SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

November 25, 1997
Date of Report (Date of earliest event reported)

DISCOVERY LABORATORIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware	000-26422	94-3171943
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

509 Madison Avenue, 14th Floor
New York, New York 10022
(Address of principal executive offices)

(212) 223-9504
(Registrant's telephone number, including area code)

Item 5. Other Events

Effective 5:00 p.m. (Eastern Daylight Time) on November 25, 1997, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of July 16, 1997, between Ansan Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Discovery Laboratories, Inc., a Delaware corporation ("Old Discovery"), Old Discovery merged with and into the Company (the "Merger"). In connection with the Merger, the Company changed its name to Discovery Laboratories, Inc. Concurrently with the effectiveness of the Merger, the Company effected a 1-for-3 reverse split (the "Reverse Split") of its outstanding Common Stock, par value $0.001 per share (the "Company Common Stock"), and its outstanding Class A and Class B Warrants.

As a consequence of the Merger and the Reverse Split, each share of Common Stock of Old Discovery will be exchanged for 0.389157 shares of new Company Common Stock and each share of Series A Convertible Preferred Stock of Old Discovery (each of which was convertible into 4 shares of the Common Stock of Old Discovery) will be exchanged for one share of Series B Convertible Preferred Stock of the Company. Each share of Series B Convertible Preferred Stock of the Company will be convertible into 1.556628 shares of new Company Common Stock. Cash will be paid in lieu of fractional shares of new Company Common Stock.

As a consequence of the Reverse Split, each share of Company Common Stock outstanding immediately prior to the Merger will be exchanged for 1/3 of a share of new Company Common Stock. Cash will be paid in lieu of fractional shares of new Company Common Stock. Each Class A Warrant outstanding immediately prior to the Merger will be exchanged for 1/3 of a new Class A Warrant and each Class B Warrant outstanding at such time will be exchanged for 1/3 of a new Class B Warrant. Each new Class A Warrant will be exercisable for one share of new Company Common Stock and one new Class B Warrant at an exercise price of $19.50 per new Class A Warrant. Each new Class B Warrant will be exercisable for one share of new Company Common Stock at an exercise price of $26.25 per Class B Warrant.

Continental Stock Transfer & Trust Company ("Continental") has been retained by the Company to serve as exchange agent in connection with the Merger and the Reverse Split. As soon as reasonably practicable, the Company will mail transmittal letters to stockholders of record of Old Discovery at the effective time of the Merger and will cause Continental to mail transmittal letters to stockholders and warrantholders of record of the Company at the effective time of the Merger. The transmittal letters will contain instructions for use in effecting the surrender of securities for exchange (and for payment in lieu of fractional shares of new Company Common Stock) pursuant to the Merger and the Reverse Split.

As of the effective time of the Merger, Louis R. Bucalo, Lindsay A. Rosenwald, M.D. and Ilan Cohen resigned from the Board of Directors of the Company, the size of the Board was increased to ten directors and Steve H. Kanzer, C.P.A., Esq., James S. Kuo, M.D., Evan Myrianthopoulos, Jeurg F. Geigy, Esq., Max Link, Ph.D., Herbert H. McDade, Jr., and Marc C. Rogers, M.D., former directors of Old Discovery, were elected to the Board of Directors of the Company, thereby fulfilling the requirements of the Merger Agreement regarding the size and composition of the Board immediately following the Merger.

The foregoing description of and references to the above-referenced agreements and transactions are qualified in their entirety by reference to the complete text of the Merger Agreement (which is incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 filed August 25, 1997 (Registration No. 333-34337) (the "Registration Statement") and the press release issued by the Company on November 26, 1997 with respect to the effectiveness of the Merger and the Reverse Split, which press release is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

Item 7. Financial Statements, Pro Forma Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

It is impracticable to provide certain of the required financial statements for Old Discovery at the date hereof. The Company undertakes to file such required financial statements by means of an amendment to this Current Report on Form 8-K as soon as practicable, but in no event later than February 6, 1998. The Company incorporates herein by reference the financial statements of Old Discovery set forth on pages F-23 through F-34 of Part I of Amendment No. 2 to the Registration Statement filed on October 24, 1997, copies of which financial statements are included as Exhibit 99.1 hereto.

(b) Pro Forma Financial Information

Attached hereto as Exhibit 99.2 is certain pro forma financial information which the Company is required to file on or before November 30, 1997 pursuant to a temporary exemption received by the Company from The NASDAQ Stock Market, Inc. during July 1997 with respect to the requirements for listing the Company's securities on the NASDAQ SmallCap Market.

It is impracticable to provide certain of the pro forma financial information required pursuant to Article 11 of Regulation S-X at the date hereof. The Company undertakes to file such required pro forma financial information by means of an amendment to this Current Report on Form 8-K as soon as practicable, but in no event later than February 6, 1998. The Company incorporates by reference the pro forma financial statement set forth on p. 58 of Part I of Amendment No. 2 to the Registration Statement, a copy of which pro forma financial statement is included in Exhibit 99.2 hereto.

(c) Exhibits:

2.1 Agreement and Plan of Reorganization and Merger dated as of July 16, 1997, between the Company and Old Discovery filed as Exhibit 2.1 to the Company's Registration Statement is incorporated herein by reference.

