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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009.

or

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

For the transition period from to

Commission File Number: 0-17196

MGP INGREDIENTS, INC.
(Exact name of registrant as specified in its charter)

KANSAS	**48-0531200**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Commercial Street, Atchison Kansas	**66002**
(Address of principal executive offices)	(Zip Code)

(913) 367-1480
(Registrant's telephone number, including area code)

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 corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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, a non-accelerated filer or a "smaller reporting company, See the definitions of "large accelerated filer", "accelerated filer and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

☐ Large accelerated filer	☐ Accelerated filer
☐ Non-accelerated filer	☒ Smaller Reporting Company

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, no par value 16,598,585 shares outstanding as of March 31, 2009

INDEX

Table of Contents

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as well as historical information. All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements are usually identified by or are associated with such words as "intend," "plan", "believe," "estimate," "expect," "anticipate," "hopeful," "should," "may," "will", "could" and or the negatives of these terms or variations of them or similar terminology. They reflect management's current beliefs and estimates of future economic circumstances, industry conditions, Company performance and financial results and are not guarantees of future performance. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: (i) our ability to continue as a going concern, (ii) access to capital and the ability to maintain compliance with all applicable loan agreement covenants, (iii) our ability to sell our Pekin plant, (iv) the availability and cost of grain and fluctuations in energy costs, (v) competitive environment and related market conditions, (vi) our ability to realize operating efficiencies, (vii) the effectiveness of our hedging programs, (viii) and actions of governments. For further information on these and other risks and uncertainties that may affect our business, see *Item 1A. Risk Factors* of our Annual Report on Form 10-K for the fiscal year ended June 30, 2008 and Part II - Item 1A, *Risk Factors* in this Quarterly Report on Form 10-Q.

Table of Contents

PART I

ITEM 1 FINANCIAL STATEMENTS

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
Dollars in thousands, except per-share amounts

	Quarter Ended		Year-to-Date Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Net sales	**$ 54,562**	$ 106,694	**$ 226,824**	$ 288,666
Cost of sales: Product costs	**52,365**	102,954	**259,515**	275,870
Unrealized loss on natural gas contract	**2,106**	—	**7,553**	—
Total cost of sales	**54,471**	102,954	**267,068**	275,870
Gross profit	**91**	3,740	**(40,244)**	12,796
Selling, general and administrative expenses	**5,067**	6,532	**16,919**	17,626
Other operating costs	**2,076**	—	**2,076**	—
Impairment of long lived assets	—	8,100	**8,931**	8,100
Severance and early retirement costs	—	—	**3,288**	—
Other restructuring costs	—	—	**5,241**	—
Loss from operations	**(7,052)**	(10,892)	**(76,699)**	(12,930)
Other income (expense), net	**21**	456	**95**	570
Gain on settlement of litigation, net of related expenses	—	—	—	7,046
Interest expense	**(705)**	(359)	**(2,230)**	(1,040)
Equity in loss of joint venture	**(45)**	—	**(79)**	—
Loss before income taxes	**(7,781)**	(10,795)	**(78,913)**	(6,354)
Benefit for income taxes	**(1,533)**	(4,166)	**(12,706)**	(4,601)
Net loss	**(6,248)**	(6,629)	**(66,207)**	(1,753)
Other comprehensive income (loss), net of tax:	**(9)**	(869)	**(2,186)**	4,765
Comprehensive income (loss)	**$ (6,257)**	$ (7,498)	**$ (68,393)**	$ 3,012
Per Share Data				
Total basic loss per common share	**$ (0.38)**	$ (0.40)	**$ (3.99)**	$ (0.11)
Total diluted loss per common share	**$ (0.38)**	$ (0.40)	**$ (3.99)**	$ (0.11)
Dividends per common share	**$ —**	$ —	**$ —**	$ 0.15

See accompanying notes to condensed consolidated financial statements

Table of Contents

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	March 31, 2009	March 31, 2008	June 30, 2008
ASSETS			
Current Assets			
Cash and cash equivalents	**$ 503**	$ —	$ —
Restricted cash	**1,444**	3	3
Receivables (less allowance for doubtful accounts: March 31, 2009 - $378; March 31, 2008 -$207 and June 30, 2008 -$264)	**21,056**	33,112	34,087
Inventory	**21,793**	67,820	63,620
Prepaid expense	**1,738**	1,560	362
Deposits	**854**	1,869	580
Deferred income taxes	**3,276**	—	394
Refundable income taxes	**6,255**	1,348	8,570
Assets held for sale	**31,571**	—	5,600
Total current assets	**88,490**	105,712	113,216
Property and equipment, at cost	**170,349**	355,782	315,782
Less accumulated depreciation	**(102,858)**	(239,368)	(206,808)
Property and equipment, net	**67,491**	116,414	108,974
Investment in joint venture	**258**	358	399
Other assets	**725**	403	479
Total assets	**$ 156,964**	$ 222,887	$ 223,068
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Current maturities of long-term debt	**$ 3,793**	$ 3,547	$ 432
Liabilities related to assets held for sale	**6,372**	—	8,760
Revolving credit facility	**24,176**	10,000	23,000
Accounts payable	**22,094**	20,912	23,315
Accrued expenses	**6,723**	8,603	6,582
Accrued natural gas derivative	**3,946**	—	—
Deferred income taxes	**—**	588	—
Total current liabilities	**67,104**	43,650	62,089
Long-Term debt	**1,104**	6,404	1,301
Deferred credit	**6,484**	7,615	7,127
Other non-current liabilities	**10,733**	8,244	8,047
Deferred income taxes	**3,276**	8,134	7,630
Stockholders' Equity			
Capital stock			
Preferred, 5% non-cumulative; $10 par value; authorized 1,000 shares; issued and outstanding 437 shares	**4**	4	4
Common stock			
No par value; authorized 40,000,000 shares; issued 19,530,344 shares	**6,715**	6,715	6,715
Additional paid-in capital	**11,395**	11,766	11,862
Retained earnings	**65,606**	141,864	131,813
Accumulated other comprehensive income (loss)	**(671)**	3,533	1,515
	83,049	163,882	151,909
Treasury stock, at cost			
Common; March 31, 2009 — 2,931,759 shares; March 31, 2008 - 2,971,091 shares and June 30, 2008 - 2,969,766 shares	**(14,786)**	(15,042)	(15,035)
Total stockholders' equity	**68,263**	148,840	136,874
Total liabilities and stockholders' equity	**$ 156,964**	$ 222,887	$ 223,068

See accompanying notes to condensed consolidated financial statements

Table of Contents

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year-to-Date Ended	
	March 31, 2009	March 31 2008
Cash Flows from Operating Activities		

Net income (loss)	$ **(66,207)**	$ (1,753)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	**9,713**	11,515
Loss (gain) on sale of assets	**(264)**	10
Impairment of long lived assets	**8,931**	8,100
Deferred income taxes	**(7,210)**	(4,718)
Equity in loss of joint venture	**79**	—
Changes in working capital items:		
Restricted cash	**(1,441)**	3,333
Accounts receivable	**13,031**	1,189
Inventory	**41,063**	(17,258)
Accounts payable	**(786)**	5,625
Accrued expenses	**141**	834
Deferred credit	**(643)**	(925)
Income taxes payable/receivable	**2,315**	(984)
Accrual for natural gas derivative	**3,946**	—
Other non-current liabilities	**2,686**	384
Gains previously deferred in other comprehensive income	**(2,149)**	—
Other	**(1,793)**	(2,392)
Net cash provided by operating activities	**1,412**	2,960
Cash Flows from Investing Activities		
Additions to property and equipment	**(2,057)**	(4,277)
Investments in and advances to joint venture	**—**	(358)
Proceeds from disposition of equipment	**694**	—
Net cash used in investing activities	**(1,363)**	(4,635)
Cash Flows from Financing Activities		
Purchase of treasury stock	**(34)**	—
Proceeds from stock plans	**12**	451
Tax effect of restricted stock awarded	**(40)**	—
Proceeds from long-term debt and capital leases	**2,150**	—
Principal payments on long-term debt	**(2,810)**	(3,140)
Proceeds from line of credit	**98,940**	20,000
Principal payments on line of credit	**(97,764)**	(17,000)
Dividends paid	**—**	(2,536)
Net cash provided by (used in) financing activities	**454**	(2,225)
Increase (Decrease) in cash and cash equivalents	**503**	(3,900)
Cash and cash equivalents, beginning of year	**—**	3,900
Cash and cash equivalents, end of period	$ **503**	$ —

See accompanying notes to condensed consolidated financial statements

Table of Contents

MGP INGREDIENTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per-share amounts

Note 1. Accounting Policies and Basis of Presentation.

Basis of Presentation

The accompanying condensed consolidated financial statements of MGP Ingredients, Inc. and its subsidiaries ("Company") reflect all adjustments (consisting only of normal adjustments) which, in the opinion of the Company's management, are necessary to fairly present the financial position, results of operations and cash flows of the Company. These unaudited condensed consolidated financial statements as of and for the period ended March 31, 2009 should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Form 10-K Annual Report for the fiscal year ended June 30, 2008 filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

In accordance with the guidance of Staff Accounting Bulletin No. 108, these interim consolidated financial statements reflect immaterial adjustments made to the Company's March 31, 2008 balance sheet. These adjustments had no impact upon the Company's previously reported earnings. For the balance sheet as of March 31, 2008, the Company reclassified $2,542 from other current liabilities to additional paid-in capital to reflect equity share-based awards, reclassified deferred credits totaling $7,615 from current liabilities to non-current liabilities and reclassified current deferred tax assets of $3,060 to reduce non-current deferred tax liabilities.

The Company's financial statements for the quarter ended March 31, 2009 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company has experienced large losses from operations and has relied on borrowings under its credit agreements to operate.

As further discussed in Note 2 *Indebtedness*, on March 26, 2009, the lenders under the Company's Credit Agreement agreed to a Sixth Amendment to our Credit Agreement which waived prior designated defaults under the Credit Agreement and extended the termination date of the Credit Agreement to September 3, 2009. Because the Credit Agreement's original financial covenants were once again in effect, the Company was again in default under these covenants as of March 31, 2009 and was in cross default under certain of its other debt obligations, but its lenders also have waived these defaults. Although the Company has obtained approximately $6,300 through April 15, 2009 in additional debt financing from other lenders, which temporarily improved its short-term liquidity, the Company continues to believe that its cash needs over the next several months will exceed amounts available to it from operations and its credit facility. The Company has agreed with its lenders that by June 15, 2009, it will either have procured a commitment letter or agreement from a buyer to purchase its Pekin facility or obtained a commitment letter or agreement for $25,000 in financing from another bank or lender, and one of such transactions must close by July 17, 2009. The Company is currently pursuing both alternatives but there can be no assurance that it will be successful in either. Accordingly, the Company's ability to continue as a going concern is dependent upon future events.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Accounting

On July 1, 2008, the Company adopted, without any material effect on its consolidated financial statements, the provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurement*, for our financial assets and liabilities with respect to which the Company has recognized or disclosed at fair value on a recurring basis. In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. 157-2, *Effective Date of FASB Statement No. 157,* which delays the effective date for nonfinancial assets and non-financial liabilities to fiscal years beginning after November 15, 2008, except for items that are measured at fair value in the financial statements on a recurring basis at least annually. Beginning July 1, 2009, the Company will adopt the provisions for nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis. Management does not expect the provisions of SFAS No. 157 related to these items to have a material effect on the consolidated financial statements.

Overdrafts

The Company's historical policy has been to record book overdrafts, checks outstanding which have not been presented to the bank for payment, as accounts payable. Changes in the amount of book overdrafts outstanding between periods are reported as operating cash flows. The Company had no book overdraft at March 31, 2009 and a book overdraft of $4,400 at June 30, 2008.

Impairment

The Company tests its long-lived assets for impairment whenever events or conditions and circumstances indicate a carrying amount of an asset may not be recoverable. During the first three quarters of our fiscal year, declines in overall equity values, including our common stock value, and changes in our operations triggered impairment evaluations. Updated forecasts that reflect recent changes made to our business were used in these analyses. The use of forecasts requires considerable management judgment. Management believes the judgments used in this analysis are reasonable. The testing and analysis as of March 31, 2009 identified no other impaired assets (see Note 8 *Restructuring Costs and Loss on Impairment of Assets* for details regarding impairment charges recorded earlier this fiscal year).

