

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

FORM 8-K

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

Date of Report (date of earliest event reported): October 22, 2007

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

Utah  
(State of Incorporation)

00-12627  
(Commission File Number)

87-0407858  
(I.R.S. Employer Identification No.)

6033 W. Century Blvd, Suite 1090, Los Angeles, California  
(Address of Principal Executive Offices)

90045  
(Zip Code)

(801) 582-9583  
(Registrant's Telephone Number, Including Area Code)

1338 S. Foothill Drive, #266, Salt Lake City, Utah 84108  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).
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## ITEM 1.01 ENTRY INTO A MATERIAL AGREEMENT

On October 22, 2007, Medical Discoveries, Inc. (the “Company”) executed and entered into a release and settlement agreement, dated as of October 19, 2007, with holders of the Company’s Series A Preferred Convertible Stock pursuant to which the Company issued to such shareholders warrants to purchase 17,000,000 shares of the Company’s common stock. For a description of the settlement agreement and the issuance of the warrants, see the discussion under Item 3.02 below, which is incorporated herein by reference.

## ITEM 3.02 UNREGISTERED SALES OF SECURITIES.

### *Release Agreement*

Mercator Momentum Fund, LP; Monarch Pointe Fund, Ltd.; and Mercator Momentum Fund III, LP, each a private investment entity (the foregoing three investment funds, collectively, the “MAG Funds”) purchased shares of the Company’s Series A Preferred Convertible Stock (the “Series A Stock”) in 2004 and in 2005. In connection with the 2005 investment, the Company agreed to eliminate the conversion price floor of the Series A Stock. The Company failed to file an amendment to the Series A Stock Certificate of Designations of Preferences and Rights for the Series A Stock (the “Amendment”) that would have eliminated the conversion price floor. Accordingly, in connection with an intended conversion of some of their Series A Stock in September 2007, the MAG Funds were required to convert Series A Stock at a conversion price higher than the price that would have applied if the Amendment had been filed as agreed.

On October 22, 2007, the Company executed and entered into that certain Release and Settlement Agreement, dated as of October 19, 2007 (the “Release Agreement”), with the MAG Funds to settle all losses and damages (collectively, “Losses”) that MAG may have suffered, and may hereafter suffer, as result of the Company’s failure to file the Amendment. Pursuant to the Release Agreement, the Company issued to the MAG Funds a ten-year warrant to acquire up to 17,000,000 shares of the Company’s common stock (the “Common Stock”) at an exercise price of \$0.01 per share expiring October 17, 2017 (the “Warrant”).

Pursuant to the Release Agreement, the MAG Funds released the Company from any and all claims, past, present or future, relating to the Losses or the Company’s failure to file the Amendment. In addition, MAG has agreed not to sue the Company in connection with the Losses or the Company’s failure to file the Amendment.

### *Warrant*

Pursuant to the Release Agreement, the Company issued to the MAG Funds the Warrant to acquire shares of the Company’s Common Stock, comprising (i) warrants to acquire up to 5,122,100 shares of Common Stock issued to Mercator Momentum Fund, L.P.; warrants to acquire up to 6,050,300 shares of Common Stock issued to Mercator Momentum Fund III, L.P.; warrants to acquire up to 5,827,600 shares of Common Stock issued to Monarch Pointe Fund, Ltd, in each case, at an exercise price of \$0.01 (the “Warrant Price”). The Warrant is exercisable during the period commencing October 17, 2007 and ending on October 17, 2017. The initial Warrant Price is subject to adjustments in connection with (i) the Company’s issuance of dividends in shares of Common Stock, or shares of Common Stock or other securities convertible into shares of Common Stock without consideration, (ii) any cash paid or payable to the holders of Common Stock other than as a regular cash dividend, and (ii) future stock splits, reverse stock splits, mergers or reorganizations, and similar changes affecting common stockholders.

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*Beneficial Ownership Limitation*

The Warrant issued to the MAG Funds contain beneficial ownership limitations, which preclude the MAG Funds from exercising its Warrant if, as a result of such conversion or exercise, the MAG Funds would own beneficially more than 9.99% of the Company's outstanding common stock then outstanding.

