U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB
AMENDMENT NO. 1

|X| Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (Fee required)

For the fiscal year ended December 31, 1998

|_| Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (No fee required)
For the transition period from ________ to ________

Commission file number 0-26422

DISCOVERY LABORATORIES, INC.
(Name of Small Business Issuer in Its Charter)

DELAWARE	94-3171943
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

350 SOUTH MAIN STREET, SUITE 307 DOYLESTOWN, PA 18901

(Address of Principal Executive Offices Including Zip Code)

(215) 340-4699

(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.001 par value

Class A Warrants	Class B Warrants
Class C Warrants	Class D Warrants
(Title of Class)	(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES |X| NO |_|

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. |_|

State issuer's revenues for its most recent fiscal year. $ 0.00

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of August 25, 1999: $17,978,721(1).

State the number of shares outstanding of each class of the issuer's common equity as of August 13, 1999: 9,014,771 shares of Common Stock, par value $.001 per share.

Documents incorporated by reference: None.

Transitional Small Business Disclosure Format: YES |_| NO |X|

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(1) Outstanding shares of the issuer's Series B Convertible Preferred Stock, par value $0.001 per share, are valued on the basis of the number of shares of the issuer's Common Stock, par value $0.001 per share, into which such preferred shares are convertible.

The undersigned registrant hereby amends the following items of its Report on Form 10-K for the year ended December 31, 1998 as set forth below.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

Plan of Operations

Since its inception, the Company has concentrated its efforts and resources in the development and commercialization of pharmaceutical products and technologies. The Company has been unprofitable since its founding and has incurred a cumulative net loss of approximately $27,469,000 as of December 31, 1998. The Company expects to incur significantly increasing operating losses over the next several years, primarily due to the expansion of its research and development programs, including clinical trials for some or all of its existing products and technologies and other products and technologies that it may acquire or develop. The Company's ability to achieve profitability depends upon, among other things, its ability to discover and develop products, obtain regulatory approval for its proposed products, and enter into agreements for product development, manufacturing and commercialization. None of the Company's products currently generates revenues and the Company does not expect to achieve revenues for the foreseeable future. Moreover, there can be no assurance that the Company will ever achieve significant revenues or profitable operations from the sale of any of its products or technologies.

The Company is a development stage pharmaceutical company that is focused on developing compounds intended for neonatal use in critical care hospital settings. The Company is also developing its lead product candidate for the treatment of acute respiratory distress syndrome and acute lung injury ("ARDS/ALI"). The Company anticipates that during the next 12 months it will conduct substantial research and development of its compounds.

SURFAXIN(R) (lucinactant)

Meconium Aspiration Syndrome (MAS)

The Company recently finished a Phase 2 clinical trial in MAS in full-term newborns. This 22-patient trial showed an improvement in oxygenation parameters and a three-day savings on mechanical ventilation. Based on the results of this trial, the Company is planning a pivotal Phase 3 trial in MAS. This trial is expected to be a multi-centered, randomized trial versus patients on standard of care since there are no FDA approved therapies available to treat MAS. An Orphan Products Development Grant awarded to the Company by the FDA Office of Orphan Products Development is expected to contribute significantly to the costs of this trial.

Respiratory Distress Syndrome (RDS)

The Company is currently planning to commence a Phase 3 clinical trial of Surfaxin(R) for the treatment of RDS in premature infants during 1999. Such trial, and any other clinical trials of the Company's products in development that have not yet commenced, will require the receipt of approvals by the United States Food and Drug Administration (the "FDA") and/or world health authorities. There can be no assurance as to the receipt or the timing of such approvals.

Acute Respiratory Distress Syndrome/Acute Lung Injury (ARDS/ALI)

A pivotal Phase 2/3 clinical trial of Surfaxin(R) for the treatment of ARDS/ALI was commenced on July 14, 1998. All of the 43 clinical sites identified by the Company for participation in the ALI/ALI trial have completed all internal review board and other approvals relating to the original protocol for the trial. The protocol was recently amended and the Company is in the process of obtaining internal review board approvals relating to the amended protocol. To date, 14 patients have been enrolled in the ARDS/ALI trial.

SUPERVENT(TM) (tyloxapol)

Cystic Fibrosis (CF)

The Company has completed a Phase 1 trial in normal healthy volunteers and has determined a dose (1.25%) that did not produce significant adverse effects. A Phase 2A trial in CF patients was recently initiated where the intent is to show inhibition of inflammatory pulmonary events in these patients.

DSC-103

On December 5, 1997 a Phase 1 clinical study of DSC-103 (formerly known as ST-630) as a once-daily, orally administered drug for the treatment of postmenopausal osteoporosis in the United States was initiated. Part B of such trial was commenced on April 2, 1998 and was successfully completed on June 29, 1998. On July 30, 1999 the Company announced that it had completed a licensing deal for DSC-103 with YuYu Industrial Company, Ltd. of Korea. The deal is the first one completed by Discovery for DSC-103. The privately owned YuYu Industrial, Ltd. currently markets the natural hormonal form of vitamin D, calcitriol, in the Korean pharmaceutical market. The sublicense agreement is royalty based and includes small upfront fees and milestones. As part of the agreement, YuYu has agreed to an exclusive supply agreement whereby they will purchase DSC-103 drug substance from Discovery. It is the Company's present intention to seek to develop DSC-103 through a corporate partnering arrangement rather than directly.

