

MEDICAL DISCOVERIES INC  
Form PRE 14A  
September 26, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant   
Filed by a Party other than the Registrant   
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Materials Under Rule 14a-12

**MEDICAL DISCOVERIES, INC.**  
**(Name of Registrant as Specified in its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

**Payment of Filing Fee (Check the appropriate box):**

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies: \_\_\_\_\_
- (2) Aggregate number of securities to which transaction applies: \_\_\_\_\_
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \_\_\_\_\_
- (4) Proposed maximum aggregate value of transaction: \_\_\_\_\_
- (5) Total fee paid: \_\_\_\_\_
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(1) Amount Previously

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No.: \_\_\_\_\_

(3) Filing

Party: \_\_\_\_\_

(4) Date

Filed: \_\_\_\_\_

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**MEDICAL DISCOVERIES, INC.**

1338 S. Foothill Drive #266  
Salt Lake City, Utah 84108

October \_\_, 2007

Dear Shareholder:

You are cordially invited to attend a special meeting of the shareholders of Medical Discoveries, Inc. to be held at 10:00 A.M. local time on Tuesday, October 30, 2007, at the Company's offices located at 6033 W. Century Blvd., Suite 1090 Los Angeles, California 90045.

As more fully described in the attached notice of special meeting and the accompanying proxy statement, the business to be addressed at the special meeting is consideration of a proposal to sell for cash, and the assumption of certain liabilities, all of our rights in and to "SaveCream", a developmental stage topical aromatase inhibitor cream, to Eucodis Pharmaceuticals Forschungs - und Entwicklungs GmbH, an Austrian company.

Whether or not you plan to attend the special meeting, please submit your proxy to ensure your representation.

The Board of Directors recommends that you vote "FOR" the proposal to sell substantially all of our assets. You may attend the special meeting and vote in person even if you have submitted your proxy.

Sincerely,

Judy M. Robinett  
Chief Executive Officer

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MEDICAL DISCOVERIES, INC.  
1338 S. Foothill Drive #266  
Salt Lake City, Utah 84108

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON OCTOBER 30, 2007

Notice is hereby given that a special meeting of the shareholders of Medical Discoveries, Inc. will be held at 10:00 A.M. local time on Tuesday, October 30, 2007, at the Company's offices located at 6033 W. Century Blvd., Suite 1090 Los Angeles, California 90045, for the following purposes:

1. To vote on a proposal to sell all of our rights in and to "SaveCream", a developmental stage topical aromatase inhibitor cream, to Eucodis pursuant to the terms of that certain sale and purchase agreement, dated July 6, 2007, as amended ("Eucodis Agreement"), by and among Medical Discoveries, Inc., MDI Oncology, Inc., our wholly-owned subsidiary ("MDI Oncology"), and Eucodis Pharmaceuticals Forschungs - und Entwicklungs GmbH, an Austrian company ("Eucodis"), as more fully described in the proxy statement accompanying this notice.
2. To transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

We have fixed the close of business on September 24, 2007, as the record date for the determination of shareholders entitled to notice of and to vote at the special meeting. Only our shareholders of record at the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournments or postponements thereof. This notice of special meeting and the accompanying proxy statement and proxy card are being sent to shareholders on or about October \_\_, 2007.

You are cordially invited to attend the special meeting, but whether or not you plan to attend, please complete and sign the enclosed form of proxy and mail it promptly in the enclosed envelope. The proxy may be revoked at any time by filing a written revocation with our corporate secretary, by executing a later dated proxy and delivering it to our corporate secretary, or by attending the special meeting and voting in person.

By Order of the Board of Directors,

JUDY M. ROBINETT  
Chief Executive Officer

October \_\_, 2007

**YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. IN ORDER TO ENSURE THAT YOUR SHARES ARE VOTED, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE. IF GIVEN, YOU MAY REVOKE YOUR PROXY BY FOLLOWING THE INSTRUCTIONS IN THE PROXY STATEMENT.**

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE PROPOSAL DESCRIBED IN THE ATTACHED PROXY STATEMENT.**

## SUMMARY TERM SHEET - TRANSACTION WITH EUCODIS

*This Summary Term Sheet summarizes certain material information regarding the proposed sale of assets to Eucodis under the Eucodis Agreement. You should carefully read this entire proxy statement for a more complete understanding of the transaction with Eucodis.*

