

MEDICURE INC  
Form 20-F  
September 30, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: May 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-31092

MEDICURE INC.

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(Exact name of registrant as specified in its charter)

Canada

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(Jurisdiction of incorporation or organization)

2 - 1250 Waverley Street, Winnipeg, Manitoba, Canada R3T 6C6

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(Address of principal executive offices)

Dr. Albert D. Friesen, Tel: (204) 487-7412, Fax: (204) 488-9823  
2 - 1250 Waverley Street, Winnipeg, Manitoba, Canada R3T 6C6

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

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Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares, without par value

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(Title of Class)

Securities for which there is a reporting obligation  
pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At May 31, 2013 the registrant had 12,196,508 common shares issued and outstanding

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes \_\_\_\_\_ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes \_\_\_\_\_ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No \_\_\_\_\_

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes \_\_\_\_\_ No \_\_\_\_\_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer \_\_\_\_\_ Accelerated Filer \_\_\_\_\_ Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP \_\_\_\_\_ International Financial Reporting Standards as issued by the International Accounting Standards Board  Other \_\_\_\_\_

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 \_\_\_\_\_ Item 18 \_\_\_\_\_

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes \_\_\_\_\_ No



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## GENERAL

As used in this Annual Report, the “Corporation” or “Company” refers to “Medicure Inc.”, the company resulting from the amalgamation of Medicure Inc. and Lariat Capital Inc., and “Medicure” refers to “Medicure Inc.” prior to its amalgamation with Lariat Capital Inc.

The Company uses the Canadian dollar as its reporting currency. Unless otherwise indicated, all references to dollar amounts in this Annual Report are to Canadian dollars. As of May 31, 2013, the rate for Canadian dollars was US \$1.0368 for CND \$1.00. See also Item 3 – Key Information for more detailed currency and conversion information.

Except as noted, the information set forth in this Annual Report is as of September 23, 2013 and all information included in this document should only be considered correct as of such date.

## GLOSSARY OF TERMS

The following words and phrases shall have the meanings set forth below:

“angioplasty” means an operation to repair a damaged blood vessel or unblock an artery;

“FDA” means the United States Food and Drug Administration;

“myocardial infarction” means destruction of heart tissue resulting from obstruction of the blood supply to the heart muscle;

“TSX-V” means the TSX Venture Exchange.

## FORWARD LOOKING STATEMENTS

Medicure Inc. cautions readers that certain important factors (including without limitation those set forth in this Form 20-F) may affect the Company’s actual results in the future and could cause such results to differ materially from any forward-looking statements that may be deemed to have been made in this Form 20-F annual report, or that are otherwise made by or on behalf of the Company. This Annual Report contains forward-looking statements and information which may not be based on historical fact, which may be identified by the words “believes,” “may,” “plan,” “will,” “estimate,” “continue,” “anticipates,” “intends,” “expects,” and similar expressions and the negative of such expressions. Such forward looking statements include, without limitation, statements regarding:

- intention to sell and market its acute care cardiovascular drug, AGGRASTAT® (tirofiban hydrochloride) in the United States and its territories through the Company's U.S. subsidiary, Medicure Pharma Inc.;
- intention to develop and implement clinical, regulatory and other plans to generate an increase in the value of AGGRASTAT;
- intention to expand or otherwise improve the approved indications and/or dosing information contained within AGGRASTAT’s approved prescribing information;



- intention to increase sales of AGGRASTAT;
- intention to develop TARDOXAL<sup>TM</sup> for neurological disorders;
- intention to investigate and advance certain other product opportunities;
- intention to obtain regulatory approval for the Company's products;
- expectations with respect to the cost of the testing and commercialization of the Company's products;
  - sales and marketing strategy;
  - anticipated sources of revenue;
- intentions regarding the protection of the Company's intellectual property;
- intention to identify, negotiate and complete business development transactions (eg. The sale, purchase, or license of pharmaceutical products or services);
  - business strategy; and
  - intention with respect to dividends.

Such forward-looking statements and information involve a number of assumptions as well as known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements and information including, without limitation:

- general business and economic conditions;
- the impact of changes in Canadian-US dollar and other foreign exchange rates on the Company's revenues, costs and results;
- the timing of the receipt of regulatory and governmental approvals for the Company's research and development projects;
  - the ability of the Company to continue as a going concern;
- the availability of financing for the Company's commercial operations and/or research and development projects, or the availability of financing on reasonable terms;
  - results of current and future clinical trials;
  - the uncertainties associated with the acceptance and demand for new products;
  - clinical trials not being unreasonably delayed and expenses not increasing substantially;
-

government regulation not imposing requirements that significantly increase expenses or that delay or impede the Company's ability to bring new products to market;

- the Company's ability to attract and retain skilled staff;
- inaccuracies and deficiencies in the scientific understanding of the interaction and effects of pharmaceutical treatments when administered to humans;
  - market competition;
  - tax benefits and tax rates; and
- the Company's ongoing relations with its employees and with its business partners.

These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements and information. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements and information contained herein to reflect future results, events or developments, except as otherwise required by applicable law. Additional risks and uncertainties relating to the Company and its business can be found in the “Risk Factors” section of this Annual Report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable

B. Advisers

Not applicable

C. Auditors

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected financial data of the Company as at May 31, 2013 and 2012 and for the fiscal years ended May 31, 2013, 2012 and 2011 was extracted from the audited consolidated financial statements of the Company included in this Annual Report on Form 20-F. The information contained in the selected financial data is qualified in its entirety by reference to the more detailed consolidated financial statements and related notes included in Item 18 - Financial Statements, and should be read in conjunction with such financial statements and with the information appearing in Item 5 - Operating and Financial Review and Prospects. The selected financial data as at May 31, 2011, 2010 and 2009 and for the fiscal years ended May 31, 2010 and 2009 was extracted from the audited financial statements of the Company not included in this Annual Report.