*Other*

The Warrant was not registered under the Securities Act of 1933 (as amended, the "Act") and was issued in reliance upon the exemption from registration contained in Section 4(2) of the Act and Regulation D promulgated thereunder. The Warrant, and the shares of Common Stock underlying the Warrant, may not be reoffered or sold in the United States by the holders in the absence of an effective registration statement, or valid exemption from the registration requirements, under the Act.

Copies of the Release Agreement and the form of the Warrant are filed as exhibits to this Current Report on Form 8-K. The summary of these documents set forth above is qualified by reference to such exhibits.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d)

<u>Exhibit No.</u>	<u>Description</u>
10.1	Release and Settlement Agreement, dated as of October 19, 2007, by and among the Company, on the one hand, and Mercator Momentum Fund, LP, Monarch Pointe Fund, Ltd., and Mercator Momentum Fund III, LP, on the other hand.
10.2	Form of Warrant

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

MEDICAL DISCOVERIES, INC.

Date: October 26, 2007

By: /s/ RICHARD PALMER

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Richard Palmer  
President

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EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
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10.2	Form of Warrant

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RELEASE AND SETTLEMENT AGREEMENT

THIS RELEASE AND SETTLEMENT AGREEMENT (this "Agreement") is entered into as of October 19, 2007 by and between MEDICAL DISCOVERIES, INC., a Utah corporation (the "Company"), and MERCATOR MOMENTUM FUND, LP, MONARCH POINTE FUND, LTD., and MERCATOR MOMENTUM FUND III, LP, each a private investment entity (the foregoing three investment funds are hereinafter collectively referred to as "MAG").

RECITALS

WHEREAS, on or about October 2004, the board of directors of the Company (the "Board") adopted a resolution establishing the rights, preferences, privileges and restrictions of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock");

WHEREAS, the Company thereafter filed with the Secretary of State of the State of Utah (the "Utah SOS") a Certificate of Designations of Preferences and Rights of the Series A Preferred Stock (the "Certificate"), which Certificate designated the rights of the holders of the Series A Preferred Stock with respect to such preferred stock;

WHEREAS, in connection with an initial round of preferred equity financing, the Company issued to MAG shares of the Series A Preferred Stock pursuant to the terms and conditions of Subscription Agreements each dated October 18, 2004 (the "Subscription Agreements");

WHEREAS, pursuant to the Certificate, MAG had the right to convert shares of the Series A Preferred Stock at a Conversion Price (as defined in the Certificate) equal to 85% of the Market Price (as defined in the Certificate) except that if an Event of Default (as defined in the Subscription Agreements) occurs, the conversion price is reduced to 75% of the Market Price, subject to a Floor Price (as defined in the Certificate) of \$0.05 per share;

WHEREAS, on or around March 2005, in connection with a subsequent round of equity financing pursuant to which the Company issued to MAG additional shares of the Series A Preferred Stock, the Company and MAG agreed to amend the Certificate (the "Amendment") to delete all references therein to a Floor Price, which Amendment was to be filed with the Utah SOS in accordance with Utah general corporate law;

WHEREAS, the Company failed to file the Amendment with the Utah SOS and, accordingly, the Series A Preferred Stock conversion price is still limited to the \$0.05 per share Floor Price;

WHEREAS, the Company is in default of the Subscription Agreements for failing to keep the Registration Statement (as defined in the Subscription Agreements) effective;

WHEREAS, the parties hereto desire to reach an agreement in settlement of any and all past, present, future, actual, potential and unknown losses, costs, expenses and damages that MAG may have suffered as result of the Company's failure to file the Amendment and to keep the Registration Statement effective (all such losses, expenses and damages, the "Losses");

WHEREAS, MAG owns all of the issued and outstanding shares of the Series A Preferred Stock; and,

WHEREAS, the parties hereto now desire to enter into a full and complete release and settlement with respect of the Losses, subject to the terms and conditions of this Agreement.

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## Agreement

NOW, THEREFORE, upon these premises, which are incorporated herein by reference, and for and in consideration of the mutual promises and covenants set forth herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, it is hereby agreed as follows:

1. Release of Claims. Each of the MAG entities, for themselves, their future, present, and former employees, agents, representatives, consultants, attorneys, fiduciaries, officers, directors, successors, assigns and subsidiary entities (together, the "MAG Parties") do hereby irrevocably release, remise, acquit, and forever discharge the Company, including all of its future, present, and former employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, managers, partners, predecessors, successors and assigns, subsidiary and parent entities (together, the "Company Parties"), from any and all actions and causes of action, judgments, execution, suits, debts, past, present, future and unknown claims, demands, liabilities, obligations, damages that could be brought by the MAG Parties, and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, or whatsoever kind or nature, in connection with, relating to or otherwise arising out of the Losses and the Company's failure to file the Amendment. The Company acknowledges that the releases and agreements in this paragraph are limited to the Losses and to damages and other causes of actions related to the Company's failure to file the Amendment.

