

MEDICAL DISCOVERIES INC
Form PRER14A
December 28, 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: \$5,906,000
 - (5) Total fee paid: \$1,182

Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

MEDICAL DISCOVERIES, INC.

6033 W. Century Blvd, Suite 1090,

Los Angeles, California 90045

January __, 2008

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, January 29, 2008, at 6033 W. Century Blvd., Los Angeles, California 90045.

As more fully described in the attached notice of special meeting and the accompanying proxy statement, the matters to be addressed at the special meeting include your consideration of the following: (i) a proposal to sell for cash and the assumption of certain liabilities, all of our rights in "SaveCream", a developmental-stage topical aromatase inhibitor cream, to Eucodis Pharmaceuticals Forschungs und Entwicklungs GmbH, an Austrian company; (ii) a proposal to increase our authorized shares of common stock from 250,000,000 shares to 500,000,000 shares; and (iii) a proposal to change the name of our company to "Global Clean Energy Holdings, Inc."

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" all of the proposals presented in this proxy statement. You may attend the special meeting and vote in person even if you have submitted your proxy.

Sincerely,

Richard Palmer

President and Chief Executive Officer

MEDICAL DISCOVERIES, INC.
6033 W. Century Blvd, Suite 1090,
Los Angeles, California 90045

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 29, 2008

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, January 29, 2008 at 6033 W. Century Blvd., Los Angeles, California 90045, for the following purposes:

1. Approval of Eucodis Agreement. To approve the sale of all of our rights in and to “SaveCream”, a developmental-stage topical aromatase inhibitor cream, to Eucodis Pharmaceuticals Forschungs und Entwicklungs GmbH (“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.
2. Approval of Increase in Authorized Common Stock. To approve an amendment of our Amended and Restated Articles of Incorporation to increase the authorized number of shares of our common stock from 250,000,000 to 500,000,000 shares.
3. Approval of Name Change. To approve an amendment of our Amended and Restated Articles of Incorporation to change our company’s name to “Global Clean Energy Holdings, Inc.”

The Eucodis Agreement sets forth the terms of the sale to Eucodis and is attached to this proxy statement as Appendix A.

We have fixed the close of business on December 28, 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 January __, 2008.

By Order of the Board of Directors,

RICHARD PALMER
President and Chief Executive Officer
January __, 2008

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.

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MEDICAL DISCOVERIES, INC.

6033 W. Century Blvd, Suite 1090,

Los Angeles, California 90045

PROXY STATEMENT

Special Meeting Of Shareholders To Be Held On January 29, 2008

This proxy statement is being furnished to the shareholders of Medical Discoveries, Inc. in connection with the solicitation of proxies by our Board of Directors for use at the special meeting of the shareholders to be held on Tuesday, January 29, 2008, and at any adjournments or postponements thereof.

This Proxy Statement and the accompanying proxy card are first being mailed to our shareholders on or about January __, 2008.

The purpose of the special meeting is to consider and vote upon the following:

- to approve that certain sale and purchase agreement, as amended, among Medical Discoveries, Inc., MDI Oncology, Inc. (“MDI Oncology”), our wholly-owned subsidiary, and Eucodis Pharmaceuticals Forschungs - und Entwicklungs GmbH, an Austrian company (“Eucodis”), pursuant to which we will sell certain of our assets to Eucodis;
- to approve the amendment to our Articles of Incorporation to increase the authorized number of shares of our common stock from 250,000,000 to 500,000,000 shares; and
- to approve an amendment to our Articles of Incorporation to change our company’s name to “Global Clean Energy Holdings, Inc.”

Record Date; Shares Entitled To Vote; Vote Required To Approve The Transaction

The Board of Directors has fixed the close of business on December 28, 2007, as the date for the determination of shareholders entitled to vote at the special meeting. On the record date, 197,676,560 shares of our common stock were outstanding, each entitled to one vote per share. In addition, the issued and outstanding shares of our Series B Convertible Preferred Stock, which are entitled to vote together with our common stock shares, are convertible into 11,818,181 shares of our common stock, as of the record date. Our outstanding shares of Series A Convertible Preferred Stock are not entitled to vote.