The information provided in the audited consolidated financial statements included in this Annual Report on Form 20-F is prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Prior to June 1, 2010, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Included in the tables in this section are presentations of the financial information prepared for periods prior to June 1, 2010 in accordance with Canadian GAAP and United States GAAP. Such financial information is not comparable to financial information prepared in accordance with IFRS.

On November 1, 2012, the Company completed a consolidation of its outstanding share capital on the basis of one post-consolidation share for every fifteen pre-consolidation shares. All comparative figures have been adjusted retrospectively.



Under International Financial Reporting Standards (in Canadian dollars):

Statement of Financial Position Data	May 31, 2013	May 31, 2012	May 31, 2011	June 1, 2010
(as at period end)	\$	\$	\$	\$
Current Assets	1,491,485	2,211,951		

Laidacker M. Seaberg

2005

\$

433,246



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\$

122,840

\$

18,500

President and Chief

2004

404,830

\$

230,753

278,716

18,450

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Executive Officer

2003

391,140

17,998

**Michael J. Trautschold**

2005

214,044

61,420

18,500

Executive Vice President

2004

200,005

104,963

138,177

		18,450
Marketing and Sales		
	2003	
		244,478
		12,000
		17,998

**Randy M. Schrick**

2005

199,006

58,100

17,911

Vice President of

2004

189,564

87,048

		129,910
		18,450
Manufacture and Engineering		
	2003	
		188,154
		5,000
		16,936

**Sukh Bassi, Ph.D.**

2005

197,646

56,440

17,788

Vice President-

2004

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188,269

86,453

129,910

18,450

New Products Innovation/Technology & Chief Science Officer

2003

182,269

16,406



**Brian Cahill**

2005

188,680

54,780

16,981

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Vice President &

2004

178,000

81,738

122,824

18,450

Chief Financial Officer

2003

170,688

5,000

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(1) Consists of the amount of the Company's contributions to the Company's Employee Stock Ownership Plans and 401(k) plan allocated to the accounts of each executive officer for the years indicated.

(2) Consists of restricted shares awarded under the Company's Stock Incentive Plan of 1996 and its 1998 Stock Incentive Plan for Salaried Employees. Generally, the restricted stock award in 2004 and 2005 will vest if the Company achieves specific financial objectives over a performance period ending June 30, 2006, in the case of the 2004 awards, and June 30, 2007, in the case of the 2005 awards; if those objectives are not met, the restricted stock will vest on June 30, 2010, in the case of the 2004 awards, and June 30, 2011, in the case of the 2005 awards. Accelerated or partial vesting may be permitted upon a change of control or if employment is terminated as a result of death, disability, retirement or termination without cause. Dividends are paid on the restricted shares. At June 30, 2005, the number and value of the restricted shares held by each of the named executive officers were as follows: Laidacker M. Seaberg 62,000 shares, \$514,600; Michael J. Trautschold 30,800 shares, \$255,640; Randy M. Schrick 29,000 shares, \$240,700; Brian T. Cahill 27,400 shares, \$227,420; Sukh Bassi, PH.D. 28,800 shares, \$239,040.

The amounts shown in the table do not include restricted share awards made to the Named Executive Officers on August 30, 2005 as follows: Laidacker M. Seaberg 29,600 shares, Michael J. Trautschold 14,600 shares, Randy M. Schrick 13,500 shares, Brian T. Cahill 13,000 shares, and Sukh Bassi, Ph.D.- 13,600 shares. Such awards will vest if the Company achieves specific financial

objectives over a performance period ending June 30, 2008; if those objectives are not met, these restricted shares will vest on June 30, 2012. Accelerated or partial vesting may be permitted upon a change of control or if employment is terminated as a result of death, disability, retirement or termination without cause. Dividends are paid on the restricted shares.

**Option Exercises and Year-End Holdings**

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The following table provides information, with respect to the named executive officers, concerning the exercise of options during the fiscal year ended June 30, 2005, and unexercised options held as of the end of such fiscal year.

**AGGREGATED OPTION EXERCISES IN FISCAL 2005  
AND FY-END OPTION VALUES**

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at FY-End (\$) Exercisable/ Unexercisable
Laidacker M. Seaberg			228,000/12,000	615,600/22,320
Michael J. Trautschold			45,000/23,000	127,530/82,010
Randall M. Schrick			30,800/6,000	78,820/11,160
Dr. Sukh Bassi			7,500/3,500	21,110/6,510
Brian T. Cahill			71,500/8,500	202,950/29,910

**PERFORMANCE OF THE COMPANY S COMMON STOCK**

*The stock performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.*

The following performance graph compares the performance of the Company s Common Stock during the period beginning June 30, 2000 and ending June 30, 2005, to the Center for Research in Security Prices of the University of Chicago Graduate School of Business ( CRSP ) index for the NASDAQ Stock Market (the NASDAQ COMPOSITE index consisting of US companies) and a peer group CRSP index consisting of active NASDAQ stocks of US processors of food and kindred products having SIC codes between 2000 - 2099 (the NASDAQ Food index) for the same period. The number of companies in the NASDAQ Food index varies from period to period but consisted of 35 companies at the end of June 2005. The graph assumes a \$100 investment in the Company s Common Stock and in each of the indexes at the beginning of the period and a reinvestment of dividends paid on such investments throughout the period.

**VALUE OF \$100 INVESTMENTS  
ASSUMING REINVESTMENT OF DIVIDENDS AT JUNE 30, 2000  
AND AT EACH SUBSEQUENT JUNE 30**







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	2000	2001	2002	2003	2004	2005
MGPI	\$ 100.0	\$ 136.1	\$ 160.3	\$ 110.2	\$ 496.3	\$ 216.1
NASDAQ FOOD	\$ 100.0	\$ 54.3	\$ 37.0	\$ 41.1	\$ 51.8	\$ 52.3
NASDAQ COMPOSITE	\$ 100.0	\$ 128.5	\$ 167.7	\$ 169.0	\$ 224.3	\$ 250.9

**REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE**

*The report of the Human Resources and Compensation Committee of the Board of Directors shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.*

*Human Resources and Compensation Committee Interlocks and Insider Participation.* Executive compensation is based primarily upon recommendations made to the Board of Directors by the Company's Human Resources and Compensation Committee (the Committee). The Committee for the year ended June 30, 2005, consisted of Daryl R. Schaller, Ph.D. (Chairman), Michael Braude, John E. Byom, Linda E. Miller and John R. Speirs. All of the members of the Committee are non-employee directors of the Company. The Committee recommends to the Board of Directors compensation and compensation plans for the Chief Executive Officer and other executive officers. The recommendations are acted upon by the full board, which includes Messrs. Seaberg and Schrick, who are two of the five highest paid officers of the Company.

