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

September 10, 2010
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)

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:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On September 10, 2010, the Board of Directors (the "Board") of Discovery Laboratories, Inc. (the "Company") appointed Bruce Peacock as a director of the Company, effective immediately. Mr. Peacock has not been appointed to serve on a committee of the Board. Prior to his appointment to the Board, Mr. Peacock was not a related person to the Company and there is no transaction or other arrangement involving the Company in which Mr. Peacock or any related person to Mr. Peacock has or will have a direct or indirect material interest.

Under the Company's 2007 Equity Incentive Plan, Mr. Peacock received a grant of options to purchase 40,000 shares of the Company's Common Stock, par value $0.001, at an exercise price of $0.24 per share (subject to customary antidilution adjustments), representing the closing price of the Company's Common Stock on the date of grant, September 10, 2010. The options will vest in full on the first anniversary of the date of grant. Mr. Peacock and the Company will also enter into an indemnification agreement, the form of which is attached hereto as Exhibit 99.1.

Also on September 10, 2010, the Board adopted a resolution expanding the Board from five to six directors. On September 15, 2010, the Company issued a press release announcing the appointment of Mr. Peacock to the Board. The press release is attached as Exhibit 99.2 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Indemnification Agreement dated as of September 10, 2010 by and between the Company and Bruce Peacock

99.2 Press release dated September 15, 2010

Cautionary Note Regarding Forward-looking Statements:

To the extent that statements in this Current Report on Form 8-K are not strictly historical, including statements as to business strategy, outlook, objectives, future milestones, plans, intentions, goals, future financial conditions, future collaboration agreements, the success of the Company's product development or otherwise as to future events, such statements are forward-looking, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements contained in this Current Report are subject to certain risks and uncertainties that could cause actual results to differ materially from the statements made. Such risks and others are further described in the Company's 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.

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/ W. Thomas Amick

Name: W. Thomas Amick
Title: Chairman of the Board and Interim Chief Executive Officer

Date: September 15, 2010

INDEMNIFICATION AGREEMENT ("Agreement") effective as of September 10, 2010 between DISCOVERY LABORATORIES, INC., a Delaware corporation (the "Company"), and BRUCE A. PEACOCK ("Indemnitee").

The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and to do so free from undue concerns for claims or damages arising out of or related to such service to the Company.

In order to induce Indemnitee to continue to provide services to the Company, the Company wishes to provide for the indemnification of, and the advancement of related expenses to, Indemnitee to the maximum extent permitted by law.

Section 145 of the General Corporation Law of the State of Delaware (the "DGCL") empowers the Company to indemnify its directors, officers, employees and agents by agreement and to indemnify persons who serve, at the request of the Company, as the directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive.

The Company and Indemnitee recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

The Board of Directors of the Company has determined that not only is it reasonable and prudent but necessary to promote the best interests of the Company and its stockholders that the Indemnitee be indemnified and advanced expenses as set forth herein.

Accordingly, the Company and Indemnitee hereby agree as follows:

Section 1. Certain Definitions.

a. "Board" shall mean the Board of Directors of the Company.

b. "Change in Control" shall mean, and shall be deemed to have occurred if, on or after the date of this Agreement, (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company acting in such capacity or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 as promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's Shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, (iii) a merger or consolidation of the Company is consummated with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 60% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (iv) the Shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of related transactions) all or substantially all of the Company's assets.

c. "Claim" shall mean with respect to a Covered Event: any loss, damage or liability, or any threatened, pending or completed action, suit, proceeding, arbitration or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, regulatory, investigative or other.

d. "Covered Event" shall mean any event or occurrence directly or indirectly related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity.

e. "Expenses" shall mean any and all reasonable expenses (including attorneys' fees and all other costs, expenses and obligations actually incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, to be a witness in or to participate in, any action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of, or in connection with, any Claim in which Indemnitee is or is threatened to be a party, and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement.

f. "Expense Advance" shall mean a payment to Indemnitee, pursuant to Section 2(e), of Expenses in advance of the settlement of or final judgment of any Claim.

g. "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with Section 3(a), who shall not have otherwise performed services for the Company or Indemnitee within the last three years of the applicable Covered Event (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other Indemnitees under similar indemnity agreements).