Liquidity

The Company's working capital requirements will depend upon numerous factors, including, without limitation, progress of the Company's research and development programs, preclinical and clinical testing, timing and cost of obtaining regulatory approvals, levels of resources that the Company devotes to the development of manufacturing and marketing capabilities, technological advances, status of competitors and the ability of the Company to establish collaborative arrangements with other organizations. During March and April, 1999, the Company received proceeds totaling $1 million from a private equity financing with primarily existing investors. On July 29, the Company completed a second private placement totaling $2.45 million through a private placement of equity. The Company will be required to raise additional capital in order to meet its business objectives, and there can be no assurance that it will be successful in doing so or, in general, that the Company will be able to achieve its business objectives. The Company has eliminated certain positions and taken other steps to reduce its use of cash. The Company believes that such reduced use of cash will not interfere with the achievement of the Company's major business objectives and, accordingly, that its current resources will permit it to meet its business objectives until the first quarter of 2000. In the event that the Company does not achieve certain financing and/or corporate partnering objectives during the Fall of 1999, the Company intends to further reduce its use of cash so that its cash resources will be sufficient to continue operations into the third quarter of 2000.

Year 2000 Compliance

With the new millenium approaching, many institutions around the world are reviewing and modifying their computer systems to ensure that they are Year 2000 compliant. The issue, in general terms, is that many existing computer systems and microprocessors with data functions use only two digits to identify a year in the date field with the assumption that the first two digits are always "19". Consequently, on January 1, 2000, computers that are not Year 2000 compliant may read the year as 1900. Systems that calculate, compare or sort using the incorrect date may malfunction.

The Company is working to resolve the potential impact of the Year 2000 on the ability of its computerized information systems to accurately process date-sensitive information. The systems include database, networking and accounting software licensed by the Company. The Company does not use equipment with embedded chip technology that is date sensitive. Although the Company has not yet completed its assessment of its internal operations, the Company has been advised by the vendors of its office and networking software that the Company will receive vendor certifications confirming that these systems are Year 2000 compliant. The Company has previously been advised that its accounting software package is Year 2000 compliant. If such software does not in fact prove to be Year 2000 compliant, the Company would experience temporary administrative disruptions but such disruptions would not threaten or materially interfere with the Company's drug development activities.

The Company has made inquiries of suppliers and other third parties with whom it has significant business relationships in order to determine whether such third parties have undertaken measures to ensure that their information technology systems will be Year 2000 compliant insofar as the Company is concerned. These third parties include contract manufacturing facilities utilized by the Company to produce Surfaxin(R) and SuperVentTM, contract laboratories at which stability testing of raw drug product is performed, facilities at which the Company's clinical trials are being undertaken and the Company's transfer agent. The Company has confirmed Year 2000 compliant status of all contract manufacturing and contract laboratory facilities utilized by the Company. The status of its clinical trial sites is still under evaluation. The potential consequences of a Year 2000 compliance failure on the part of a hospital or other facility participating in the Company's clinical trials range from the possible need to eliminate data points generated by specific facilities to delay in completion and evaluation of such trials, and could also result in a need for further dialogue with the FDA regarding clinical trial integrity if a significant problem were to emerge.

The Company's Year 2000 project is substantially complete . Assuming that the Company is not required to incur transfer costs as a result of any failure of its vendors to achieve Year 2000 compliance in a timely fashion, the Company anticipates that the cost of implementing its Year 2000 program will be limited to out-of-pocket costs related to making inquiries of, and receiving and reviewing confirmations from, third parties. The Company currently estimates that such costs will not exceed $10,000.

The Company has purchased back-up electrical generators to ensure that temperature sensitive materials that are critical to the Company's drug development efforts will not be harmed by any power outages at its Doylestown, Pennsylvania facility. Although not purchased with a view toward Year 2000-related risks, these generators are available to address any interruptions in electrical service related to Year 2000 compliance problems experienced by local utilities. The Company has developed contingency plans to address any other Year 2000 compliance risks that are uncovered by its continuing evaluation efforts.

ITEM 7. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998

Contents

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Discovery Laboratories, Inc.
Doylestown, Pennsylvania

We have audited the accompanying consolidated balance sheet of Discovery Laboratories, Inc. and subsidiary (a development stage company) as of December 31, 1998, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 1998, and the period from May 18, 1993 (inception) through December 31, 1998. 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 audit 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 financial statements enumerated above present fairly, in all material respects, the consolidated financial position of Discovery Laboratories, Inc. and subsidiary as of December 31, 1998 and the consolidated results of their operations and their consolidated cash flows for each of the years in the two-year period ended December 31, 1998, and the period from May 18, 1993 (inception) through December 31, 1998, in conformity with generally accepted accounting principles.