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This report is provided by the Committee to assist stockholders in understanding the Committee's philosophy in establishing the compensation of the Chief Executive Officer and all other Executive Officers of the Company for the year ended June 30, 2005.

*Compensation Philosophy.* Historically, executive compensation has been designed to link rewards with business results and stockholder returns consistent with (a) the executive's level of responsibility, (b) compensation paid to the executive in the prior year, (c) the Company's performance for the year and the prior year, (d) the executive's individual performance for the year and the prior year, (e) salary levels for executives in comparable positions in comparable enterprises, (f) inflation, and (g) a variety of other factors. The components of Executive Compensation which reflect this philosophy may consist of (i) annual base salary, (ii) annual cash bonuses, (iii) annual stock bonuses, (iv) stock options or other stock incentives, and (v) equity-based retirement compensation, which is reflected in the Company's Employee Stock Ownership Plan and 401(k) Plan. In formulating its compensation recommendations, the Committee considered information and recommendations provided by management and by Arthur J. Gallagher & Company, a nationally known and recognized firm of management consultants.

*Base Salary.* The past practice of the Committee has been to establish base salaries of all executives prior to the beginning of the fiscal year based on the various factors described in the preceding paragraph. In fiscal 2005, the Committee increased base salaries of the named executive officers to the levels indicated in the Summary Compensation Table to keep salary levels reasonably consistent with inflation and salary levels for executives in comparable positions in comparable enterprises. These increases were based in large part on studies conducted by Arthur J. Gallagher & Company.

*Annual Cash Bonuses.* For fiscal 2005, the Committee determined that each officer would have an opportunity to receive a cash bonus equal to a percentage of base salary ranging from a minimum of 30% at target level performance to 80% at maximum level performance (50% to 100% in the case of the Chief Executive Officer), depending upon position and the extent to which certain Company performance measures were met. The Company's performance measures were not met and no bonuses were paid under this program with respect to fiscal 2005.

The Committee has authorized a \$50,000 bonus pool that may be paid, based upon the recommendation of the Chief Executive Officer, to reward superior performance by any employee of the Company other than the CEO. This bonus pool was utilized in fiscal 2005.

*Stock Incentives.* The Committee recognizes the need to provide medium term incentives for the retention and motivation of Senior Executives, consistent with the desire to conserve cash. From 1996 through fiscal 2003, the Committee granted stock options to Senior Executives on an annual basis. In fiscal 2004, after consultation with Pearl Meyer & Partners, a compensation consultant, the Committee determined to award performance accelerated restricted shares instead of stock options with a view to, among other matters, promoting increased financial performance over the long-term, increasing management ownership of stock so as to better motivate performance and matching of management and stockholder interests. Restricted shares were awarded in fiscal 2004 and 2005 based on salary levels of recipients and generally will vest after seven years, subject to accelerated vesting in three years if the Company meets a specified earnings per share performance target set by the Committee. All options and restricted share awards were granted under either the Stock Incentive Plan of 1996 or the Stock Incentive Plan of 2004, both of which were

approved by stockholders.

*Equity Based Retirement Compensation.* The final component of executive compensation consists of equity based retirement compensation through participation in the Company's employee stock ownership plans for salaried and certain hourly employees ( Salaried ESOP ) and 401(k) Plan. The amount of the Company's contributions to the Salaried ESOP and the 401(k) Plan is determined by the Board each year based upon the recommendation of the Committee. The Committee bases its recommendation primarily upon Company performance for the year.

Under the Salaried ESOP, amounts contributed by the Company are invested in shares of the Company's Common Stock. Shares purchased are allocated to participant accounts in proportion to the participant's eligible compensation (as defined). Generally, accounts are distributed to participants who have

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completed at least five years of service upon death, permanent disability or retirement. In fiscal 2005, the Company contributed an amount equal to 4-1/2% of eligible compensation for the Salaried ESOP. This is the same amount as in the prior year.

The Company has maintained a 401(k) Plan for the benefit of employees for several years but prior to fiscal 2001 had not made a contribution to it. During fiscal 2001, the Board determined to reduce the Company's contribution to the Salaried ESOP and to contribute an amount equal to the reduction to the 401(k) Plan. Five years service is required for full vesting in the amount of the Company contribution. In fiscal 2005, the Company contributed an amount equal to 4-1/2% of eligible compensation to the 401(k) Plan.

*Compensation of the Chief Executive Officer for Fiscal 2005.* All of the components of fiscal 2005 compensation of the Chief Executive Officer were determined in accordance with the criteria described above. Salary, bonus and restricted share awards to Mr. Seaberg for fiscal 2005 are as reported in the Compensation Table.

This report is being made over the names of Daryl R. Schaller, Ph.D. (Chairman), Michael Braude, John E. Byom, Linda E. Miller and John R. Speirs, who are the continuing members of the Committee which passed on Executive Compensation for fiscal 2005.

### **PRINCIPAL STOCKHOLDERS**

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The following table sets forth as of July 1, 2005 the number of shares beneficially owned and the percentage of ownership of the Company's Preferred Stock and Common Stock by (i) each person who is known by the Company to own beneficially more than 5% of either class of the Company's capital stock outstanding, (ii) each director of the Company, (iii) each of the executive officers named in the Summary Compensation Table and (iv) all directors and executive officers of the Company as a group.

