

# MGP INGREDIENTS, INC.

## AUDIT COMMITTEE

### CHARTER

(Amended and Restated as of May 22, 2018)

The Board of Directors (“**Board**”) of MGP Ingredients, Inc. (the “**Company**”) has established an Audit Committee (the “**Committee**”). The following charter (“**Charter**”) will govern the purpose, organization, membership, authority and duties of the Committee.

**1. Purpose.** The principal purpose of the Committee is to assist the Company’s Board in fulfilling its oversight responsibilities with respect to (i) accounting and financial reporting processes and (ii) financial statement audits,<sup>1</sup> and (iii) monitoring significant risk exposures. In this regard and as more fully set forth herein, the Committee:

(a) reviews the qualifications and independence, and appoints, replaces and approves the services and sets the compensation, of the independent registered public accounting firm to serve as independent auditor for the Company (“Independent Auditor”);

(b) meets with the Independent Auditor, management, persons performing the internal audit function and counsel to review matters relating to financial reporting and accounting procedures and policies, major financial risk exposures, the adequacy of internal controls, the scope of the audit performed by the Independent Auditor and the Company’s compliance with legal and regulatory requirements;

(c) reviews the results of the audit; and

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

The Committee is also charged with the responsibility of annually reviewing the process involved in the Company’s implementation of its Code of Conduct and making recommendations to management and the Board in connection therewith.

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<sup>1</sup> 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. Organization of Committee.

(a) **Number and Qualifications.** The Committee shall be comprised of not less than three directors. Members of the Committee will be appointed and may be removed by the Board. 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 NASDAQ Listing Rules, except as permitted by such Rules.<sup>2</sup> Each member shall be able to read and understand fundamental financial statements, including the 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. At least one member shall be an "audit committee financial expert" as defined in the Act and the rules promulgated thereunder. No member of the Committee shall simultaneously serve on the audit committee of more than two other public companies.

(b) **Committee Chairperson.** The Board 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 Chairperson is not present, the Committee members may designate a chairperson by majority vote of the Committee membership.

(c) **Rules of Procedure.** The committee is governed by the same rules regarding meetings, quorum and voting requirements as are applicable to the Board. The Committee may adopt such other rules of procedure as are not inconsistent with this Charter, the Company's articles of incorporation and bylaws, and the laws of the State of Kansas.

## 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, including authority to conduct investigations into any matters within its scope of responsibility. All employees are directed to cooperate as requested by members of the Committee.

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<sup>2</sup> 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 NASDAQ Listing 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 cure period rules.

**(b) Appointment of Independent Auditor.** The Committee shall have the sole authority to appoint or terminate and 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) Pre-approval of Services.** The Committee shall pre-approve 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 minimis 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 pre-approval authority to its Chairperson or to subcommittees consisting of one or more members so long as any decision to grant pre-approvals is presented to the full Committee for informational purposes at its next scheduled meeting. The Committee may provide for the pre-approval 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 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 Committee in 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. Meetings may be called at the request of the Chairman of the Board, the Committee Chairman, a majority of the members of the Committee or the Company's Chief Executive Officer. Minutes of each meeting will be compiled by the Company's Secretary or other designee of the Committee. 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 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 Charter.** The Committee shall see that the Charter is either posted on the Company's website or 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 Committee Members.** The Committee shall annually review and assess the independence and qualifications, including 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 registered 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, terminate and replace the Independent Auditor. The Committee shall report its conclusions to the Board.

**(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 qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner; the appropriateness of the regular rotation of the lead audit partner at the Company's independent auditors and the regular rotation of the accounting firm serving as the Company's independent auditors;

**(iv)** A formal written statement delineating all relationships between the Independent Auditor and the Company, including the matters set forth in Public Company Accounting Oversight Board Rule 3526. 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, peer review, or Public Company Accounting Oversight Board ("PCAOB") 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;

(v) The Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company. The Committee will review and discuss with the Independent Auditors the Independent Auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.

(vi) Any matters required to be discussed by PCAOB Auditing Standards No. 16, Communications with Audit Committees, 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;<sup>3</sup>

(vii) The results of the annual audit;

(viii) 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;

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

(x) All critical accounting policies and practices to be used in the audit;

(xi) 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;

(xii) 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;

(xiii) 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

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<sup>3</sup> 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.

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;

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

(xv) 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; and

(xvi) The Company's financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's annual and quarterly reports filed with the SEC, and the results of the Independent Auditor's review of the quarterly financial statements.

(g) **Risk Assessment.** At such times as the Committee deems appropriate, the Committee shall:

(i) Review legal and regulatory matters that may have a significant impact on the financial statements, related Company compliance policies and programs and material reports or inquiries received from regulatory agencies; and

(ii) Inquire of the Independent Auditor, persons performing the internal audit function and management about significant risks or exposures and assess the steps management has taken to monitor and control such risks to the Company, including the Company's risk assessment and risk management policies.

(h) **Review and Discussions with Management.** The Committee shall meet periodically with representatives of the Company's disclosure committee and shall review and discuss the following matters with the Company's management, the Company's accounting staff, and persons 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 of Financial Condition and Results of Operations" to be included in the Company's annual reports filed with the SEC;

(ii) Quarterly financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's quarterly reports filed with the SEC ;

(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) Certifications of the Chief Executive Officer and Chief Financial Officer 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; and

(v) Items reviewed with the Independent Auditor under paragraph (f) of this Section 4.

(i) **Recommendation Regarding Inclusion of Audited Financial Statements in Annual Report.** Based on the review and discussions referred to in paragraphs (f) and (h)(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 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.

(j) **Internal Audit and Legal Matters.** The Committee shall:

(i) review the appointment, responsibilities, compensation, performance, plan and replacement of persons performing the internal audit function; and

(ii) receive reports directly from persons performing the internal audit function, which reports shall include summaries of reports to management together with management's responses and follow up to these reports; and

(iii) periodically meet separately with persons performing the internal audit function, discussing any issues such persons believe warrant Committee attention.

The persons performing the internal audit function will have unfettered access to the Committee.

(k) **Annual Committee Report.** The Committee shall publish the audit committee report required by the rules of the Securities and Exchange Commission in the annual proxy statement of the Company over the printed signatures of each member of the Committee.

(l) **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.

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

(n) **Code of Conduct.** 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.

**(o) Related Party Transactions.** In addition to its obligations under Section 4(f)(v) of this Charter, the Committee shall review and approve all related party transactions, defined as those transactions required to be disclosed under Item 404 of Regulation S-K.

**(p) 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.

**(q) 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.

**(r) Hiring Policies.** The committee shall review and approve the Company's hiring policies related to employees or former employees of the Independent Auditor.

**(s) Swap Activities.** The Committee shall take the following actions in connection with the Company's swap activities:

**(i)** Review and approve the policies of the Company and its subsidiaries regarding the proposed usage of the end user exception from the mandatory clearing and exchange trading requirements for certain swaps under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("End-User Exception"). The Committee will review these policies at least annually and, as appropriate, more often based upon the extent of the swaps activities of the Company or its subsidiaries or a change in the types of swaps used by the Company or its subsidiaries;

**(ii)** Review and approve decisions by the Company or its subsidiaries to enter into swaps, including those that are entered into in reliance upon the End-User Exception; and the Committee may approve such decisions on a general basis or on a Swap-by-Swap basis; and

**(iii)** Review and discuss with management overall hedging strategy of the Company and its subsidiaries and the use of swaps and other derivative instruments by the Company or any of its subsidiaries for hedging risks.

**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.