Note 2. Indebtedness;

Secured Credit Agreement. At June 30, 2008, the Company was not in compliance with the tangible net worth and the EBITDA based financial covenants in its Credit Agreement. Its tangible net worth at such date, as defined in the Credit Agreement, was $132,500 instead of at least $135,000, its fixed charge coverage ratio was 0.56 to 1 instead of at least 1.5 to 1 and its leverage ratio was (11.03) to 1 instead of at least 3.0 to 1. Its fixed charge coverage ratio, as defined in its lease related to its 5.26% industrial revenue bond lease, was (0.51) to 1 instead of at least 1.5 to 1. As a result, the Company was in default under the Credit Agreement and 5.26% industrial revenue bond lease. Due to cross default provisions, it also was in default under its 5.45% Secured Promissory Note to Commerce Bank . As of September 3, 2008, Commerce Bank waived the default under the 5.45% Promissory Note and the lenders

under the Credit Agreement agreed to a First Amendment to the Credit Agreement providing for a standstill period expiring on October 31, 2008, unless the Company defaulted under interim covenants. The amendment imposed new, monthly interim minimum adjusted EBITDA requirements (as defined in the credit agreement) of $(7,500) for July, $(2,500) for August and $(1,400) for September, and minimum tangible net worth requirements (as defined in the credit agreement) of $125,000 at the end of July, $123,000 at the end of August and $121,000 at the end of September. The Company met the requirements for July and August but did not meet the September requirements and as of October 25, 2008 was in forbearance default under the credit agreement and was also in cross default under its 5.45% Secured Promissory Note to Commerce Bank.

Although it was in forbearance default, the Company's lenders agreed to extend the original expiration date of the forbearance period under its Credit Agreement, as amended, to November 10, 2008, while a new amendment to the Credit Agreement was being discussed. Subsequently, as of November 7, 2008, the lenders under the Credit Agreement entered a Second Amendment extending the standstill period to February 27, 2009, during which the Company was subject to new interim financial covenants. These required the Company to maintain fiscal year-to-date adjusted EBITDA (EBITDA adjusted to eliminate any mark-to-market adjustments reflected in net income) of ($30,000) at the end of October 2008, ($44,000) at the end of November 2008, and ($46,000) at the end of December 2008 and January 2009. Other terms included (i) an increase in the interest rate on outstanding borrowings from LIBOR plus 2.75% or prime plus 0.50% to prime plus 3%, with prime being not less than the greater of 4%, Agent's prime rate or the federal funds rate plus 1%, (ii) an amendment fee of $110 (in addition to the banks' out of pocket expenses), (iii) a fee of 1% of the outstanding credit commitment, as defined, payable on February 27, 2009 unless all outstanding obligations were paid in full and the credit agreement was terminated, (iv) the pledge of substantially all of the Company's remaining unpledged assets, (v) limiting the Company's use of the commitment under the credit agreement to either fund margin calls or for other grain hedging positions to an amount equal to a tax refund received in the second quarter (approximately $9,200) , and (vi) requiring the Company to use any portion of such tax refund received after November 7 ($8,000) to reduce outstanding borrowings under the Credit Agreement. In the amendment, Commerce also waived the cross default under the 5.45% Secured Promissory Note to Commerce.

As a result of inventory reductions and continued operating losses, in December 2008, the Company's outstanding borrowings under the Credit Agreement exceeded its borrowing base, and on December 19, 2008 the lenders agreed to a Third Amendment to the Credit Agreement which permitted the Company, on a temporary basis, to obtain loans and other credit extensions under the Credit Agreement in amounts in excess of the borrowing base. Under the terms of the Third Amendment, until January 30, 2009, the Company could obtain credit extensions of $3,000 over the borrowing base; thereafter, until February 26, 2009, the Company could obtain credit extensions of $1,500 over the borrowing base; and thereafter the Company was to have been able to obtain credit extensions of $500 over the borrowing base. The Third Amendment did not affect the standstill period to which the Company was subject or otherwise impose any duty on any lender to extend credit to the Company beyond any date after which such lender was not obligated to extend credit pursuant to the Credit Agreement as in effect immediately prior to the Third Amendment.

The Company met adjusted EBITDA targets imposed by the Second Amendment for each of October and November but did not meet the targets for December because of impairment and other restructuring charges recognized as of quarter end. On January 30, 2009, the lenders' agent notified the Company that it was in default under the credit facility. It also notified the Company that because of cross default provisions, it was in default under its 5.45% Secured Promissory Note to Commerce Bank. Accordingly, the Company reclassified all long-term debt to current.

On February 27, 2009, the lenders agreed to a Fourth Amendment to the Credit Agreement, which extended the forbearance period under the Credit Agreement and the February 26, 2009 over advance step-down referred to above to March 13, 2009. The Fourth Amendment also (i) reduced the lenders' aggregate commitment under the Credit Agreement to $40,000, (ii) eliminated Sections 3.4(e) (Reserve Amounts Tax Refunds), 3.6(d) Reserve Amount Proceeds) and 3.21 (Reserve Against Revolving Credit Availability) to the Credit Agreement, which were related to a tax refund and related reserves and were added in the Second Amendment to the Credit Agreement, (iii) required the Company to submit to the lenders by March 6, 2009 an operating plan outlining how it proposed to improve its financial position with the ultimate goal of repaying the lenders and (iv) required the Company to pay for the retention by the lenders of Moglia Advisors to advise the lenders regarding the Company and its operating plan.

On March 11, 2009, in connection with the Company's request that the lenders release their lien on two parcels of land in Atchison that the Company was not using in its business so that it might sell them, the Company agreed to apply the net proceeds ($219,214.64) to its obligations under the Credit Agreement and that the amount of its borrowing base under the Credit Agreement would thereafter be deemed reduced by the amount of such net proceeds.

On March 13, 2009, the lenders agreed to a Fifth Amendment to the Credit Agreement which extended the forbearance period under the Credit Agreement and the over advance step-down date referred to in the preceding paragraph to March 27, 2009.

On March 26, 2009, the lenders agreed to a Sixth Amendment to the Credit Agreement, which waived prior designated defaults under the Credit Agreement and cross defaults under the 5.45% Secured Promissory Note to Commerce and extended the termination date of the Credit Agreement to September 3, 2009. The Sixth Amendment also reduced the lenders' commitment under the Credit Agreement so that the lenders' maximum commitment thereunder, subject to borrowing base limitations, declines as follows;

- $33,500 to April 30, 2009;
- $25,000 from May 1 to July 16, 2009; and
- $7,500 from July 17, 2009 to September 3, 2009.

The lenders' commitment and the Company's borrowing base as of any date will be reduced by 70% of the net proceeds of any asset sale or debt or equity issue (other than loans aggregating approximately $6,300 from the Cloud L. Cray Jr. Trust, the Bank of Atchison and Exchange National Bank & Trust). Until April 1, 2009, the borrowing base was increased by an over advance amount of $3,500, reduced by the amount (but not below zero) of the foregoing loans. After April 1, the over advance amount is zero. As of March 31, 2009 the amount available to the Company under the Credit Agreement (taking into account the over advance amount) was $2,169 and the amount of the Company's outstanding borrowings under the Credit Agreement was $24,176.

The Sixth Amendment imposed new covenants on the Company, including the following:

- The Company was required to close on loans from the Cray Trust and Bank of Atchison by April 1 and on loans from the Exchange National Bank by April 15;
- The Company is required to meet weekly cumulative cash flow targets; generally, this covenant requires that the Company's cumulative weekly cash flow not vary negatively from cash flow targets agreed to with its lenders by an amount that exceeds the greater of 10% of the cumulative targeted cash flow at the end of any week or $200; and

Table of Contents

- By June 15, 2009, the Company must have received either a:
  - Written commitment letter or agreement from a third party to purchase its Pekin facility by July 17, 2009, or
  - Written commitment letter or agreement by a bank or other lender to provide not more than $25,000 of debt financing by July 17, 2009 guaranteed in whole or in part by the USDA.

The Company has incurred and expensed bank fees related to these amendments of approximately $458 as of March 31, 2009.

Although the Sixth Amendment waived the Company's prior defaults and imposed new financial covenants, it did not address the Credit Agreement's original financial covenants. Because these covenants were once again in effect, the Company was again in default under the fixed charge coverage, working capital, tangible net worth and leverage ratio covenants as of March 31, 2009, and, as result, was in cross-default under its 5.45% Secured Promissory Note to Commerce Bank and under its loan agreement with Union State Bank, described below. As a result of the Company's defaults under the Credit facility, its lenders could, at their election, have terminated the Company's ability to borrow under the credit facility and/or accelerated its obligations to repay amounts borrowed under the credit facility and other debt. If its lenders were to terminate the credit facility, the Company would not have sufficient funds available to continue normal operations. If the Company's lenders were to accelerate its debt, it could result in the acceleration of debt under other secured obligations, and the Company would be unable to repay its obligations immediately. However, the Company's lenders did not take such actions and when the Company brought the matter to their attention waived these most recent defaults, and the credit facility banks and Union State Bank expressly waived any future defaults of these covenants.

Cloud L. Cray Jr. Trust loan. On March 27, 2009, the Company borrowed $2,000 from the Cloud L. Cray, Jr. Trust pursuant to a subordinated secured promissory note which provides for interest at the rate of 7percent per annum and the payment of principal and interest in a lump sum on March 27, 2010. The note is secured by second mortgages on the Company's Atchison and Pekin production facilities. The note is subject to the provisions of a subordination agreement between the Cloud L. Cray, Jr. Trust and Commerce Bank, N.A., as Agent under the Credit Agreement referred to above. Mr. Cray, who is settlor and trustee of the Trust, is a director of the Company and its principal stockholder with an approximate 21 percent beneficial ownership interest in the common stock of the Company.

Union State Bank Loan. On March 31, 2009, the Company borrowed $1,500 from Union State Bank — Bank of Atchison. The loan bears interest, payable semi-annually commencing on September 30, 2009, at a variable rate (which adjusts quarterly commencing on June 30, 2009) equal to 6% plus the weekly average yield on US Treasury securities adjusted to a constant maturity of three years. The current interest rate on borrowings under the loan agreement is 7.25%. Principal installments of $150 are payable on March 31, 2011, March 31, 2012 and March 31, 2013, and the balance of the loan is payable on March 31, 2014. The loan is secured by a mortgage and security interest on the Company's Onaga, Kansas plant and equipment and its Atchison flour mill plant and equipment. The lenders under the Company's Credit Agreement and Union State Bank have entered an intercreditor agreement whereby the lenders under the Credit Agreement generally have agreed to subordinate their lien in these assets to the lien of Union State Bank. Under the intercreditor agreement, the Company has agreed that an event of default or demand for payment in full by any of the lenders will be deemed to be an event of default under the loan documents of each of the other lenders. In addition to payment defaults and covenant defaults which are not cured within 5 days, events of default under the Union State Bank loan agreement include mergers or sales of a substantial part of the Company's property or if the bank determines in good faith that a material adverse change has occurred in the Company's financial condition or that the prospect for its performance of its loan obligations is impaired. This note was funded on April 1, 2009.

Accordingly, the borrowings are not included within outstanding debt as of March 31, 2009. The Company's CEO, Mr. Newkirk, is a director of Union State Bank.

Note 3. Earnings Per Share.

Basic loss per share data is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Potentially dilutive instruments are stock options and unvested restricted stock awards. Antidilutive share units were 984,718 and 822,400 for the three and nine months ended March 31, 2009 respectively and 157,634 and 131,560 for the three and nine months ended March 31, 2008 respectively.

	Quarter Ended		Year-to-Date	
Weighted average shares:	**March 31, 2009(1)**	**March 31, 2008(1)**	**March 31, 2009(1)**	**March 31, 2008(1)**
Basic and Diluted Shares:	**16,598,582**	16,554,262	**16,580,969**	16,522,021
Additional weighted average shares attributable to:				
Stock options:	—	—	—	—
Unvested restricted stock awards:	—	—	—	—
Potentially Diluted Shares(1)	**16,598,582**	16,554,262	**16,580,969**	16,522,021

(1) The stock options and the restricted stock awards have not been considered due to the loss experienced during both periods.

Note 4. Derivative Instruments and Fair Value Measurements.

Derivative Instruments. In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, the Company enters into readily marketable exchange-traded derivative instruments in the form of commodity futures and option contracts consistent with our established risk management policies.

Certain commodities the Company uses in its production process are exposed to market price risks due to volatility in the prices for those commodities. Currently, the Company uses derivative instruments to reduce the risk related to price volatility for corn, flour and natural gas. The Company manages its exposure through a combination of forward purchases, long-term contracts with suppliers and exchange traded commodity futures and option contracts. However, under the sixth amendment to the Credit Agreement, the Company's debt covenants do not allow it to enter into any commodity derivative transactions, except for derivative instruments to protect the Company from price movements associated with forward sales contracts the terms of which do not exceed six months. Derivative instruments are recorded as either assets or liabilities and are measured at fair market value with any changes in fair value being marked to market as a component of cost of sales in the Condensed Consolidated Statements of Income. Since these derivatives are not accounted for as hedges, fluctuations in the related commodity prices could have a material impact on earnings in any given period.

Prior to April 1, 2008, changes in the fair market value of the derivative instruments designated as cash flow hedges were recorded either in current earnings or in other comprehensive income, depending on the nature of the hedged transaction, consistent with the application of hedge accounting under Statement of Financial Accounting Standards No. 133 as amended ("SFAS 133"). Gains or losses recorded in other comprehensive income were reclassified into current earnings in the periods in which the hedged items

were consumed. Any ineffective portion of a hedged transaction was immediately recognized in current earnings.