Stockholder	Shares Beneficially Owned (a)			
	Common Stock		Preferred Stock	
	No. of Shares	%	No. of Shares	%
Sukh Bassi, Ph. D.(b)	64,438	*		
Michael Braude (b)	7,293	*		
John E. Byom	3,708			
Brian Cahill (b)(c)	110,841	*		
Cloud L. Cray, Jr.(b)(d)(e)	3,938,974	24.2	333	76.2
Richard B. Cray (d)(f)	53,000	*	334	76.4
Gary Gradinger	0			
Richard Larson (c)	3,200	*		
Linda E. Miller (b)	10,670	*		
Dave Rindom (c)	51,965	*		
Daryl Schaller (b)	18,037	*		
Randy M. Schrick (b)(c)(g)	109,706	*		
Laidacker M. Seaberg (b)(c)(d)(h)	1,263,873	7.7	404	92.4
John R. Speirs	3,818			
Michael J. Trautschold (b)	84,658	*		
Cray Family Trust (d)			333	76.2
Trustees of the Company's ESOPs (c)	1,342,055	8.2		
All Executive Officers and Directors as a Group of 19 (b)(i)	7,130,895	43.9	404	92.4

\* less than 1%

(a) For the purposes of the table, a person is deemed to be a beneficial owner of shares if the person has or shares the power to vote or to dispose of them. Except as otherwise indicated in the table or the footnotes below, each person had sole voting and investment power over the shares listed in the beneficial ownership table and all stockholders shown in the table as having beneficial ownership of 5% or more of either of the classes of stock had business addresses at 1300 Main Street, Atchison, Kansas 66002, as of July 1, 2005. Stockholders disclaim beneficial ownership in the shares described in the footnotes as being held by or held for the benefit of other persons.

(b) The table includes shares which may be acquired pursuant to stock options granted under the Company's stock option plans that become exercisable on or before September 1, 2005. These consist of options held by one non-employee director (Mr. Cray) to purchase 18,000 shares and one non-employee director (Mr. Schaller) to purchase 16,000 shares, and four non-employee directors (Ms. Miller and Messrs. Braude, Byom and Speirs) to purchase 2,000 shares, options held by Messrs. Bassi, Cahill, Schrick, Seaberg, and Trautschold to purchase 11,000, 68,000, 30,800, 228,044 and 45,000 shares, respectively, and options held by all executive officers and directors as a group to purchase 489,994 shares.

(c) The Company's Employee Stock Ownership Plans (ESOPs) hold for the benefit of participants 1,342,055 shares of Common Stock, all of which are attributed in the table to each of the five trustees, who are the same for each Plan. The trustees are obligated to vote the shares which are allocated to participants in accordance with instructions given by such participants, all of which were allocated at July 1, 2005. Any unallocated shares are voted by the trustees. The trustees, and the number of shares allocated to their accounts, are as follows: Mr. Seaberg (142,942 shares); Mr. Larson (9,200 shares); Mr. Cahill (28,398 shares); Mr. Rindom (18,274 shares); and Mr. Schrick (51,529 shares). A total of 215,021 shares are allocated to the accounts of all other officers and directors. The number and percentage of ownership shown after the names of each of the Trustees in the table above do not include any of the 1,342,055 shares or any of the shares allocated to their individual accounts. Accordingly, the aggregate beneficial ownership for each of the Trustees may be deemed to be the individual amounts and percentages shown, plus 1,342,055 shares and 8.2%.

(d) The Cray Family Trust holds 333 shares of Preferred Stock which are attributed in the table to the trustees, who share the power to vote and dispose of such shares. The trustees are Mr. Cray, Jr., Mr. Seaberg and Mr. Richard B. Cray. Actions by the trustees with respect to the voting or disposition of the shares may be effected by majority vote. Each trustee may appoint his successor, provided the successor must be and all time remain a stockholder and officer of the company. Upon termination of the trust, the shares are to be distributed as directed by the trustors by power of appointment or, if such power is not exercised, to the beneficiaries designated in the trust.

(e) Includes 259,926 shares of Common Stock held by the Cray Medical Research Foundation with respect to which Mr. Cray, Jr. is a director, 958,624 shares of Common Stock held by other family trusts with respect to which Mr. Cray, Jr. or his spouse is a trustee and 48,000 shares held by the Cloud L. Cray Foundation.

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- (f) Includes 333 shares of Preferred Stock held by the Cray Family Trust and 48,000 shares of Common Stock held by a foundation with respect to which Mr. Richard B. Cray is a Trustee.
- (g) Includes 2,178 shares held by Mr. Schrick's wife.
- (h) Includes 220,710 shares held by Mr. Seaberg's wife.
- (i) Includes shares discussed under notes (a) through (h) as well as shares held by members of the families of officers not listed in the table.



**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

## Edgar Filing: MEDICURE INC - Form 20-F

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than 10% of the Company's Common Stock, to file reports of ownership and changes in ownership with the SEC and NASDAQ. Executive officers, directors and greater-than-10% beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to the Company, the Company believes that during fiscal 2005, all of its executive officers, directors and greater-than-10% beneficial owners complied with the Section 16(a) filing requirements.

### **RELATED TRANSACTIONS**

## Edgar Filing: MEDICURE INC - Form 20-F

During fiscal 2005, the Company bought \$56,407 of paper goods, janitorial supplies, food and beverage products from a company owned by members of Mr. Schrick's family, of which he is an officer.

### **OTHER MATTERS**

## Edgar Filing: MEDICURE INC - Form 20-F

A Proxy confers discretionary authority with respect to the voting of shares represented thereby on any other business that properly may come before the meeting as to which the Company did not have notice prior to July 31, 2005. The Board of Directors is not aware that any such other business is to be presented for action at the meeting and does not itself intend to present any such other business. However, if any such other business does come before the meeting, shares represented by proxies given pursuant to this solicitation will be voted by the persons named in the Proxy in accordance with their best judgment. A Proxy also confers discretionary authority on the persons named to approve minutes of last year's Annual Meeting, to vote on matters incident to the conduct of the meeting and to vote on the election of any person as a director if a nominee herein named should decline or become unable to serve as a director for any reason.