Richard A. Eisner & Company, LLP

New York, New York
February 24, 1999

With respect to the last paragraph of Note A
April 7, 1999

Consolidated Balance Sheet

December 31, 1998

ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,474,000
Marketable securities	2,544,000
Inventory	575,000
Prepaid expenses and other current assets	203,000
Total current assets	4,796,000
Property and equipment, net of depreciation	326,000
Security deposits	18,000
	$ 5,140,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	$ 1,088,000
Commitments (Notes F and I)	
Stockholders' equity:	
Preferred stock, $.001 par value; 5,000,000 shares authorized:	
Series B convertible; 1,946,881 shares issued and outstanding (liquidation preference $26,282,000)	2,000
Series C redeemable convertible; 2,039 shares issued and outstanding (liquidation preference $2,277,000)	2,277,000
Common stock, $.001 par value; 20,000,000 authorized; 5,085,281 shares issued	5,000
Treasury stock (15,600 shares of common stock at cost)	(39,000)
Additional paid-in capital	29,842,000
Unearned portion of compensatory stock options	(124,000)
Deficit accumulated during the development stage	(27,930,000)
Accumulated other comprehensive income: unrealized gain on marketable securities available for sale	19,000
Total stockholders' equity	4,052,000
	$ 5,140,000

Consolidated Statements of Operations

	Year Ended December 31, 1998	Year Ended December 31, 1997	May 18, 1993 (Inception) Through December 31, 1998
Interest income	$ 394,000	$ 713,000	$ 1,312,000
Expenses:			
Write-off of acquired in-process research and development and supplies	8,220,000	3,663,000	13,508,000
Research and development	5,055,000	4,378,000	9,973,000
General and administrative	2,788,000	1,836,000	5,334,000
Interest			11,000
Total expenses	16,063,000	9,877,000	28,826,000
	(15,669,000)	(9,164,000)	(27,514,000)
Minority interest in net loss of subsidiary	24,000		26,000
Net loss	(15,645,000)	(9,164,000)	(27,488,000)
Other comprehensive income:			
Unrealized gain on marketable securities available for sale	19,000		19,000
Total comprehensive loss	$(15,626,000)	$ (9,164,000)	$(27,469,000)
Net loss per share - basic and diluted (Note C[9])	$ (4.02)	$ (3.42)	
Weighted average number of common shares Outstanding	3,896,000	2,679,000	

See notes to financial statements

Consolidated Statements of Changes in Stockholders' Equity

May 18, 1993 (Inception) Through December 31, 1998

	Common Stock		Treasury Stock		Preferred Stock Series B		Preferred Stock Series C	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Issuance of common shares, May 1993	440,720	$ 1,000						
Net loss								
Expenses paid on behalf of the Company								
Balance - December 31, 1993	440,720	1,000						
Net loss								
Balance - December 31, 1994	440,720	1,000						
Issuance of common shares, February 1995	143,016							
Net loss								
Payment on stock subscriptions								
Expenses paid on behalf of the Company								
Balance - December 31, 1995	583,736	1,000						
Issuance of common shares, March 1996	1,070,175	1,000						
Issuance of private placement units August, October and November 1996	856,138	1,000			2,200,256	$ 2,000		
Issuance of common shares for cash and Compensation, September 1996	82,502							
Exercise of stock options, July and October 1996	19,458							
Net loss								
Balance - December 31, 1996	2,612,009	3,000			2,200,256	2,000		
Private placement expenses								
Issuance of common shares pursuant to Ansan Merger	546,433							
Exercise of stock options, July, August and October 1997	17,513							
Accumulated dividends on preferred stock								
Net loss								
Balance - December 31, 1997	3,175,955	3,000			2,200,256	2,000		
Issuance of common shares pursuant to ATI Merger	1,033,500	1,000						
Fair value of common stock issuable on Exercise of ATI options								
Series C preferred stock issued pursuant to ATI Merger							2,039	$ 2,039,000
Accrued dividends payable on Series C Preferred stock at time of ATI Merger								238,000
Common stock issued in settlement of Series C preferred stock dividends	49,846							(204,000)
Exercise of stock options, July and December 1998	131,676							
Series B preferred stock converted	685,103	1,000			(253,375)			
Noncash exercise of private placement Warrants	9,201							
Dividends payable on Series C preferred stock								204,000
Treasury stock acquired			(31,750)	$ (90,000)				
Treasury stock issued in payment for services			16,150	51,000				
Unrealized gain on marketable securities available for sale								
Fair value of options granted								
Amortization of unearned portion of compensatory stock options								
Net loss								
Balance - December 31, 1998	5,085,281	$ 5,000	(15,600)	$ (39,000)	1,946,881	$ 2,000	2,039	$ 2,277,000

	Stock Subscriptions Receivable	Additional Paid-in Capital	Unearned Portion of Compensatory Stock Options	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Total
Issuance of common shares, May 1993	$ (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	(1,000)	1,000			(1,000)	0
Net loss						0
Balance - December 31, 1994	(1,000)	1,000			(1,000)	0
Issuance of common shares, February 1995	(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	0	20,000			(18,000)	3,000
Issuance of common shares, March 1996		5,000				6,000
Issuance of private placement units August, October and November 1996		18,933,000				18,936,000
Issuance of common shares for cash and Compensation, September 1996		42,000				42,000
Exercise of stock options, July and October 1996		7,000				7,000
Net loss					(2,661,000)	(2,661,000)
Balance - December 31, 1996	0	19,007,000			(2,679,000)	16,333,000
Private placement expenses		(11,000)				(11,000)
Issuance of common shares pursuant to Ansan Merger		2,459,000				2,459,000
Exercise of stock options, July, August and October 1997		9,000				9,000
Accumulated dividends on preferred stock					(238,000)	(238,000)
Net loss					(9,164,000)	(9,164,000)
Balance - December 31, 1997	0	21,464,000			(12,081,000)	9,388,000
Issuance of common shares pursuant to ATI Merger		5,037,000				5,038,000
Fair value of common stock issuable on Exercise of ATI options		2,966,000				2,966,000
Series C preferred stock issued pursuant to ATI Merger						2,039,000
Accrued dividends payable on Series C Preferred stock at time of ATI Merger						238,000
Common stock issued in settlement of Series C preferred stock dividends		204,000				0
Exercise of stock options, July and December 1998		30,000				30,000
Series B preferred stock converted		(1,000)				0
Noncash exercise of private placement Warrants						0
Dividends payable on Series C preferred stock					(204,000)	0
Treasury stock acquired						(90,000)
Treasury stock issued in payment for services						51,000
Unrealized gain on marketable securities available for sale				$19,000		19,000
Fair value of options granted		142,000	$ (142,000)			0
Amortization of unearned portion of compensatory stock options			18,000			18,000
Net loss					(15,645,000)	(15,645,000)
Balance - December 31, 1998	$ 0	$29,842,000	$ (124,000)	$19,000	$ (27,930,000)	$ 4,052,000