Application of hedge accounting under SFAS 133 requires significant resources, recordkeeping and analytical systems. As a result of the rising compliance costs and the complexity related to the application of hedge accounting under SFAS 133, the Company's management elected to discontinue the use of hedge accounting for all commodity derivative positions effective April 1, 2008. Accordingly, changes in the value of derivatives subsequent to March 31, 2008 have been recorded in cost of sales in the Company's Consolidated Statements of Income.

The Company's production process involves the use of natural gas which it purchases under contracts that require it to commit to the purchase of certain quantities on a monthly basis and allow the Company to lock in prices on such purchase quantities. Because the quantities involved have always been for amounts to be consumed within the normal production process, the Company has excluded the market value of these commitments within its contracts from its hedge accounting consistent with normal purchases and sales as defined under SFAS 138.

With the shutdown of the Company's Pekin plant, commitments for the purchase of natural gas through the remainder of the fiscal year under a single contract for the this facility are in excess of projected consumption. Accordingly, the Company anticipates settling its commitments for the difference between the prices to which the Company committed to and the market price of natural gas upon settlement. The Company has recorded a charge of $2,106 and $7,553 in the quarter and year-to-date periods ended March 31, 2009, respectively, to cost of sales for unrealized losses for projected settlements and will continue to mark this obligation to market through June 30, 2009.

Fair Value Measurements. As discussed in Note 1 to the Condensed Consolidated Financial Statements, the Company adopted SFAS 157 on July 1, 2008 with the exception of nonfinancial assets and nonfinancial liabilities that were deferred by FASB Staff Position 157-2. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.
- Level 2—observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—unobservable inputs for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

The following table sets forth by level within the fair value hierarchy of the Company's financial assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2009.

	Fair Values of Assets				Fair Values of Liabilities			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives not designated as hedging instruments:								
Corn commodity contracts (a) (c)	$ —	$ —	$ —	$ —	$ 785	$ —	$ —	$ 785
Accrued natural gas derivative (b) (c)	$ —	$ —	$ —	$ —	$ —	$ 3,946	$ —	$ 3,946
Total financial assets, liabilities and derivative positions:	$ —	$ —	$ —	$ —	$ 785	$ 3,946	$ —	$ 4,731

(a) Corn commodity contracts consist of futures contracts and options and are recorded as a component of inventory in the Company's Consolidated Balance Sheet.
(b) Recorded on the Company's Consolidated Balance Sheet as accrued natural gas derivative.
(c) Based on prices of futures exchanges and recently reported prices in the marketplace.

Information related to our derivatives for the quarter and year-to-date periods ended March 31, 2009 is as follows:

	Quarter Ended March 31, 2009	Year-to-Date Ended March 31, 2009
Derivatives Not Designated as Hedging Instruments:		
Corn commodity contracts		
Amount of gain (loss) recognized in earnings (a)	$ (278)	$ (7,143)
Pekin Natural Gas contracts		
Amount of gain (loss) recognized in earnings (a)	$ (2,106)	$ (7,553)
Derivatives De-Designated as Hedging Instruments:		
Wheat commodity contracts		
Amount of gain (loss) recognized in earnings (b)	$ —	$ (260)
Amount of gain (loss) reclassified from AOCI into earnings before Atchison Mill closure(c)	$ —	$ 2,485
Amount of gain (loss) reclassified from AOCI into earnings after Atchison Mill Closure(d)	$ —	$ 1,108

(a) Mark-to-market gain (loss) on derivatives not designated as hedging instruments is recognized in current earnings in cost of sales for commodity contracts.
(b) Subsequent mark-to-market gain (loss) on derivatives de-designated as hedging instruments is recognized in current earnings in cost of sales for commodity contracts.
(c) Gain (loss) on wheat commodity contracts reclassified from AOCI into earnings was recognized in cost of sales prior to closure of the Atchison Mill.

(d) Gain (loss) on wheat commodity contracts reclassified from AOCI into earnings was recognized in other restructuring costs subsequent to closure of the Atchison Mill.

Counterparty credit risk. We enter into commodity derivatives through a broker with a diversified group of counterparties. As these commodity derivatives currently represent a liability, there is no risk of counterparty credit risk. Under the terms of the Company's account with its broker, it is required to maintain a cash margin account as collateral to cover any shortfall in the market value of derivatives, which has been accounted for as restricted cash in the condensed consolidated balance sheets.

Repayment terms on accrued natural gas derivatives. Under the terms of the Company's agreement with its natural gas provider for its Pekin, Illinois plant, it is billed monthly for settlements pursuant to the Company's contract. Full payment is due within two weeks of receipt of the billing. As of March 31, 2009, approximately $1,400 related to settled amounts is contained within accounts payable as reported in the Company's condensed consolidated balance sheet. Additionally, a liability for $3,946 for additional commitments that will settle by June 30, 2009 is reported in the Company's condensed consolidated balance sheet as accrued natural gas derivative.

Note 5. Contingencies.

The Company is a party to various legal proceedings which are of an ordinary, routine nature and incidental to its operations. Except for the following matters, management considers that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the consolidated financial position or operations of the Company.

From September 16, 2008 until February 11, 2009, tests on the Company's feed drying unit indicated that it was not in compliance with the volatile organic compound emission limit established in the Consent Agreement and Final Order ("CAFO") entered into with the Kansas Department of Health and Environment ("KDHE") on January 11, 2006. Official compliance testing in February 2009 demonstrated the unit to be in compliance. The KDHE has discretion under its penalty policy to pursue an enforcement action against the Company for failing to comply with the emission limit. The Company's management has provided regular updates to the KDHE on efforts to bring the unit into compliance with the permit. Although no formal action has been taken, the KDHE may seek a penalty, but the Company is unable to predict the magnitude of any penalty that KDHE may ultimately assess against it.

Note 6. Operating Segments.

The Company is a fully integrated producer of ingredient solutions, distillery and other products. Products included within the ingredient solutions segment have historically consisted of specialty wheat starches and proteins, vital wheat gluten, commodity wheat starch, and mill feeds. Distillery products have consisted of food grade alcohol (consisting of beverage and industrial alcohol) and fuel grade alcohol, commonly known as ethanol. Distillers grain and carbon dioxide, have been co-products of the Company's distillery operations. Other products include pet treat resins and plant-based biopolymers as well as other products. For the quarter and year-to-date period ended March 31, 2009, revenues from products in the other segment represent less than 2.0 percent of the Company's consolidated revenues. As noted in Note 8, during the second quarter the Company closed the flour mill at its Atchison facility and ceased protein and starch production operations at its Pekin, Illinois plant. As a result of these actions, it no longer sells mill feeds, has substantially exited the vital wheat gluten business and curtailed production of commodity wheat starch. In the third quarter, it shut down its Pekin plant. Other than the production of fuel alcohol as a co-product of high quality alcohol, the Company ceased production of fuel alcohol in the third quarter.

The operating results for each segment are based on net sales less identifiable operating expenses directly attributable to each segment. Indirect selling, general and administrative as well as interest expense, investment income and other general miscellaneous expenses have been excluded from segment operations and classified as Corporate, consistent with the measurements used to evaluate segment performance internally. Receivables, inventories and equipment have been identified with the segments to which they relate. All other assets are considered as Corporate.

	Quarter Ended		Year-to-Date Ended	
(in thousands)	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Sales to Customers				
Ingredient solutions	**$ 16,266**	$ 25,960	**$ 64,618**	$ 73,212
Distillery products	**37,263**	79,064	**158,378**	210,945
Other	**1,033**	1,670	**3,828**	4,509
Total	**54,562**	106,694	**226,824**	288,666
Depreciation and amortization				
Ingredient solutions	**665**	1,021	**2,358**	3,078
Distillery products	**1,783**	2,044	**5,986**	5,992
Other	**62**	385	**184**	1,163
Corporate	**377**	421	**1,185**	1,282
Total	**2,887**	3,871	**9,713**	11,515
Income (Loss) before Income Taxes				
Ingredient solutions	**1,415**	(2,593)	**(8,128)**	373
Distillery products	**41**	5,474	**(28,282)**	11,011
Other	**(162)**	(508)	**74**	(2,796)
Corporate	**(6,969)**	(5,068)	**(17,564)**	(13,888)
Impairment of long lived assets(1)	**—**	(8,100)	**(8,931)**	(8,100)
Severance and early retirement costs(1)	**—**	—	**(3,288)**	—
Other restructuring costs(1)	**—**	—	**(5,241)**	—
Unrealized loss on natural gas contract(1)	**(2,106)**	—	**(7,553)**	—
Gain on Settlement of litigation net of related expenses(1)	**—**	—	**—**	7,046
Total	**$ (7,781)**	$ (10,795)	**$ (78,913)**	$ (6,354)

(1) For purposes of comparative analysis, the impairment of long lived assets, severance and early retirement costs and other restructuring costs, unrealized loss on natural gas contract and the gain on the settlement of litigation have been excluded from segments for the periods indicated.

	March 31, 2009	March 31, 2008	June 30, 2008
Identifiable Assets			
Ingredient solutions	**$ 38,774**	$ 75,900	$ 70,071
Distillery products	**61,714**	126,581	121,650
Other	**4,290**	9,321	2,969
Assets held for sale	**31,571**	—	5,600
Corporate	**20,615**	13,557	22,778
Total	**$ 156,964**	$ 225,359	$ 223,068

For the quarter and year-to-date periods ended March 31, 2009, the Company refined its methodology for assessing identifiable earnings (losses) before income taxes for all segments whereby only direct sales, general and administrative costs are allocated to operating segments. Previously, the Company had allocated substantially all selling, general and administrative expenses to each operating segment based upon numerous factors and attributes. All selling, general and administrative expenses not directly attributable to operating segments have been restated within Corporate income (loss) before taxes for the quarter and year-to-date periods ended March 31, 2008. Accordingly, amounts previously disclosed as earnings (loss) before income taxes for the quarter and year-to-date periods ended March 31, 2008 have been adjusted to reflect these changes.

Note 7. Pension and Post Retirement Benefit Obligations.

Post Retirement Benefits. The Company and its subsidiaries provide certain post-retirement health care and life benefits to all employees. The liability for such benefits is unfunded. The Company uses a June 30 measurement date for the plan.

The components of the Net Periodic Benefit Cost for the quarter and year-to-date periods ended March 31, 2009 and March 31, 2008, respectively, are as follows:

	Quarter Ended		Year-to-Date Ended	
(in thousands)	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Service cost	**$ 75**	$ 61	**$ 225**	$ 183
Interest cost	**124**	117	**372**	351
Prior service cost	**(9)**	(9)	**(27)**	(27)
(Gain) loss	**5**	11	**15**	33
Total post-retirement benefit cost	**$ 195**	$ 180	**$ 585**	$ 540

The Company previously disclosed in its financial statements for the year ended June 30, 2008, amounts expected to be paid to plan participants. There have been no revisions to these estimates and there have been no changes in the estimate of total employer contributions expected to be made for the fiscal year ended June 30, 2009.

Total employer contributions for the quarter ended March 31, 2009 were $22.

Pension Benefits. The Company and its subsidiaries also provide defined retirement benefits to certain employees covered under collective bargaining agreements. Under the collective bargaining agreements, the Company's pension funding contributions are a function of the wages paid and are

Table of Contents

determined as a percentage of wages paid. The funding is divided between the defined benefit plan and a 401(k) plan. It has been management's policy to fund the defined benefit plan in accordance with the collective bargaining agreement. The collective bargaining agreements allow the plan's trustees to develop changes to the pension plan to allow benefits to match funding, including reductions in benefits. The Company uses a June 30 measurement date for the plan.

The components of the Net Periodic Benefit Cost for the quarter and year-to-date periods ended March 31, 2009 and March 31, 2008, respectively, are as follows:

	Quarter Ended		Year-to-Date Ended	
(in thousands)	**March 31, 2009**	**March 31, 2008**	**March 31, 2009**	**March 31, 2008**
Service cost	**$ 141**	$ 130	**$ 423**	$ 390
Interest cost	**49**	35	**147**	105
Expected return on plan assets	**(44)**	(35)	**(132)**	(105)
Prior service cost	**6**	6	**18**	18
Recognition of net loss(gain)	**4**	(2)	**12**	(6)
Total pension benefit cost	**$ 156**	$ 134	**$ 468**	$ 402

The Company has made employer contributions of $787 for the year-to-date period ended March 31, 2009, all of which were in the quarter ended September 30, 2008.

Note 8. Restructuring Costs and Loss on Impairment of Assets.

In response to the losses incurred during fiscal 2009, actions were taken in the current fiscal year in an effort to return the Company to profitability. These actions include significant changes to operations in the Company's Atchison and Pekin facilities. As a result of these actions, restructuring costs and loss on impairment of assets were recognized in the second quarter. Amounts for such charges included in results for the year-to-date period ending March 31, 2009 were as follows:

(in thousands)	**Total**
Impairment of long lived assets	$ 8,931
Severance and early retirement costs	3,288
Other restructuring costs	5,241
Total	$ 17,460

On October 20, 2008 the Company announced that it had signed a non-binding letter of intent to acquire its flour requirements from a third party, was ceasing operations at its flour mill in Atchison, Kansas and was reducing its workforce. The Company's decision to close its flour mill was due to the fact that it could no longer produce flour for its own use at costs that were competitive with those of third party producers. As a result of this action by the Company, the Company performed an impairment analysis and recorded a $2,831 non-cash impairment charge in the Condensed Consolidated Statements related to the flour mill assets.