### **INDEPENDENT PUBLIC ACCOUNTANTS**

## Edgar Filing: MEDICURE INC - Form 20-F

The Board of Directors has selected the firm of BKD, LLP as independent certified public accountants to audit the books, records and accounts of the Company for fiscal 2006. The selection was made upon the recommendation of the Audit Review Committee. BKD, LLP has audited the Company's books annually since 1958.

Representatives of BKD, LLP will be present at the stockholders' meeting. They will have the opportunity to make a statement and will be available to respond to appropriate questions.

### **PROXY SOLICITATIONS**

## Edgar Filing: MEDICURE INC - Form 20-F

The cost of soliciting proxies will be borne by the Company. The Company will reimburse brokers, banks or other persons for reasonable expenses in sending proxy material to beneficial owners. Proxies may be solicited through the mail and through telephonic or telegraphic communications to, or by meetings with, stockholders or their representatives by directors, officers and other employees of the Company who will receive no additional compensation therefor.

Stockholders who intend to present proposals for inclusion in the Company's Proxy Statement for the next Annual Meeting of Stockholders on October 12, 2006 must forward them to the Company at 1300 Main Street, P.O. Box 130, Atchison, Kansas 66002, Attention: Marta L. Myers, Corporate Secretary, so that they are received on or before May 25, 2006. In addition, proxies solicited by management may confer discretionary authority to vote on matters which are not included in the proxy statement but which are raised at the Annual Meeting by stockholders, unless the Company receives written notice of the matter on or before August 8, 2006, at the above address.

**HOUSEHOLDING**

## Edgar Filing: MEDICURE INC - Form 20-F

Only one copy of the Company's Annual Report and Proxy Statement has been sent to multiple stockholders of the Company who share the same address and last name, unless the Company has received contrary instructions from one or more of those stockholders. This procedure is referred to as householding. In addition, the Company has been notified that certain intermediaries, i.e., brokers or banks, will household proxy materials. The Company will deliver promptly, upon oral or written request, a separate copy of the Annual Report and Proxy Statement to any stockholder at the same address. If you wish to receive a separate copy of the Annual Report and Proxy Statement, you may write to the Corporate Secretary of the Company at MGP Ingredients, Inc., 1300 Main Street, P.O. Box 130, Atchison, Kansas 66002 or call the Corporate Secretary at 913-360-5232. You can contact your broker or bank to make a similar request. Stockholders sharing an address who now receive multiple copies of the Company's Annual Report and Proxy Statement may request delivery of a single copy by writing or calling the Company at the above address or by contacting their broker or bank, provided they have determined to household proxy materials.

By Order of the Board of Directors

Laidacker M. Seaberg  
President and Chief Executive Officer

September 22, 2005



Appendix A

**CHARTER OF**  
**MGP INGREDIENTS, INC.**  
**(the Company )**

**AUDIT REVIEW COMMITTEE**

Adopted by the Board of Directors on March 8, 2000

amended and restated effective as of August 26, 2003 and October 13, 2004

The Company's Board of Directors has established an Audit Review Committee (the **Committee**). The following charter will govern the purpose, organization, membership, authority and duties of the Committee.

**1. Purpose. The principal purpose of the Committee is to oversee the Company's (i) accounting and financial reporting processes and (ii) financial statement audits.(1) In this regard and as more fully set forth herein, the Committee:**

(a) appoints, replaces and approves the services and sets the compensation of the firm of independent public accountants to serve as Independent Auditor;

(b) meets with the Independent Auditor and management to review matters relating to financial reporting and accounting procedures and policies, the adequacy of internal controls and the scope of the audit performed by the Independent Auditor;

(c) reviews the results of the audit; and

(d) submits any recommendations it may have from time to time to the Board of Directors with respect to financial reporting and accounting procedures and policies, internal controls and other matters that may come to its attention.

1. Purpose. The principal purpose of the Committee is to oversee the Company's (i) accounting and financial

The Committee is also charged with the responsibility of annually reviewing the process involved in the Company's implementation of its Conflict of Interest and Business Conduct Policy and making recommendations to management and the Board regarding that process and with certain responsibilities under the Company's Code of Ethics.

**2. Organization of Committee.**

(a) **Number and Qualifications.** The Committee shall be comprised of not less than three directors. No member shall have a relationship to the Company which, in the opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. Each member shall meet the applicable independence requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Act") and of the NASD Rules, except as permitted by Rules.(2) Each member shall be able to read and understand fundamental financial statements, including the

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(1) Although the Committee has the responsibilities and powers set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are accurate or complete or whether they have been prepared in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibility of management and the Independent Auditor.

(2) Under exceptional and limited circumstances, the Board may determine that membership on the Committee by an individual who is not independent, as defined in the NASD Rules, is required by the best interests of the Company and its shareholders. In such cases, the Board shall disclose, in the next annual proxy statement subsequent to such determination, the nature of the relationship and the reasons for that determination. In the exercise of its business judgment the Board may consider applicable transition rules.

Company's balance sheet, income statement, and cash flow statement, at the time of his or her appointment to the Committee. At least one member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. In appointing members to the Committee, the Board shall consider whether at least one member is an audit committee financial expert as defined in the Securities Exchange Act of 1934, as amended (the Act) and the rules promulgated thereunder.

(b) **Committee Chairman.** The Board of Directors shall appoint one member of the Committee as the chairperson for such term as the Board may specify at the time of the appointment. The Committee chairperson shall have the responsibility of moderating and presiding over meetings of the Committee and shall have such other responsibilities as may be assigned by resolution of the Board or the Committee. If the Committee Chairman is not present, the Committee members may designate a chairman by majority vote of the Committee membership.

(c) **Rules of Procedure.** The Committee shall operate in accordance with such rules of procedure as it may from time to time establish.

### 3. **Authority.**

(a) **General.** The Committee shall have the authority necessary to enable it to carry out its responsibilities as set forth in this Charter. All employees are directed to cooperate as requested by members of the Committee.