Consolidated Statements of Cash Flows

	Year Ended December 31, 1998	Year Ended December 31, 1997	May 18, 1993 (Inception) Through December 31, 1998
Cash flows from operating activities:			
Net loss	$(15,645,000)	$ (9,164,000)	$(27,488,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Write-off of acquired in-process research and development and supplies	8,220,000	3,663,000	13,508,000
Write-off of licenses		683,000	683,000
Depreciation and amortization	65,000	40,000	129,000
Compensatory stock options	18,000		18,000
Changes in:			
Prepaid expenses and other current assets	(13,000)	(141,000)	(172,000)
Accounts payable and accrued expenses	523,000	129,000	882,000
Other assets	12,000	(30,000)	(18,000)
Expenses paid on behalf of company			18,000
Expenses paid using treasury stock	51,000		51,000
Employee stock compensation			42,000
Reduction of research and development supplies		(161,000)	(161,000)
Net cash used in operating activities	(6,769,000)	(4,981,000)	(12,508,000)
Cash flows from investing activities:			
Acquisition of property and equipment	(235,000)	(114,000)	(432,000)
Proceeds from disposal of property and equipment	25,000		25,000
Acquisition of licenses			(711,000)
Purchase of marketable securities	(142,000)	(7,539,000)	(20,745,000)
Proceeds from sale or maturity of marketable securities	2,574,000	16,051,000	18,625,000
Net cash payments on merger	(216,000)	(1,454,000)	(1,670,000)
Net cash provided by (used in) investing activities	2,006,000	6,944,000	(4,908,000)
Cash flows from financing activities:			
Proceeds on private placements of units, net of expenses		(11,000)	18,925,000
Purchase of treasury stock	(90,000)		(90,000)
Collections on stock subscriptions and proceeds on exercise of stock options	30,000	9,000	55,000
Net cash (used in) provided by financing activities	(60,000)	(2,000)	18,890,000
Net (decrease) increase in cash and cash equivalents	(4,823,000)	1,961,000	1,474,000
Cash and cash equivalents - beginning of period	6,297,000	4,336,000	
Cash and cash equivalents - end of period	$ 1,474,000	$ 6,297,000	$ 1,474,000
Noncash transactions:			
Accrued dividends on Series C preferred stock	$ 204,000	$ 238,000	$ 442,000
Series C preferred stock dividends paid using common Stock	$ 204,000		$ 204,000
Preferred stock issued for inventory			$ 575,000

NOTE A - THE COMPANY AND BASIS OF PRESENTATION

Discovery Laboratories, Inc. (the "Company"), formerly known as Ansan Pharmaceuticals, Inc. ("Ansan"), was incorporated in Delaware on November 6, 1992 and was a wholly owned subsidiary of Titan Pharmaceuticals, Inc. ("Titan"). The Company was formed to license and develop pharmaceutical products to treat a variety of human diseases. In August 1995, Ansan issued its securities in an initial public offering and ceased to be a wholly owned subsidiary of Titan. In November 1997, Ansan merged (the "Ansan Merger") with Discovery Laboratories, Inc., a former Delaware corporation ("Old Discovery"), and was the surviving corporate entity. Subsequent to the Ansan Merger, Ansan changed its name to Discovery Laboratories, Inc. Pursuant to the Ansan Merger, each outstanding share of Old Discovery's common stock was converted into 1.167471 shares of the Company's common stock and each share of Old Discovery's Series A convertible preferred stock was converted into one share of the Company's Series B preferred stock (the "Ansan Exchange Ratios"). The Company also assumed all outstanding options and warrants to purchase Old Discovery's common stock and Series A preferred stock which became exercisable for the Company's common stock and Series B preferred stock, respectively, based on the Ansan Exchange Ratios. In connection with the Ansan Merger, the Company and Titan entered into arrangements providing for the relinquishment by the Company of rights to certain drug compounds and the transfer of such rights to Titan in exchange for (i) a 2% net royalty payable by Titan to the Company from net sales of such drug compounds and (ii) the cancellation of all Ansan common stock owned by Titan. On consummation of the merger, 13,000 shares of Ansan Series A preferred stock held by Old Discovery were cancelled.

The Ansan Merger was accounted for as a reverse acquisition with Old Discovery as the acquirer for financial reporting purposes since Old Discovery's stockholders owned approximately 92% of the merged entity on a diluted basis. The consolidated financial statements include the accounts of Ansan from November 25, 1997 (the date of acquisition). The assets and liabilities acquired in the Ansan Merger were recorded at fair value on the date of the merger. The difference between the fair value of the net assets acquired and value of the common stock issued plus merger related costs was attributed to in-process research and development and was recorded as an expense upon acquisition.