23.1 Consent of Richard A. Eisner & Company, LLP, Independent Auditors.

99.1 Financial Statements of Business Acquired.

99.2 Pro Forma Financial Information.

99.3 Press Release dated November 26, 1997.

SIGNATURES

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

DISCOVERY LABORATORIES, INC.

Date: November 26, 1997

By: /s/ James S. Kuo

Name: James S. Kuo, M.D.
Title: Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Reorganization and Merger dated as of July 16, 1997, between the Company and Old Discovery filed as Exhibit 2.1 to the Registration Statement is incorporated herein by reference.
23.1	Consent of Richard A. Eisner & Company, LLP, Independent Auditors.
99.1	Financial Statements of Business Acquired.
99.2	Pro Forma Financial Information.
99.3	Press Release dated November 26, 1997.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the use in Amendment No. 2 to the Ansan Pharmaceuticals, Inc. Registration Statement on Form S-4 dated October 24, 1997 of our report dated February 12, 1997, on our audit of the financial statements of Discovery Laboratories, Inc. and to the reference to our firm under the caption "Experts" in the Registration Statement.

Richard A. Eisner & Company, LLP

New York, New York
November 26, 1997

EXHIBIT 99.1

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Discovery Laboratories, Inc.
New York, New York

We have audited the accompanying consolidated balance sheet of Discovery Laboratories, Inc. and subsidiary (a development stage company) as at December 31, 1996, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the two years ended December 31, 1996, and the period from May 18, 1993 (inception) to December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements enumerated above present fairly, in all material respects, the financial position of Discovery Laboratories, Inc. and subsidiary at December 31, 1996 and the results of their operations and their cash flows for the two years ended December 31, 1996, and the period from May 18, 1993 (inception) to December 31, 1996 in conformity with generally accepted accounting principles.

Richard A. Eisner & Company, LLP

New York, New York
February 12, 1997

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1996	JUNE 30, 1997 (UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,336,000	$ 1,478,000
Investments in United States government obligations	13,064,000	13,319,000
Prepaid expenses	19,000	35,000
Total current assets	17,419,000	14,832,000
Computer equipment, net of depreciation (Note B)	69,000	115,000
Licenses, net of amortization (Note E)	701,000	
TOTAL	$18,189,000	$14,947,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued expenses	$ 231,000	$ 296,000
Minority interest in preferred stock of subsidiary (Note G)	2,200,000	2,200,000
Commitments and contingencies (Notes E and G)		
Stockholders' equity (Notes F, H and I):		
Series A convertible preferred stock, $.001 par value; 7,000,000 shares authorized; 2,200,256 shares issued and outstanding (liquidation preference $29,703,000)	2,000	2,000
Other preferred stock, $.001 par value; 3,000,000 shares authorized; none issued and outstanding		
Common stock, $.001 par value, 50,000,000 shares authorized, 6,712,256 shares issued and outstanding	7,000	7,000
Additional paid-in capital	19,003,000	18,992,000
Deficit accumulated during the development stage	(3,254,000)	(6,550,000)
Total stockholders' equity	15,758,000	12,451,000
TOTAL	$18,189,000	$14,947,000

See accompanying notes to financial statements.

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		MAY 18, 1993 (INCEPTION) TO DECEMBER 31,	SIX MONTHS ENDED JUNE 30,		MAY 18, 1993 (INCEPTION) TO JUNE 30,
	1995	1996	1996	1996	1997	1997
				(UNAUDITED)		(UNAUDITED)
Interest income.....	$	$ 205,000	$ 205,000	$	$ 306,000	$ 511,000
Expenses:						
Research and development.....		2,740,000	2,740,000	22,000	2,257,000	4,997,000
General and administrative.....	17,000	692,000	710,000	9,000	1,345,000	2,055,000
Interest.....		11,000	11,000	2,000		11,000
Total expenses.....	17,000	3,443,000	3,461,000	33,000	3,602,000	7,063,000
	(17,000)	(3,238,000)	(3,256,000)	(33,000)	(3,296,000)	(6,552,000)
Minority interest in net loss of subsidiary.....		2,000	2,000			2,000
NET (LOSS).....	$ (17,000)	$(3,236,000)	$(3,254,000)	$ (33,000)	$(3,296,000)	$(6,550,000)
Pro forma net (loss) per share.....	$ (.01)	$ (.65)		$ (.01)	$ (.42)	
Pro forma weighted average common shares outstanding.....	1,714,766	4,943,768		3,028,329	7,836,363	

See accompanying notes to financial statements.