The presence at the special meeting, in person or by proxy, of the holders of a majority of the issued and outstanding shares of our common stock (on as-if converted basis) on the record date is necessary to constitute a quorum for the transaction of business at the special meeting. In the absence of a quorum, the special meeting may be postponed from time to time until shareholders holding the requisite number of shares of our common stock (on as-if converted basis) are represented in person or by proxy. If a quorum is present, then each proposal will be approved if the votes cast (on as-if converted basis) favoring the proposal exceed the votes cast opposing the action, whether such votes are present in person or represented by proxy at the special meeting. Broker non-votes and abstentions will be counted towards a quorum at the special meeting, but will not count as votes for or against the proposals. If you return the attached proxy card with no voting decision indicated, the proxy will be voted FOR the approval of all proposals made at the meeting. Each holder of record of shares of our common stock (on as-if converted basis) is entitled to cast, for each share registered in his or her name, one vote on each proposal as well as on each other matter presented to a vote of shareholders at the special meeting.

Solicitation, Voting and Revocation Of Proxies

This solicitation of proxies is being made by our Board of Directors, and our company 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 directors, officers and employees of our company, who will not receive any additional compensation for such solicitation activities. We also will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

Shares of our common stock represented by a proxy properly signed and received at or prior to the special meeting, unless properly revoked, will be voted in accordance with the instructions on the proxy. If a proxy is signed and returned without any voting instructions, shares of our common stock represented by the proxy will be voted "FOR" each proposal and, in accordance with the determination of the majority of our Board of Directors, as to any other matter which may properly come before the special meeting, including any adjournment or postponement thereof. A shareholder may revoke any proxy given pursuant to this solicitation by: (i) delivering to our corporate secretary, prior to or at the special meeting, a written notice revoking the proxy; (ii) delivering to our corporate secretary, at or prior to the special meeting, a duly executed proxy relating to the same shares and bearing a later date; or (iii) voting in person at the special meeting. Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communications with respect to the revocation of a proxy should be addressed to:

Medical Discoveries, Inc.
6033 W. Century Blvd, Suite 1090
Los Angeles, California, 90045

Our Board of Directors is not aware of any business to be acted upon at the special meeting other than consideration of the proposals described herein.

Summary Term Sheet – Transaction With Eucodis-Proposal I

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 22)** 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, relating to certain rights in "SaveCream"; (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.
- **Purchase Price (page 23)** The purchase price paid by Eucodis is approximately 4,007,534 euros or approximately \$5,906,000 based on the currency exchange rate in effect as of November 30, 2007, comprising a cash payment of approximately \$2,267,000, and Eucodis' assumption of certain of our obligations and liabilities aggregating approximately \$3,639,000. 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. The currency exchange rate in effect as

of the closing of the Eucodis transaction or at any future date may differ, which may result in us receiving a different amount of U.S. dollars for the SaveCream assets.

- **Obligations Assumed and Discharged** (page 23) Eucodis has agreed to assume an aggregate of approximately \$3,639,000 of 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 24) 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 24) The Eucodis Agreement contains customary representations, warranties and covenants, which survive through the closing of the transaction.
- **Closing Conditions** (page 25) 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 (this latter condition has already been met).
- **Our Board’s Recommendation** (page 26) 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 THIS PROXY STATEMENT MATERIAL

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 following: (i) to approve the sale of our SaveCream asset to Eucodis; (ii) approve an amendment to the Articles of Incorporation of Medical Discoveries, Inc. to increase our authorized shares of our common stock from 250,000,000 to 500,000,000; and (iii) approve an amendment to the Articles of Incorporation of Medical Discoveries, Inc. to effect a name change to “Global Clean Energy Holdings, Inc.”, each 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 matters.

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 SaveCream product; and (iii) all of our (and MDI Oncology’s) right, title and interest under certain contracts relating to SaveCream ((i),(ii) and (iii) collectively, the “Purchased Assets”). This sale of the SaveCream assets to Eucodis will terminate any further obligation on the part of our company or its subsidiary, MDI Oncology, to spend additional monies to develop SaveCream. The 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.

In addition, the amendments to our Amended and Restated Articles of Incorporation to increase our authorized common stock and effect a name change are being submitted to our shareholders for approval pursuant to Section 16-10a-1003 of the Utah Revised Business Corporation Act.

Q: HOW MANY VOTES ARE REQUIRED TO APPROVE EACH PROPOSAL?

A: Each share of common stock will entitle the holder to cast one vote. Our outstanding shares of Series A Convertible Preferred Stock are not entitled to vote. However, our outstanding shares of Series B Convertible Preferred Stock are entitled to vote, together with the holders of our common stock as one class, on all matters presented to the our shareholders, including the foregoing proposals. Each outstanding share of our Series B Convertible Preferred Stock entitles the holder thereof to that number of votes equal to the number of shares of our common stock into which each such share of Series B Convertible Preferred Stock would have been convertible as of December 28, 2007, the record date set for determining shareholders entitled to vote at the special meeting.