The following assets were acquired and the costs of the acquisition were as follows:

Assets acquired:	
Cash	$ 281,000
Investments	400,000
Prepaid expenses	31,000
Furniture and equipment	25,000
In-process research and development	3,663,000

	$4,400,000
	==========
Acquisition costs:	
Assumption of accounts payable and Accrued expenses	$ 206,000
Ansan Series A preferred stock (purchased by Old Discovery in July 1997 and cancelled Upon completion of the Ansan Merger)	1,300,000

Common stock issued to Ansan Stockholders, 546,433 shares, at fair value	2,459,000
Transaction costs	435,000
	$4,400,000

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

In June 1998, ATI Acquisition Corp., a wholly owned subsidiary of the Company merged with and into a then majority owned subsidiary of the Company, Acute Therapeutics, Inc. ("ATI") with ATI being the surviving entity (the "ATI Merger"). ATI had been formed in October 1996 upon the Company's investment of $7,500,000 in exchange for 600,000 shares of ATI Series A preferred stock, representing 75% of the voting securities of ATI. Pursuant to the ATI Merger, each outstanding share of ATI's common stock was exchanged for 3.90 shares of the Company's common stock (the "ATI Exchange Ratio") and each share of ATI's Series B preferred stock was converted into one share of the Company's Series C preferred stock. All outstanding options to purchase ATI common stock were assumed by the Company and are exercisable for shares of the Company's common stock on the basis of the ATI Exchange Ratio. Pursuant to employment agreements entered into with the Company in connection with the ATI Merger, ATI management was granted, in the aggregate, options to purchase (i) 338,500 shares of the Company's common stock, subject to vesting and (ii) 335,000 shares of the Company's common stock subject to the achievement of certain corporate milestones. As the options for the 335,000 shares are variable options, the Company will incur a charge at each reporting date until the options are fully vested for the excess, if any of the market price of the Company's common stock over the exercise price of the options. In addition, pursuant to a management agreement entered into between the Company and ATI at the time the merger agreement relating to the ATI Merger was executed, the members of ATI management were granted options to purchase 126,500 shares of the Company's common stock.

The historical consolidated financial position of the Company includes the accounts of ATI. The value of the common stock of the Company issued to ATI's common stockholders plus the assumption of the outstanding ATI options and merger related costs has been attributed to in-process research and development upon management's evaluation and has been recorded as an expense upon acquisition.

The cost of the ATI Merger is as follows:

Common stock issued to ATI stockholders (1,033,500 shares at fair value)*	$5,038,000
Fair value of common stock issuable on exercise of options to purchase ATI common stock net of exercise proceeds	2,966,000
Transaction costs	216,000
	$8,220,000

* No discount from market value was recognized in determining the fair value of the common stock issued. The lack of a discount had no effect on financial position.

The following pro forma unaudited statement of operations gives effect to the mergers as if they had occurred at the beginning of the respective periods. A nonrecurring charge of $3,663,000 related to the Ansan Merger and $8,220,000 related to the ATI Merger for in-process research and development has not been considered in the pro forma results.

	Year Ended December 31,	
	1998	1997
Net loss	$(7,431,000)	$(7,145,000)
Net loss per common share - basic and diluted	$ (1.70)	$ (1.70)
Weighted average number of common shares Outstanding	4,370,000	4,198,000

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

The accompanying financial statements include the accounts of the Company and its wholly owned subsidiary, ATI. All intercompany balances and transactions have been eliminated. No allocation of ATI's net loss for the year ended December 31, 1997 had been attributed to the minority interest since the accumulated losses exceed the minority's common equity interest.

As reflected in the accompanying financial statements, since inception, the Company has incurred substantial losses from operations. As a result of the start-up nature of its business, the Company can expect to continue incurring substantial operating losses for at least the next several years and significant additional financing will be required. The Company currently is exploring alternate ways to raise financing to fund its continued research and development activities. From March 31, 1999 through April 7, 1999, the Company received $950,000 from the sale of 505,320 shares of common stock and warrants to purchase an additional 505,320 shares of common stock at $2.30 per share. An additional 26,596 shares of common stock and 26,596 warrants to purchase common stock have been subscribed for $50,000. Additional shares of common stock may be issued and the exercise price of warrants may be adjusted under certain circumstances as specified in the respective stock purchase agreements. In addition, management of the Company has taken steps to reduce the Company's uses of cash and may take such further action, as may be necessary, if it is unsuccessful in raising additional equity capital. Continuation of the Company is dependent on its ability to obtain additional financing and, ultimately, on its ability to achieve profitable operations. There is no assurance however, that such financing will be available or that the Company's efforts will ultimately be successful.

NOTE B - RETROACTIVE ADJUSTMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In October 1996, pursuant to a licensing agreement with Johnson & Johnson, Inc.'s ("J&J") wholly owned subsidiary of Ortho Pharmaceuticals, Inc., J&J contributed manufacturing equipment and raw material inventory in exchange for 2,039 shares (originally 2,200 shares) of the Company's non-voting Series B preferred stock which had a liquidation preference of $2,039,000. The equipment and inventory was charged to operations as acquired in-process research and development and supplies during the year ended December 31, 1996. However, certain of this raw material inventory, valued at approximately $575,000, which was then located at the vendor, had an alternative future use. Such inventory could have been sold to other users and, was in excess of the estimated quantity required for the Company's research and development purposes. The Company had arranged with the vendor to defer delivery of the product. Previously issued financial statements have been restated to reflect capitalizing such inventory effective December 31, 1996 and a corresponding reduction in deficit accumulated during the development stage.

