)**, a biotechnology company developing its novel synthetic surfactant and aerosol technologies for respiratory diseases, today announces that it has entered into an agreement for a new investment of \$0.5 million from PharmaBio Development Inc. (PharmaBio), the former strategic investing subsidiary of Quintiles Transnational Corp. (Quintiles).

PharmaBio has agreed to purchase approximately 2.4 million shares of the Company's common stock and warrants to purchase approximately 1.2 million shares of common stock for gross proceeds of \$0.5 million. Each common share, together with a related warrant to purchase one half of a share of common stock, was sold at a unit price of \$0.21. The warrants have a five year term and are exercisable at an exercise price of \$0.273 per share of common stock. Should the dollar volume-weighted average price of the Company's common stock exceed \$0.45 for any five out of seven consecutive trading days for which stated minimum trading volumes are also met, the Company is entitled to redeem the warrants upon 20 days written notice.

"While our primary focus remains obtaining FDA approval for Surfaxin® for Respiratory Distress Syndrome in premature infants, this additional funding is intended to primarily support near-term regulatory and related development activities to progress Surfaxin LS™ and Aerosurf®" said John G. Cooper, President and Chief Financial Officer of Discovery Laboratories.

Discovery Labs and PharmaBio have a longstanding relationship and PharmaBio, before giving effect to the offering, owns approximately 5.6 million shares of the Company's common stock. In April 2010, Discovery restructured its \$10.6 million loan with PharmaBio, with the final payment of \$2.0 million occurring on September 30, 2010. Additionally, the two companies have agreed to continue evaluating a potential long-term strategic collaboration focused on the development of Surfaxin LS and/or Aerosurf, however, there can be no assurances that any such arrangements will be entered into.

The offering is being made solely to PharmaBio. The securities will be issued under a previously filed registration statement that was declared effective by the Securities and Exchange Commission on June 18, 2008. The transaction is expected to close on or about October 14, 2010, subject to satisfaction of customary closing conditions. This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities of Discovery Laboratories, Inc. nor shall there be any sale of the securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

The description of the financing with PharmaBio is subject in its entirety to the definitive terms of the transaction documents, which are attached as exhibits to the Form 8-K to be filed by the Company with the Securities and Exchange Commission ("SEC").

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### **About Surfaxin, Surfaxin LS and Aerosurf**

Discovery Labs lead programs, Surfaxin, Surfaxin LS and Aerosurf are being developed with the potential to greatly improve the management of RDS in premature infants, and collectively represent the opportunity, over time, to significantly expand the current RDS worldwide annual market.

The safety and efficacy of Surfaxin for neonatal RDS has been previously demonstrated in a large, multinational Phase 3 clinical program. Discovery Labs believes that to potentially gain FDA marketing approval for Surfaxin for the prevention of RDS it must satisfy the FDA as to the final validation of an important quality control release and stability test for Surfaxin, the fetal rabbit biological activity test (BAT). Discovery Labs is currently conducting a comprehensive preclinical program that is intended to satisfy the FDA in this respect. If approved, Surfaxin would be the first synthetic, peptide-containing surfactant for commercial use in neonatal medicine.

Discovery Labs' development strategy for Surfaxin LS™ (next-generation, lyophilized formulation of Surfaxin) is to build upon the Surfaxin clinical experience to create a best-in-class surfactant therapy with improved preparation and administration flexibility and the potential to further improve clinical performance. Aerosurf® (drug/device combination for noninvasive administration of aerosolized KL<sub>4</sub> surfactant to address neonatal RDS) holds the promise to significantly expand the use of surfactant therapy by providing neonatologists with a less-invasive means of delivering KL<sub>4</sub> surfactant without the current requirement of invasive endotracheal intubation and mechanical ventilation.

Surfaxin, Surfaxin LS and Aerosurf are investigational drug or drug-device combination products that have not been approved by the U.S. Food and Drug Administration or any other world health regulatory authority.