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK		PREFERRED STOCK		STOCK SUBSCRIPTIONS	ADDITIONAL PAID-IN	DEFICIT ACCUMULATED DURING THE DEVELOPMENT	
	SHARES	AMOUNT	SHARES	AMOUNT	RECEIVABLE	CAPITAL	STAGE	TOTAL
Issuance of common shares, May 1993	1,132,500	$1,000		$	$(2,000)	$ 1,000	$	$ 0
Net loss							(1,000)	(1,000)
Expenses paid on behalf of the Company					1,000			1,000
Balance--December 31, 1993	1,132,500	1,000			(1,000)	1,000	(1,000)	0
Net loss							0	0
Expenses paid on behalf of the Company					0			0
Balance--December 31, 1994	1,132,500	1,000			(1,000)	1,000	(1,000)	0
Issuance of common shares, February 1995	367,500	1,000			(1,000)			0
Net loss							(17,000)	(17,000)
Payment on stock subscriptions					2,000			2,000
Expenses paid on behalf of the Company						18,000		18,000
Balance--December 31, 1995	1,500,000	2,000			0	19,000	(18,000)	3,000
Issuance of common shares, March 1996	2,750,000	3,000				3,000		6,000
Issuance of private placement units August, October and November 1996	2,200,256	2,000	2,200,256	2,000		18,932,000		18,936,000
Issuance of common shares for cash and compensation, September 1996	212,000					42,000		42,000
Exercise of Stock Options, July and October 1996	50,000					7,000		7,000
Net loss							(3,236,000)	(3,236,000)
Balance--December 31, 1996	6,712,256	7,000	2,200,256	2,000	0	19,003,000	(3,254,000)	15,758,000
Private placement expenses						(11,000)		(11,000)
Net loss							(3,296,000)	(3,296,000)
BALANCE--JUNE 30, 1997 (UNAUDITED)	6,712,256	$7,000	2,200,256	$2,000	$ 0	$18,992,000	$(6,550,000)	$12,451,000

See accompanying notes to financial statements.

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		MAY 18, 1993 (INCEPTION) TO DECEMBER 31,	SIX MONTHS ENDED JUNE 30,		MAY 18, 1993 (INCEPTION) TO JUNE 30,
	1995	1996	1996	1996	1997	1997
				(UNAUDITED)		(UNAUDITED)
Cash flows from operating activities:						
Net loss	$(17,000)	$ (3,236,000)	$ (3,254,000)	$ (33,000)	$(3,296,000)	$ (6,550,000)
Adjustments to reconcile net loss to net cash (used in) operating activities:						
Write-off of acquired research and development supplies		2,200,000	2,200,000			2,200,000
Write-off of licenses					683,000	683,000
Depreciation and amortization		24,000	24,000		24,000	48,000
(Increase) in prepaid expenses		(18,000)	(18,000)		(16,000)	(35,000)
Increase in accrued expenses		230,000	230,000		65,000	296,000
Expenses paid on behalf of company	17,000		18,000			18,000
Employee stock compensation		42,000	42,000			42,000
Net cash (used in) operating activities	0	(758,000)	(758,000)	(33,000)	(2,540,000)	(3,298,000)
Cash flows from investing activities:						
Acquisition of computer equipment		(83,000)	(83,000)		(52,000)	(135,000)
Acquisition of license		(711,000)	(711,000)	(111,000)		(711,000)
Purchase of investments in United States government obligations		(13,064,000)	(13,064,000)		(2,613,000)	(15,677,000)
Redemption of investments in United States government obligations					2,358,000	2,358,000
Net cash (used in) investing activities		(13,858,000)	(13,858,000)	(111,000)	(307,000)	(14,165,000)
Cash flows from financing activities:						
Private placement of units, net of expenses		18,936,000	18,936,000		(11,000)	18,925,000
Payment on stock subscriptions and proceeds on issuance of common stock	3,000	13,000	16,000	5,000		16,000
Short-term borrowings				150,000		
Net cash provided by (used in) financing activities	3,000	18,949,000	18,952,000	155,000	(11,000)	18,941,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,000	4,333,000	4,336,000	11,000	(2,858,000)	1,478,000
Cash and cash equivalents--beginning of period	0	3,000	0	3,000	4,336,000	0
CASH AND CASH EQUIVALENTS--END OF PERIOD	$ 3,000	$ 4,336,000	$ 4,336,000	$ 14,000	$ 1,478,000	$ 1,478,000

See accompanying notes to financial statements.

DISCOVERY LABORATORIES, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED WITH RESPECT TO INFORMATION AS OF JUNE 30, 1997 AND FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 1997 AND JUNE 30, 1996)

(NOTE A)--THE COMPANY AND BASIS OF PRESENTATION:

Discovery Laboratories, Inc. (the "Company") was incorporated in Delaware on May 18, 1993 as MicroBio, Inc. The Company is a development stage company formed to license and develop pharmaceutical products to treat a variety of human diseases. The consolidated financial statements include the accounts of the Company and its 75% owned subsidiary Acute Therapeutics, Inc. (see Note G). Intercompany balances and transactions have been eliminated. No allocation of the subsidiary's net loss has been attributed to the minority interest since the accumulated losses exceed the minorities' common equity interest.

In November 1996 the Company completed a private placement of its securities and received aggregate net proceeds of approximately $19,000,000 (see Note F).

(NOTE B)--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

[1] Cash and cash equivalents:

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

[2] Investments in United States Government obligations:

The investments in United States Government obligations are comprised of securities which are available for sale and are recorded at fair value with any appreciation/depreciation recorded in the statement of operations.

[3] Computer equipment:

Computer equipment is recorded at cost. Depreciation is computed using the straight-line method over the useful lives of the assets (five years).

[4] Licenses:

Through March 1997 licenses were capitalized and were being amortized on a straight-line basis over their respective terms of 15 to 17 years. During the quarter ended June 30, 1997, the Company determined that since they will not pursue any alternative uses for the licenses, that all license costs would be written off as research and development costs.