NOTE C - 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] Marketable securities:

The investments are classified as available for sale, and are comprised of United States government obligations and shares in a mutual fund which invests in income producing securities.

Investments are carried at fair or market value. Any appreciation/depreciation on these investments is recorded as a separate component of stockholders' equity until realized.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Property and equipment:

Furniture and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (five to seven years). Leasehold improvements are amortized over the lower of (a) term of the lease or (b) useful life of the improvements.

[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. Certain of the Company's research and development efforts are funded by a grant awarded to the Company by the Food and Drug Administration. Draw downs of the grant are accounted for as a reduction to research and development expense. In 1998, the amount funded was approximately $27,000.

[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:

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 employee stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board 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.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Net loss per share:

Net loss per share is computed pursuant to the provisions of Statement of Financial Accounting Standards No. 128 "Earnings per Share" and is based on the weighted average number of common shares outstanding for the periods and common shares issuable for little or no cash consideration. Potential common shares not included in the calculation of net loss per share for the years ended December 31, 1998 and 1997, as the effect would be anti-dilutive, are as follows (Notes H and G):

	Number of Potential Common Shares	
	1998	1997
Series B convertible preferred stock	6,061,000	6,850,000*
Series C convertible preferred stock	932,000	
Placement agent's warrants to acquire Series B convertible preferred stock	685,000	685,000*
Stock options	1,886,000	372,000

* Adjusted for conversion rate reset

[10] Comprehensive income:

During 1998, the Company adopted Statement of Financial accounting Standards No. 130 "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income and its components. Accordingly, the Company revised the format of its consolidated statements of operations to include total comprehensive income. The adoption of this statement had no effect on the Company's results of operations.

NOTE D - PROPERTY AND EQUIPMENT

At December 31, 1997 property and equipment comprised of the following:

Leasehold improvements	$ 64,000
Furniture	53,000
Equipment	315,000
	432,000
Less accumulated depreciation	(106,000)
	$ 326,000

NOTE E - INCOME TAXES

At December 31, 1998, the Company has available for federal income tax purposes net operating loss carryforwards of approximately $23,000,000 expiring through 2018, that may be used to offset future taxable income. As a result of the ownership change pursuant to the Ansan Merger, Ansan's portion of the net operating loss carryforward of approximately $9,500,000 through November 1997, is limited in accordance with Section 382 of the Internal Revenue Code. Pursuant to Section 382 of the Internal Revenue Code, the utilization of these carryforwards may become further limited if certain ownership changes occur. The Company has research and development credit carryforwards of approximately $566,000 which expire in 2018. Ansan's portion of these credits of approximately $179,000 are also subject to a Section 382 limitation. There will be an annual amount available 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 in-process research and development and supplies and certain research and development expenses which were not deducted for tax purposes. The Company has provided a valuation reserve against the full amount of the deferred tax asset of $9,278,000 since realization of this benefit is not certain. The components of the deferred tax assets are net operating loss carryforwards of approximately $8,362,000, research and development expenses of approximately $350,000 and research and development credits of approximately $566,000. The valuation reserve increased by approximately $1,924,000 and $6,124,000 for the years ended December 31, 1998 and 1997, respectively. The difference between the statutory federal income tax rate of 34% and the Company's effective tax rate of 0% is due to the increase in the valuation allowance.

NOTE F - LICENSE AGREEMENTS

[1] Concurrent with the Company's original 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 Surfaxin(TM) technology to New 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 Surfaxin(TM) raw material inventory and manufacturing equipment to ATI in exchange for 2,200 shares of nonvoting Series B preferred stock of New ATI having a $2.2 million liquidation preference and a $100 per share cumulative annual dividend. The inventory and equipment were valued at $2,200,000 (the value of the preferred shares issued to J&J) and were originally charged to expense in full (See Note B). The Scripps Research Institute ("Scripps") received 40,000 shares of common stock of New ATI in exchange for its consent to the J&J License Agreement.

In 1997, ATI and J&J determined that certain of the raw material inventory to be received pursuant to the J&J License Agreement was not available. ATI negotiated with J&J a price adjustment and proportionate reduction of the liquidation preference of the Series B preferred stock issued of approximately $161,000 and a corresponding reduction of 161 Series B preferred shares held by J&J. The price adjustment has been accounted as a credit to research and development expense in 1997.

[2] ATI entered into a research funding and option agreement with Scripps to provide certain funding of research activities. The agreement was for an initial term of two years with renewal provisions

for additional one year periods. The agreement provides for Scripps to grant an option to ATI to acquire an exclusive license for the application of technology developed from the research program. Pursuant to the agreement, New ATI paid Scripps $460,000 in 1997 and 1998.

[3] In 1996, 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.

NOTE F - LICENSE AGREEMENTS (CONTINUED)

[4] In 1996, the Company entered into a license agreement with the Wisconsin Alumni Research Foundation ("WARF") for the use of the patented compound ST-630 (now known as DSC 103) 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 milestones payments aggregating $3,095,000 and pay royalties on future sales. The license expires upon expiration of the underlying patents. The Company is currently seeking a development partner with respect to this compound.