h. References to "other enterprises" shall include employee benefit plans; references to "fines" shall include, without limitation, any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include, without limitation, any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

i. "Reviewing Party" shall mean any person or body appointed by the Board pursuant to Section 3(a) and in accordance with applicable law, which shall include (i) a majority of the members of the Board that are not parties to the Claim, (ii) a committee of such members of the Board, (iii) Independent Legal Counsel by way of a written opinion or (iv) the stockholders of the Company.

j. "Section" refers to a Section of this Agreement unless otherwise indicated.

k. "Voting Securities" shall mean any securities of the Company of which, the holders of such securities vote generally in the election of directors.

Section 2. Indemnification.

a. Indemnity in Third Party Proceeding. The Company shall indemnify the Indemnitee if the Indemnitee is a party to, or threatened to be made a party to or otherwise involved in any Claim against any and all Expenses actually and reasonably incurred by him in connection with such Claim, but only if the Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

b. Indemnity in Derivative Actions. The Company shall indemnify the Indemnitee if the Indemnitee is a party to, or threatened to be made a party to or otherwise involved in any Claim by or in the right of the Company to procure a judgment in its favor against any and all Expenses actually and reasonably incurred by the Indemnitee in connection with such Claim, but only if the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification under this Section 2(b) shall be made in respect of any Claim as to which the Indemnitee shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction for gross negligence or willful misconduct in the performance of its duty to the Company, unless and only to the extent that any court in which such claim was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such Expenses as such court shall deem proper.

c. Indemnification as Witness. Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee is involved in any investigative proceeding in connection with Indemnitee's service to the Company, including but not limited to testifying as a witness or furnishing documents in response to a subpoena or otherwise, the Indemnitee shall be indemnified for any and all Expenses actually and reasonably incurred by or for him in connection therewith.

d. Partial Idemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses actually and reasonably incurred by him in connection with a Claim but is not entitled, however, to indemnification for the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

e. Advancement of Expenses. Subject to Sections 3, 4(a) and 10(b), the Company shall provide Indemnitee with Expense Advances from time to time in order to account for all Expenses.

f. Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Sections 4(d) and 9, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any Claim (as to which all rights of appeal therefrom have been exhausted or lapsed), Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

Section 3. Review

a. Selection of Reviewing Party. Within 30 days of receipt of written notice by the Company of Indemnitee's notice of the existence of a Claim pursuant to Section 4(b), the Board shall appoint a Reviewing Party, the function of which shall be to review the Company's obligations hereunder or under any other agreement or under the Company's Articles of Incorporation or Bylaws as now or hereafter in effect, or under any other applicable law (the "Operative Materials"); provided, however, that if there has been a Change in Control (other than a Change in Control which has been approved by a majority of the directors of the Board who were directors immediately prior to such Change in Control), a majority of the directors of the Board that are not parties to the Claim may direct that the Reviewing Party shall be an Independent Legal Counsel selected by Indemnitee (subject to the last sentence of this Section 3(a)) and approved by the Company (which approval shall not be unreasonably withheld).

Such Independent Legal Counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee is entitled to be indemnified under the Operative Materials, and the Company hereby agrees to abide by such opinion. The Company agrees to pay the reasonable fees and expenses of the Independent Legal Counsel referred to above and to indemnify fully such Independent Legal Counsel against any and all reasonable expenses (including reasonable attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto. Notwithstanding any other provision of this Agreement, the Company shall not be required to pay the fees and expenses of more than one Independent Legal Counsel in connection with all matters concerning a single Indemnitee, and such Independent Legal Counsel shall be the Independent Legal Counsel for any or all other Indemnitees unless (i) the selection of separate counsel by one or more Indemnitees has been previously authorized by the Company in writing, or (ii) an Indemnitee shall have provided to the Company a written statement that such Indemnitee has reasonably concluded in good faith that there may be a conflict of interest between such Indemnitee and the other Indemnitees with respect to the matters arising under this Agreement.