On November 5, 2008, the Company announced plans to significantly reduce production of commodity wheat proteins and starches by ceasing protein and starch production operations at its Pekin, Illinois plant, effective November 12, 2008. The majority of the Pekin facility's protein and starch production consisted of gluten and commodity starches. As a result of the shutdown, the Company performed an impairment analysis and recorded a $4,960 non-cash impairment charge in the Condensed

Table of Contents

Consolidated Statements related to the Pekin protein and starch assets. Going forward, management expects to concentrate its efforts on the production of value added proteins and starches at the Atchison facility.

As a result of the closure of the Company's Atchison flour mill and the protein and starch operations at its Pekin plant, the Company also incurred $3,288 in severance and early retirement cost in the Company's Condensed Consolidated Financial Statements.

On January 29, 2009, the Company exited the production of fuel grade alcohol and temporarily shut down food grade alcohol production operations at its Pekin, Illinois plant. On March 31, 2009, the Company announced that it was considering its strategic options, including the sale of the Pekin plant. Management has performed an impairment analysis of the Pekin plant at the end of the third quarter based upon appraisals and has determined that no further impairment charge related to the Pekin plant was warranted based upon management's expectation of value to be realized upon sale. The remaining net book value of assets at the Pekin facility approximates $29,000.

On January 29, 2009, the Company determined that it would cease the manufacture and sale of personal care ingredients products. The Company has concluded all its contractual obligations with respect to its personal care customers, completed all production and liquidated all remaining inventory. As a result of this action, the Company performed an impairment analysis and recorded a $329 non-cash impairment charge in the Condensed Consolidated Statements related to the write-down of equipment used in the production of personal care products.

As previously reported, at the end of the third quarter of fiscal 2008 the Company concluded that its pet business assets in the other segment and certain of its ingredient solutions segment assets in a mixed use facility in Kansas City, Kansas at which the Company's pet treat resins are made were impaired. At that time, the Company recorded an impairment charge of $8,100. For the quarter ended December 31, 2008, the Company performed another test for impairment of these assets as a result of an appraisal resulting in a further charge of $811. As part of its closing process for the quarter ended March 31, 2009, management performed an additional impairment test of these assets. No further impairment charge was deemed warranted.

Other restructuring costs of $5,241 include $2,925 related to lease termination costs which the Company expects to incur as a result of the flour mill closure with respect to 147 railcars which it formerly used to transport flour and whose leases expire through 2013. The Company has recognized this expense because it no longer utilizes these cars in its business. Expected payments accrued reflect the net present value of the remaining obligation net of units which are estimated to be returned to the lessor sooner than the lease termination date. The discount rate used was 7.0 percent and was based on the Company's borrowing costs at December 31. 2008. Twenty-six of these railcars have been returned to the lessor as of March 31, 2009. The Company estimates that the remaining railcars will either be returned to the lessor or assigned to other third parties over the course of four years. Other restructuring costs also includes a $2,185 net loss resulting from sales of excess wheat no longer needed for milling operations. The charge is net of approximately $1,109 in realized gains previously recorded in accumulated other comprehensive income.

Note 9. Assets Held for Sale.

At the end of the fiscal year ended June 30, 2008, the Company's management evaluated strategic alternatives with respect to its mixed use facility in Kansas City, Kansas. The Company had previously concluded that its pet business assets in its other segment and certain of its ingredient solutions segment assets were impaired during the quarter ended March 31, 2008, and during the fourth quarter of the fiscal

year ended June 30, 2008 committed to a plan to sell the assets at this facility Buildings and equipment with an adjusted cost basis of $5,600 were reported as current assets as "Assets held for sale" on the Company's consolidated balance sheet as of June 30, 2008 and subsequently as of September 30, 2008. During the quarter ended December 31, 2008, the Company's management, after evaluating new strategic alternatives with respect to this facility, concluded that the building and related land could be used for other manufacturing and storage purposes consistent with the Company's updated business plan. Accordingly, assets consisting of a building with a net book value of $1,067, land with a book value of $506 and equipment with a book value of $679, for a total net book value of approximately $2,252, previously reported as current assets in "Assets held for sale" have been reclassified to non-current assets as "Property and equipment, at cost" and "Less: accumulated depreciation."

As discussed above in Note 8 *Restructuring Costs and Loss on Impairment of Assets,* the Company ceased protein and starch production operations at this facility effective November 12, 2008 and, after performing an impairment analysis, recorded a $4,960 non-cash impairment charge in the Condensed Consolidated Financial Statements. As noted previously in Note 8 *Restructuring Costs and Loss on Impairment of Assets*, the remaining net book value of assets at the Pekin facility approximates $29,000.

Subsequently, the Company also temporarily idled all distillery operations at the Pekin facility and on March 31, 2009 announced that it was considering its strategic options, including the sale of the plant. Accordingly, assets related to the Pekin plant with an adjusted costs basis of $29,000 are reported as current assets as "Assets held for sale" on the Company's consolidated balance sheet as of March 31, 2009.

	September 30, 2008	Effect of Reclassification of KCIT assets	Pekin plant assets held for sale.	March 31, 2009
Property and equipment, at cost(1)	$ 12,490	$ (7,379)	$ 146,165	$ 151,276
Less accumulated depreciation	(6,890)	4,316	(117,131)	(119,705)
Assets held for sale, net	$ 5,600	$ (3,063)	$ 29,034	$ 31,571

(1) KCIT Assets at cost further adjusted for the $811 impairment charge recorded in 2nd quarter.

Note 10. Subsequent Events: Exchange National Bank & Trust Note.

On April 15, 2009, the Company borrowed $2,800 from Exchange National Bank & Trust Co. The loan is evidenced by a promissory note and bears interest, payable monthly on the third day of each month commencing on May 3, 2009, at the rate of 7% per annum. Principal on the note is due on September 3, 2009. The loan is secured by a third mortgage and security interest on the Company's Pekin plant and equipment, a leasehold mortgage on its new executive office building and technical center in Atchison and a pledge of the related industrial revenue bond issued by the City of Atchison that the Company holds. The lenders under the Credit Agreement and Exchange National Bank & Trust have entered an intercreditor agreement whereby the lenders under the Credit Agreement generally have agreed to subordinate their lien in the bond collateral to the lien of Exchange National Bank & Trust. In addition to payment defaults, events of default under the promissory note include mergers or sales of a substantial part of the Company's property or if the bank determines in good faith that a material adverse change has occurred in its financial condition or that the prospect for its performance of its loan obligations is

impaired. Ladd Seaberg, the Company's Chairman of the Board, is a director on Exchange National Bank & Trust's board.

On May 4, 2009, the Company signed an unsecured note payable to a vender for approximately $998 which reduced trade accounts payable by a like amount. The note is evidenced by a promissory note and bears interest at the rate of 10 percent per annum and is payable in 14 monthly installments of principal and interest aggregating $75 and a final payment of $12..

Note 11. Recently Issued Accounting Pronouncements.

In December 2008, the FASB issued FASB Staff Position ("FSP") 132(R)-1 which amends FASB No. 132(R), "Employers' Disclosures About Pensions and Other Postretirement Benefits." This FSP requires more detailed disclosures about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. The Company will be required to adopt these new requirements as of the fiscal year ended after December 31, 2009 and provide this additional information at that time. The adoption will have no impact on the Company's financial position or net earnings.

In April 2009, the FASB issued FSP 157-4 "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." This FSp provides additional guidance for estimating fair value when volume and level of activity for the asset or liability have significantly decreased. The Company will be required to adopt this FSP in the fourth quarter of 2009. Management believes the adoption of this FSP will not have an impact on the Company's financial position or net earnings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

(Dollars in thousands, except per-share amounts)

RESULTS OF OPERATIONS

General

Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations—General,* incorporated by reference to Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2008 for certain general information about our principal products and costs.

As described below, we have made significant changes to our operations since June 30, 2008. In order to improve our operations, we have refocused our business on the production of value added ingredients and distillery products. We have realigned our production efforts and taken steps to reduce excess inventories. We have closed our flour mill in Atchison, ceased commodity starch and gluten production at our Pekin plant and taken steps to exit the fuel alcohol and personal care markets. We also have temporarily ceased production of food grade alcohol at our Pekin plant and have agreed with the lenders under our Credit Agreement that by June 15, 2009 we will either enter a commitment letter or an agreement to sell this facility by July 17, 2009 or obtain a commitment letter or agreement from a bank or other lender to provide a loan in the amount of $25,000 by July 17, 2009. As a result of these actions, we will only produce minimal quantities of fuel grade alcohol as a by-product and will no longer sell mill feeds, we expect our production of distiller's grain to decline and we generally anticipate that revenues in future periods will be lower than historic levels. We expect to see improved profitability because of these steps. However, they also produce a current cost. During the year-to-date period ended March 31, 2009, we have incurred significant impairment and restructuring costs, aggregating $17,460. We also recognized $7,553 in cost of sales for natural gas that we do not expect to use under a contract we entered with respect to our Pekin plant.

Critical Accounting Policies and Estimates

Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies,* incorporated by reference to Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, for a discussion of our critical accounting policies and the use of certain judgments and estimates in the preparation of our financial statements. As stated therein, the Company tests its long-lived assets for impairment whenever events or conditions and circumstances indicate a carrying amount of an asset may not be recoverable. During the third quarter of our fiscal year, declines in overall equity values, including our common stock value, and changes in our operations triggered impairment evaluations. Updated forecasts that reflect recent changes made to our business were used in this analysis. The use of forecasts requires considerable management judgment. Management believes the judgments used in these analyses are reasonable. The testing and analysis identified no impairment losses at March 31, 2009. See Note 8 of Notes to Condensed Consolidated Financial Statements included elsewhere herein for a discussion of impairment losses incurred during the year-to-date period ended March 31, 2009.

CHANGES IN SEGMENT REPORTING

For the quarter and year-to-date ended March 31, 2009, the Company refined its methodology for assessing identifiable earnings (losses) before income taxes for all segments whereby only direct selling,

general and administrative costs are allocated to operating segments. Previously, the Company had allocated substantially all selling, general and administrative expenses to each operating segment based upon numerous factors and attributes. All selling, general and administrative expenses not directly attributable to operating segments have been restated within Corporate income (loss) before taxes for the quarter and year-to-date ended March 31, 2008. Accordingly, amounts previously disclosed as earnings (loss) before income taxes for the quarter and year-to-date ended March 31, 2008 have been adjusted to reflect these changes.

DEVELOPMENTS IN THE INGREDIENT SOLUTIONS SEGMENT

In order to become more efficient and effective and to improve our results, we have refocused our business on the production of our value-added products. Management believes the steps it has taken will help enable the Company to return to profitability, be more competitive, and allow the Company to obtain financing that will enable the Company to maintain operations.

Among the more important reasons for the decision to re-focus our ingredients solutions business are the following:

- We had underutilized ingredients solutions segment facilities at both of our Pekin, Illinois and Atchison, Kansas production facilities, and our commodity ingredients business had experienced continuing losses.

- We could no longer produce flour for our own use at costs that were competitive with those of third party producers.

We have substantially exited the commodity wheat gluten business and have curtailed our commodity starch production. By closing protein and starch production at Pekin, we have reduced the volume of our ingredient solutions business by approximately 20 percent, in terms of pounds, substantially all of which relates to our lower margin commodity starch and protein products. We continue to focus our manufacturing efforts on improving our consistency and capabilities for producing our specialty product lines. For the quarter ended March 31, 2009, we have improved our starch recovery percentage in our Atchison facility from approximately 44 percent to 49 percent which should result in improved margins on both commodity and specialty starches in future periods.

Other developments during the quarter ended March 31, 2009 included the following:

- We exited the personal care line of products after fulfilling all obligations with respect to our personal care customers, completing all production and liquidating all remaining inventory during the quarter ended March 31, 2009.

- We have implemented an on-line Customer Relationship Management ("CRM") solution to improve our ability to develop new sales of our product lines. Our commercialization functions are focused on increasing sales growth of our specialty products at the largest and most innovative food companies in the U.S.

DEVELOPMENTS IN THE DISTILLERY PRODUCTS SEGMENT

As previously mentioned in Developments in the Ingredient Solutions Segment, in order to become more efficient and effective and to improve our results, we have decided to refocus our business on the production of our value added products. With respect to our Distillery Products Segment, among the more important reasons for the decision to re-focus the business are the following:

- Market economics for fuel grade alcohol have continued to erode, and recent prices have been at or below production cost.

- Incremental ethanol production decisions have been made difficult by continued volatility in corn and ethanol prices.

· With current ethanol industry capacity in excess of federal mandates, it does not seem likely that there will be a return to equilibrium in the ethanol markets in the short term.

