

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

August 18, 1998  
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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3359 Durham Road  
Doylestown, Pennsylvania 18901  
(Address of principal executive offices)

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

Item 5. Other Events

Discovery Laboratories, Inc. has announced that its Board of Directors has approved the adoption of a shareholder rights plan. Reference is made to the Registrant's related press release attached hereto as Exhibit 99.1 and incorporated by reference herein (including without limitation the information set forth in the cautionary statement contained in the final paragraph of the press release).

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

(c) Exhibits:

99.1 Press Release dated August 20, 1998.

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: August 21, 1998

By: /s/ Robert J. Capetola

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Name: Robert J. Capetola, Ph.D.  
Title: President and Chief Executive Officer

Exhibit Index

Exhibit Number

Description

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99.1

Press Release dated August 20, 1998.

For Immediate Release

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## Discovery Laboratories to Adopt Shareholder Rights Plan

DOYLESTOWN, PA - August 20, 1998 - Discovery Laboratories, Inc. ("Discovery") (NASDAQ: DSCO, DSCOU) announced today that its Board of Directors has approved the adoption of a shareholder rights plan (the "Rights Plan"). The Rights Plan is intended to (i) discourage coercive acquisition efforts and stock accumulation programs that could be undertaken by third parties and (ii) improve the probability of a successful implementation, free of inappropriate distraction from corporate opportunists, of Discovery's long-term clinical product development plan. The Rights Plan, when implemented, will provide for the distribution with respect to each share of Discovery's outstanding common stock of a right to purchase 1/100th of a share of a new series of preferred stock of Discovery (the "Series D Preferred Stock").

Discovery believes that the Rights Plan will arm its Board of Directors to protect shareholders from coercively structured acquisition proposals and the accompanying pressure on shareholders to surrender their Discovery securities in a disadvantageous transaction at an inadequate price. The recent trading range of Discovery's shares has been near its 52-week low, in line with most other publicly traded development stage biotechnology research companies. Dr. Robert Capetola, President and Chief Executive Officer of Discovery, observed that "the equity markets have often proved to be inaccurate and inadequate predictors of the intrinsic value of the clinical products under development by similarly situated biotechnology companies. We believe the current bear market in small biotechnology companies has had such an effect on Discovery's share price, significantly raising our attractiveness to corporate opportunists. While we hope there will never be a need to rely on the Rights Plan, we felt that protective measures were appropriate in this environment.

Each 1/100th of a share of Series D Preferred Stock will be designed to be the substantial economic equivalent of a share of Discovery's common stock, and the purchase price for such preferred stock upon exercise of a right will be subject to adjustment upon the occurrence of certain events (including the acquisition by a third party (an "Acquiring Person") of 15% or more of Discovery's outstanding common stock (a "Stock Acquisition") or the determination by the Board of Directors that the holder of 10% or more of such common stock is an "Adverse Person") so that the Series D Preferred Stock will be purchasable by holders of the rights (other than any Acquiring Person or Adverse Person) at a price equal to 50% of its fair market value. Initially, the rights will not be separately tradeable or exercisable, and will be "attached" to and traded with shares of Discovery's common stock. The rights will be subject to redemption prior to the occurrence of a Stock Acquisition or an Adverse Person determination at a redemption price of \$0.01 per right.

The implementation of the Rights Plan is subject to the approval of the holders of Discovery's existing outstanding preferred stock. Discovery anticipates that the rights contemplated by the Rights Plan will be distributed to the holders of its common stock shortly following its receipt of such approval from the preferred stockholders.

Discovery is a bio-pharmaceutical company whose mission is to develop and commercialize medically novel therapeutics for critical care. Presently, Discovery is developing proprietary pharmaceuticals to treat direct acute respiratory distress syndrome, meconium aspiration syndrome, idiopathic respiratory distress syndrome and cystic fibrosis. More information about Discovery is available on the company's web site at [www.disco\\_Hlt406472602v\\_Hlt406472602erylabs.com](http://www.disco_Hlt406472602v_Hlt406472602erylabs.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 to the 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 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 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.