b. Non-indemnifiable Determination; Repayment Obligation. Notwithstanding anything to the contrary in this Agreement, in the event that (i) any Reviewing Party shall determine that Indemnitee is not entitled to indemnification for Expenses under the Operative Materials or (ii) it shall ultimately be determined in a final, non-appealable judgment that the Indemnitee is not entitled to be indemnified by the Company or that Indemnitee did not act in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was lawful or (iii) that the Company is prohibited from indemnifying Indemnitee pursuant to Sections 4(h) or 7, (x) the Company shall have no further obligation to make any payments to or on behalf of Indemnitee pursuant to this Agreement, and (y) the Company shall as promptly as practicable be reimbursed by Indemnitee for all Expenses and/or Expense Advances theretofore paid to or on behalf of Indemnitee. In furtherance of Indemnitee's obligation to reimburse the Company pursuant to the immediately preceding sentence, as a condition to the payment of any Expenses and/or Expense Advances, the Indemnitee shall provide the Company with reasonable assurance of the repayment of such Expenses and/or Expense Advances including, but not limited to, an indemnity bond, letter-of-credit, secured promissory note, or deposit into an escrow account as shall be required by the Company in its good faith discretion.

c. Indemnitee's Right to Challenge Review; Binding Effect. If any Reviewing Party determines that Indemnitee is not entitled to be indemnified hereunder in whole or in part under the Operative Materials, Indemnitee shall have the right to challenge such determination within 90 days of the determination by the Reviewing Party, in accordance with Section 8. In such case, any determination made by any Reviewing Party that Indemnitee is not entitled to indemnification and/or Expense Advances under the Operative Materials shall not be binding, and Indemnitee shall not be required to reimburse the Company for any Expenses and/or Expense Advances theretofore paid to or on behalf of Indemnitee until a final determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Absent such challenge, any determination by any Reviewing Party shall be conclusive and binding on the Company and Indemnitee.

Section 4. Procedures for Indemnification and Expense Advances.

a. Demand for Payment; Timing of Payments. All payments of Expenses (including, without limitation, Expense Advances) by the Company to or on the behalf of the Indemnitee pursuant to this Agreement shall be made to the fullest extent permitted by law as soon as practicable after written demand by Indemnitee therefor is presented to the Company, but in no event later than 30 business days after such written demand by Indemnitee is presented to the Company, except in the case of Expense Advances, which shall be made no later than 10 business days after such written demand by Indemnitee is presented to the Company. In the case of a written demand for Expense Advances, such demand will include an affidavit from Indemnitee's counsel as to the reasonableness of such Expense Advance, which affidavit will be conclusive proof for all purposes that such Expense Advance is reasonable.

b. Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified or to receive Expense Advances under this Agreement, give the Company notice in writing as soon as practicable of any Claim made, or to Indemnitee's knowledge, threatened against Indemnitee for which indemnification will or could be sought under this Agreement; provided, however, that Indemnitee's failure to provide notice in connection with such a threatened Claim shall not affect Indemnitee's right to any such indemnification or Expense Advances unless such failure prejudiced the direct or indirect rights of the Company. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall promptly give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

c. No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim in a manner adverse to Indemnitee, either by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not, by itself, create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that indemnification is not permitted by this Agreement or the Operative Materials, unless there has been a specific finding of fact, conclusion of law or an admission by Indemnitee as part of the termination of such Claim with respect to such standard of conduct, belief or permissibility of indemnification. In addition, neither the failure of any Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by any Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of proceedings by Indemnitee pursuant to Section 3(a) to secure a determination that Indemnitee should be indemnified under this Agreement under the Operative Materials, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by any Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder under the Operative Materials, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

d. Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 4(b), the Company has liability insurance which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the applicable policy or policies. The Company shall thereafter take all necessary or desirable actions to cause such insurers to pay on behalf of the Indemnitee, all amounts payable as a result of such Claim in accordance with the terms of such policy or policies.