We determined to exit the production of fuel alcohol except as a by-product of food grade alcohol production and determined to temporarily shut down food grade production at our Pekin plant for 90 days to utilize existing inventories at that location. On March 31, 2009, we agreed with our Credit Agreement bank that by June 15, 2009 we would either procure a commitment letter or agreement from a buyer for the Pekin plant or procure a commitment letter or agreement for $25,000 in new financing from another bank or lender, one of which must close by July 17, 2009, and announced that we were considering our strategic options, including the sale of the Pekin plant. We do not expect the shutdown of Pekin to affect our food grade alcohol customers as we are continuing to optimize food grade alcohol production capabilities at Atchison. During fiscal 2008 and the year-to-date period ended March 31, 2009, we estimate that our ethanol sales accounted for approximately 46.1 percent and 29.0 percent of our distillery segment revenues. Historically, we have produced substantially all of our food grade alcohol at Atchison and substantially all of our fuel grade alcohol at Pekin.

DEVELOPMENTS IN THE OTHER SEGMENT

For the quarter ended March 31, 2009, sales of our plant-based biopolymers decreased substantially with a 43.4 percent decrease in unit sales compared to the quarter ended March 31, 2008 which was exceptionally strong due to significant purchases from a single customer. Additionally, for the quarter ended March 31, 2009, sales of our plant-based biopolymer products have decreased as the price of plastic products (against which our plant-based biopolymer products compete) has decreased with the price of oil. Our plant-based biopolymers products continue to undergo further research and development as we explore additional enhancements to expand their functionality and use capabilities.

As previously reported, at the end of the third quarter of fiscal 2008 we concluded that our pet business assets in the other segment and certain of our ingredient solutions segment assets in a mixed use facility in Kansas City, Kansas at which the Company's pet treat resins are made were impaired. At that time, we recorded an impairment charge of $8,100. At the end of the fiscal year ended June 30, 2008, the Company's management evaluated strategic alternatives with respect to the mixed use facility and committed to a plan to sell the assets at this facility. Buildings and equipment with an adjusted cost basis of $5,600 were reported as current assets as "Assets held for sale" on the Company's consolidated balance sheet as of June 30, 2008 and subsequently as of September 30, 2008. During the quarter ended December 31, 2008, the Company's management, after evaluating new strategic alternatives with respect to our Kansas City Kansas facility, concluded that the building and related land could be used for other manufacturing and storage purposes consistent with our updated business plan. Accordingly, assets consisting of a building with a net book value of $1,067, land with a book value of $506 and equipment with a book value of $679, for a total net book value of approximately $2,252 previously reported as current assets in "Assets held for sale", were reclassified to non-current assets as "Property and equipment, at cost" and "Less: accumulated depreciation."

We continue to evaluate the strategic alternatives for the equipment at our Kansas City facility, and are pursuing the sale of these assets. At March 31, 2009, these equipment assets remain presented as

Table of Contents

an asset held for sale. The related debt is presented as Liabilities Related to Assets Held for Sale on the balance sheet.

During the quarter ended December 31, 2008, based on a recent appraisal, we performed another test for impairment on this equipment resulting in a further charge of $811 which is only reflected in the year-to-date results.

Segment Results

The following is a summary of revenues and pre-tax profits / (loss) allocated to each reportable operating segment for the quarterly and year-to-date periods ended March 31, 2009 and 2008. For additional information regarding our operating segments, see *Note 6-Operating Segments* included under *Part 1, Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference.

	Quarter Ended		Year-to-Date Ended	
(in thousands)	**March 31, 2009**	**March 31, 2008**	**March 31, 2009**	**March 31, 2008**
Ingredient solutions				
Net Sales	**$ 16,266**	$ 25,960	**$ 64,618**	$ 73,212
Pre-Tax Income (Loss)	**1,415**	(2,593)	**(8,128)**	373
Distillery products				
Net Sales	**37,263**	79,064	**158,378**	210,945
Pre-Tax Income (Loss)	**41**	5,474	**(28,282)**	11,011
Other				
Net Sales	**1,033**	1,670	**3,828**	4,509
Pre-Tax Income (Loss)	**(162)**	(508)	**74**	(2,796)

GENERAL

Consolidated losses for the third quarter of fiscal 2009 decreased compared to the same period in fiscal 2008 with a net loss of $6,248 on consolidated sales of $54,562 versus a net loss of $6,629 on consolidated sales of $106,694 during the same quarter of fiscal 2008. This decrease in net loss was primarily the result of restructuring efforts we made during the first and second quarters of the current fiscal year whereby our focus has shifted to the production and sale of value added products. As discussed previously, we have substantially exited the commodity wheat gluten business, curtailed our commodity starch production and have exited the production of fuel alcohol (except as a by-product of food-grade alcohol production). For the quarter ended March 31, 2009, reduced unit sales and lower corn and flour costs partially offset by higher natural gas costs (primarily for the distillery products segment) served to reduce cost of sales. Additionally, for the quarter ended March 31, 2008, we recognized an $8,100 charge related to the impairment of long lived assets at our Kansas City facility. No such charge was recorded in the quarter ended March 31, 2009.

Consolidated net losses for the year-to-date period ended March 31, 2009 increased compared to the year-to-date period ended March 31, 2008 with a net loss of $66,207 on consolidated sales of $226,824 versus a net loss of $1,753 on consolidated sales of $288,666 for the year-to-date period ended March 31, 2008. Restructuring costs related to the impairment of long lived assets, severance and other restructuring of $8,931, $3,288 and $5,241, respectively, were incurred. Additionally, we incurred $7,553 in unrealized losses on a natural gas contract for our Pekin, Illinois production facility. Cost of sales was impacted primarily by the positive impact of the discontinuation of production of certain commodity ingredient

Table of Contents

products at our Pekin plant as well as the discontinuation of the production of fuel grade alcohol due to unfavorable market conditions, partially offset by higher grain costs. During the year-to-date period ended March 31, 2008, we realized a gain on the settlement of litigation, net of related expenses of $7,046. No such gain was realized during fiscal 2009,

INGREDIENT SOLUTIONS

Total ingredient solutions sales revenue for the quarter ended March 31, 2009 decreased by $9,694, or 37.3 percent, compared to the quarter ended March 31, 2008. Revenues for specialty ingredients, consisting of specialty proteins and specialty starches, decreased during the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008 by $1,857, or 11.7 percent. Revenues for specialty proteins decreased as a result of lower unit sales partially offset by increased per unit prices. Revenues for specialty starches decreased as a result of lower unit sales partially offset by improved pricing. Revenues for commodity vital wheat gluten for the quarter ended March 31, 2009 decreased by $5,927, or 82.4 percent, primarily as a result of reduced sales volume resulting from our decision to focus on value-added specialty protein and starch products rather than commodity protein and starch products. However, revenues for commodity starch did increase $147 or 17.3 percent, as a result of improved sales volume. Margins continued to be significantly impacted by increased cost of sales related to higher wheat prices compared to a year ago. As noted above in *Developments in the Ingredient Solutions Segment*, beginning in the quarter ended December 31, 2008, we entered into a supply contract for flour with ConAgra Mills whereby they are supplying our wheat flour requirements for use in the production of protein and starch ingredients. As a result, we no longer purchase wheat directly. However, the price we pay ConAgra for flour is a function of the per-bushel cost of wheat and, accordingly, wheat prices continue to directly impact the cost of raw materials for our ingredient solutions segment.

Total ingredient solutions sales revenue for the year-to-date period ended March 31, 2009 decreased by $8,593, or 11.7 percent, compared to the year-to-date period ended March 31, 2008. Revenues for specialty ingredients increased during this period $2,824, or 6.6 percent. Revenues for specialty starches increased as a result of improved pricing as well as improved unit sales, which offset decreased revenues for specialty proteins resulting from lower unit sales partially offset by improved per unit prices. Revenues for commodity vital wheat gluten for the year-to-date period ended March 31, 2009 decreased by $9,854, or 41.9 percent, primarily as a result of reduced sales volume resulting from our decision to focus on value-added specialty products rather than commodity products. Revenues for commodity starch increased $1,753, or 75.5 percent, as a result of improved sales volume as well as improved pricing. Margins continued to be significantly impacted by increased cost of sales related to increased wheat prices. Also, for the year-to-date period ended March 31, 2009, the price we paid ConAgra for flour was a function of the per-bushel cost of wheat.

DISTILLERY PRODUCTS

Total distillery products sales revenue for the quarter ended March 31, 2009 decreased $41,801, or 52.9 percent, compared to the quarter ended March 31, 2008. This decrease was due to reduced revenues related to fuel grade alcohol of $33,745, or 87.6 percent, as a result of our decision to exit production and sale of fuel grade alcohol related to poor market conditions. Distillery products revenue was also impacted by decreased revenue for food grade alcohol attributable to reduced volumes partially offset by improved per unit pricing. Margins were positively impacted by the impact of reduced corn prices compared to the quarter ended March 31, 2008. For the quarter ended March 31, 2009, the per-bushel cost of corn, before adjustments for the impact of our hedging practices, averaged nearly 17.6 percent lower than the quarter ended March 31, 2008. This reduction in corn cost improved margins on distillery products for the quarter.

Table of Contents

Total distillery products sales revenue for the year-to-date period ended March 31, 2009 decreased $52,567, or 24.9 percent, compared to the year-to-date period ended March 31, 2008. This decrease was due primarily to reduced revenues for fuel grade alcohol of $53,141, or 53.6 percent, as a result of our planned reduction of fuel grade alcohol related to poor market conditions. As noted above, we have decided to exit production and sale of fuel grade alcohol. This decrease in distillery products revenue was partially offset by increased revenues related to food grade alcohol of $6,725, or 8.1 percent, over the year-to-date period ended March 31, 2008. Increases in revenue for food grade alcohol were attributable to both increased volume as well as improved per unit pricing. For the year-to-date period, margins were significantly impacted by increased cost of sales related to increased corn prices compared to the year-to-date period ended March 31, 2008. For the year-to-date period ended March 31, 2009, the per-bushel cost of corn, before adjustments for the impact of our hedging practices, averaged nearly 22 percent higher than the year-to-date period ended March 31, 2008.

OTHER PRODUCTS

For the quarter ended March 31, 2009, revenues for other products, consisting primarily of pet products and plant-based biopolymers, decreased $637, or 38.2 percent compared to the quarter ended March 31, 2008 as revenues for both pet products and plant-based biopolymers declined primarily as a result of lower unit sales and, to a lesser degree, reduced per unit pricing. As noted previously under *Developments in the Other Segment*, sales of our plant-based biopolymer products have decreased as the price of plastic products (against which our plant-based biopolymer products compete) has decreased with the price of oil.

For the year-to-date period ended March 31, 2009, revenues for other products decreased $681 or 15.1 percent as a result of reduced revenues for pet products related to reduced unit sales. Revenues for plant-based biopolymer products for the year-to-date period ended March 31, 2009 increased $194 as a result of both increased unit sales as well as improved per unit pricing.

SALES

Net sales for the quarter and year-to-date periods ended March 31, 2009 decreased $52,132, or 48.9 percent, and $61,842, or 21.4 percent, respectively, compared to the quarter and year-to-date periods ended March 31, 2008. These decreases were the result of decreased sales in all segments during the quarter and year-to-date periods ended March 31, 2009.

For the quarter ended March 31, 2009, decreased sales in the ingredient solutions segment were related to decreased unit sales for commodity vital wheat gluten primarily related to planned reductions of sales following our decision to cease gluten and starch production at Pekin and to focus on the production of value-added ingredient products, and secondarily to reduced per unit pricing. Specialty protein revenues declined due to reduced volume sales partially offset by improved per unit pricing. Specialty starch revenues declined as a result of reduced volumes. This decline was partially offset by revenue increases as a result of improvements in per unit pricing. Further adding to the reduction of revenues in the ingredient solutions segment were the cessation of sales of mill feeds as a result of the discontinuation of flour mill operations in Atchison. For the quarter ended March 31, 2008, revenues related to mill feeds were $2,057. No such sales were recorded in the quarter ended March 31, 2009. Decreased sales in the distillery products segment were driven primarily by the planned reductions in production and sales of fuel grade alcohol, with sales declining by $41,801. As noted above, we have decided to exit the fuel grade business.

For the year-to-date period ended March 31, 2009, decreased revenues in the Ingredient solutions segment were related to reduced revenues for vital wheat gluten and, to a lesser degree, specialty proteins.

Table of Contents

Vital wheat gluten revenues declined as a result of our planned reduction referred to above. Both commodity starch and specialty starch revenues increased as a result of increased sales volumes as well as improved per unit pricing. Decreased revenues for mill feeds of $3,317 resulted from the cessation of sales of mill feeds as a result of the discontinuation of flour mill operations in Atchison. Decreased sales in the distillery products segment were primarily related to reductions in sales and production of fuel grade alcohol of $53,141 partially offset by increased sales of both beverage and food grade industrial alcohol. Revenues for industrial alcohol increased as a result of both increased sales volume as well as improved per unit pricing, while revenues for beverage alcohol increased as a result of improved per unit pricing offset by reduced unit sales.