[5] Research and development:

Research and development costs are charged to operations as incurred.

[6] Use of estimates:

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

[7] Long-lived assets:

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", the Company records impairment losses

on long-lived assets used in operations, including intangible assets, when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No such losses have been recorded.

[8] Stock-based compensation:

During 1996, the Company adopted Statement of Financial Accounting Standards, No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in APB Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25") but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its employee stock option incentive plans. See Note H to the financial statements for further information.

[9] Net loss per share:

Pro forma net loss per share is computed based on the weighted average number of common shares outstanding for the periods adjusted to reflect the number of shares of Ansan Pharmaceuticals, Inc. common stock issuable to the common stockholders of the Company upon consummation of the merger (Note J). Common stock equivalents are not included in the calculation of net loss per share as the effect would be anti-dilutive.

[10] Interim financial statements:

In the opinion of management, the interim financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial position at June 30, 1997 and results of operations and cash flows for the six-month period ended June 30, 1997. The financial statements as of June 30, 1997 and for the six months ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

[11] Recent accounting pronouncements:

Recently issued accounting pronouncements concerning disclosure of information about capital structure, reporting comprehensive income and disclosure about segments of an enterprise and related information are not expected to have a material effect on the presentation of the Company's financial statements, the recent pronouncement on earnings per share provides a simplified method for computing loss per share and will require retroactive restatement when effective.

(NOTE C)--EMPLOYMENT AGREEMENTS:

An employment agreement with the Company's president provides for an annual salary of $175,000 through April 1999. Employment agreements with two executive officers provide for aggregate annual salaries of $295,000 through December 1999, subject to certain increases.

(NOTE D)--INCOME TAXES:

At June 30, 1997, the Company has available for federal income tax purposes net operating loss carryforwards of approximately $1,600,000 expiring through 2011, that may be used to offset future taxable income.

The principal difference between the deficit accumulated during the development stage for financial reporting purposes and the net operating loss carryforward for tax purposes is primarily due to the write-off of the acquired research and development supplies and to certain general and administrative costs which are not currently deductible for tax purposes. The Company has provided a valuation reserve against the full amount of the deferred tax asset of $2,590,000 arising from net operating loss benefit of approximately $640,000, the research and development write-off of approximately $1,130,000 and general and administrative costs of approximately $820,000 since the likelihood of realization cannot be determined. The valuation reserve increased by approximately $1,223,000 and $7,000 for the years ended December 31, 1996 and December 31, 1995, respectively and approximately $1,360,000 for the six months ended June 30, 1997. Pursuant to Section 382 of the Internal Revenue Code, the utilization of this carryforward may be limited due to ownership changes which have occurred or may occur.

(NOTE E)--LICENSE AGREEMENTS:

[1] The Company entered into a license agreement with the Charlotte-Mecklenburg Hospital Authority for the use of the active compound in SuperVent, a therapy which the Company is clinically testing. The Company paid a license issue fee of $86,400 and has agreed to pay royalties on future sales and to pay future patent- related costs. The license expires upon expiration of the underlying patents.

[2] The Company entered into a license agreement with the Wisconsin Alumni Research Foundation ("WARF") for the use of the patented compound ST-630 in the treatment of post-menopausal osteoporosis. The Company paid WARF an option fee of $25,000 in June 1996 and a license issue fee of $400,000 in October 1996 and is obligated to make future milestone payments aggregating $3,095,000 and pay royalties on future sales. The license expires upon expiration of the underlying patents.

[3] See Note G[1] with respect to a sublicense agreement with Johnson & Johnson, Inc.

(NOTE F)--PRIVATE PLACEMENT:

Pursuant to a private placement memorandum, the Company offered for sale units, each unit consisting of 50,000 shares of Series A convertible preferred stock and 50,000 shares of common stock. Preferred stockholders have voting rights based upon the number of shares of common stock issuable upon conversion of the preferred shares. Each share of preferred stock is initially convertible at the option of the holders thereof into four shares of common stock of the Company. The conversion rate will be adjusted under certain circumstances as described in the private placement memorandum. From August 1996 through November 1996, the Company received net proceeds of approximately $19,000,000 for the sale of approximately 44 units.

Paramount Capital, Inc. ("Paramount") acted as the placement agent for the offering and received a 9% commission plus a 4% nonaccountable expense allowance aggregating $2,860,332. The Company also issued to Paramount warrants to acquire 220,026 shares of Series A preferred stock at a price of $11 per share, through November 8, 2006 and warrants to acquire 220,026 shares of common stock at a price of $.25 per share, through November 8, 2006. The warrants contain certain anti-dilution provisions and may be exercised on a "net exercise" basis pursuant to a provision that does not require the payment of any cash to the Company.

(NOTE G)--INVESTMENT IN ACUTE THERAPEUTICS, INC.:

[1] Formation of Acute Therapeutics, Inc.:

On October 28, 1996, the Company invested $7.5 million in a newly formed subsidiary, Acute Therapeutics, Inc. ("ATI"), in exchange for 600,000 shares of Series A convertible preferred stock of ATI, representing 75% of the outstanding voting securities of ATI following such transaction.