2. Covenant Not to Sue. MAG hereby covenants and agrees that neither of them will at any time, directly or indirectly, initiate, maintain, or prosecute, or in any way knowingly aid in the initiation, maintenance, or prosecution, of any past, present, future and unknown claim, demand, or cause of action, at law, in equity, or otherwise, against the Company Parties related to the Losses or the Company's failure to file the Amendment.

3. Consideration. In consideration of the releases, promises and covenants of MAG set forth herein, the Company hereby issues to MAG warrants (the "Warrants") to purchase 17 million shares of the Company's common stock, no par value, at an exercise price of \$0.01 per share for a term of 10 years from the date of issuance of the Warrants. Warrants to purchase the 17 million shares of common stock shall be allocated as follows: Warrants for 5,122,100 shares of Common Stock to Mercator Momentum Fund, L.P.; Warrants for 6,050,300 shares of Common Stock to Mercator Momentum Fund III, L.P.; Warrants for 5,827,600 shares of Common Stock to Monarch Pointe Fund, Ltd. The form of the Warrants is attached hereto as Exhibit A.

4. No Admission of Liability. By entering into this Agreement, neither party hereto admits the allegations or contentions of the other party with respect to the Losses, the Company's failure to file the Amendment, and related matters, and each party is entering into this Agreement for the sole purpose of resolving this matter and avoiding the time and expense incident to protracted litigation.

5. Entire Agreement. This Agreement constitutes the sole, complete and entire agreement and understanding of the parties concerning the matters contained herein and may not be altered, modified, or changed in any manner except by a writing duly executed by the parties. No conditions precedent to the effectiveness of this Agreement exist, other than as expressly provided for herein. There are no oral or written collateral agreements. All prior discussions and negotiations have been and are merged, integrated into and superseded by this Agreement.

6. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect. If any covenants or provisions of this Agreement are determined to be unenforceable by reason of their extent, duration, scope, or otherwise, then the parties contemplate that the court making such determination shall reduce such extent, duration, scope, or other provision and enforce them in their reduced form for all purposes contemplated by this Agreement.

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7. Survival. The representations, warranties, covenants, and agreements of the respective parties set forth herein shall survive the date of the consummation of the transaction contemplated in this Agreement.

8. Notices. Any notice, demand, request, or other communication under this Agreement shall be in writing and shall be deemed to have been given on the date of service if personally served or by facsimile transmission (if receipt is confirmed by the facsimile operator of the recipient), or delivered by overnight courier service, or on the third day after mailing if mailed by certified mail, return receipt requested, addressed as follows:

If to the Company, as follows:                      Medical Discoveries, Inc.  
6033 W. Century Blvd, Suite 1090,  
Los Angeles, California 90045

If to MAG, as follows:                              Mercator Momentum Fund LP  
Mercator Momentum Fund III, LP  
Monarch Pointe Fund, Ltd.  
c/o MAG Capital LLC  
555 Flower Street, Suite 4200  
Los Angeles, California 90071

or such other addresses and facsimile numbers as shall be furnished in writing by any party in the manner for giving notices hereunder, and any such notice, demand, request, or other communication shall be deemed to have been given as of the date so delivered or sent by facsimile transmission (if receipt is confirmed by the facsimile operator of the recipient), three days after the date so mailed, or one day after the date so sent by overnight delivery.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

10. Relief. Any party's breach or threatened breach of any covenant contained in this Agreement will cause such damage to the other party as will be irreparable, and for that reason, each party agrees that the other shall be entitled as a matter of right to an injunction from any court of competent jurisdiction restraining any further violation of such covenants by such other party. The right to injunctive relief shall be cumulative and in addition to all other remedies, including, specifically, recovery of damages.