NOTE G - STOCKHOLDERS' EQUITY

Private placement:

In 1996, pursuant to a private placement offering, Old Discovery sold approximately 44 units (each unit consisting of securities converted in the Ansan Merger into 50,000 shares of Series B convertible preferred stock and 19,458 shares of common stock of the Company). Preferred stockholders have voting rights based upon the number of shares of common stock issuable upon conversion of the preferred shares. Pursuant to the terms of the offering, on December 1, 1998, the conversion rate was adjusted whereby, each share of preferred stock is now convertible at the option of the holders into 3.11 shares of common stock of the Company. Net proceeds from the private placement approximated $19,000,000. The Company is restricted from declaring dividends or distributions on its common stock without the approval of the holders of at least 66.67% of the outstanding Series B shares as long as there is in excess of 1,100,000 Series B shares outstanding.

The placement agent for the offering received approximately $2,860,000 in cash plus warrants which, pursuant to the merger give the holders thereof the right to acquire 220,026 shares of Series B preferred stock at a price of $11 per share, through November 8, 2006 and to acquire 85,625 shares of common stock at a price of $0.64 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.

Unit offering:

In August 1995, Ansan issued an aggregate of 498,333 units (including 65,000 units pursuant to the underwriter's overallotment option) at $15.00 per unit in an initial public offering (the "Offering"). Each unit consisted of one share of common stock, one redeemable Class A warrant, and one Class B warrant. Each Class A warrant entitles the holder to purchase one share of common stock and one Class B warrant at an exercise price of $19.50 per share. Each Class B warrant entitles the holder to purchase one share of common stock an exercise price of $26.25 per share.

In connection with the Offering, the holders of the Ansan's common stock and options to purchase common stock placed, on a pro rata basis, 121,246 shares (including 115,491 shares held by the Company pending cancellation pursuant to the Ansan Merger (Note A)) and options to purchase 12,086 shares of common stock into escrow (the "Escrow Shares" and "Escrow Options", respectively). The Escrow Shares and Escrow Options are not transferable or assignable; however, the Escrow Shares may be voted. Holders of Escrow Options may exercise their options prior to their release from escrow; however, the shares issuable upon any such exercise will continue to be held in escrow. The Escrow Shares and Escrow Options will be released from escrow if, and only if, certain earnings or market price criteria have been met. If the conditions are not met by March 31, 2000, the Escrow Shares and Escrow Options will be cancelled and contributed to the Company's capital.

NOTE G - STOCKHOLDERS' EQUITY (CONTINUED)

Unit offering: (continued)

The release of Escrow Shares and Escrow Options held by employees, officers, directors, consultants and their relatives will be deemed compensatory. Accordingly, the Company will recognize as compensation expense, during the period in which the earnings or market price targets are met, a one-time charge to reflect the then fair market value of the shares released from escrow. Such charges could substantially reduce the Company's net income or increase the net loss. The amount of compensation expense recognized by the Company will not affect the total 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)	Series B preferred stock	6,061,000
(ii)	Series C preferred stock	932,000
(iii)	Stock option plan	1,886,000
(iv)	Placement agent warrants:	
	Conversion of preferred stock	685,000
	Common stock	75,000
(v)	Class A warrants	736,000
(vi)	Class B warrants	1,234,000
(vii)	Underwriter's option	173,000

Treasury stock/common stock issued for services:

During 1998, the Company's Board of Directors approved a stock repurchase program wherein the Company would buy its own shares from the open market and use such shares to settle indebtedness. Such shares are accounted for as treasury stock.

During 1998, the Company acquired 31,750 shares of common stock for approximately $90,000 and issued 16,150 of such shares (market value on date of issue $51,000) in settlement of $51,000 of services rendered. Further, the Company agreed to issue 22,400 shares of treasury stock in settlement of $38,500 of indebtedness. The remaining 6,800 shares required to settle such indebtedness will be new common shares issued.

Series C preferred stock:

The Company's Series C redeemable convertible preferred stock is convertible at the option of the holder into common stock at a conversion price equal to the market price of the common stock, as defined. Such shares are redeemable at liquidation value upon the occurrence of certain events. The liquidation value is payable at the option of the Company in either cash or shares of common stock. Series C stockholders are entitled to dividends of 10% per annum to be paid only upon liquidation or redemption.

NOTE H - STOCK OPTIONS

Ansan's 1993 Stock Option Plan which was amended and restated (the "1993 Plan"), provided that incentive stock options may be granted to employees, and nonstatutory stock options may be granted to employees, directors, consultants and affiliates. In May 1995, Ansan adopted the 1995 Stock Option Plan (the "1995 Plan"). No further options will be granted under the 1993 Plan or 1995 Plan.

Options granted under the 1993 Plan and 1995 Plan expire no later than ten years from the date of grant, except when the grantee is a 10% stockholder of the Company or an affiliate company, in which case the maximum term is five years from the date of grant. The exercise price shall be at least 100%, 85% and 110% of the fair value of the stock subject to the option on the grant date, as determined by the Board of Directors, for incentive stock options, nonstatutory stock options and options granted to 10% stockholders of the Company or affiliate company, respectively. Options granted under the 1993 Plan are exercisable immediately upon grant, however, the shares issuable upon exercise of the options are subject to repurchase by the Company. Such repurchase rights lapse as the shares vest over a period of five years from the date of grant.

On consummation of the Ansan Merger, the Company assumed Old Discovery's outstanding options which were exchanged at the Ansan Exchange Ratio for options to purchase the Company's common stock (Note A).