- Assets Sold (page 15)                    The assets being sold to Eucodis include (i) all of our right, title and interest in a certain Asset Purchase Agreement between Medical Discoveries, Inc. and the liquidator of Savetherapeutics AG, a German company in liquidation, dated as of March 11, 2005; (ii) all of our right, title and interest in that certain agreement between MDI Oncology and Eucodis, dated as of July 29, 2006, in connection with the co-development and licensing of “SaveCream”; and (iii) all of our right, title and interest under certain contracts relating to “SaveCream”. The foregoing represents a substantial portion of our assets.
- Purchase Price (page 16)              The purchase price paid by Eucodis is approximately 4,007,534 euros or approximately \$5,641,000 based on the currency conversion rate in effect as of September 25, 2007, comprising a cash payment of approximately \$1.95 million, and Eucodis’s assumption of certain of our obligations and liabilities aggregating approximately \$3.69 million. The financial terms of the Eucodis Agreement are denominated in euros, and we will be paid in euros. However, for convenience, the financial terms have been converted throughout the text of this proxy statement into U.S. dollars. Unless otherwise indicated, all amounts have been converted based upon the currency exchange rate in effect on September 25, 2007 of 1.4076 U.S. dollar for one euro. The currency exchange rate in effect as of the closing of the Eucodis transaction or at any future date may differ.
- Obligations Assumed and Discharged  
Indebtedness (page 16)                Eucodis has agreed to assume aggregate of approximately \$3.69 million or our current indebtedness that we owe to certain of our creditors. Eucodis will also assume all of our financial and other obligations under certain contracts relating to “SaveCream,” and certain other costs we have incurred since February 28, 2007 in connection with preserving the sold assets for the benefit of Eucodis through the closing of the transaction.
- Non-Competition (page 17)           We have agreed to a non-compete provision for the duration of five years after the closing of the Eucodis transaction. Specifically, the non-compete provision restricts us from undertaking research and development activities with respect to “SaveCream.”
- Representation and Warranties (page 17)        The Eucodis Agreement contains customary representations, warranties and covenants, which survive through the closing of the transaction.
- Closing Conditions (page 17)         The closing of the transaction depends on meeting a number of conditions, including the following: our delivery to Eucodis of certain documents necessary to effect the transfer of the assets being sold, and us obtaining additional capital or a credit facility in the aggregate amount of at least \$250,000.
- The Special Meeting (page 11)        At the special meeting of our shareholders to be held on October 30, 2007, you will be asked to approve the transaction with Eucodis.

Our Board's Recommendation (page 14) Our board of directors has unanimously determined that the transaction with Eucodis is advisable, fair to, and in the best interests of our shareholders.

## QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

**Q: WHAT IS THIS PROXY STATEMENT AND WHY AM I RECEIVING IT?**

**A:** You are receiving this proxy statement in connection with a special meeting of shareholders called by our Board of Directors for the purpose of soliciting shareholder votes for the sale of our SaveCream asset to Eucodis, our current European licensee and development partner, as more fully described in this proxy statement. You have been sent this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at the special meeting of shareholders called for the purpose of voting on the foregoing sale. Eucodis currently holds the exclusive rights to SaveCream within the European Union and certain other countries.

The assets being sold to Eucodis include (i) all of our right, title and interest, along with all of MDI Oncology's right, title and interest, in that certain asset purchase agreement between Medical Discoveries, Inc. and the liquidator of Savetherapeutics AG, a German company in liquidation, dated as of March 11, 2005 (the "Savetherapeutics Contract"), including, among other things, our rights in and to "SaveCream", a developmental topical aromatase inhibitor cream; (ii) all of MDI Oncology's right, title and interest in that certain agreement between MDI Oncology and Eucodis, dated as of July 29, 2006, in connection with the co-development and licensing of the "SaveCream" product; and (iii) all of our (and MDI Oncology's) right, title and interest under certain contracts relating to the "SaveCream" product ((i),(ii) and (iii) collectively, the "Purchased Assets"). This sale of the SaveCream asset to Eucodis will terminate any further obligation on the part of the Company or its subsidiary, MDI Oncology, to spend additional monies to develop SaveCream. This sale may constitute a sale of substantially all of our assets for purposes of Utah law, which governs our corporate matters. Accordingly, the sale is being submitted to our shareholders for approval pursuant to Section 16-10a-1202 of the Utah Revised Business Corporation Act.

**Q: HOW MANY VOTES ARE REQUIRED TO APPROVE THE TRANSACTION?**

**A:** Each share of common stock will entitle the holder to cast one vote. A majority of the issued and outstanding shares of our common stock, represented in proxy or in person, shall constitute a quorum. If a quorum exists, the affirmative vote of a majority of the shares of our common stock outstanding on the record date for the special meeting will be necessary for the approval of the Eucodis transaction. Abstentions and broker nonvotes will have the same effect as votes against the proposed transaction. Our outstanding shares of Series A Convertible Preferred Stock are not entitled to vote.