11. Attorneys' Fees. In the event that any party institutes any action or suit to enforce this Agreement or to secure relief from any default hereunder or breach hereof, the non-prevailing party shall reimburse the prevailing party for all costs, including reasonable attorneys' fees, incurred in connection therewith and in enforcing or collecting any judgment rendered therein, including such costs which are incurred in any bankruptcy or appellate proceeding.

12. Jurisdiction and Venue. Any judicial proceeding brought against any of the parties hereto, with respect to the Agreement, shall be brought in any court of competent jurisdiction in Los Angeles, California, irrespective of where such party may be located at the time of such proceeding, and by execution and delivery of the Agreement, each of the parties hereto hereby consents to the jurisdiction and venue of such court and waives any defense or opposition to such jurisdiction and venue.

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13. Governing Law. This Agreement shall be governed by and construed under and in accordance with the laws of the State of California, excluding the laws respecting choice or conflicts of law.

14. Additional Documents. Each party shall, at any time and from time to time, execute and deliver to the other party all other and further instruments necessary or convenient to effectuate the purpose and intent of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, individually or by their respective officers, hereunto duly authorized.

MEDICAL DISCOVERIES, INC.

By:/s/ \_\_\_\_\_

David R. Walker, Chairman of the Board

MERCATOR MOMENTUM FUND, LP

By:/s/

\_\_\_\_\_  
David Firestone, General Partner & Manager

MERCATOR MOMENTUM FUND III, LP

By:/s/

\_\_\_\_\_  
David Firestone, General Partner & Manager

MONARCH POINTE FUND, LTD.

By:/s/

\_\_\_\_\_  
David Firestone, General Partner & Manager

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## WARRANT TO PURCHASE COMMON STOCK

THIS WARRANT AND THE SECURITIES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

### WARRANT TO PURCHASE COMMON STOCK

**Number of Shares:** Up to \_\_\_\_\_ shares (subject to adjustment)

**Warrant Price:** \$0.01 per share

**Issuance Date:** October 17, 2007

**Expiration Date:** October 17, 2017

THIS WARRANT CERTIFIES THAT for value received, \_\_\_\_\_, or its registered assigns (hereinafter called the "**Holder**") is entitled to purchase from Medical Discoveris, Inc., a Utah corporation (hereinafter called the "**Company**"), the above referenced number of fully paid and nonassessable shares (the "**Shares**") of common stock, no par value (the "**Common Stock**") of Company, at the Warrant Price per Share referenced above; the number of shares purchasable upon exercise of this Warrant referenced above being subject to adjustment from time to time as described herein. This Warrant is issued in connection with that certain Release and Settlement Agreement dated as of October 17, 2007, by and among the Company, Holder and the other parties therein named (the "**Settlement Agreement**"). The exercise of this Warrant shall be subject to the provisions, limitations and restrictions contained herein.

#### 1. **Term and Exercise.**

**1.1 Term.** This Warrant is exercisable in whole or in part (but not as to any fractional share of Common Stock), at any time and from time to time after the date hereof prior to 6:00 p.m. on the Expiration Date set forth above.

**1.2 Warrant Price.** The Warrant shall be exercisable at the Warrant Price described above.

**1.3 Maximum Number of Shares.** The maximum number of Shares of Common Stock exercisable pursuant to this Warrant is \_\_\_\_\_ Shares. However, notwithstanding anything herein to the contrary, in no event shall the Holder be permitted to exercise this Warrant for a number of Shares greater than the number that would cause the aggregate beneficial ownership of the Company's Common Stock (calculated pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of the Holder and all persons affiliated with the Holder to equal 9.99% of the Company's Common Stock then outstanding.

**1.4 Procedure for Exercise of Warrant.** Holder may exercise this Warrant by delivering the following to the principal office of the Company in accordance with Section 5.1 hereof: (i) a duly executed Notice of Exercise in substantially the form attached as Schedule A, (ii) payment of the Warrant Price then in effect for each of the Shares being purchased, as designated in the Notice of Exercise, and (iii) this Warrant. Payment of the Warrant Price may be in cash, certified or official bank check payable to the order of the Company, wire transfer of funds to the Company's account (or any combination of any of the foregoing) in the amount of the Warrant Price for each share being purchased, or as set forth in Section 1.8 hereof.