COST OF SALES

For the quarter ended March 31, 2009, cost of sales declined $48,483, or 47.1 percent, while sales decreased 48.9 percent compared to the quarter ended March 31, 2008. This decrease in cost of sales was primarily the result of the reduced production and sales of fuel grade alcohol and commodity vital wheat gluten. Also contributing to a reduction in cost of sales for the quarter were certain reduced input costs. For the quarter ended March 31, 2009, the per bushel cost for corn, excluding the impact of our hedging policy, averaged nearly 17.6 percent lower than the quarter ended March 31, 2008. These factors, which served to reduce cost of sales, were partially offset by higher natural gas costs as well as increased costs of other inputs used in the manufacturing process. Our higher natural gas costs were directly the result of higher natural gas prices experienced during the quarter ended March 31, 2009 compared to quarter ended March 31, 2008. For the quarter ended March 31, 2009, the per million cubic feet ("mcf") cost of natural gas averaged nearly 11.6 percent higher than the quarter ended March 31, 2008 and excludes unrealized loss on a natural gas contract as discussed below. Beginning in the quarter ended December 31, 2008, we ceased purchasing and processing wheat into flour in favor of directly purchasing flour at a lower cost than for what we could manufacture.

For the year-to-date period ended March 31, 2009, cost of sales decreased $8,802, or 3.2 percent, while sales decreased 21.4 percent compared to the year-to-date period ended March 31, 2008. Consistent with the quarter ended March 31, 2009, this decrease in cost of sales was primarily the result of the reduced production and sales of fuel grade alcohol and vital wheat gluten. These factors, which served to reduce cost of sales overall, were partially offset by the impact of higher corn and natural gas costs as well as increased costs of other inputs used in the manufacturing process. Our higher corn costs were directly the result of higher corn prices experienced during the year-to-date period ended March 31, 2009. For the year-to-date period ended March 31, 2009, before adjustment for the impact of our hedging practices, the per-bushel cost of corn averaged nearly 22.0 percent higher than the year-to-date period ended March 31, 2008. For the year-to-date period ended March 31, 2009, the per mcf cost of natural gas averaged nearly 31.7 percent higher than the year-to-date period ended March 31, 2008.

As discussed in *Note 4 - Derivative Instruments* included under *Part 1, Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference, effective April 1, 2008, we elected to discontinue the use of hedge accounting for all commodity derivative positions. Accordingly, changes in the value of derivatives subsequent to March 31, 2008 are recorded in cost of sales in the Company's Consolidated Statements of Income. As of March 31, 2008, the cumulative mark-to-market adjustment of $4,195 net of tax of $2,819 included in accumulated other comprehensive income was related to derivative instruments that had previously been designated for hedge accounting under the framework of SFAS 133. Gains related to those derivative instruments have remained in accumulated other comprehensive income until the forecasted transactions to which the specific hedged positions relate impact earnings. During the quarter ended December 31, 2008, the remaining $1,109 in deferred gains on previously designated derivative instruments was recognized in earnings. There remain no further deferred gains as of March 31, 2009.

Our production process involves the use of natural gas which we purchase under contracts that require us to commit to the purchase of certain quantities on a monthly basis and allow us to lock in prices on such purchase quantities. Because the quantities involved have always been for amounts to be consumed within the normal production process, we have excluded the market value of these commitments within our contracts from our hedge accounting consistent with normal purchases and sales as defined under Statement of Financial Accounting Standards No. 133 as amended ("SFAS 133").

With the changes effected at our Pekin plant, commitments for the purchase of natural gas through the remainder of the fiscal year under a single contract for our Pekin plant are in excess of projected consumption. Accordingly, we anticipate settling such commitments for the difference between the prices to which we committed to and the market price of natural gas upon settlement. We have recorded a charge of $2,106 and $7,553 for the quarter and year-to-date periods ended March 31, 2009, respectively, to cost of sales for unrealized losses for projected settlements and will continue to mark this obligation to market through June 30, 2009 as the settlements come due.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the quarter and year-to-date periods ended March 31, 2009 decreased $1,465 or 22.4 percent, and $707 or 4.0 percent, respectively, compared to the same periods ended March 31, 2008. These decreases were primarily the result of changes we made within the organization during the quarter ended December 31, 2008 and referred to in *Developments in the Ingredient Solutions Segment* and *Developments in the Distillery Products Segment* resulting in lower administrative headcount and related costs. These factors, which served to decrease selling, general and administrative expenses were partially offset by increased expenses associated with maintaining our line of credit (including a commitment fee of $458), increases in other professional fees and increased compensation expenses related to an expansion of our sales force related to our increased focus on the production and sale of specialty value-added ingredients.

OTHER OPERATING COSTS

Other operating costs of $2,076 were incurred during the quarter and year-to-date periods ended March 31, 2009. These costs primarily relate to additional ongoing charges for maintaining facilities no longer in production.

IMPAIRMENT: LONG LIVED ASSETS

In response to the losses incurred during the first quarter of fiscal 2009, we have taken actions since the end of the first quarter in an effort to return to profitability. These actions include significant changes to operations in our Atchison and Pekin facilities.

Ingredient Solutions Segment. On October 20, 2008 we announced that we had signed a non-binding letter of intent to acquire our flour requirements from a third party, were ceasing operations at our flour mill in Atchison, Kansas and were reducing our workforce by approximately 44 persons. The workforce reduction consisted of a combination of temporary lay-offs and early retirement offers. On November 6, we announced that the anticipated supply contract for flour had been signed, and the layoffs became permanent. Our decision to close our flour mill was due to the fact that we could no longer produce flour for our own use at costs that are competitive with those of third party producers. As a result of this action, we performed an impairment analysis and recorded a $2,831 non-cash impairment charge in the Condensed Consolidated Statements in the second quarter related to the flour mill assets.

On November 5, we announced plans to significantly reduce production of commodity wheat proteins and starches by ceasing protein and starch production operations at our Pekin, Illinois plant, effective November 12, 2008. The majority of the Pekin facility's protein and starch production consisted of gluten and commodity starches. The action resulted in an additional work force reduction of approximately 80 persons, consisting of a combination of lay-offs and early retirement offers. As a result of the shutdown, we performed an impairment analysis and in the second quarter recorded a $4,960 non-cash impairment charge in the Condensed Consolidated Statements related to the Pekin protein and starch assets. Going forward, we expect to concentrate our efforts on the production of value added proteins and starches. On January 29, 2009, we determined to cease the manufacture and sale of personal care ingredients products at our Atchison facility. As of March 31, 2009, we have completed the exit of the personal care line of products after fulfilling all obligations with respect to our personal care customers, completing all production and liquidating all remaining inventory. As a result of this action, in the second quarter we incurred a non-cash impairment charge of $329 in the Condensed Consolidated Statements related to the write down of equipment used in the production of personal care products.

In measuring for impairment of assets at our flour mill and our Pekin facility's protein and starch production facility, management assumed no sales or other disposition but instead adjusted net values of these assets to zero as no further cash flow related to these assets was anticipated.

Distillery Segment. In November of 2008, we also determined to curtail fuel alcohol production at Pekin to approximately 30 million gallons annually until market conditions became more favorable. Subsequent to December 31, 2008, we determined that we could further adjust our production process at Pekin in a way that permitted us to produce only minor quantities of fuel grade alcohol as a by-product of the production of food grade alcohol and determined to otherwise terminate the production of fuel grade alcohol. Subsequently, we determined to shut down food grade production at the plant for a temporary period. On March 31, 2009, we agreed with our Credit Agreement banks that by June 15, 2009 we would either procure a commitment letter or agreement from a buyer to purchase the Pekin plant or procure a commitment for $25,000 in new financing from another bank or lender, in each case to close by July 17, 2009, and announced that we were considering our strategic options, including the sale of the Pekin plant. We performed an impairment analysis of our other long lived assets and determined no further impairment charges were necessary as a result of these activities. The remaining net book value of assets at the Pekin facility approximate $29,000. After considering the results of an appraisal for this facility prepared by a third party, management believes the fair value of this facility is in excess of net book value.

Other Segment. As previously reported, at the end of the third quarter of fiscal 2008, we concluded that our pet business assets in the other segment and certain of our ingredient solutions segment assets in a mixed use facility in Kansas City, Kansas at which our pet treat resins are made were impaired. At that time, we recorded an impairment charge of $8,100, of which $4,700 related to assets allocated to the Company's other segment. During the quarter ended December 31, 2008, management performed another test for impairment of these assets as a result of an appraisal resulting in a further charge of $811.

SEVERANCE AND EARLY RETIREMENT COSTS

In connection with the production changes described above, we also incurred $3,288 in severance related charges associated with early retirements and job eliminations during the second quarter. These charges have been presented in the Company's Consolidated Statements of Income as "Severance and early retirement costs."

Table of Contents

OTHER RESTRUCTURING COSTS

In connection with the production changes described above, in the second quarter we also incurred a $2,185 net loss, which is net of approximately $1,109 in realized gains previously recorded in accumulated other comprehensive income. In addition, we recognized $2,925 in lease termination costs which we expect to incur with respect to 147 railcars which we formerly used to transport flour and whose leases expire through 2013. We have recognized this expense because we no longer utilize these cars in our business. Expected payments accrued reflect the net present value of the remaining obligation net of units which are estimated to be returned to the lessor sooner than the lease termination date. The discount rate used was 7.0 percent and was based on our borrowing costs at December 31. 2008. Twenty six of the railcars have been returned to the lessor as of March 31, 2009. We estimate that the remaining railcars will either be returned to the lessor or assigned to other third parties over the course of four years.

OTHER INCOME, NET

Other income, net, decreased $435, or 95.4 percent, for the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008. For the year-to-date period ended March 31, 2009, other income, net, decreased $475, or 83.3 percent, compared to the year-to-date period ended March 31, 2008. These changes were principally attributable to changes in interest capitalized as well as to the effect of certain other non-recurring, non-operating revenue items. It is our practice to credit other income for capitalized interest.

GAIN ON SETTLEMENT OF LITIGATION, NET OF RELATED EXPENSES

On December 27, 2007, the Company settled its two-year patent infringement and contract litigation. Under the terms of the settlement, the Company agreed to dismiss its lawsuit with prejudice and was paid $8,000, which was received on December 28, 2007. In connection with the settlement, the Company also granted the other parties in the lawsuit a non-exclusive license under its U.S. Patent No. 5,665,152. During fiscal 2008, the Company incurred professional fees of $954, related to this litigation. This amount has been netted against the gross proceeds for a net amount of $7,046. The Company has recorded the settlement as a separate line item below income from operations. The Company used the proceeds from the settlement to reduce the amount outstanding under its line of credit.

No such settlements were incurred during the quarter or year-to-date periods ended March 31, 2009.

INTEREST EXPENSE

Interest expense for the quarter and year-to-date periods ended March 31, 2009 increased $346 and $1,190, respectively, compared to the same periods ended March 30, 2008. These increases were the result of higher balances and higher interest rates on our outstanding line of credit compared to the same periods in the prior year. These increases were partially offset by reduced balances on our long-term notes payable.

EQUITY IN LOSS OF JOINT VENTURE

Equity in the loss of our joint venture was $45 and $79 for the quarter and year-to-date periods ended March 31, 2009, respectively. On July 17, 2007, we completed a transaction with Crespel and Dieters GmbH & Co. KG for the formation and financing of a joint venture, D.M. Ingredients, GmbH ("DMI"), located in Ibbenburen, Germany. DMI's primary operation is the production and tolling of the

Table of Contents

Wheatex® series of textured wheat proteins made from vital wheat gluten for marketing by MGPI domestically and, through our partner and third parties, internationally. Currently, the joint venture is utilizing a third party toller in the Netherlands to produce the Wheatex® products. We own a 50 percent interest in DMI, and account for it using the equity method of accounting. As of March 31, 2009, we had invested $375 in DMI since July 2007.

For the quarter ended March 31, 2009, DMI incurred a net loss of $90 related to costs incurred as part of the initial implementation of operations. No sales revenue was reported. As a 50 percent joint venture holder, our equity in this loss was $45.

For the year-to-date period ended March 31, 2009, DMI incurred a net loss of $158 related to costs incurred for the initial implementation of operations. Again, no sales revenue was reported. As a 50 percent joint venture holder, our equity in this loss was $79.

DMI's functional currency is the European Union Euro. Accordingly, changes in the holding value of the Company's investment in DMI resulting from changes in the exchange rate between the U.S. Dollar and the European Union Euro are recorded in other comprehensive income as a translation adjustment on unconsolidated foreign subsidiary net of deferred taxes.

INCOME TAXES

For the quarter ended March 31, 2009, we had an income tax benefit of $1,533 resulting in an effective rate of (19.7) percent. For the quarter ended March 31, 2008, our income tax benefit was $4,166 for an effective rate of (38.6) percent. Our benefit has been limited to the portion of the loss that we expect to be able to carryback and receive refunds of previously paid taxes.