Concurrently with the Company's investment in ATI, Johnson & Johnson, Inc. ("J & J"), Ortho Pharmaceuticals, Inc. (a wholly-owned subsidiary of J & J), and ATI entered into an agreement (the "J & J License Agreement") granting an exclusive license of KL4-Surfactant technology to ATI in exchange for certain license fees ($200,000 of which was paid in November 1996), milestone payments aggregating $2,750,000, royalties and 40,000 shares of ATI common stock. J & J contributed its KL4-Surfactant raw material inventory and manufacturing equipment to ATI in exchange for 2,200 shares of nonvoting Series B preferred stock of ATI having a $2.2 million liquidation preference and a $100 per share cumulative dividend. The inventory and equipment were valued at $2,200,000 (the value of the preferred shares issued to J & J) and were charged to expense as their intended use is for research and development activities. The Scripps Research Institute received 40,000 shares of common stock of ATI in exchange for its consent to the J & J License Agreement.

The founders of ATI purchased an aggregate of 120,000 shares of ATI common stock for $.01 per share and were granted options to purchase an aggregate of 44,800 shares of common stock of ATI at an exercise price of $.01 per share vesting after a five-year term, subject to acceleration and 40,000 shares of common stock of ATI at an exercise price of $.32 per share vesting in April 1997.

[2] Commitments:

ATI entered into a four-year employment agreement with its President, Chief Executive Officer and Chairman of the Board of Directors providing for a base salary of $225,000 per year plus an initial sign-on bonus of $50,000 to be paid the first week of January 1997, plus certain incentive bonuses.

ATI also entered into a three year employment agreement with an officer providing for an annual salary of $200,000 and various two-year consulting agreements providing for aggregate annual fees of $300,000 plus royalties on net commercial sales of licensed products sold by ATI or its sublicensees and an 18-month consulting agreement providing for monthly fees of $7,500.

ATI leases its office and laboratory space pursuant to an operating lease requiring aggregate annual payments of approximately $67,000 through November 2001.

[3] ATI stock option plan:

ATI adopted the 1996 Stock Option/Stock Issuance Plan (the "ATI Plan") consisting of a Discretionary Option Grant program for employees and an Automatic Option Grant Program under which option grants will automatically be made at periodic intervals to eligible nonemployee directors to purchase shares of common stock, in either case at an exercise price equal to at least 85% of the fair market value of the common stock on the grant date. Under the Discretionary Option Grant program, options will be granted to employees either as incentive stock options or nonstatutory options and will vest over a specified period of time (generally three to five years) as determined by the ATI Board of Directors. ATI has reserved 234,800 shares of common stock for issuance under these plans. Options for 173,800 shares of common stock have been granted through January 1997.

(NOTE H)--STOCK OPTIONS:

In November 1996, the Company adopted its 1996 Stock Option/Stock Issuance Plan which includes three equity programs (the "Discovery Plan"). Under the Discretionary Option Grant Program, options to acquire shares of the Company's common stock may be granted to eligible persons who are employees, nonemployee directors, consultants and other independent advisors. Pursuant to the Stock Issuance Program, such eligible persons may be issued shares of the Company's common stock directly and under the Automatic Option Grant Program, eligible directors will automatically receive option grants at periodic intervals. The maximum number of shares of common stock which maybe issued over the term of plan shall not exceed 1,250,000.

In July and August, 1996, options to purchase 100,000 shares of the Company's common stock were granted (all of which were immediately exercisable), with a weighted average exercise price of $.125 per share. Options to purchase 25,000 shares at $.10 per share were exercised in July 1996 and options to purchase 25,000 shares at $.20 per share were exercised in November 1996.

The Company applies APB 25 in accounting for the Discovery Plan and the ATI Plan and, accordingly, recognizes compensation expense for the difference between the fair value of the underlying common stock and the exercise price of the option at the date of grant. The effect of applying SFAS No. 123 on pro forma net loss is not necessarily representative of the effects on reported net income or loss for future years due to, among other things, (1) the vesting period of the stock options and the (2) fair value of additional stock options in future years. Had compensation cost for the Company's stock option plans been determined based upon the fair value of the options at the grant date of awards under the plans consistent with the methodology prescribed under SFAS No. 123, the Company's net loss for the year ended December 31, 1996 and the six months ended June 30, 1997 would have been approximately $3,248,000 or $.77 per share and $2,688,000 or $.40 per share, respectively. The fair value of the options granted are estimated as $.06 and $.07 per share for the Discovery Plan and the ATI Plan, respectively for the year ended December 31, 1996 and $.10 per share for the six months ended June 30, 1997, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield 0%, volatility of 0%, risk-free interest rate of 6.7% for 1996 and 7% for 1997, and expected life of ten years.