**1.5 Delivery of Certificate and New Warrant.** In the event of any exercise of the rights represented by this Warrant, a certificate or certificates for the shares of Common Stock so purchased, registered in the name of the Holder or such other name or names as may be designated by the Holder, together with any other securities or other property which the Holder is entitled to receive upon exercise of this Warrant, shall be delivered to the Holder hereof, at the Company's expense, within a reasonable time, not exceeding fifteen (15) calendar days, after the rights represented by this Warrant shall have been so exercised; and, unless this Warrant has expired, a new Warrant representing the number of Shares (except a remaining fractional share), if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the Holder hereof within such time. The person in whose name any certificate for shares of Common Stock is issued upon exercise of this Warrant shall for all purposes be deemed to have become the holder of record of such shares on the date on which the Warrant was surrendered and payment of the Warrant Price was received by the Company, irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is on a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such Shares at the close of business on the next succeeding date on which the stock transfer books are open.

**1.6 Restrictive Legend.** Each certificate for Shares shall bear a restrictive legend in substantially the form as follows, together with any additional legend required by (i) any applicable state securities laws and (ii) any securities exchange upon which such Shares may, at the time of such exercise, be listed:

"The shares of stock evidenced by this certificate have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered, sold, pledged or otherwise transferred ("transferred") in the absence of such registration or an applicable exemption therefrom. In the absence of such registration, such shares may not be transferred unless, if the Company requests, the Company has received a written opinion from counsel in form and substance satisfactory to the Company stating that such transfer is being made in compliance with all applicable federal and state securities laws."

Any certificate issued at any time in exchange or substitution for any certificate bearing such legend shall also bear such legend unless, in the opinion of counsel for the Holder thereof (which counsel shall be reasonably satisfactory to the Company), the securities represented thereby are not, at such time, required by law to bear such legend.

**1.7 Fractional Shares.** No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying to Holder an amount computed by multiplying the fractional interest by the Warrant Price of a full Share then in effect.



## 1.8 Cashless Exercise.

(a) Holder may, at its option, in lieu of paying the Warrant Price upon exercise of this Warrant pursuant to Section 1.4 hereof, elect to instead to receive a number of Shares computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X= the number of Shares issuable to Holder upon exercise of this Warrant under this Section 1.8, Y=the number of Shares issuable to Holder upon exercise of this Warrant under Section 1.4 hereof, A=the Fair Market Value (as defined below) of one Share of Common Stock as of the exercise date; and B=the Warrant Price of one Share of Common Stock.

(b) For purposes of this Section 1.8, "*Fair Market Value*" of one Share of Common Stock as of a particular date shall be determined as follows: (i) if traded on a national securities exchange or through the Nasdaq Stock Market, the Fair Market Value shall be deemed to be the volume weighted average closing price of the Common Stock on such exchange as of five business days immediately prior to such date (or if no reported sales took place on such day, the last date on which any such sales took place prior to the date of exercise); (ii) if traded over-the-counter or the Pink Sheets but not on the Nasdaq Stock Market, the "Fair Market Value" shall be deemed to be the average of the closing price as of five business days immediately prior to such date; and (iii) if there is no active market public market, the "Fair Market Value" shall be the fair market, as mutually determined by the Holder and the Company or, if the Holder and the Company are unable to reach such agreement, as determined by a nationally recognized independent investment banker or valuation consultant (which has not been retained by the Company or any of its affiliates for the past two years preceding such determination) mutually acceptable to Holder and Company.

## 2. Representations, Warranties and Covenants.

### 2.1 Representations and Warranties.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all necessary power and authority to perform its obligations under this Warrant;

(b) The execution, delivery and performance of this Warrant has been duly authorized by all necessary actions on the part of the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms; and

(c) This Warrant does not violate and is not in conflict with any of the provisions of the Company's Articles of Incorporation, Bylaws and any resolutions of the Company's Board of Directors or stockholders, or any agreement of the Company, and no event has occurred and no condition or circumstance exists that might (with or without notice or lapse of time) constitute or result directly or indirectly in such a violation or conflict.