**Q: WHAT WILL HAPPEN IF THE SHAREHOLDERS APPROVE THE TRANSACTION?**

**A:** If the shareholders approve the transaction, then shortly following the special meeting, subject to the satisfaction of certain conditions set out in the sale and purchase agreement, the Company and MDI Oncology will sell to Eucodis the Purchased Assets in exchange for:

- a cash purchase price of approximately \$1.95 million, which is payable to the Company at the closing; and
- Eucodis's assumption of approximately \$3.69 million of certain of our liabilities, as more fully discussed under "Proposal I - Terms of Sale and Purchase Agreement - Assumption of Liabilities".

The approximately \$1.95 million in cash proceeds received from the Eucodis sale will be used for general business purposes during the winding up of our old business operations. In addition, since we intend to either acquire or develop a new business, some of the cash proceeds may also be used for that new business. See, "Use of Proceeds" on page 14. It is currently our intent to retain the proceeds indefinitely in the Company. We do not anticipate that any distributions will be made to our shareholders in the near future, if at all.





**Q. WHY IS THE BOARD OF DIRECTORS PROPOSING THE SALE OF SAVECREAM?**

To date, we have been a developmental-stage bio-pharmaceutical company engaged in the research, validation, development and ultimate commercialization of two drug candidates referred to as MDI-P and SaveCream. Both of these drug candidates are still in development and neither has been approved by the U.S. Food and Drug Administration (the "FDA"). The total cost to develop these two drugs and to receive the approval from the FDA would cost many millions of dollars and take many more years. The Board of Directors has determined that we can no longer fund the development of the two drug candidates, and cannot obtain additional funding for these drug candidates. Accordingly, we have sought to maximize our return from our drug assets through their sale at this time, and to use the proceeds that we receive from the disposition of these technologies to pay off all creditors of the Company, and invest any residual proceeds into our new renewable bio-fuels business.

**Q: WILL WE CONTINUE TO OPERATE AFTER THE EUCODIS TRANSACTION IS CLOSED?**

A: The Eucodis sale will not result in the dissolution or liquidation of this company, and we plan to continue to operate the company, albeit in a new industry. We have agreed that, following the closing of the Eucodis transaction, neither we nor MDI Oncology will undertake research and development activities with respect to "SaveCream" or any other product which could be used in reasonable substitution of "SaveCream", or commercialize any products based on "SaveCream", except as may be otherwise expressly requested by Eucodis. We also intend to dissolve our MDI Oncology subsidiary after the sale to Eucodis.

Since signing the Eucodis Agreement, we have actively sought to develop a new business to maximize shareholder value. As disclosed on September 17, 2007, we have acquired some intellectual property related to the development of alternative energy bio-fuels, and have hired a seasoned energy executive with many years of experience in the alternate energy and bio-fuels industry, as our new President and Chief Operating Officer. We currently intend to develop this new alternative bio-fuels business.

Additional information regarding the bio-fuels purchase that we announced on September 17, 2007, and information regarding the additional members of our management team is available at the website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). You should also review the "Risk Factors" section beginning on page 10 for a discussion of some of the risks related to our future operations.

**Q: HAS THE COMPANY RECEIVED A VALUATION OR FAIRNESS OPINION WITH RESPECT TO THE SALE?**

A: No. Based on all factors, including the price paid for the SaveCream assets, the uncertainty as to title of those assets, and the book value of those assets, our Board of Directors determined that the purchase price being paid by Eucodis was fair to this company.

**Q: WHAT HAPPENS IF THE SHAREHOLDERS DO NOT APPROVE THE TRANSACTION.**

**A:** If the sale of the SaveCream assets is not approved by the shareholders, the sale will be cancelled, and we will continue to own the SaveCream assets. However, since our Board has determined that it is not in the best interests of this company or our shareholders to continue to operate as a drug development company, and since we will no longer invest any funds in the development of SaveCream, we will not continue our efforts to develop that drug candidate. In fact, under the Eucodis Agreement, if the shareholders do not approve the sale of SaveCream to Eucodis, we are obligated to attempt to transfer to Eucodis, by means of a license, or otherwise, our rights to SaveCream.

**Q: WHEN IS THE EUCODIS TRANSACTION EXPECTED TO BE COMPLETED?**

**A:** The transaction will close when certain conditions set forth in the sale and purchase agreement are satisfied or waived, or at such other time as is agreed by the parties. We expect the transaction to close on or before October 31, 2007.