Additional information with respect to the Discovery Plan stock option activity is summarized as follows:

	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE CONTRACTUAL LIFE
Outstanding at January 1, 1996.....	0		
Options granted.....	100,000	$.125	10 years
Options exercised.....	(50,000)	.15	10 years
Outstanding December 31, 1996.....	50,000	.10	9.1 years
Options granted.....	651,917	.20	10 years
Outstanding June 30, 1997.....	701,917	.20	9.7 years
Options exercisable at June 30, 1997...	468,917	.20	9.7 years

Additional information with respect to the ATI Plan stock option activity is summarized as follows:

	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE CONTRACTUAL LIFE
Outstanding at January 1, 1996	0		
Options granted	168,800	$.25	10 years
Outstanding December 31, 1996	168,800	.25	9.8 years
Options granted	28,000	.68	10 years
Options exercised	(2,000)	.32	10 years
Outstanding June 30, 1997	194,800	.32	9.4 years
Options exercisable at June 30, 1997	53,250	.50	9.8 years

(NOTE I)--STOCKHOLDERS' EQUITY:

Common shares reserved for issuance:

The Company has reserved shares of common stock for issuance upon conversion of preferred stock and exercise of options as follows:

(i) Preferred stock (Note F) (1)	17,602,048
(ii) Stock option plan--Discovery Plan	1,200,000
(iii) Placement agent warrants (Note F):	
Conversion of preferred stock	880,103
Common stock	220,026

- ---------
(1) Number of shares issuable assuming maximum conversion rate adjustment.

(NOTE J)--SUBSEQUENT EVENT:

On July 16, 1997 the Company entered into an agreement and plan of reorganization and merger with Ansan Pharmaceuticals, Inc. ("Ansan"). Upon completion of the merger, which is subject to various conditions, including the approval of the stockholders of both companies, the Company's stockholders will own approximately 90% of the combined entity. The merger will be accounted for as a reverse acquisition with the Company as the acquirer for financial reporting purposes. There is no assurance that the merger will be consummated. Also on July 16, 1997 the Company purchased 13,000 shares of Series A convertible preferred stock of Ansan for $1,300,000 which amount was used by Ansan to repay certain debt owed to its principal stockholder. Ansan's assets at June 30, 1997 consisted primarily of cash and short-term investments.

The following pro forma unaudited financial information gives effect to the merger as if it had occurred at the beginning of the respective periods. A nonrecurring charge of $2,434,000 for in-process research and development which will be recorded by the Company in the historical financial statements upon consummation of the merger has not been considered in the pro forma results.

	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, 1997
Interest income	$ 363,000	$ 346,000
Expenses:		
Research and development	3,921,000	2,884,000
General and administrative	1,949,000	1,874,000
Interest	11,000	
Total expenses	5,881,000	4,758,000
Minority interest in net loss of subsidiary	2,000	
Net (loss)	$(5,516,000)	$(4,412,000)
Net (loss) per common share	$ (.83)	$ (.46)

EXHIBIT 99.2

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements give effect to the merger of the Company and Old Discovery pursuant to the Merger Agreement. The unaudited pro forma condensed consolidated balance sheet gives effect to the Merger as if it occurred on October 31, 1997. The unaudited pro forma condensed consolidated statements of operations gives effect to the Merger as if it occurred on January 1, 1996 and January 1, 1997, respectively.

The pro forma condensed consolidated financial statements are based on the historical financial statements of the Company and Old Discovery. They give effect to the Merger under the purchase method of accounting and apply the assumptions and adjustments as discussed in the accompanying notes to the pro forma condensed consolidated financial statements. The pro forma condensed consolidated financial statements for the year ended December 31, 1996 have been prepared based upon the audited financial statements of the Company and the audited financial statements of Old Discovery for the year then ended. The pro forma condensed consolidated financial statements as of and for the ten months ended October 31, 1997 have been prepared based upon the unaudited condensed financial statements of the Company and the unaudited condensed consolidated financial statements of Old Discovery as of October 31, 1997 and for the ten months then ended.

The Merger will be accounted for using the purchase method of accounting. Although the Company was the surviving corporate entity, Old Discovery's former stockholders own approximately 92% of the merged entity. Accordingly, the transaction will be accounted for as an acquisition of the Company by Old Discovery. The unaudited pro forma condensed consolidated financial statements have been prepared on the basis of assumptions described in the notes thereto and include assumptions relating to the allocation of the consideration paid for the assets and liabilities of the Company based on preliminary estimates of their fair value. The actual allocation of such consideration may differ from that reflected in the unaudited pro forma condensed consolidated financial statements after final valuation procedures are completed following the closing of the Merger. The final allocations of the aggregate purchase price for the Merger is not expected to differ materially from the preliminary allocations. In the opinion of the Company, all adjustments necessary to present fairly the unaudited pro forma condensed consolidated financial statements have been made based on the proposed terms and structure of the Merger.

The pro forma information is presented for illustrative purpose only and is not necessarily indicative of the operating results or financial position that would have occurred if the Merger had been consummated on January 1, 1996, January 1, 1997 or October 31, 1997, respectively, nor is it necessarily indicative of future operating results or financial position.

The pro forma condensed consolidated financial statements should be read in conjunction with the historical financial statements and the related noted thereto of the Company and Old Discovery in the Amendment No. 2 to the Ansan Pharmaceuticals, Inc. Form S-4 dated October 24, 1997, portions of which are incorporated herein by reference, and Managment's Discussion and Analysis of Financial Condition and Plan of Operations included therein.

