

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 8-K/A  
AMENDMENT NO. 1

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

This Amendment No. 1 to the Current Report of Discovery Laboratories, Inc. (f/k/a Ansan Pharmaceuticals, Inc.) (the "Registrant") on Form 8-K dated November 25, 1997 (the "Current Report") relates to an Agreement and Plan of Merger (the "Merger Agreement") dated as of July 16, 1997, between the Registrant and Discovery Laboratories, Inc., a former Delaware corporation ("Old Discovery"). Pursuant to the Merger Agreement, Old Discovery merged with and into the Registrant (the "Merger"). In connection with the Merger, the Registrant changed its name to Discovery Laboratories, Inc.

The purpose of this Amendment is to amend Items 7 (a), (b) and (c) to provide certain financial statements and pro forma financial information for the period ended September 30, 1997 which was impracticable to provide at the time the Registrant filed the Current Report.

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

(a) Financial Statements of Businesses Acquired

Attached hereto as Exhibit 99.4 is Old Discovery's unaudited consolidated financial statements at September 30, 1997, for the nine months ended September 30, 1996 and 1997, and for the period from inception to September 30, 1997.

(b) Pro Forma Financial Information

Attached hereto as Exhibit 99.5 is certain pro forma financial information which gives effect to the Merger as if it occurred on September 30, 1997 and January 31, 1997, respectively.

(c) Exhibits:

99.4 Financial Statements of Businesses Acquired.

99.5 Pro Forma Financial Information.

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.

Date: February 6, 1998

By: /s/ James S. Kuo

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

Exhibit Index

Exhibit Number	Description
99.4	Financial Statements of Businesses Acquired.
99.5	Pro Forma Financial Information.

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

Consolidated Balance Sheets (Unaudited)  
September 30, 1997

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 536,000
Investments in United States government obligations	11,633,000
Investment in Ansan Pharmaceuticals, Inc.	1,300,000
Prepaid expenses	39,000
	-----
Total current assets	13,508,000
Computer equipment, net of depreciation	93,000
Deferred merger costs	327,000
Other assets	30,000
	-----
	\$ 13,958,000
	=====
LIABILITIES	
Accrued expenses	\$ 448,000
	-----
Minority interest in preferred stock of subsidiary	2,200,000
	-----
Commitments and contingencies	
STOCKHOLDERS' EQUITY	
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
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, 6,747,256 shares issued and outstanding	7,000
Additional paid-in capital	18,999,000
Deficit accumulated during the development stage	(7,698,000)
	-----
Total stockholders' equity	11,310,000
	-----
	\$ 13,958,000
	=====

See notes to financial statements

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

Consolidated Statements of Operations (Unaudited)

	Nine Months Ended September 30,		May 18, 1993 (Inception) to September 30, 1997
	----- 1996 -----	----- 1997 -----	----- ----- -----
Interest income		\$ 594,000	\$ 799,000
		-----	-----
Expenses:			
Research and development	\$ 137,000	3,503,000	6,243,000
General and administrative	117,000	1,535,000	2,245,000
Interest	5,000		11,000
	-----	-----	-----
Total expenses	259,000	5,038,000	8,499,000
	-----	-----	-----

	(259,000)	(4,444,000)	(7,700,000)
	-----	-----	-----
Minority interest in net loss of subsidiary			2,000
			-----
Net loss	\$ (259,000)	\$(4,444,000)	\$(7,698,000)
	=====	=====	=====
Pro forma net loss per share	\$ (.26)	\$ (1.69)	
	=====	=====	
Pro forma weighted average common shares outstanding	1,009,443	2,629,772	
	=====	=====	

See notes to financial statements

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

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount	Shares	Amount			
Balance - December 31, 1996	6,712,256	\$ 7,000	2,200,256	\$2,000	\$19,003,000	\$(3,254,000)	\$15,758,000
Private placement expenses					(11,000)		(11,000)
Exercise of stock options	35,000				7,000		7,000
Net loss						(4,444,000)	(4,444,000)
Balance - September 30, 1997	6,747,256	\$ 7,000	2,200,256	\$2,000	\$18,999,000	\$(7,698,000)	\$11,310,000