For the year-to-date period ended March 31, 2009, we had an income tax benefit of $12,706, resulting in an effective rate of (16.1) percent. For the year-to-date period ended March 31, 2008, our income tax benefit was $4,601 for an effective rate of (72.4) percent.

For the year-to-date period ended March 31, 2009, the effective rate was primarily impacted by a valuation allowance established of approximately $18,700 largely for NOLs and credit carryforwards that have not been recorded due to uncertainty about realization. As a result of filing our fiscal 2008 tax return, we have received tax refunds of $9,500. Based upon our operating results in the current fiscal year, we expect to be eligible to receive federal and state income tax refunds of approximately $6,255 after filing our current fiscal year tax return. The expected refund would exhaust our ability to carry back any further losses under current tax regulations

For the year-to-date March 31, 2009, there has been a $929 decrease in our gross uncertain tax positions largely due to a correction in a tax accounting method and the expiration of the statute of limitations for the June 30, 2005 fiscal year. Interest and penalty costs related to these positions that had previously been factored into our effective rate has also been reversed.

NET INCOME

As the result of the factors outlined above, we experienced a net loss of $6,248 and $66,207 in the quarter and year-to-date periods ended March 31, 2009, respectively, compared to a net loss of $6,629 in the quarter ended March 31, 2008 and a net loss of $1,753 in the year-to-date period ended March 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

Historically, the principal sources of our cash have been operating cash flow and borrowings under our credit agreement. Historically, principal uses of cash are capital expenditures, payment of debt and the payment of dividends.

We have had large losses from operations and have relied on borrowings under our credit agreement to operate. As disclosed in prior filings, we have experienced various defaults under our Credit Agreement and have been operating subject to the forbearance of our lenders. On March 26, 2009, the lenders agreed to a Sixth Amendment to our Credit Agreement, which waived prior designated defaults under the Credit Agreement and extended the termination date of the Credit Agreement to September 3, 2009. Although the Sixth Amendment waived our prior defaults and imposed new financial covenants, it did not address the Credit Agreement's original financial covenants. Because the Credit Agreement's original financial covenants were once again in effect, we were in default under the fixed charge coverage, working capital, tangible net worth and leverage ratio covenants of our Credit Agreement as of March 31, 2009 and also were in cross default under our 5.45% Secured Promissory Note to Commerce Bank and under our loan agreement with Union State Bank. As a result of our defaults, our lenders could, at their election, have terminated our ability to borrow under the credit facility and/or accelerated our obligations to repay amounts borrowed under the credit facility and other debt. If our lenders were to terminate the credit facility, we would not have sufficient funds available to continue normal operations. If our lenders were to accelerate our debt, it could result in the acceleration of debt under other secured obligations, and we would be unable to repay our obligations immediately. However, the Company's lenders did not take such actions, and when we brought the matter to their attention they waived these most recent defaults, and the credit facility banks and Union State Bank expressly waived any future defaults of these covenants.

The Sixth Amendment reduced the lenders' commitment under the Credit Agreement so that the lenders' maximum commitment thereunder, subject to borrowing base limitations, declines as follows;

- $33,500 to April 30, 2009;
- $25,000 from May 1 to July 16, 2009; and
- $7,500 from July 17, 2009 to September 3, 2009.

The lenders' commitment and our borrowing base as of any date will be reduced by 70% of the net proceeds of any asset sale or debt or equity issue (other than loans aggregating approximately $6,300 from the Cloud L. Cray Jr. Trust, the Bank of Atchison and Exchange National Bank & Trust). Until April 1, 2009, the borrowing base was increased by an over advance amount of $3,500, reduced by the amount (but not below zero) of the foregoing loans. Since April 1, the over advance amount has been zero. As of March 31, 2009 the amount available to us under the Credit Agreement (taking into account

the over advance amount) was $2,169 and the amount of our outstanding borrowings under the Credit Agreement was $24,176.

The borrowing base under the credit facility and the amount available to us thereunder fluctuate daily. From April 1, 2009 to May 7, 2009, the daily amount available to us has averaged approximately $4,266, ranging from a low of $1,030 to a high of $6,751, and the amount available at the close of business on May 7, 2009, was approximately $5,626.

Among other matters, as discussed in Note 2 to our financial statements included herein, the Sixth Amendment also required us to obtain additional financing aggregating approximately $6,300 from other lenders. We were able to procure such financing as required. Although this improved our short-term liquidity, we continue to believe that our cash needs over the next several months will exceed amounts available to us from operations and under our credit facility. We have agreed with our lenders that by June 15, 2009 we will either have procured a commitment letter or an agreement from a buyer to purchase our Pekin facility by July 17, 2009 or obtained a commitment letter or agreement from a bank or other lender to loan us $25,000 by July 17, 2009. We are currently exploring strategic options for our Pekin facility but have received no indications of interest to date. We are seeking both asset based loans and line of credit financing from several financial institutions aggregating $40,000 to $45,000 to replace existing financing, but to date have no commitments. Accordingly, there can be no assurance that we will be successful in either selling our Pekin facility or obtaining new financing. Our ability to continue as a going concern is dependent upon future events.

Due to the limitations on amounts available under the credit agreement and negative operating cash flows, our cash flows have not been optimal for our needs and we have extended certain vendors past normal credit terms. Until we obtain additional financing, we will need to take particular care in managing our cash flows and may be unable to take advantage of certain business opportunities that would otherwise be available to us. For example, notwithstanding current favorable grain prices, we are not taking long forward positions in grain in order to conserve our cash. This could result in higher future expenses if prices change adversely.

In addition to obtaining additional financing and/or selling our Pekin plant, our prospects depend on a number of factors, some of which are beyond our control, including commodity prices, natural gas prices, our ability to liquidate inventories as planned, the level of our capital expenditures, the amount of margin calls on our commodity trading accounts and the willingness of the bulk of our suppliers to extend normal trading terms. In this regard, some of our suppliers, principally utilities, have required us to make significant deposits or advance payments to maintain service.

Table of Contents

The following table is presented as a measure of our liquidity and financial condition:

(Dollars in thousands)

	March 31, 2009	June 30, 2008
Cash and cash equivalents	**$ 503**	$ —
Working capital	**21,386**	51,127
Amounts available under lines of credit	**2,169**	17,000
Credit facility, liabilities related to assets held for sale and long-term debt (including current maturities)	**35,445**	33,493
Stockholders’ equity	**68,263**	136,874

	Year-to-Date Ended	
	March 31, 2009	March 31, 2008
Depreciation and amortization	**9,713**	11,515
Capital expenditures	**2,057**	4,277
EBITDA(1)	**(66,970)**	6,201

(1) EBITDA equals earnings before interest, taxes, depreciation and amortization.

EBITDA

We have included EBITDA because we believe it provides investors with additional information to measure our performance and liquidity. EBITDA is not a recognized term under generally accepted accounting principles (“GAAP”) and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, it is not intended to be a measure of free cash flow for management’s discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Because not all companies use identical calculations, this presentation may not be comparable to other similarly titled measures of other companies.

The following table sets forth a reconciliation of net income to EBITDA for the year-to-date periods ended March 31, 2009 and 2008 (in thousands):

	Year-to-Date Ended	
	March 31, 2009	March 31, 2008
Net loss	**$ (66,207)**	$ (1,753)
Provision (benefit) for income taxes	**(12,706)**	(4,601)
Interest expense	**2,230**	1,040
Depreciation	**9,713**	11,515
EBITDA	**$ (66,970)**	$ 6,201

Table of Contents

The following table sets forth a reconciliation of EBITDA to cash flows from operations for the year-to-date periods ended March 31, 2009 and 2008 (in thousands):

	Year-to-Date Ended	
	March 31, 2009	March 31, 2008
EBITDA	**$ (66,970)**	$ 6,201
Benefit (provision) for income taxes	**12,706**	4,601
Interest expense	**(2,230)**	(1,040)
Equity in loss of joint venture	**79**	—
Non-cash charges against (credits to) net income:		
Deferred income taxes	**(7,210)**	(4,718)
Loss (gain) on sale of assets	**(264)**	10
Loss on impairment of assets	**8,931**	8,100
Changes in operating assets and liabilities	**56,370**	(10,194)
Cash flow from operations	**$ 1,412**	$ 2,960

CASH FLOW INFORMATION

Summary cash flow information follows for the year-to-date periods ended March 31, 2009 and 2008, respectively: (Dollars in thousands)

	Year-to-Date Ended	
	March 31, 2009	March 31, 2008
Cash flows provided by (used for):		
Operating activities	**$ 1,412**	$ 2,960
Investing activities	**(1,363)**	(4,635)
Financing activities	**454**	(2,225)
Increase (decrease) in cash and cash equivalents	**503**	(3,900)
Cash and cash equivalents at beginning of year	**—**	3,900
Cash and cash equivalents at end of year	**$ 503**	$ —

During the year-to-date period ended March 31, 2009, our consolidated cash increased $503 compared to a decrease of $3,900 during the year-to-date period ended March 3, 2008. Reduced operating cash flow resulted from a increase in net loss from $1,753 for the year-to-date period ended March 31, 2008 to a net loss of $66,207 for the year-to-date period ended March 31, 2009. The effect of this net loss on cash flow from operating activities was substantially reduced by improvements in cash flow from reductions of inventory and accounts receivable. Cash outflows related to capital expenditures during the year-to-date period ended March 31,2009 compared to the year-to-date period ended March 31, 2008 were reduced. Additionally, net proceeds from our line of credit provided a source of cash as well as proceeds from the Cray note of $2,000.

Table of Contents

Operating Cash Flows. Summary operating cash flow information for the year-to-date periods ended March 31, 2009 and 2008, respectively, is as follows: (Dollars in thousands):

	Year-to-Date Ended	
	March 31, 2009	March 31, 2008
Net income (loss)	**$ (66,207)**	$ (1,753)
Depreciation	**9,713**	11,515
Loss (gain) on sale of assets	**(264)**	10
Deferred income taxes	**(7,210)**	(4,718)
Loss on impairment of assets	**8,931**	8,100
Equity in loss of joint venture	**79**	—
Changes in working capital items:		
Restricted cash	**(1,441)**	3,333
Accounts receivable	**13,031**	1,189
Inventory	**41,063**	(17,258)
Accounts payable	**(786)**	5,625
Accrued expenses	**141**	834
Deferred credit	**(643)**	(925)
Income taxes payable/receivable	**2,315**	(984)
Accrued natural gas derivative	**3,946**	—
Other non-current liabilities	**2,686**	384
Gains previously deferred in other comprehensive income	**(2,149)**	—
Other	**(1,793)**	(2,392)
Net cash used in operating activities	**$ 1,412**	$ 2,960

Cash flow from operations for the year-to-date ended March 31, 2009 decreased $1,548 to $1,412 from $2,960 for the year-to-date period ended March 31, 2008. This decline in operating cash flow was primarily related to the increase in net loss of $64,454 from a net loss of $1,753 for the year-to-date period ended March 31, 2008 to a net loss of $66,207 for the year-to-date period ended March 31, 2009. Other factors leading to a decrease in operating cash flow were an increase in restricted cash of $1,441 for the year-to-date period ended March 31, 2009 compared to a decrease of $3,333 for the year-to-date period ended March 31, 2008. These factors, which served to reduce operating cash flow, were substantially offset by a decrease in inventory of $41,063 consistent with our strategy of exiting unprofitable product lines and focusing on value added protein, starch and alcohol products as well as a decrease in accounts receivable of $13,031 as a result of lower sales volumes.

Investing Cash Flows. Net investing cash outflow for the year-to-date period ended March 31, 2009 was $1,363 compared to $4,635 for the year-to-date period ended March 31, 2008. During the year-to-date period ended March 31, 2009, we made investments to our operating plant of $2,057. These investments were partially offset by the net proceeds from the sale of a corporate aircraft and other assets of $694.

Financing Cash Flows. Net financing cash flow for the year-to-date period ended March 31, 2009, was $454 compared to net financing cash outflow of $2,225 for the year-to-date period ended March 31, 2008 resulting in a net increase in financing cash flow of $2,679. During the quarter ended March 31, 2009, we obtained $2,000 in proceeds from a new loan and during the year-to-date period ended March 31, 2009, we had net draws of $1,176 under our operating line of credit compared to net draws of $3,000 for the year-to-date period ended March 31, 2008. Proceeds from stock plans were relatively minimal due to reduced option exercise activity as a result of the reduced price of our stock.

Table of Contents

HEDGING AND INVENTORY COSTS

Included within the carrying value of inventory of $21,793 as of March 31, 2009 is the market value of derivative instruments related to our hedging strategy of ($785). This value represents mark-to-market losses on open undesignated derivative contracts.