UNAUDITED PRO FORMA COMBINED CONDENSED

BALANCE SHEET
October 31, 1997
(in thousands)

	Ansan Pharmaceuticals	Discovery Laboratories	Pro Forma Adjustments	Pro Forma Combined Reflecting Merg
ASSETS				
Current assets				
Cash and Cash equivalents	$ 681	$ 368	$(1246)(A)	$1049
Short-term investments	1600	12,744	(1300)(D)	11,798
Prepaid expenses and other current assets	43	32	----	75
Total current assets	2324	13,144	(2546)	12,922
Furniture and equipment net	76	125		201
Other assets		30		30
Deferred merger costs	386	327	(713)(C)	------
	$2786	$13,626	$(3259)	$13,153
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities				
Accounts payable and accrued expenses	$264	$528	$412(C)	$1204
Payable to Titan Pharmaceuticals, Inc.	246	---	(246)(A)	---
Other accrued liabilities	14	---	---	14
Debenture payable to Titan Pharmaceuticals Inc.	1,000	---	(1,000)(A)	---
Total current liabilities	1524	528	(834)	1218
Commitments				
Minority Interest	---	2,200	---	2,200
Stockholders' Equity				
Preferred Stock	1300	2	(1300)(D)	2
Common Stock	3	7	(6)(E) (1)(D)	3
Additional paid-in capital	10,697	19,001	(10,697)(B) 2457(B) 6(E)	21,464
Deficit accumulated during the development stage	(10,738)	(8112)	10,738 (3622)(B)	(11,734)
Total stockholders' equity	1262	13098	(2425)	11,935
	$2786	$13626	$(3259)	$13153

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(A) Reflects the repayment of obligations to Titan Pharmaceuticals, Inc. in connection with the Merger.

(B) Reflects the allocation of the estimated purchase price of approximately $2.9 million to the historical Ansan balance sheet. The adjustment includes approximately $3.6 million of purchased in-process research and development. Also reflects the elimination of Ansan's stockholders' equity accounts.

(C) Reflects the estimated costs incurred by Ansan and discovery to complete the Merger.

(D) Reflects the elimination of Discovery's investment in Ansan Series A preferred stock

(E) To reflect the 1-for-3 reverse stock split:

UNAUDITED PRO FORMA COMBINED CONDENSED
STATEMENT OF OPERATIONS

Ten Months Ended October 31, 1997
(in thousands, except share and per share amounts)

	Ansan Pharmaceuticals	Discovery Laboratories	Pro Forma Adjustments	Pro Forma Combined Reflecting Merg
Costs and expenses				
Research and development	$ 836	$ 3742	____	$4578
General and administrative	840	1711	____	2551
Loss from operations	(1676)	(5453)	____	(7129)
Other income/expenses)				
Interest income	85	595	(42)(F)	638
Interest expense	(67)	____	67(F)	___
Net Loss	(1658)	(4858)	$25	$(6491)
Net loss per share	$1.97	$1.85		$2.04
Shares used in computing net loss per share	840,856	2,629,772		3,176,203

_____
(F) Reflects the net reduction of interest expense as a result of the repayment of the Titan Debenture in connection with the Merger

UNAUDITED PRO FORMA COMBINED
STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1996
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	ANSAN PHARMACEUTICALS	DISCOVERY LABORATORIES	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED REFLECTING MERGER
Costs and expenses				
Research and development	$ 1,181	$ 2,740	$--	$ 3,921
General and administrative	1,257	692	--	1,949
Loss from operations	(2,438)	(3,432)	--	(5,870)
Other income/(expenses)				
Interest income	157	205	--	362
Interest expense		(11)	--	(11)
Loss before minority interest	(2,281)	(3,238)	--	(5,519)
Minority interest in loss of subsidiary	--	2	--	2
Net loss	$ (2,281)	$ (3,236)	$--	$ (5,517)
Net loss per share	$ (0.94)	$ (0.65)		$ (0.84)
Shares used in computing net loss	2,431,447	4,943,768		6,583,068

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

Note 1

The unaudited pro forma condensed combined balance sheet of the Company and Old Discovery has been prepared as if the Merger was completed as of October 31, 1997. The Merger will be accounted for as a purchase of the Company by Old Discovery, as Old Discovery's former stockholders own approximately 92% of the merged entity notwithstanding that the Company survived the Merger. The total cost of the proposed merger is estimated to be approximately $2.9 million, including transaction costs incurred by Old Discovery of approximately $400,000 which includes financial advisory, legal, and accounting fees.

The purchase cost of the Company has been determined based on the estimated fair market value of Company stock at the time of the announcement of the Merger. The estimated purchase price consists of the following (in thousands):

Estimated value of Common Stock to be held by pre-existing current Company stockholders following the Merger (1,639,300 shares of Common stock at $1.50 per share)	$2459
Estimated transaction costs to be incurred by Old Discovery	400
(Net of prior Old Discovery investment in the Company)	$2859

Based on a preliminary analysis of tangible and intangible assets the allocation of the purchase price is as follows:

Tangible assets of the Company	$1100
In-process research & development	3622
Liabilities of the Company assumed (including transaction costs)	(1863)
	$ 2859

The in-process research and development will be charged against earnings. Such charge has not been reflected in the pro forma condensed statement of operations as such charge is a non-recurring charge directly attributable to the Merger.