e. Selection of Counsel. In the event the Company shall be obligated hereunder to provide indemnification for, or make any Expense Advances with respect to, any Claim, the Company, if appropriate, shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee (which approval shall not be unreasonably withheld) upon the delivery to Indemnitee of written notice of the Company's election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees or expenses of separate counsel subsequently retained by or on behalf of Indemnitee with respect to the same Claim; provided, that (i) Indemnitee shall have the right to employ separate counsel for any such Claim at Indemnitee's expense and (ii) if (A) the employment of separate counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded, and has provided the Company with the written opinion of counsel reasonably acceptable to the Company to the effect, that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company shall not continue to retain counsel to defend such Claim, then the reasonable fees and expenses of Indemnitee's separate counsel shall be Expenses for which Indemnitee may receive indemnification and/or Expense Advances hereunder.

f. Expenses Incurred in Action Relating to Enforcement or Interpretation. In the event that any action is instituted by Indemnitee under this Agreement including, but not limited to, a proceeding described in Sections 3 or 8 or under any liability insurance policies maintained by the Company, to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be indemnified for all Expenses actually and reasonably incurred by Indemnitee with respect to such action only if Indemnitee is ultimately successful in any such action; provided, however, that until such final determination is made, Indemnitee shall be entitled to receive payment of Expense Advances hereunder (and may be obligated to repay such Expense Advances) with respect to such action as provided in, and subject to, Section 2(e). In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be indemnified for all Expenses incurred by Indemnitee in defense of such action (including, without limitation, reasonable costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action) only if Indemnitee is ultimately successful in any such action; provided, however, that until a final determination is made in such action, Indemnitee shall be entitled to receive payment of Expense Advances hereunder (and may be obligated to repay such Expense Advances) with respect to such action as provided in Section 2(e).

Section 5. Additional Indemnification Rights; Nonexclusivity.

a. Scope. The Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification may not be specifically authorized by the Operative Materials. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a director, officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a director, officer, employee, agent or fiduciary, the Indemnitee's rights hereunder shall be narrowed accordingly, but only to the extent required by such law, statute or rule, and otherwise shall have no effect on this Agreement or the parties' rights and obligations hereunder.

b. Nonexclusivity. The indemnification and the payment of Expense Advances provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any other agreement, any vote of shareholders or disinterested directors, the DGCL or otherwise.

Section 6. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, provision of the Company's Restated Certificate of Incorporation, Bylaws or otherwise) of the amounts otherwise payable hereunder.

Section 7. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances, federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee acknowledges that the Company has undertaken, or, in the future, the Securities and Exchange Commission (the "Commission") may require the Company to undertake, to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee. Indemnitee acknowledges and agrees that if, and to the extent that, indemnification is so prohibited in the written opinion of counsel to the Company, then the Company shall be relieved from any obligation that would cause the Company to violate any such laws or policies.

Section 8. Arbitration.

a. Any and all claims, disputes or controversies ("Disputes") arising under, out of, in connection with, or in relation to this Agreement shall be arbitrated in accordance with the terms and conditions of this Section 8; provided, that notwithstanding the above, either party may apply to a court of competent jurisdiction for a temporary restraining order, a preliminary injunction, or other equitable relief to preserve the status quo or prevent irreparable harm.

b. As a condition precedent to a party's right to commence an arbitration pursuant to this Section 8, if a party in its sole discretion feels that a Dispute is unlikely to be resolved amicably by good faith negotiations between the parties, that party shall send written notice of the issues(s) in dispute, clearly marked "Dispute Notice", to the other party, demanding that the Dispute be settled by binding arbitration in accordance with this provision. The parties shall have 30 days from the date of receipt of the Dispute Notice to attempt a resolution of the Dispute by negotiations between their senior officials or representatives authorized to bind such parties.

c. If within 30 days of receipt of the Dispute Notice, the Dispute has not been resolved, either party may require the matter to be settled by final and binding arbitration by sending written notice of such election to the other party clearly marked "Arbitration Demand." Nothing contained herein shall operate to prevent either party from asserting counterclaim(s) in any arbitration commenced in accordance with this agreement, without need to comply with the procedural provisions of Section 8(b) and this Section 8(c).

d. The arbitration shall be filed with the office of the American Arbitration Association ("AAA") located in New York, NY, or such other AAA office as the parties may agree upon (without any obligation to so agree). The arbitration shall be conducted pursuant to the Commercial Arbitration Rules of AAA. In addition, the following rules and procedures shall apply to the arbitration:

1. The arbitral shall consist of three arbitrators. Each party shall nominate one arbitrator in the Arbitration Demand and the answer thereto, and the two arbitrators so named will then jointly appoint the third arbitrator as chairman of the arbitration tribunal within 10 days. If the two arbitrators selected by the parties shall be unable to agree upon a third arbitrator within such 10-day period, the third arbitrator shall be chosen in accordance with the Commercial Arbitration Rules of AAA. The third arbitrator shall have reasonable experience in the matter under dispute.