See notes to financial statements

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

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,		May 18, 1993 (Inception) to September 30,
	1996	1997	1997
	-----	-----	-----
Cash flows from operating activities:			
Net loss	\$ (259,000)	\$ (4,444,000)	\$ (7,698,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Write-off of acquired research and development supplies			2,200,000
Write-off of licenses		683,000	683,000
Depreciation and amortization	3,000	48,000	72,000
Changes in:			
Prepaid expenses		(20,000)	(39,000)
Other assets		(30,000)	(30,000)
Accrued expenses	9,000	217,000	448,000
Expenses paid on behalf of company	18,000		
Employee stock compensation	42,000		42,000
	-----	-----	-----
Net cash used in operating activities	(205,000)	(3,546,000)	(4,304,000)
	-----	-----	-----
Cash flows from investing activities:			
Investment in Ansan Pharmaceuticals, Inc.		(1,300,000)	(1,300,000)
Acquisition of computer equipment	(6,000)	(54,000)	(137,000)
Acquisition of license	(111,000)		(711,000)
Purchase of investments in United States government obligations		(2,613,000)	(15,677,000)
Redemption of investments in United States government obligations		4,044,000	4,044,000
Deferred merger costs		(327,000)	(327,000)
	-----	-----	-----
Net cash used in investing activities	(117,000)	(250,000)	(14,108,000)
	-----	-----	-----
Cash flows from financing activities:			
Private placement of units, net of expenses	6,482,000	(11,000)	18,925,000
Payment on stock subscriptions and proceeds on issuance of common stock	8,000	7,000	23,000
Short-term borrowings			
	-----	-----	-----
Net cash provided by (used in) financing activities	6,490,000	(4,000)	18,948,000
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	6,168,000	(3,800,000)	536,000
Cash and cash equivalents - beginning of period	3,000	4,336,000	
	-----	-----	-----
Cash and cash equivalents - end of period	\$ 6,171,000	\$ 536,000	\$ 536,000
	=====	=====	=====

See notes to financial statements

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

NOTE A - THE COMPANY AND BASIS OF PRESENTATION

Discovery Laboratories, Inc., a former Delaware Corporation ("Old Discovery") was incorporated in Delaware on May 18, 1993 as MicroBio, Inc. Until Old Discovery's merger with and into the Registrant on November 25, 1997 (the "Merger"), Old Discovery was 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 Old Discovery and its majority owned subsidiary, Acute Therapeutics, Inc. ("ATI"). Intercompany balances and transactions have been eliminated. No allocation of the subsidiary's net loss for the nine-month periods ended September 30, 1997 and 1996 has been attributed to the minority interest since the accumulated losses exceed the minorities' common equity interest during such periods .

In the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of Old Discoverey's financial position at September 30, 1997 and results of operations and cash flows for the nine-month periods ended September 30, 1997 and 1996. The financial statements for the nine-months ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

In November 1996 Old Discovery completed a private placement of its securities and received aggregate net proceeds of approximately \$19,000,000.

NOTE B - 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 the Registrant's common stock issued to the common stockholders of Old Discovery upon consummation of the Merger. Common stock equivalents are not included in the calculation of net loss per share as the effect would be antidilutive.

NOTE C - 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.

Note D - Merger

Pursuant to a merger agreement executed with the Registrant on July 16, 1997 (the "Merger Agreement"), Old Discovery's stockholders received approximately 90% of the combined entity. The Merger will be accounted for as a reverse acquisition with Old Discovery as the acquirer for financial reporting purposes. The Merger closed on November 25, 1997. Also on July 16, 1997 Old Discovery purchased 13,000 shares of Series A convertible preferred stock of the Registrant for \$1,300,000 which amount was used by the Registrant to repay certain debt owed to its principal stockholder. The Series A convertible preferred stock was cancelled in the Merger. The Registrant's assets at September 30, 1997 consisted primarily of cash and short-term investments.



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

Note E - Income Taxes

At September 30, 1997, Old Discovery had available for federal income tax purposes net operating loss carryforwards of approximately \$2,600,000 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. Old Discovery provided a valuation reserve against the full amount of the deferred tax asset of \$3,030,000 arising from net operating loss benefit of approximately \$1,000,000 the research and development write-off of approximately \$1,130,000 and general and administrative costs of approximately 900,000 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 \$1,800,000 for the nine months ended September 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.

## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements give effect to the Merger of the Registrant 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 September 30, 1997. The unaudited pro forma condensed consolidated statement of operations gives effect to the Merger as if it occurred on January 1, 1997.

The pro forma condensed consolidated financial statements are based on the historical financial statements of the Registrant 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 as of and for the nine months ended September 30, 1997 have been prepared based upon the unaudited condensed financial statements of the Registrant and the unaudited condensed consolidated financial statements of Old Discovery as of September 30, 1997 and for the nine months then ended.

The Merger will be accounted for using the purchase method of accounting. Although the Registrant 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 Registrant 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 Registrant 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 are not expected to differ materially from the preliminary allocations. In the opinion of the Registrant, all adjustments necessary to present fairly the unaudited pro forma condensed consolidated financial statements have been made based on the terms and structure of the Merger.

The pro forma information is presented for illustrative purposes 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, 1997 or September 30, 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 notes thereto of the Registrant and Old Discovery in Amendment No. 2 to the Ansan Pharmaceuticals, Inc. Form S-4 dated October 24, 1997, and Management's Discussion and Analysis of Financial Condition and Plan of Operations included therein.