**2.2 Issuance of Shares.** The Company covenants and agrees that all shares of Common Stock that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. The Company further covenants and agrees that it will pay when due and payable any and all federal and state taxes which may be payable in respect of the issue of this Warrant or any Common Stock or certificates therefor issuable upon the exercise of this Warrant excluding the Holder's income and other taxes not directly relating to the issuance of the Warrant or Common Stock. The Company further covenants and agrees that the Company will at all times have authorized and reserved, free from preemptive rights, a sufficient number of shares of Common Stock to provide for the exercise in full of the rights represented by this Warrant. If at any time the number of authorized but unissued shares of Common Stock of the Company shall not be sufficient to effect the exercise of the Warrant in full, subject to the limitations set forth in Section 1.3 hereto, then the Company will take all such corporate action as may, in the opinion of counsel to the Company, be necessary or advisable to increase the number of its authorized shares of Common Stock as shall be sufficient to permit the exercise of the Warrant in full, subject to the limitations set forth in Section 1.3 hereto, including without limitation, using its best efforts to obtain any necessary stockholder approval of such increase. The Company further covenants and agrees that if any shares of capital stock to be reserved for the purpose of the issuance of shares upon the exercise of this Warrant require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued or delivered upon exercise, then the Company will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be. If and so long as the Common Stock issuable upon the exercise of this Warrant is listed on any national securities exchange or the Nasdaq Stock Market, the Company will, if permitted by the rules of such exchange or market, list and keep listed on such exchange or market, upon official notice of issuance, all shares of such Common Stock issuable upon exercise of this Warrant.

## 3. Other Adjustments.

**3.1 Subdivision or Combination of Shares.** In case the Company shall at any time subdivide its outstanding Common Stock into a greater number of shares, the Warrant Price in effect immediately prior to such subdivision shall be proportionately reduced, and the number of Shares subject to this Warrant shall be proportionately increased, and conversely, in case the outstanding Common Stock of the Company shall be combined into a smaller number of shares, the Warrant Price in effect immediately prior to such combination shall be proportionately increased, and the number of Shares subject to this Warrant shall be proportionately decreased.

**3.2 Dividends in Common Stock, Other Stock or Property.** If at any time or from time to time the holders of Common Stock (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received or become entitled to receive, without payment therefor:

(a) Common Stock, Options or any shares or other securities which are at any time directly or indirectly convertible into or exchangeable for Common Stock, or any rights or options to subscribe for, purchase or otherwise acquire any of the foregoing by way of dividend or other distribution;

(b) any cash paid or payable otherwise than as a regular cash dividend; or

(c) Common Stock or additional shares or other securities or property (including cash) by way of spin-off, split-up, reclassification, combination of shares or similar corporate rearrangement (other than Common Stock issued as a stock split or adjustments in respect of which shall be covered by the terms of Section 3.1 above) or additional shares, other securities or property issued in connection with a Change (as defined below) (which shall be covered by the terms of Section 3.3 below), then and in each such case, the Holder hereof shall, upon the exercise of this Warrant, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without

payment of any additional consideration therefor, the amount of stock and other securities and property (including cash in the cases referred to in clause (b) above and this clause (c)) which such Holder would hold on the date of such exercise had such Holder been the holder of record of such Common Stock as of the date on which holders of Common Stock received or became entitled to receive such shares or all other additional stock and other securities and property.

**3.3 Reorganization, Reclassification, Consolidation, Merger or Sale.** If any recapitalization, reclassification or reorganization of the share capital of the Company, or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its shares and/or assets or other transaction (including, without limitation, a sale of substantially all of its assets followed by a liquidation) shall be effected in such a way that holders of Common Stock shall be entitled to receive shares, securities or other assets or property (a "**Change**"), then, as a condition of such Change, lawful and adequate provisions shall be made by the Company whereby the Holder hereof shall thereafter have the right to purchase and receive (in lieu of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby) such shares, securities or other assets or property as may be issued or payable with respect to or in exchange for the number of outstanding Common Stock which such Holder would have been entitled to receive had such Holder exercised this Warrant immediately prior to the consummation of such Change. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to give effect to the adjustments provided for in this Section 3 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 3.3 shall similarly apply to successive Changes.

#### **4. Ownership and Transfer.**

**4.1 Ownership of This Warrant.** The Company may deem and treat the person in whose name this Warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary until presentation of this Warrant for registration of transfer as provided in this Section 4.

