

14,050,000 Shares

Discovery Laboratories, Inc.

Common Stock

ISSUER FREE WRITING PROSPECTUS

Issuer: Discovery Laboratories, Inc.

Ticker / Exchange: DSCO / Nasdaq Global Market

Offering size: 14,050,000 shares

Public offering price: \$2.15

Net proceeds to Issuer: We expect the net proceeds from this offering of common stock to be approximately \$28.2 million after deducting the estimated placement agents' fees and estimated offering expenses.

Use of Proceeds: We expect the net proceeds from this offering of common stock to be approximately \$28.2 million after deducting the estimated placement agents' fees and estimated offering expenses. Except as described in any prospectus supplement or post effective amendment, we currently anticipate using the net proceeds from the sale of our common stock primarily for:

- o Activities to prepare for the anticipated U.S. commercial launch of Surfaxin for respiratory distress syndrome ("RDS") in premature infants, such as investments in medical affairs capabilities, pharmacovigilance, commercialization and expanded analytical capabilities through construction of additional laboratory space;
- o Clinical trial costs associated with filing an Investigational New Drug application and conducting Phase 2 clinical trials for Aerosurf(TM) (our precision-engineered aerosolized SRT administered via nasal continuous positive airway pressure ("nCPAP") for the prevention of RDS in premature infants).

These costs include costs related to animal model studies, drug supply, manufacturing aerosol generator devices and disposable dose packs, purchasing nCPAP systems, patient enrollment, site initiation and the use of consultants and third-party vendors for data management and biostatistics;
- o Clinical trial costs associated with conducting a Phase 2 clinical trial for a potential expanded use of Surfaxin to address an acute respiratory disorder in patients in the pediatric intensive care unit; and
- o Investments to support our long-term manufacturing strategy, including activities to enhance our manufacturing facility, optimize quality and analytical operations, and develop capabilities to support the manufacture of lyophilized

(dry powder) formulations of our
Surfactant Replacement Therapies ("SRT").

The amounts and timing of the expenditures may vary significantly depending on numerous factors, such as the progress of our research and development efforts, technological advances and the competitive environment for Surfaxin and our other SRT drug candidates and their intended uses. Pending the application of the net proceeds, we are investing the proceeds in short-term, interest-bearing instruments or other investment-grade securities.

Trade date: April 2, 2007
Settlement date: April 5, 2007
Lead Placement Agent: Jefferies & Company, Inc.
Co-Placement Agent: Lazard Capital Markets, LLC

THE ISSUER HAS FILED A REGISTRATION STATEMENT (INCLUDING A PROSPECTUS) WITH THE SEC FOR THE OFFERING TO WHICH THIS COMMUNICATION RELATES. BEFORE YOU INVEST, YOU SHOULD READ THE PROSPECTUS IN THAT REGISTRATION STATEMENT AND OTHER DOCUMENTS THE ISSUER HAS FILED WITH THE SEC FOR MORE COMPLETE INFORMATION ABOUT THE ISSUER AND THIS OFFERING. YOU MAY GET THESE DOCUMENTS FOR FREE BY VISITING EDGAR ON THE SEC WEB SITE AT WWW.SEC.GOV. ALTERNATIVELY, THE ISSUER, ANY PLACEMENT AGENT OR ANY DEALER PARTICIPATING IN THE OFFERING WILL ARRANGE TO SEND YOU THE PROSPECTUS IF YOU REQUEST IT BY CALLING TOLL-FREE 1-800-538-8524.