(b) **Appointment of Independent Auditor.** The Committee shall have the sole authority to appoint or replace the Independent Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services. The Committee shall set the compensation and have oversight responsibilities of the work of the Independent Auditor. The Independent Auditor shall report directly to the Committee.

(c) **Preapproval of Services.** The Committee shall preapprove all auditing services and permitted non-audit services (including terms and fees) to be performed for the Company by its Independent Auditor, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Act which are approved by the Committee prior to the completion of the audit. The Committee may delegate preapproval authority to its Chairman or to subcommittees consisting of one or more members so long as any decision to grant preapprovals is presented to the full Committee for informational purposes at its next scheduled meeting. The Committee may provide for the preapproval of services through the adoption of additional pre-approval policies and procedures, provided the policies and procedures are detailed as to the particular services, the audit committee is informed of each service and the procedures do not include delegation to management of audit committee responsibilities under the Act. Any internal control related services by the Independent Auditor will be specifically approved.

(d) **Advisers.** The Committee may, to the extent it deems necessary or appropriate to do so, retain independent legal, accounting or other advisers. The Company will provide for appropriate funding, as the Committee determines, to compensate the Independent Auditor and any advisers employed by the Committee and to provide for ordinary administrative expenses of the Audit Committee that are necessary and appropriate for carrying out its duties.

4. **Responsibilities.** Subject to the provisions of Section 1, the Committee shall have the following duties, together with such other duties and responsibilities as the Board may delegate by resolution to the Committee from time to time.

(a) **Meetings.** The Committee shall meet as often as it determines necessary but not less frequently than quarterly. Periodically, the Committee will meet in separate executive sessions with

management, including the chief financial and accounting officer(s), the Independent Auditor and persons performing the internal audit function. The Committee may request any officer or employee of the Company or the Company's outside counsel or Independent Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

**(b) Annual Review of Audit Committee Charter.** The Committee shall annually review and assess the adequacy of this Charter and make recommendations to the Board necessary to provide for the continued adequacy of the Charter to achieve its stated purpose.

**(c) Publication of Audit Committee Charter.** The Committee shall see that the Audit Committee Charter is included as an appendix to the Company's proxy statement for its annual meeting of stockholders, unless a copy has been included as an appendix to the Company's proxy statement within the Company's past three fiscal years.

**(d) Annual Review of Independence and Literacy of Audit Committee Members.** The Committee shall annually review and assess the independence and financial literacy of each Committee member and report its findings to the Board regarding such matters.

**(e) Selection, Evaluation and Replacement of Independent Auditor.** The Committee annually shall appoint a firm of independent public accountants as the Company's Independent Auditor to audit and report on the Company's annual financial statements that are required to be filed with the Securities and Exchange Commission on Form 10-K and to review the Company's quarterly financial statements that are required to be filed with the Securities and Exchange Commission on Form 10-Q. The Committee shall annually evaluate the performance of the Independent Auditor and, if deemed appropriate, replace the Independent Auditor. The Committee shall report its conclusions to the Board of Directors.

**(f) Review of Certain Items with Representatives of the Independent Auditor.** Annually and at such other times as may be appropriate, the Committee shall review and discuss with the Independent Auditor the following matters and shall take such actions with respect to the results of such reviews and discussions, including the making of recommendations to the Board, as may be appropriate and consistent with the duties of the Committee:

**(i)** The plan for and scope of the annual audit of the Company's financial statements.

**(ii)** The fees proposed by the Company's Independent Auditor for its services.

(iii) The written disclosures and the letter from the Independent Auditor required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as may be modified or supplemented. The review shall include an active dialogue with the Independent Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the Independent Auditor. The Committee shall be responsible for taking appropriate action in response to the Independent Auditor's report to satisfy itself of the Independent Auditor's independence. At least annually, the Committee also shall obtain and review a report by the Independent Auditor describing the Independent Auditor's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the Independent Auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Independent Auditor, and any steps taken to deal with such issues.

(iv) The matters required to be discussed with the Independent Auditor by SAS 61 (Codification of Statements on Auditing Standards, AU 380), as may be modified or

supplemented, including the Independent Auditor's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting.(3)

(v) The results of the annual audit.

(vi) Any recommendations of the Independent Auditor with respect to internal controls and other financial matters, including any perceived weaknesses in the Company's internal controls, policies, and procedures, any special steps taken to address material control deficiencies and any recommendations regarding disclosures about changes in internal control over financial reporting;

(vii) Management's report on internal control over financial reporting and the Independent Auditor's attestation of the report;

(viii) Critical accounting policies and practices to be used by the Company.

(ix) Significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements; any significant changes made by management in the basic accounting principles and reporting standards used in the preparation of the Company's financial statements; all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the Independent Auditor.

(x) Material written communications between the Independent Auditor and management, such as (a) any engagement letter or independence letter, (b) any management letter, any schedule of unadjusted differences and a listing of adjustments and reclassifications not recorded, if any, and management's responses thereto, and (c) any reports on observations and recommendations on internal controls.

(xi) Assurances provided by the Independent Auditor with respect to the compliance of the audit with the requirements of Section 10.A(a) of the Act relating to the detection of certain illegal acts, the identification of certain related party transactions and an evaluation of the Company's ability to continue as a going concern.

(xii) The effect of regulatory and accounting initiatives on the Company's financial statements.

(xiii) The manner in which the Company's internal accounting department works in connection with the Independent Auditor, including management's responses to recommendations made and plans for future audit coverage.

(xiv) The Company's financial statements, including disclosures made in management's discussion and analysis and the results of the Independent Auditor's review of the quarterly financial statements.