Assuming the presence of a quorum, the affirmative vote of the majority of votes cast in person or by proxy on the matter (excluding broker non-votes), with the common stock and the Series B Convertible Preferred Stock voting together as a single group, will be required for approval. Abstentions will be considered for purposes of calculating the vote, but will not be considered to have been voted in favor of such matter. As of December 28, 2007, the record date, we had 197,676,560 shares of common stock outstanding, and 13,000 shares of Series B Convertible Preferred Stock outstanding (which shares of preferred stock have the right to cast up to 11,818,181 votes).

Q: WHAT WILL HAPPEN IF THE SHAREHOLDERS APPROVE THE PROPOSALS?

A: If the shareholders approve the transaction with Eucodis, then shortly following the special meeting, subject to the satisfaction of certain conditions set out in the Eucodis Agreement, we (and MDI Oncology) will sell to Eucodis the Purchased Assets in exchange for an aggregate of €4,007,534 (approximately \$5,906,000 based on the currency exchange rate in effect as of November 30, 2007), a portion of which comprised (a) a cash payment of €1,538,462 (approximately \$2,267,000 based on the currency exchange rate in effect as of November 30, 2007), which is due and payable to us at the closing, less \$200,000 already received from Eucodis in March 2007, and (b) Eucodis' assumption of an aggregate of €2,469,072 (approximately \$3,639,000 based on the currency conversion rate in effect as of November 30, 2007), constituting specific indebtedness currently owed to certain of our creditors, as more fully discussed under "Proposal I - Terms of Sale and Purchase Agreement – Assumption of Liabilities".

The approximately \$2,067,000 in cash proceeds received from the Eucodis sale will be used for general business purposes and to repay certain outstanding indebtedness. We do not anticipate that any distributions will be made to our shareholders in the near future, if at all.

In addition, if the shareholders approve the amendments to our Articles of Incorporation in connection with the proposed increase in authorized common stock and name change, then subsequent to the special meeting, we will file the Articles of Amendment to our Articles of Incorporation with the Office of the Secretary of State of Utah to increase our authorized number of shares of common stock, to change our company's name.

Q: WHY IS THE BOARD OF DIRECTORS PROPOSING THE SALE OF SAVECREAM?

A: 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. Our 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, our Board has decided to stop our bio-pharmaceutical operations, and to enter the renewable feedstock-biofuels business. Since we will no longer be developing our SaveCream assets, we have sought to maximize our return from these drug assets through their sale at this time, and to use the proceeds that we receive from the disposition of these assets to pay off all of our creditors and to invest any residual proceeds into our new renewable feedstock-biofuels business.

Q: IS THE BOARD OF DIRECTORS ASKING US TO APPROVE THE NEW BIOFUELS BUSINESS?

A: No. The Board of Directors has decided that it is not in the best interests of this company, its shareholders, or its creditors to continue to attempt to develop and commercialize our bio-pharmaceutical assets and has, therefore, stopped those operations. The Board has decided to enter into the biofuels business, but the Board is not required to obtain shareholder approval for its activities in this new line of business.

Q: WHY IS THE BOARD OF DIRECTORS PROPOSING THE INCREASE IN AUTHORIZED COMMON STOCK?

A: In addition to ensuring that we have a sufficient number of shares of common stock available in connection with the exercise of currently outstanding options, warrants and other convertible securities, the additional authorized common stock may be used for future acquisitions and equity funding.

Q: WHY IS THE BOARD OF DIRECTORS PROPOSING THE NAME CHANGE?

A: We have discontinued our prior operations in the bio-pharmaceutical industry and have initiated operations in the biofuels-feedstock market. We are proposing a name change to reflect our new business as a biofuels energy company.

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

A: In connection with the sale to Eucodis, we have agreed that after the sale 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. Our future business plan, and our current principal business activities, includes the planting, cultivation, harvesting and processing of inedible feedstock (such as *Jatropha curcas*) to generate feedstock seed oils and biomass for use in the biofuels industry, including the production of bio-diesel. See "Business – The Jatropha Business" for additional details regarding our new feedstock-biofuels business.

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

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 EUCODIS 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, certain of 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 about January 31, 2008.

Q: DOES OUR BOARD OF DIRECTORS RECOMMEND VOTING FOR THE EUCODIS TRANSACTION AND OTHER PROPOSALS?

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.

Our Board of Directors also recommends that our shareholders vote "FOR" approval of amendments to our Amended and Restated Articles of Incorporation to increase our authorized common stock and to change our corporate name.

Q: WHAT SHOULD I DO NOW?

A: Send in your proxy card. After reviewing this document and its appendices, 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 each proposal.

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