2. The administrative fee of AAA and the compensation and all other costs and expenses (the "Costs") of the arbitrators will be paid by the losing party of the proceeding.

3. The arbitrators shall have the sole authority to decide whether or not any Dispute between the parties is arbitrable.

4. The decision of the arbitrators, which shall be in writing and state the finding of facts and conclusions of law upon which the decision is based, shall be final and binding upon the parties, who shall carry forth and comply with such decision promptly after receipt thereof. Judgment upon the award rendered by the arbitrators may be entered by any competent court. Each party submits itself to the jurisdiction of the courts of the State of New York, but only for the entry and enforcement of judgment with respect to the decision of the arbitrators hereunder.

5. The arbitrators shall have the power to grant legal and equitable remedies (including, without limitation, specific performance) and award compensatory damages provided by applicable law, but shall not have the power or authority to award punitive damages. No party shall seek punitive damages relating to any matter under, arising out of, or in connection with or relating to this Agreement in any other forum.

e. Except as provided in Section 8(a), the provisions of this Section 8 shall be a complete defense to any suit, action or proceeding instituted in any federal, state or local court or before any administrative tribunal with respect to any Dispute arising with regard to this Agreement. Any party commencing a lawsuit in violation of this Section 8 shall pay the costs of the other party, including, without limitation, reasonable attorney's fees and defense costs; provided, however, this Section 8 shall not apply if, and to the extent that, it is inconsistent with an undertaking given by the Company (including an undertaking given after the date of this Agreement) to the Commission to submit to a court of competent jurisdiction the question whether indemnification by the Company for liabilities under the Securities Act of 1933 (the "Securities Act"), is against public policy as expressed in the Securities Act, and to be governed by the final adjudication of such issue. In such case, the determination by such court shall be deemed, for purposes of this Agreement, to be a determination pursuant to Section 8.

Section 9. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are provided to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, agents or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent or fiduciary.

Section 10. Exceptions. Notwithstanding any other provision of this Agreement, the Company shall not be obligated pursuant to the terms of this Agreement:

a. Excluded Action or Omissions. To indemnify or make Expense Advances to Indemnitee with respect to Claims arising out of acts, omissions or transactions for which Indemnitee is prohibited from receiving indemnification under applicable law.

b. Claims Initiated by Indemnitee. To indemnify or make Expense Advances to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, counterclaim or cross-claim, except (i) with respect to actions or proceedings brought pursuant to Sections 3 and 8 to establish or enforce a right to indemnification or Expense Advances under this Agreement or any other agreement or insurance policy or under the Company's Restated Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Covered Events (but in each case, only to the extent permitted by Section 8), (ii) in specific cases if the Board has approved the initiation or bringing of such Claim or (iii) as otherwise required under Section 145 of the DGCL.

c. Claims Under Section 16(b). To indemnify Indemnitee for Expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act, or any similar successor statute.

Section 11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

Section 12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), spouses, heirs and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect, and whether by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary (as applicable) of the Company or of any other enterprise at the Company's request.

Section 13. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

Section 14. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and signed for by the party addressed, on the date of such delivery, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

Section 15. Consent to Jurisdiction. Subject to Section 8, the Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of New York for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the state courts of the State of New York, which shall be the exclusive and only proper forum for adjudicating such a claim.

Section 16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 17. Choice of Law. Other than the provisions relating to indemnification of directors, officers, employees and agents contained in the DGCL and the Securities Act with respect to Delaware corporations and the sale of securities respectively, this Agreement, and all rights, remedies, liabilities, powers and duties of the parties to this Agreement, shall be governed by and construed in accordance with the laws of the State of New York as applied to contracts between New York residents entered into and to be performed entirely in the State of New York without regard to principles of conflicts of laws of such State.