(g) **Review and Discussions with Management.** The Committee shall review and discuss the following matters with the Company's management, the Company's accounting staff and persons

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(3) Other matters include, if applicable, selection of new or changes in significant accounting policies or their application, methods used to account for significant unusual transactions, management judgments and accounting estimates, the auditor's judgment about the quality of the Company's accounting principles and disagreements with management and difficulties encountered in the course of the work of the Independent Auditor, including any restrictions on the scope of activities or access to information.



performing the Company's internal audit function, to the extent it deems such actions necessary or appropriate:

- (i) The audited financial statements, including disclosures made in management's discussion and analysis.
- (ii) Quarterly financial statements, including disclosures made in management's discussion and analysis;
- (iii) Earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (e.g. as to the types of presentations made or the types of information disclosed)
- (iv) Policies with respect to risk assessment and risk management; major financial risk exposures and the steps management is taking to monitor and control such exposures.
- (v) Certifications of the CEO and CFO for the Form 10-K and Form 10-Q relating to disclosure controls and internal control, and any related disclosures about any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.
- (vi) Items reviewed with the Independent Auditor under paragraph (f) of this Section 4.
- (h) **Recommendation Regarding Inclusion of Audited Financial Statements in Annual Report.** Based on the review and discussions referred to in paragraphs (f) and (g)(i) of this Section 4 relating to the Independent Auditor, the annual financial statements and the audit, the Committee shall provide a recommendation to the Board of Directors as to whether the audited financial statements should be included in the Company's Annual Report on Form 10-K for the fiscal year in question.
- (i) **Internal Audit and Legal Matters.** To the extent it deems such actions necessary or appropriate, the Committee shall:
  - (i) review the appointment, responsibilities, compensation, performance, plan and replacement of persons performing the internal audit function;

- (ii) review significant reports prepared by persons performing the internal audit function together with management's responses and follow up to these reports; and
  
- (iii) review with legal counsel legal matters that could significantly impact the Company's financial statements.
  
- (j) **Annual Audit Committee Report.** The Committee shall publish a report in the annual proxy statement of the Company over the printed signatures of each member of the Audit Committee which shall state whether it has performed the duties set forth in Sections 4.f.(iii), 4.f.(iv), 4.f.(v), 4.g(i) and 4.h above.
  
- (k) **Information on Fees Billed.** The Committee shall ask the Independent Auditor to submit annually a written statement of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the Independent Auditor: audit services, audit related services, tax compliance, tax advice and tax planning services and other services.

(l) **Reports to the NASD.** The Committee shall confirm that approximately once each year the Company has provided to the NASD written confirmation required by NASD rules relating to the composition of the Audit Committee and review of the Audit Committee Charter.

(m) **Conflict of Interest and Business Conduct Policy.** The Committee shall review the process involved in the Company's implementation of its Conflict of Interest and Business Conduct Policy. The Committee will establish and monitor compliance under a code of ethics applicable to the chief executive officer and the chief financial officer satisfying the requirements of the Act.

(n) **Related Party Transactions.** The Committee shall review and approve any material transaction between the Company and any of its subsidiaries and related parties to such companies.

(o) **Complaints.** The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(p) **External Comments.** The Committee will review with management and the Independent Auditor any published reports or any correspondence from governmental agencies which raise material issues regarding the Company's accounting policies or financial statements.

5. **Compensation of Committee. The Committee shall be compensated in accordance with the compensation policy that has been established for other committees of the Board.**

1300 Main Street, P. O. Box 130

Atchison, Kansas 66002-0130

Phone: 913-367-1480

*www.mgpingredients.com*

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[Logo]

**MGP INGREDIENTS, INC.**

**PROXY**

1300 Main Street, Atchison, Kansas 66002

**PREFERRED STOCK**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned appoints Cloud L. Cray, Jr., Laidacker M. Seaberg and Brian Cahill, or any of them, each with full power to appoint his substitute, proxies to vote, in the manner specified on the reverse hereof, all of the shares of Preferred Stock of MGP Ingredients, Inc. held by the undersigned at the Annual Meeting of stockholders to be held on October 13, 2005, or at any adjournment thereof.

The undersigned has received the Company's Annual Report for 2005 and its Proxy Statement.

This Proxy is revocable and it shall not be voted if the undersigned is present and voting in person.

Stockholder's Signature

Stockholder's Signature

Dated

Please sign exactly as your name(s) appear above. Joint owners should each sign. Executors, trustees, custodian, etc., should indicate the capacity in which they are signing.

**PLEASE RETURN THIS PROXY PROMPTLY IN THE ACCOMPANYING ENVELOPE.**

(Continued from other side)

The Board of Directors Recommends a vote FOR the following proposals:

**1. Election of two Group B Directors for terms expiring in 2008. The Board of Directors has nominated:**

**Randall M. Schrick      Laidacker M. Seaberg**

- FOR both Nominees
- AUTHORITY WITHHELD from both Nominees

- AUTHORITY WITHHELD from the following Nominee:

**2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.**

**IF NO DIRECTION IS GIVEN WHEN THE DULY EXECUTED PROXY IS RETURNED, THE SHARES WILL BE VOTED FOR BOTH NOMINEES UNDER PROPOSAL 1.**

**BE SURE TO SIGN AND DATE THE REVERSE SIDE OF THIS CARD.**

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[Logo]

**MGP INGREDIENTS, INC.**

1300 Main Street, Atchison, Kansas 66002

**PROXY**

**COMMON STOCK**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned appoints Cloud L. Cray, Jr., Laidacker M. Seaberg and Brian Cahill, or any of them, each with full power to appoint his substitute, proxies to vote, in the manner specified on the reverse hereof, all of the shares of Common Stock of MGP Ingredients, Inc. held by the undersigned at the Annual Meeting of stockholders to be held on October 13, 2005, or at any adjournment thereof.

The undersigned has received the Company's Annual Report for 2005 and its Proxy Statement.

This Proxy is revocable and it shall not be voted if the undersigned is present and voting in person.

Stockholder's Signature

Stockholder's Signature

Dated

Please sign exactly as you name(s) appear above. Joint owners should each sign. Executors, trustees, custodian, etc., should indicate the capacity in which they are signing.