The pro forma adjustments include accrued liabilities of $1,125,000 to reflect the estimated costs incurred by both the Company and Old Discovery to complete the Merger.

The pro forma adjustments include the repayment of approximately $1,200,000 in debt owned to Titan.

No pro forma adjustment has been included to reflect the Titan Sublicense Agreement as there is no effect on the pro forma periods presented.

Note 2

The unaudited pro forma condensed consolidated statements of operations of the Company and Old Discovery have been prepared as if the Merger was completed as of January 1, 1996 and January 1, 1997, respectively. The condensed consolidated statement of operations for the ten months ended October 31, 1997, includes an adjustment to reduce interest expense to reflect the repayment of Titan indebtedness in connection with the Merger.

Note 3

Combined pro forma net loss per share for the year ended December 31, 1996 and the ten-month period ended October 31, 1997 is computed using the historical weighted average number of Old Discovery Common Stock outstanding, adjusted for the exchange ratio applicable to Common Stock in the Merger plus the shares of the Company Common Stock outstanding following the cancellation of Titan's holding in the Company. In addition, combined pro forma net loss per share for the ten-month period ended October 31, 1997 has been adjusted for the reverse stock split. Preferred stock and other common stock equivalents issued in the Merger are not included, as their effect is antidilutive.

EXHBIT 99.3

DISCOVERY LABORATORIES, INC

FOR IMMEDIATE RELEASE
- ----------

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DISCOVERY LABORATORIES, INC. ANNOUNCES COMPLETION OF MERGER WITH ANSAN PHARMACEUTICALS, INC.

New York, New York, November 25, 1997 - Discovery Laboratories, Inc. announced today that it has completed its merger with Ansan Pharmaceuticals, Inc. (Nasdaq: ANSN). Shareholders of Discovery will be issued securities representing approximately 92% of the stock of the combined entity on a fully diluted basis (exclusive of certain outstanding warrants). The newly formed company will assume the name Discovery Laboratories, Inc. As of October 31, 1997, Discovery, Acute Therapeutics, Inc. (a majority-owned subsidiary of Discovery) and Ansan had cash on hand of approximately $13 million. The new Nasdaq stock symbol, which is expected to be effective as of Monday, December 1, 1997 will be DSCO. Following the closing of the merger, the combined company effected a 1-for-3 reverse split of its common stock and warrants.

Dr. James S. Kuo, President and CEO of the combined company stated, "We are tremendously excited about the strengthening of our product portfolio through this merger with Ansan. We are continuing to review the development programs on the technologies we have acquired from Ansan, namely, Apafant Injection for acute pancreatitis and AN10 Topical for chemotherapy induced hair loss." Dr. Kuo further stated, "We remain positive about our existing programs and will continue developing them either alone or with partners. Presently, an IND has been filed to permit the initiation of a Phase I clinical trial for ST-630, a novel vitamin D analog for post-menopausal osteoporosis. ST-630 is also the subject of a Phase II equivalent trial in Japan by two Japanese pharmaceutical companies. Surfaxin(TM) is presently in a Phase Ib trial for adult respiratory distress syndrome and a Phase II trial for meconium aspiration syndrome, and had a Phase II trial completed in infant respiratory distress syndrome by Johnson & Johnson prior to the licensure of the technology. SuperVent(TM), an aerosolized therapy for cystic fibrosis, is currently in a Phase I/II trial."

Vaughan Shalson, formerly President and CEO of Ansan, has been named to the Board of Directors of the combined company. Commenting on the merger, Mr. Shalson noted that both Ansan and Discovery have focused on adding value in the clinical development of drugs, rather than in early research. "In combining the pipeline of drug products of the two companies," said Mr. Shalson, "we hope to mitigate some of the risks inherent in drug development. Moreover, with the combination of corporate infrastructure, management and financial resources, we expect to achieve measurable economies of scale and operational efficiencies."

Discovery Laboratories, Inc. is a New York based development stage pharmaceutical company that is clinically developing proprietary pharmaceuticals to treat post-menopausal osteoporosis, adult respiratory distress syndrome, meconium aspiration syndrome and cystic fibrosis. Discovery's strategy is to accelerate and lower the risk of drug development by acquiring and developing proprietary pharmaceuticals for which significant animal or human testing has already been completed. In addition, Discovery seeks to minimize the cost of drug development by outsourcing preclinical development and manufacturing. Hospital based pharmaceuticals are developed at Discovery's majority-owned privately held subsidiary, Acute Therapeutics, Inc., located in Doylestown, PA. More information about Discovery is available on the company's web site at" ww.discoverylabs.com.

To the extent that statements in this press release are not strictly historical, including statements as to future financial conditions, events conditioned on stockholder or other approval, or otherwise as to future events, such statements are forward-looking, and are made pursuant tot he safe harbor provisions of the Securities Litigation Reform Act of 1995. The forward-looking statements contained in this release are subject to certain risks and uncertainties that could cause actual results to differ materially from the statements made. Among the factors which could affect the company's actual results and could cause results to differ from those contained in the forward-looking statements contained herein are the risk that financial conditions may change, risks relating to the progress of the Company's research and development and the development of competing therapies and/or technologies by other companies. Those associated risks and others are further described in the Company's filings with the Securities and Exchange Commission.