In March 1998, the Company adopted its 1998 Stock Incentive Plan which includes three equity programs (the "1998 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 at an exercise price equal to 60% of fair market value per share on the date of the grant. The maximum number of shares of common stock initially reserved for issuance over the term of the plan shall not exceed 1,400,959.

The pro forma effects of applying SFAS No. 123 and the stock options activity shown below are those of the 1998 Plan, Old Discovery's 1996 Stock Option/Stock Issuance Plan through the date of the Ansan Merger and the 1993 Plan and 1995 Plan after the Ansan Merger as the Ansan Merger was accounted for as a reverse acquisition.

The Company applies APB 25 in accounting for stock options 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, (i) the vesting period of the stock options and (ii) the 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 each of the years ended December 31, 1998 and 1997 would have been approximately $16,371,000 or $4.20 per share and $9,219,000 or $3.44 per share, respectively. The weighted average fair value of the options granted are estimated at $2.63 and $0.24 per share, respectively, for the years ended December 31, 1998 and 1997, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield 0%, volatility of 40% and 0%, risk-free interest rate of 5.53% for 1998 and 6.53% for 1997, and expected life of ten years.

NOTE H - STOCK OPTIONS (CONTINUED)

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

	Year Ended December 31,							
	1998				1997			
	Price Per Share	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Price Per Share	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding beginning of year	$0.18-$4.50	371,993	$1.67		$0.26-$0.51	19,458	$0.26	
Options granted	$0.19-$4.87	1,027,400	4.18		$0.51	257,589	0.51	
Options exercised	$0.0026-$2.66	(131,676)	0.23		$0.51	(17,514)	0.51	
Options forfeited					$0.51	(5,999)	0.51	
Ansan options outstanding					$0.18-$4.50	118,459	4.19	
ATI options assumed	$0.0026-$0.32	618,345	0.43					
Options outstanding at end of year	$0.0026-$4.87	1,886,062	2.23	8.73 years	$0.18-$4.50	371,993	1.67	6.61 years
Options exercisable at end of year	$0.0026-$4.87	1,512,062	2.28	8.76 years	$0.18-$4.50	252,912	1.80	6.49 years

NOTE I - COMMITMENTS

[1] In June 1998, the Company entered into employment agreements with nine officers providing for an aggregate annual salary of $1,230,000. The agreements expire on various dates through June 2002 and provide for the issuance of annual and milestone bonuses and the granting of options on the Company's achieving certain milestones.

[2] In December 1997, the Company entered into an agreement with a clinical research institute for clinical studies to be performed on behalf of the Company. The agreement specifies payments to be made by the Company on the successful completion of certain phases of the study that aggregate to approximately $394,000, $250,000 and $50,000 of which was paid and charged to expense in 1998 and 1997, respectively.

[3] In July 1998, the Company entered into a seven year lease agreement to lease office and laboratory space in premises owned by a Company officer/stockholder. Future minimum annual rents for this lease is as follows:

1999	$ 128,000
2000	130,000
2001	133,000
2002	137,000
2003	142,000
2004	146,000
2005	100,000
	$ 916,000

NOTE I - COMMITMENTS (CONTINUED)

[3] (continued)

The Company also leases additional office space pursuant to a three year lease entered into in May 1997. Such office space is currently being subleased at substantially the same terms and for the remaining period of the Company's commitment.

Total net rent expense for the years ended December 31, 1998 and 1997 was approximately $175,000 and $164,000, respectively.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-59945) pertaining to Discovery Laboraties, Inc. stock incentive and stock option plans of our report dated February 24, 1999 (with respect to the last paragraph of Note A, April 7, 1999) on our audit of the financial statements as of and for the year ended December 31, 1998 which report is included in the annual report on Form 10-KSB/A for the year ended December 31, 1998.

Richard A. Eisner & Company, LLP

New York, New York
August 26, 1999

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DISCOVERY LABORATORIES, INC.

Date: August 26, 1999

By: /s/ Robert J. Capetola

Robert J. Capetola, Ph.D
Chief Executive Officer

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Name & Title	Date
/s/ Robert J. Capetola	Robert J. Capetola, Ph.D. Chief Executive Officer	August 26, 1999
/s/ Evan Myrianthopoulos	Evan Myrianthopoulos Chief Financial Officer (Principal Accounting Officer)	August 26, 1999
/s/ Cynthia Davis	Cynthia Davis Controller (Principal Accounting Officer)	August 26, 1999
/s/ Steve H. Kanzer	Steve H. Kanzer, C.P.A., Esq. Chairman of the Board	August 26, 1999
	Mark C. Rogers, M.D. Director	August 26, 1999
	Herbert McDade, Jr. Director	August 26, 1999
/s/ Max Link	Max Link, Ph.D. Director	August 26, 1999
/s/ David Naveh	David Naveh, Ph.D. Director	August 26, 1999
/s/ Richard Power	Richard Power Director	August 26, 1999
	Richard Sperber Director	August 26, 1999

/s/ Marvin Rosenthale	Marvin Rosenthale Director	August 26, 1999

This Schedule contains summary financial information extracted from 10-QSB/A and
is qualified in it's entirety by reference to such financial statements.

YEAR
DEC-31-1999
JAN-01-1998
DEC-31-1998
1,474,000
2,544,000
0
0
575,000
4,796,000
432,000
106,000
5,140,000
1,088,000
0
2,277,000
2,000
5,000
1,768,000
5,140,000
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16,063,000
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(15,645,000)
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