**Q: DOES THE BOARD OF DIRECTORS OF MEDICAL DISCOVERIES, INC. RECOMMEND VOTING FOR THE ACQUISITION?**

**A:** Yes. After careful consideration of our financial position, the value of the SaveCream assets, the amount of time and funds needed to further develop the SaveCream drug candidate, and other factors, our board of directors has unanimously approved the sale of the SaveCream assets to Eucodis and determined that it is in the best interests of us and our shareholders. Our board of directors unanimously recommends that our shareholders vote "FOR" approval of the sale.

**Q: WHAT SHOULD I DO NOW?**

**A: SEND IN YOUR PROXY CARD.** After reviewing this document and its appendixes, indicate on your proxy card how you want to vote, and sign, date, and mail it in the enclosed envelope as soon as possible to ensure that your shares will be represented at the special meeting. If you sign, date, and send in your proxy and do not indicate how you want to vote, your proxy will be voted in favor of the proposed transaction and amendments. If you do not sign and send in your proxy, and if you do not attend and cast your vote in person at the special meeting, it will have the effect of voting against the transaction.

**Q: IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, BANK OR OTHER NOMINEE, WILL IT VOTE MY SHARES FOR ME?**

**A: YES, IF YOU GIVE YOUR NOMINEE INSTRUCTIONS ON HOW TO VOTE.** Your broker, bank or other nominee holder will vote your shares only if you provide it with instructions on how to vote. You should instruct your nominee how to vote your shares by following the directions it provides. If you do not provide instructions to your nominee, your shares will not be voted and this will have the effect of voting against the proposed transaction and amendments.

**Q: CAN I CHANGE MY MIND AND REVOKE MY PROXY?**

**A: YES.** You may revoke your proxy up to the time of the special meeting by taking any of the actions explained under "The Special Meeting--Solicitation, Voting and Revocation of Proxies" on page 11 of this proxy statement, including by giving a written notice of revocation, by signing and delivering a new later-dated proxy, or by attending the special meeting and voting in person.



Q: CAN I VOTE MY SHARES IN PERSON?

A: YES. You may attend the special meeting and vote your shares in person even if you sign and mail your proxy card.

Q: DO I HAVE DISSENTERS' RIGHTS?

A: No. Under Utah law, "dissenters' rights" are not available to companies that have more than 2,000 shareholders. Based on information provided to us by our transfer agent, we have approximately 2,950 shareholders.

Q: HOW WILL THE ACQUISITION AFFECT MY SECURITIES OF MEDICAL DISCOVERIES, INC.

A: Following the closing of the Eucodis transaction, you will continue to hold the shares of our common stock that you owned prior to the sale.

Q: WHO IS PAYING FOR THIS PROXY SOLICITATION?

A: Our board of directors is making this solicitation and we will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communications by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

Q: WHOM CAN I CALL WITH QUESTIONS?

A: If you want additional copies of this document, or if you want to ask any questions about the asset purchase agreement or the transaction, you should contact \_\_\_\_\_, at (\_\_\_\_)

## SUMMARY

This summary highlights selected information from this proxy statement. It does not contain all of the information that you may consider to be important in determining how to vote on the proposed transaction. You should carefully read the entire document and the other documents to which we refer. These will give you a more detailed description of the proposed transaction. Each item in this summary refers to the pages where that subject is discussed in greater detail elsewhere in this proxy statement. In this proxy statement, the terms “we,” “our” and “us” refer to Medical Discoveries, Inc. and its wholly owned subsidiary, MDI Oncology, Inc., unless the context indicates otherwise.

### THE PROPOSAL (PAGE 12)

At the special meeting of shareholders, our shareholders will consider and vote upon a proposal to approve the sale and purchase agreement, dated July 6, 2007, as amended (the “Eucodis Agreement”), between Medical Discoveries, Inc., MDI Oncology, Inc. (“MDI Oncology”), our wholly-owned subsidiary, and Eucodis Pharmaceuticals Forschungs- und Entwicklungs GmbH, an Austrian company (“Eucodis”), which provides for the sale of certain of our assets to Eucodis, for an aggregate of approximately \$5,641,000 (based on the currency conversion rate in effect as of September 25, 2007), comprising an approximately \$1.95 million cash payment and Eucodis’ assumption and discharge of certain liabilities and indebtedness, in the aggregate amount of approximately \$3.69 million. The closing of the transactions contemplated by the Eucodis Agreement is subject to the satisfaction of certain conditions, including our obligation to obtain additional capital or a credit facility in the aggregate amount of at least \$250,000. We have already satisfied this condition. The Eucodis Agreement is the document that controls the proposed transaction between the three companies. We encourage you to read the entire Eucodis Agreement, which is attached to this proxy statement as Appendix A.