**4.2 Transfer and Replacement.** This Warrant and all rights hereunder are transferable in whole or in part upon the books of the Company by the Holder hereof in person or by duly authorized attorney, and a new Warrant or Warrants, of the same tenor as this Warrant but registered in the name of the transferee or transferees (and in the name of the Holder, if a partial transfer is effected) shall be made and delivered by the Company upon surrender of this Warrant duly endorsed, at the office of the Company in accordance with Section 5.1 hereof. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft or destruction, and, in such case, of indemnity or security reasonably satisfactory to it, and upon surrender of this Warrant if mutilated, the Company will make and deliver a new Warrant of like tenor, in lieu of this Warrant; provided that if the Holder hereof is an instrumentality of a state or local government or an institutional holder or a nominee for such an instrumentality or institutional holder an irrevocable agreement of indemnity by such Holder shall be sufficient for all purposes of this Warrant, and no evidence of loss or theft or destruction shall be necessary. This Warrant shall be promptly cancelled by the Company upon the surrender hereof in connection with any transfer or replacement. Except as otherwise provided above, in the case of the loss, theft or destruction of a Warrant, the Company shall pay all expenses, taxes and other charges payable in connection with any transfer or replacement of this Warrant, other than income taxes and stock transfer taxes (if any) payable in connection with a transfer of this Warrant, which shall be payable by the Holder. Holder will not transfer this Warrant and the rights hereunder except in compliance with federal and state securities laws and except after providing evidence of such compliance reasonably satisfactory to the Company.

#### **5. Miscellaneous Provisions.**

**5.1 Notices.** Any notice or other document required or permitted to be given or delivered to the Holder shall be delivered or forwarded to the Holder at c/o M.A.G. Capital, LLC, 555 South Flower Street, Suite 4200, Los Angeles, California 90071, Attention: David F. Firestone (Facsimile No. 213/553-8285), or to such other address or number as shall have been furnished to the Company in writing by the Holder, with a copy to Paula Winner Barnett, Esq., 17967 Boris Drive, Encino, CA 91316 (Facsimile No. 818/743-7491). Any notice or other document required or permitted to be given or delivered to the Company shall be delivered or forwarded to the Company at Medical Discoveries, Inc. c/o Sunhaven Farms 30103 West Gwinn Road, Prosser, WA 99350 (Facsimile No. 509/786-2010), or to such other address or number as shall have been furnished to Holder in writing by the Company or to the Company by Holder, with copy to Troy Gould PC, 1801 Century Park East, Suite 1600, Los Angeles, CA 90067, Attention: Istvan Benko, Esq. (Facsimile No. 310/789-1426).

**5.2** All notices, requests and approvals required by this Warrant shall be in writing and shall be conclusively deemed to be given (i) when hand-delivered to the other party, (ii) when received if sent by facsimile at the address and number set forth above; provided that notices given by facsimile shall not be effective, unless either (a) a duplicate copy of such facsimile notice is promptly given by depositing the same in the mail, postage prepaid and addressed to the party as set forth below or (b) the receiving party delivers a written confirmation of receipt for such notice by any other method permitted under this paragraph; and further provided that any notice given by facsimile received after 5:00 p.m. (recipient's time) or on a non-business day shall be deemed received on the next business day; (iii) five (5) business days after deposit in the United States mail, certified, return receipt requested, postage prepaid, and addressed to the party as set forth below; or (iv) the next business day after deposit with an international overnight delivery service, postage prepaid, addressed to the party as set forth below with next business day delivery guaranteed; provided that the sending party receives confirmation of delivery from the delivery service provider.

**5.3 No Rights as Shareholder; Limitation of Liability.** This Warrant shall not entitle the Holder to any of the rights of a shareholder of the Company except upon exercise in accordance with the terms hereof. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the Warrant Price hereunder or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

**5.4 Governing Law.** This Warrant shall be governed by and construed in accordance with the laws of the State of California as applied to agreements among California residents made and to be performed entirely within the State of California, without giving effect to the conflict of law principles thereof.

**5.5 Binding Effect on Successors.** This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets and/or securities. All of the obligations of the Company relating to the Shares issuable upon the exercise of this Warrant shall survive the exercise and termination of this Warrant. All of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of the Holder.

**5.6 Waiver, Amendments and Headings.** This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by both parties (either generally or in a particular instance and either retroactively or prospectively). The headings in this Warrant are for purposes of reference only and shall not affect the meaning or construction of any of the provisions hereof.