**PLEASE RETURN THIS PROXY PROMPTLY IN THE ACCOMPANYING ENVELOPE.**

(Continued from other side)

The Proxies are hereby given the following authority:

**1. Election of one Group A Director for a term expiring in 2008. The Board of Directors has nominated:**

Gary Gradinger

FOR Nominee

AUTHORITY WITHHELD from Nominee

**2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.**

**IF NO DIRECTION IS GIVEN WHEN THE DULY EXECUTED PROXY IS RETURNED, THE SHARES WILL BE VOTED FOR THE NOMINEE UNDER PROPOSAL 1.**

**BE SURE TO SIGN AND DATE THE REVERSE SIDE OF THIS CARD.**

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September 22, 2005

TO: **Participants in the MGP Ingredients, Inc.  
Employee Stock Purchase Plan**

Provisions of the MGP Ingredients, Inc. Employee Stock Purchase Plan (the "Plan") entitle participants to instruct the Trustee of the Plan as to the voting of MGP Ingredients, Inc. Common Stock allocated to the accounts of participants. Accordingly, please find enclosed a form of instruction card that will permit you to direct the Trustee as to the voting of Common Stock allocated to your accounts in the Plan with respect to proposals to be acted upon at the Annual Meeting of Stockholders of the Company to be held on October 13, 2005.

We are also enclosing a copy of the Company's Annual Report for 2005 and its Proxy Statement, unless you are being mailed one as a record holder of Common Stock.

**Please promptly complete and sign the instruction card and return it in the enclosed envelope.**

Thank you.

Very truly yours,

/s/ Laidacker M. Seaberg  
Laidacker M. Seaberg  
President and Chief Executive Officer

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**MGP INGREDIENTS, INC. EMPLOYEE STOCK PURCHASE PLAN**  
**C/O MGP Ingredients, Inc.**  
**1300 Main Street, Atchison, Kansas 66002**

**INSTRUCTIONS FOR THE VOTING OF MGP INGREDIENTS, INC. COMMON STOCK**

The undersigned hereby instructs United Missouri Bank of Kansas City, N.A. as Trustee of the MGP Ingredients, Inc. Employee Stock Purchase Plan (the ESPP ), to vote, in the manner specified on the reverse hereof, all of the shares of Common Stock of MGP Ingredients, Inc. held by the ESPP and allocated to the account of the undersigned at the Annual Meeting of Stockholders to be held on October 13, 2005, or at any adjournment thereof.

The undersigned has received the Company's Annual Report for 2005 and its Proxy Statement.

	Accountholder's Signature
Accountholder	Dated:
Number of Shares Allocated to Account:	

**PLEASE RETURN THIS INSTRUCTION CARD PROMPTLY IN THE ACCOMPANYING ENVELOPE.**

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(Continued from other side)

The Board of Director Recommends a vote FOR the following proposals:

**1. Election of one Group A Director for a term expiring in 2008. The Board of Directors has nominated:**

Gary Gradinger

- FOR Nominee
- AUTHORITY WITHHELD from Nominee

**2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.**

IF NO DIRECTION IS GIVEN WHEN THE DULY EXECUTED INSTRUCTION CARD IS RETURNED, THE SHARES WILL BE VOTED FOR THE NOMINEE UNDER PROPOSAL 1.

BE SURE TO SIGN AND DATE THE REVERSE SIDE OF THIS CARD.

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2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before

September 22, 2005

TO: **Participants in the  
Employee Stock Ownership Plan**

Provisions of the Employee Stock Ownership Plan (the Plan ) entitle participants to instruct the Trustees of the Plan as to the voting of MGP Ingredients, Inc. Common Stock allocated to the accounts of participants. Accordingly, please find enclosed a form of instruction card that will permit you to direct the Trustee as to the voting of Common Stock allocated to your accounts in the Plan with respect to proposals to be acted upon at the Annual Meeting of Stockholders of the Company to be held on October 13, 2005.

We are also enclosing a copy of the Company's Annual Report for 2005 and its Proxy Statement, unless you are being mailed one as a record holder of Common Stock.

**Please promptly complete and sign the instruction card and return it in the enclosed envelope.**

Thank you.

Very truly yours,

/s/ Laidacker M. Seaberg  
Laidacker M. Seaberg  
President and Chief Executive Officer

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**MGP INGREDIENTS, INC. EMPLOYEE STOCK OWNERSHIP PLAN**  
c/o MGP Ingredients, Inc.  
1300 Main Street, Atchison, Kansas 66002

**INSTRUCTIONS FOR THE VOTING OF MGP INGREDIENTS, INC. COMMON STOCK**

The undersigned hereby instructs Laidacker M. Seaberg, Brian Cahill, Dave Rindom, Richard Larson and Randy Schrick, as Trustees of the Employee Stock Ownership Plan indicated below (the "ESOP"), or any of them, to vote, in the manner specified on the reverse hereof, all of the shares of Common Stock of MGP Ingredients, Inc. held by the ESOP and allocated to the account of the undersigned at the Annual Meeting of stockholders to be held on October 13, 2005, or at any adjournment thereof.

The undersigned has received the Company's Annual Report for 2005 and its Proxy Statement.

Name of ESOP:

Accountholder's Signature

Accountholder

Dated:

Number of Shares Allocated to Account:

**PLEASE RETURN THIS INSTRUCTION CARD PROMPTLY IN THE ACCOMPANYING ENVELOPE.**

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(Continued from other side)

The Board of Director Recommends a vote FOR the following proposals:

**1. Election of one Group A Director for a term expiring in 2008. The Board of Directors has nominated:**

Gary Gradinger

- FOR Nominee  AUTHORITY WITHHELD from Nominee

**2. In their discretion, the Trustees are authorized to vote upon such other business as may properly come before the meeting.**

**IF NO DIRECTION IS GIVEN WHEN THE DULY EXECUTED INSTRUCTION CARD IS RETURNED, THE SHARES WILL BE VOTED FOR THE NOMINEE UNDER PROPOSAL 1.**

**BE SURE TO SIGN AND DATE THE REVERSE SIDE OF THIS CARD.**

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