### ASSETS TO BE SOLD AND PURCHASE PRICE (PAGE 15)

The assets being sold to Eucodis include (i) all of our right, title and interest in that certain asset purchase agreement between Medical Discoveries, Inc. and the liquidator of Savetherapeutics AG, a German company in liquidation, dated as of March 11, 2005, including, among other things, our rights in and to “SaveCream”, a developmental topical aromatase inhibitor cream used to treat breast cancer tumors; (ii) all of our right, title and interest in that certain agreement between MDI Oncology and Eucodis, dated as of July 29, 2006, in connection with the co-development and licensing of “SaveCream”; and (iii) all of our right, title and interest under certain contracts relating to “SaveCream”. In this proxy statement, we refer to the assets being sold to Eucodis as the “Purchased Assets”.

The purchase price paid by Eucodis for the Purchased Assets is approximately \$5.64 million comprising:

- a cash payment of approximately \$1.95 million, which is payable to the Company at the closing; and
- Eucodis’s assumption of certain obligations and liabilities, and discharge/pay-off of certain indebtedness on our behalf in the aggregate amount of approximately \$3.69 million.

### OBLIGATIONS TO BE ASSUMED AND DISCHARGED INDEBTEDNESS (PAGE 16)

Eucodis has agreed to relieve us of an aggregate of approximately \$3.69 million constituting current indebtedness owed to seven of our creditors. In addition, Eucodis will assume all of our financial and other obligations under certain contracts relating to “SaveCream”, which will be assigned to Eucodis when the transaction closes, and certain other costs we have incurred since February 28, 2007, in connection with preserving the Purchased Assets for the benefit of Eucodis through the closing of the transaction. Other than the foregoing obligations, Eucodis will not assume or be liable for any of our obligations or liabilities.



NON-COMPETITION (PAGE 17)

We have agreed to a non-compete provision for the duration of five years after the closing of the Eucodis transaction. Specifically, the non-compete provision restricts the us from undertaking research and development activities with respect to “SaveCream”, or any other product which could be used in reasonable substitution of “SaveCream, or commercializing any products based on “SaveCream, unless expressly authorized by Eucodis.

OUR REASONS FOR THE TRANSACTION (PAGE 12)

To date, we have been a developmental-stage bio-pharmaceutical company engaged in the research, validation, development and ultimate commercialization of two drug candidates referred to as MDI-P and SaveCream. MDI-P is a drug candidate being developed as an anti-infective treatment for bacterial infections, viral infections and fungal infections. SaveCream is a drug candidate being developed to reduce breast cancer tumors. Both of these drug candidates are still in development and neither has been approved by the U.S. Food and Drug Administration (the “FDA”). The total cost to develop these two drugs and to receive the approval from the FDA would cost many millions of dollars and take many more years.

Our board has now determined that we can no longer fund the development of the two drug candidates and cannot obtain additional funding for these drug candidates. Instead, our board has decided to maximize return from these assets and to invest the proceeds that it receives from the disposition of these technologies into a new business that we would develop. In reaching this decision, the board of directors considered a number of factors, including the following:

- The limited capital raising opportunities available to us, and the unlikely possibility that another entity would be interested in funding our drug development operations.
- The unlikelihood that we will receive requisite FDA approvals to pursue our MDI-P drug candidate through to commercialization.
- The costs of further development of the MDI-P and SaveCream drugs weighed against the limited markets for both drugs.
- The uncertainty of our title in the SaveCream assets. One of the co-inventors of the SaveCream technology is challenging title to the invention in legal proceedings in Hamburg, Germany.

The foregoing discussion of the information and factors considered by our board of directors is not intended to be exhaustive, but includes the material factors considered. In view of the variety of factors considered in connection with its evaluation of the transaction and the offer price, the board did not find it practicable to, and did not, quantify or otherwise assign relative weight to the specific factors considered in reaching its determinations and recommendations, and individual directors may have given differing weight to different factors.

Our board of directors has unanimously approved Eucodis Agreement. The board of directors believes that the transaction and the terms and provisions of the Eucodis Agreement are fair to and in the best interests of our shareholders. Therefore, the board of directors has unanimously recommended that you vote to approve the Eucodis Agreement and the transactions contemplated in the Eucodis Agreement.

USE OF PROCEEDS AND OPERATIONS AFTER THE TRANSACTION (PAGE 14)

Following the closing of the Eucodis transaction, neither we nor MDI Oncology will undertake research and development activities with respect to “SaveCream” or any other product which could be used in reasonable substitution

of “SaveCream”, or commercialize any products based