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## UNAUDITED PRO FORMA COMBINED CONDENSED

BALANCE SHEET  
September 30, 1997  
(in thousands)

ASSETS	Discovery Laboratories	Old Discovery	Pro Forma Adjustments	Pro Forma Combined Reflecting Merger
-----	-----	-----	-----	-----
Current assets				
Cash and Cash equivalents	\$ 274	\$ 536		\$ 810
Short-term investments	2200	12933	\$(1232)(A)	12601
Prepaid expenses and other current assets	6	39	(1300)(D)	45
Total current assets	----- 2480	----- 13508	----- (2532)	----- 13456
Furniture and equipment net	79	93		172
Other assets		30		30
Deferred merger costs	386	327	(713)(C)	--
	----- \$2945	----- \$13958	----- \$(3245)	----- \$13658
	-----	-----	-----	-----

LIABILITIES AND STOCKHOLDERS  
EQUITY

Current liabilities				
Accounts payable and accrued expenses	\$ 245	\$ 448	\$ 412(C)	\$ 1105
Payable to Titan Pharmaceuticals, Inc.	232	--	(232)(A)	--
Other accrued liabilities	17	--	--	17
Debenture payable to Titan Pharmaceuticals Inc.	1000		(1000)(A)	
	-----	-----	-----	-----
Total current liabilities	1494	448	(820)	1122
Commitments				
Minority Interest		2200		2200
	-----	-----	-----	-----
Stockholders' Equity				
Preferred Stock	1300	2	(1300)(D)	2
Common Stock	3	7	(1)(B)	3
			(6)(E)	
Additional paid-in capital	10697	18999	(10697)(B)	21462
			2457(B)	
			6(E)	
Deficit accumulated during the development stage	(10549)	(7698)	10549	(11131)
			(3433)(B)	
	-----	-----	-----	-----
Total stockholders' equity	1451	11310	(2425)	10336
	-----	-----	-----	-----
	\$2945	\$13958	\$(3259)	\$13658
	=====	=====	=====	=====

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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 balance sheet of the Registrant. The adjustment includes approximately \$4 million of purchased in-process research and development. Also reflects the elimination of the Registrant's stockholders' equity accounts.
- (C) Reflects the estimated costs incurred by the Registrant and Old Discovery to complete the Merger.
- (D) Reflects the elimination of Old Discovery's investment in the Registrant's Series A preferred stock.
- (E) To reflect the 1- for-3 reverse stock split.

UNAUDITED PRO FORMA COMBINED CONDENSED  
STATEMENT OF OPERATIONS

Nine Months Ended September 30, 1997  
(in thousands, except share and per share amounts)

	Registrant	Old Discovery	Pro Forma Adjustments	Pro Forma Combined Reflecting Merger
Costs and expenses				
Research and development	\$ 760	\$ 3503	--	\$4263
General and administrative	725	1535	--	2260
	-----	-----	-----	-----
Loss from operations	(1485)	(5038)	--	(6523)
Other income/expenses)				
Interest income	73	594	(37)(F)	630
Interest expense	(57)	--	57(F)	--
	-----	-----	-----	-----
Net Loss	(1469)	(4444)	\$ 20	\$ (5893)
	=====	=====	=====	=====
Net loss per share	(.59)	\$ (1.69)		\$ (1.86)
	=====	=====		=====
Shares used in computing net loss per share	828,427	2,629,772		3,176,203
	=====	=====		=====

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(F) Reflects the net reduction of interest expense as a result of the repayment of the indebtedness owed to Titan Pharmaceuticals, Inc. in connection with the Merger.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED  
FINANCIAL STATEMENTS

Note 1

The unaudited pro forma condensed combined balance sheet of the Registrant and Old Discovery has been prepared as if the Merger was completed as of September 30, 1997. The Merger will be accounted for as a purchase of the Registrant by Old Discovery, as Old Discovery's former stockholders own approximately 92% of the merged entity notwithstanding that the Registrant survived the Merger. The total cost of the 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 Registrant has been determined based on the estimated fair market value of Registrant 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 Registrant stockholders following the Merger (546,433 shares of Common stock at \$4.50 per share)	\$2459
Estimated transaction costs to be incurred by Old Discovery	400
	-----
(Net of prior Old Discovery investment in the Registrant)	\$2859
	=====

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

Tangible assets of the Registrant acquired (less previous investment by Old Discovery)	\$1259
In-process research & development	3433
Liabilities of the Registrant assumed (including transaction costs)	(1833)
	-----
	\$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 Registrant and Old Discovery to complete the Merger.

The pro forma adjustments include the repayment of approximately \$1,200,000 in debt owed to Titan Pharmaceuticals, Inc. (the "Titan Indebtedness").

No pro forma adjustment has been included to reflect the Sublicense Agreement entered into between Titan Pharmaceuticals, Inc. and the Registrant at the time of the Merger as there is no effect on the pro forma periods presented.

Note 2

The unaudited pro forma condensed consolidated statements of operations of the Registrant and Old Discovery have been prepared as if the Merger was completed as of January 1, 1997. The condensed consolidated statement of operations for the nine months ended September 30, 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 nine-month period ended September 30, 1997 is computed using the historical weighted average number of shares of Old Discovery Common Stock outstanding, adjusted for the exchange ratio applicable to Common Stock in the Merger plus the shares of the Registrant Common Stock outstanding following the cancellation of Titan Pharmaceuticals, Inc.'s holding in the Registrant and adjusted for the 1-for-3 reverse stock split effected concurrently with the Merger. Preferred stock and other common stock equivalents issued in the Merger are not included, as their effect is antidilutive.