### **About Discovery Labs**

Discovery Laboratories, Inc. is a biotechnology company developing KL<sub>4</sub> surfactant therapies for respiratory diseases. Surfactants are produced naturally in the lungs and are essential for breathing. Discovery Labs' novel proprietary KL<sub>4</sub> surfactant technology produces a synthetic, peptide-containing surfactant that is structurally similar to pulmonary surfactant and is being developed in liquid, aerosol or lyophilized formulations. In addition, Discovery Labs' proprietary capillary aerosolization technology produces a dense aerosol, with a defined particle size that is capable of potentially delivering aerosolized KL<sub>4</sub> surfactant to the deep lung without the complications currently associated with liquid surfactant administration. Discovery Labs believes that its proprietary technology platform makes it possible, for the first time, to develop a significant pipeline of surfactant products to address a variety of respiratory diseases for which there frequently are few or no approved therapies. For more information, please visit our website at [www.Discoverylabs.com](http://www.Discoverylabs.com).

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### **Forward-Looking Statements**

To the extent that statements in this press release are not strictly historical, all such statements are forward-looking, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the statements made. Examples of such risks and uncertainties are: risks relating to the rigorous regulatory requirements required for approval of any drug or drug-device combination products that Discovery Labs may develop, including that: (a) Discovery Labs and the U.S. Food and Drug Administration (FDA) or other regulatory authorities will not be able to agree on the matters raised during regulatory reviews, or Discovery Labs may be required to conduct significant additional activities to potentially gain approval of its product candidates, if ever; (b) the FDA or other regulatory authorities may not accept or may withhold or delay consideration of any of Discovery Labs' applications, or may not approve or may limit approval of Discovery Labs' products to particular indications or impose unanticipated label limitations, and (c) changes in the national or international political and regulatory environment may make it more difficult to gain FDA or other regulatory approval; risks relating to Discovery Labs' research and development activities, including (i) time-consuming and expensive pre-clinical studies, clinical trials and other efforts, which may be subject to potentially significant delays or regulatory holds, or fail, and (ii) the need for sophisticated and extensive analytical methodologies, including an acceptable biological activity test, if required, as well as other quality control release and stability tests to satisfy the requirements of the regulatory authorities; risks relating to Discovery Labs' ability to develop and manufacture drug products and capillary aerosolization systems for clinical studies, and, if approved, for commercialization of drug and combination drug-device products, including risks of technology transfers to contract manufacturers and problems or delays encountered by Discovery Labs, its contract manufacturers or suppliers in manufacturing drug products, drug substances and capillary aerosolization systems on a timely basis or in an amount sufficient to support Discovery Labs' development efforts and, if approved, commercialization; the risk that Discovery Labs may be unable to identify potential strategic partners or collaborators to develop and commercialize its products, if approved, in a timely manner, if at all; the risk that Discovery Labs will not be able in a changing financial market to raise additional capital or enter into strategic alliances or collaboration agreements, or that the ongoing credit crisis will adversely affect the ability of Discovery Labs to fund its activities, or that additional financings could result in substantial equity dilution; the risk that Discovery Labs will not be able to access credit from its committed equity financing facilities (CEFFs), or that the minimum share price at which Discovery Labs may access the CEFFs from time to time will prevent Discovery Labs from accessing the full dollar amount potentially available under the CEFFs; the risk that Discovery Labs or its strategic partners or collaborators will not be able to retain, or attract, qualified personnel; the risk that Discovery Labs will be unable to regain compliance with The Nasdaq Capital Market listing requirements prior to the expiration of the additional grace period currently in effect, which could cause the price of Discovery Labs' common stock to decline; the risk that recurring losses, negative cash flows and the inability to raise additional capital could threaten Discovery Labs' ability to continue as a going concern; the risks that Discovery Labs may be unable to maintain and protect the patents and licenses related to its products, or other companies may develop competing therapies and/or technologies, or health care reform may adversely affect Discovery Labs; risks of legal proceedings, including securities actions and product liability claims; risks relating to health care reform; and other risks and uncertainties described in Discovery Labs' filings with the Securities and Exchange Commission including the most recent reports on Forms 10-K, 10-Q and 8-K, and any amendments thereto.

### **Contact Information:**

Investor relations:

John G. Cooper, President and Chief Financial Officer  
215-488-9300

Media:

Michelle Linn  
Linnden Communications  
508-362-3087  
[linnmich@comcast.net](mailto:linnmich@comcast.net)

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