Section 18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

Section 19. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed to be or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

Section 20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

Section 21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries or affiliated entities.

Section 22. Right to Set-Off. In the event that the Company is obligated to make any payment to Indemnitee (other than Expense Advances) pursuant to this Agreement and Indemnitee is indebted to the Company for any reason whatsoever, the Company may set-off from such payments any amount owed to the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement as of the date first above written.

DISCOVERY LABORATORIES, INC.

By: /s/ David L. Lopez

Name: David L. Lopez, Attorney at Law
Title: Executive Vice President, General Counsel
2600 Kelly Rd., Suite 100
Warrington, PA 18976

INDEMNITEE:

/s/ Bruce A. Peacock

Name: Bruce A. Peacock
142 Tannery Run Circle
Berwyn, PA 19302

Bruce A. Peacock Joins Discovery Labs' Board of Directors

Seasoned executive with proven track record building leading biotech companies; significant experience advancing development programs into commercial products

Warrington, PA — September 15, 2010 — Discovery Laboratories, Inc. (Nasdaq: DSCO), a biotechnology company developing its novel, synthetic, peptide-containing surfactant and related aerosolization technologies as first-in-class therapies for severe respiratory diseases, today announced that Bruce A. Peacock has joined the Company's Board of Directors. With Mr. Peacock's appointment, Discovery Labs has expanded its Board of Directors to six members

W. Thomas Amick, Chairman of the Board and Interim Chief Executive Officer commented, "Bruce has an excellent and long-standing reputation in the life science industry, and brings a wealth of experience and proven track record of success to Discovery. As a CEO, COO and CFO for several biotechnology companies, Bruce has provided his executive leadership to advance research and development operations into successful, high growth commercial biopharmaceutical organizations. His expertise will be invaluable to our Board."

Mr. Peacock commented "Discovery has the potential to build a significant respiratory company based in its promising surfactant and aerosolization technologies. I am excited about joining the Board to help guide the Company and provide strategic input to management as we work towards the potential approval of Surfaxin® for the prevention of Respiratory Distress Syndrome (RDS) in premature infants and advance the Surfaxin LS™ and Aerosurf ® programs for RDS to the clinic."

Since 2006, Mr. Peacock, age 59, has served as a Venture Partner with SV Life Sciences Advisors, LLC, and since 2009, as President, Chief Executive Officer and Director of Alba Therapeutics. Mr. Peacock began his career in biotechnology in 1982 at Centocor, Inc. Serving as Chief Financial Officer, he was part of a team that raised over $850 million in debt, equity capital and alliances and received multiple product regulatory approvals. In 1992, Mr. Peacock joined Cephalon, Inc., and as Executive Vice President, Chief Operating Officer and Director, had responsibility for corporate development, finance and administration, commercial and manufacturing operations, and managed the successful launch of Provigil®, Cephalon's first proprietary product with annual sales currently approaching $1 billion. In 1999, Mr. Peacock joined Orthovita, Inc., a public orthopaedic biomaterials company, where during his tenure as President, Chief Executive Officer and Director, the company received regulatory approval for four products and launched its commercial sales effort. From 2002 to 2005, he served as President, Chief Executive Officer and Director of Adolor Corporation, a public biotechnology Company. During his tenure, he led efforts leading to the acceptance of the company's first New Drug Application and established the company's first commercial organization. Prior to joining SV Life Sciences, he was Chief Executive Officer and director of The Little Clinic, a medical care services company. Mr. Peacock earned a bachelor's degree in Business Administration from Villanova and is a certified public accountant.

About Discovery Labs

Discovery Laboratories, Inc. is a biotechnology company developing KL_4 surfactant therapies for respiratory diseases. Surfactants are produced naturally in the lungs and are essential for breathing. Discovery Labs' novel proprietary KL_4 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_4 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.

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, including with respect to the potential approval in the United States of Surfaxin for the prevention of RDS in premature infants, 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 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:

Media relations:
Michelle Linn, Linnden Communications
508-362-3087

Investor relations:
John G. Cooper, President and Chief Financial Officer
215-488-9490