**5.7 Jurisdiction.** Each of the parties irrevocably agrees that any and all suits or proceedings based on or arising under this Agreement may be brought only in and shall be resolved in the federal or state courts located in the City of Los Angeles, California and consents to the jurisdiction of such courts for such purpose. Each of the parties irrevocably waives the defense of an inconvenient forum to the maintenance of such suit or proceeding in any such court. Each of the parties further agrees that service of process upon such party mailed by first class mail to the address set forth in Section 5.1 shall be deemed in every respect effective service of process upon such party in any such suit or proceeding. Nothing herein shall affect the right of a Holder to serve process in any other manner permitted by law. Each of the parties agrees that a final non-appealable judgment in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.

**5.8 Attorneys' Fees and Disbursements.** If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party or parties shall be entitled to receive from the other party or parties reasonable attorneys' fees and disbursements in addition to any other relief to which the prevailing party or parties may be entitled.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer this 17<sup>th</sup> day of October, 2007.

COMPANY:

**MEDICAL DISCOVERIES, INC.**

By: \_\_\_\_\_

**Print Name: David R. Walker**

**Title: Chairman of the Board of Directors**

SCHEDULE A

FORM OF NOTICE OF EXERCISE

*[To be signed only upon exercise of the Warrant]*

**TO BE EXECUTED BY THE REGISTERED HOLDER  
TO EXERCISE THE WITHIN WARRANT**

The undersigned hereby elects to purchase \_\_\_\_\_ shares of Common Stock (the "Shares") of Medical Discoveries, Inc. under the Warrant to Purchase Common Stock dated October 17, 2007, which the undersigned is entitled to purchase pursuant to the terms of such Warrant, and [check one]:

- Cash Exercise. The undersigned has delivered \$ \_\_\_\_\_, the aggregate Warrant Price for \_\_\_\_\_ Shares purchased herewith, in full in cash or by certified or official bank check or wire transfer;
- Net Exercise. In exchange for the issuance of \_\_\_\_\_ Shares, the undersigned hereby agrees to surrender the right to purchase \_\_\_\_\_ shares of Common Stock pursuant to the net exercise provisions set forth in Section 1.8 of the Warrant.

Please issue a certificate or certificates representing such shares of Common Stock in the name of the undersigned or in such other name as is specified below and in the denominations as is set forth below:

\_\_\_\_\_  
[Type Name of Holder as it should appear on the stock certificate]

\_\_\_\_\_  
[Requested Denominations - if no denomination is specified, a single certificate will be issued]

The initial address of such Holder to be entered on the books of Company shall be:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The undersigned hereby represents and warrants that the undersigned is acquiring such shares for his own account for investment purposes only, and not for resale or with a view to distribution of such shares or any part thereof.

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**FORM OF ASSIGNMENT  
(ENTIRE)**

[To be signed only upon transfer of entire Warrant]

**TO BE EXECUTED BY THE REGISTERED HOLDER  
TO TRANSFER THE WITHIN WARRANT**

**FOR VALUE RECEIVED** \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ all rights of the undersigned under and pursuant to the within Warrant, and the undersigned does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer the said Warrant on the books of \_\_\_\_\_, with full power of substitution.

\_\_\_\_\_  
[Type Name of Holder]

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**NOTICE**

The signature to the foregoing Assignment must correspond exactly to the name as written upon the face of the within Warrant, without alteration or enlargement or any change whatsoever.

**FORM OF ASSIGNMENT  
(PARTIAL)**

**[To be signed only upon partial transfer of Warrant]**

**TO BE EXECUTED BY THE REGISTERED HOLDER  
TO TRANSFER THE WITHIN WARRANT**

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ (i) the rights of the undersigned to purchase \_\_\_\_\_ shares of Common Stock under and pursuant to the within Warrant, and (ii) on a non-exclusive basis, all other rights of the undersigned under and pursuant to the within Warrant, it being understood that the undersigned shall retain, severally (and not jointly) with the transferee(s) named herein, all rights assigned on such non-exclusive basis. The undersigned does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer the said Warrant on the books of Rentech, Inc., with full power of substitution.

\_\_\_\_\_  
[Type Name of Holder]

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**NOTICE**  
The signature to the foregoing Assignment must correspond exactly to the name as written upon the face of the within Warrant, without alteration or enlargement or any change whatsoever.