In connection with the purchase of raw materials, principally corn and wheat, for anticipated operating requirements, we sometimes enter into various commodity derivative contracts to manage the risk of future grain price increases. During the quarter ended March 31, 2009, we utilized derivatives to hedge approximately 36 percent of corn processed compared with approximately 78 percent of corn processed in the quarter ended March 31, 2008. As further discussed under *Developments in the Ingredient Solutions Segment*, beginning in the quarter ended December 31, 2008, we entered into a supply contract for flour with ConAgra Mills whereby they are supplying our wheat flour requirements for use in the production of protein and starch ingredients. As a result, we have ceased hedging wheat purchases. For the year-to-date period ended March 31, 2009, we recognized $1,109 in deferred gains on previously designated and liquidated wheat futures. Raw material costs in the quarter ended March 31, 2009 included a net mark to market loss of approximately $278 compared to a net hedging gain of $9,136 in the quarter ended March 31, 2008.

During the year-to-date period ended March 31, 2009, we utilized derivatives to hedge approximately 61 percent of corn processed compared with approximately 46 percent of corn processed in the year-to-date period ended March 31, 2008. For the year-to-date period ended March 31, 2009, we recognized $3,334 in deferred gains on previously designated and liquidated wheat futures. Raw material costs in the year-to-date period ended March 31, 2009 included a net hedging loss of approximately $4,919 (excluding a $1,109 gain reclassified and reported under *Other restructuring costs* in our Condensed Financial Statements) compared to a net hedging gain of $8,900 in the year-to-date period ended March 31, 2008.

These hedge transactions are highly effective. Accordingly, nearly all related losses were entirely offset by reduced raw materials costs.

As of March 31, 2009, through the use of derivative contracts, we had hedged 42.5 percent of our projected corn consumption for the remainder of the fiscal year. Including cash purchases, we have hedged 51.2 percent of our projected corn consumption for the remainder of the fiscal year.

As described in Note 4 of our Notes to Condensed Consolidated Financial Statements included elsewhere herein, effective April 1, 2008, we elected to discontinue the use of hedge accounting for all commodity derivative positions. Accordingly, changes in the value of derivatives subsequent to March 31, 2008 are recorded in cost of sales in the Company's Consolidated Statements of Income. As of March 31, 2008, the cumulative mark-to-market adjustment of $4,195 net of tax of $2,819 included in accumulated other comprehensive income was related to derivative instruments that had previously been designated for hedge accounting under the framework of SFAS 133. Gains related to those derivative instruments have remained in accumulated other comprehensive income until the forecasted transactions to which the specific hedged positions relate occurred. As of March 31, 2009, all gains previously deferred have been recognized in earnings.

NATURAL GAS COMMITMENTS

Our production process involves the use of natural gas which we purchase under contracts that require us to commit to the purchase of certain quantities on a monthly basis and allow us to lock in prices on such purchase quantities. Because the quantities involved have always been for amounts to be consumed within the normal production process, we have excluded the market value of these commitments within our contracts from our hedge accounting consistent with normal purchases and sales as defined under Statement of Financial Accounting Standards No. 133 as amended ("SFAS 133").

During the quarter ended December 31, 2008, we recorded a charge of $5,447 to cost of sales for unrealized losses as of December 31, 2008 on a natural gas contract for our Pekin plant. With the changes effected at the Pekin plant, the commitments for the purchase of natural gas through the remainder of the fiscal year under this contract are in excess of projected consumption. During the quarter ended March 31, 2009, we recorded further unrealized losses of $2,106 related to this contract. We will continue to settle and mark this obligation to market monthly until its expiration, which is scheduled to occur on June 30, 2009.

Under the terms of our agreement with our natural gas provider for the Pekin, Illinois plant, we are billed monthly for settlements pursuant to our contract. Full payment is due within two weeks of receipt of the billing. As of March 31, 2009, approximately $1,400 related to settled amounts is contained within accounts payable as reported in our condensed consolidated balance sheet. Additionally, a liability for $3,946 for additional commitments that will settle by June 30, 2009 is reported in the Company's condensed consolidated balance sheet as accrued natural gas derivative.

CONTRACTUAL OBLIGATIONS

On October 24, 2008, we entered into a Supply Agreement to purchase our requirements of wheat flour from Conagra Foods Food Ingredients Company, Inc. The Agreement has a term of five years and is automatically renewable for an additional term of 5 years unless either party gives at least 180 days written notice of termination. Pricing is based on a formula which varies depending on changes in several factors, including wheat futures prices, mill feed prices and freight costs. There is no stated minimum quantity required to be purchased.

On November 7, 2008, we entered into a Second Amendment to our credit agreement with our bank lenders which extended the standstill period thereunder and which imposed new interim financial covenants. Other terms in the amendment included (i) a provision limiting loans to base rate loans, with an increase in the interest rate on outstanding borrowings from LIBOR plus 2.75% or prime plus 0.50% to base rate, as defined, plus 3%, with base rate being not less than the greater of 4%, Agent's prime rate or the federal funds rate plus 1%, (ii) an amendment fee of $110 (in addition to the banks' out of pocket expenses), (iii) a fee of 1% of the outstanding credit commitment, as defined, payable on February 27, 2009 unless all outstanding obligations were paid in full and the credit agreement was terminated (this fee was $430), (iv) the pledge of substantially all of our remaining unpledged assets, (v) limiting our use of the commitment under the credit agreement to either fund margin calls or for other grain hedging positions to an amount equal to a tax refund received in the second quarter (approximately $9,200), and (vi) requiring us to use any portion of such anticipated tax refund received after November 7, 2008 ($8,000) to reduce outstanding borrowings under the credit agreement.

The prepayment requirement referred to in clause (vi) above did not reduce the lenders' total commitment under the credit agreement.

As noted above, the Second Amendment expanded the lien securing our obligations to the lenders so that it now covers substantially all of our assets, excluding real property at our new office building and laboratory in Atchison and our interest in our German joint venture, and property at our KCIT facility in Kansas City so long as it is encumbered by existing liens. We were also required to cause our commodity intermediary to execute a commodity account control agreement in favor of our lenders.

As a result of inventory reductions and continued operating losses, in December 2008, our outstanding borrowings under the Credit Agreement exceeded our borrowing base, and on December 19, 2009 the lenders agreed to a Third Amendment to the Credit Agreement which permitted us, on a temporary basis, to obtain loans and other credit extensions under the Credit Agreement in amounts in excess of the borrowing base. Until January 30, 2009, we were permitted to obtain credit extensions of $3,000 over the borrowing base; thereafter, until February 26, 2009, we were permitted to obtain credit extensions of $1,500 over the borrowing base; and thereafter we were permitted to obtain credit extensions of $500 over the borrowing base.

We met adjusted EBITDA targets imposed by the Second Amendment for each of October and November but did not meet the targets for December because of impairment and other restructuring charges recognized as of quarter end. On January 30, 2009, the lender's agent notified us that we were in default under the credit facility. It also notified us that because of cross default provisions, we were in default under our 5.45% Secured Promissory Note to Commerce Bank. Accordingly, we have reclassified all long-term debt to current.

On February 27, 2009, the lenders agreed to a Fourth Amendment to the Credit Agreement which extended the forbearance period under the Credit Agreement and the February 26, 2009 over advance step-down referred to above to March 13, 2009. The Fourth Amendment also (i) reduced the lenders' aggregate commitment under the

Credit Agreement to $40,000, (ii) eliminated Sections 3.4(e) (Reserve Amounts Tax Refunds), 3.6(d) Reserve Amount Proceeds) and 3.21 (Reserve Against Revolving Credit Availability) to the Credit Agreement, which were related to a tax refund and related reserves and were added in the Second Amendment to the Credit Agreement, (iii) required us to submit to the lenders by March 6, 2009 an operating plan outlining how it proposed to improve our financial position with the ultimate goal of repaying the lenders and (iv) required us to pay for the retention by the lenders of Moglia Advisors to advise the lenders regarding us and our operating plan.

On March 11, 2009, in connection with the Company's request that the lenders release their lien on two parcels of land in Atchison that we were not using in our business so that we might sell them, we agreed to apply the net proceeds ($219,214.64) to our obligations under the Credit Agreement and that the amount of our borrowing base under the Credit Agreement would thereafter be deemed reduced by the amount of such net proceeds.

On March 13, 2009, the lenders agreed to a Fifth Amendment to the Credit Agreement which extended the forbearance period under the Credit Agreement and the over advance step-down date referred to in the preceding paragraph to March 27, 2009.

On March 26, 2009, the lenders agreed to a Sixth Amendment to our Credit Agreement, which waived prior designated defaults under the Credit Agreement and cross defaults under the 5.45% Secured Promissory Note to Commerce and extended the termination date of the Credit Agreement to September 3, 2009. Although it imposed new financial covenants, the Sixth Amendment did not change our original financial covenants, and at March 31, 2009 we were in default under several of these covenants; however, when we brought this matter to their attention, on May 1, 2009, our credit facility lenders waived this breach and any obligation to comply with these covenants in the future.

The Sixth Amendment reduced the lenders' commitment under the Credit Agreement so that the lenders' maximum commitment thereunder, subject to borrowing base limitations, declines as follows;

- $33,500 to April 30, 2009;
- $25,000 from May 1 to July 16, 2009; and
- $7,500 from July 17, 2009 to September 3, 2009.

The lenders' commitment and our borrowing base as of any date will be reduced by 70% of the net proceeds of any asset sale or debt or equity issue (other than loans aggregating approximately $6,300 from the Cloud L. Cray Jr. Trust, the Bank of Atchison and Exchange National Bank & Trust). Until April 1, 2009, the borrowing base is increased by an over advance amount of $3,500, reduced by the amount (but not below zero) of the foregoing loans. After April 1, the over advance amount is zero. As of March 31, 2009 the amount available to us under the Credit Agreement (taking into account the over advance amount) was $2,169 and the amount of our outstanding borrowings under the Credit Agreement was $24,176.

The Sixth Amendment imposed new covenants on us, including the following:

- We were required to close on loans from the Cray Trust and Bank of Atchison by April 1 and on loans from the Exchange National Bank by April 15, which we were able to do;
- We are required to meet weekly cumulative cash flow targets; generally, this covenant requires that our cumulative weekly cash flow not vary negatively from targeted cash flow that we agreed to with our lenders by an amount that exceeds the greater of 10% of the cumulative targeted cash flow at the end of any week or $200; and
- By June 15, 2009, we must have received either a:
  - Written commitment letter or agreement from a third party to purchase our Pekin facility by July 17, 2009, or
  - Written commitment letter or agreement by a bank or other lender to provide not more than $25,000 of debt financing by July 17, 2009, guaranteed in whole or in part by the USDA.

On March 27, 2009, we agreed to borrow $2,000 from the Cloud L. Cray, Jr. Trust pursuant to a subordinated secured promissory note which provides for interest at the rate of 7% per annum and the payment of principal and interest in a lump sum on March 27, 2010. The note is secured by second mortgages on the Company's Atchison and Pekin production facilities. The note is subject to the provisions of a subordination agreement between the Cloud L. Cray, Jr. Trust and Commerce Bank, N.A., as Agent under the Credit Agreement referred to above. Mr. Cray, who is settlor and trustee of the Trust, is a director of the Company and our principal stockholder with an approximate 21 percent beneficial ownership interest in the common stock of the Company.

On March 31, 2009, we borrowed $1,500 from Union State Bank — Bank of Atchison ("Union State Bank"). The loan bears interest, payable semi-annually commencing on September 30, 2009, at a variable rate (which adjusts quarterly commencing on June 30, 2009) equal to 6% plus the weekly average yield on US Treasury securities adjusted to a constant maturity of three years. The current interest rate on borrowings under the loan agreement is 7.25%. Principal installments of $150 are payable on March 31, 2011,

March 31, 2012 and March 31, 2013, and the balance of the loan is payable on March 31, 2014. The loan is secured by a mortgage and security interest on our Onaga, Kansas plant and equipment and our Atchison flour mill plant and equipment. The lenders under the Company's Credit Agreement and Union State Bank have entered an intercreditor agreement whereby the lenders under the Credit Agreement generally have agreed to subordinate their lien in these assets to the lien of Union State Bank. Under the intercreditor agreement, we have agreed that an event of default or demand for payment in full to any of the lenders will be deemed to be an event of default under the loan documents of each of the other lenders. In addition to payment defaults and covenant defaults which are not cured within 5 days, events of default under the Union State Bank loan agreement include mergers or sales of a substantial part of our property or if the bank determines in good faith that a material adverse change has occurred in our financial condition or that the prospect for its performance of its loan obligations is impaired. This note was funded on April 1st, 2009. Accordingly, the borrowings are not included within outstanding debt as of March 31, 2009. Our CEO, Mr. Newkirk, is a director of Union State Bank.

On April 15, 2009, we borrowed $2,800 from Exchange National Bank & Trust Co. The loan is evidenced by a promissory note and bears interest, payable monthly commencing in May, 2009, at the rate of 7 percent per annum. Principal on the note is due on September 3, 2009. The note is secured by a third mortgage and security interest on our Pekin plant and equipment, a leasehold mortgage on our new executive office building and technical center in Atchison and a pledge of the related industrial revenue bond issued by the City of Atchison that we hold. The lenders under our Credit Agreement and Exchange National Bank and Trust have entered an intercreditor agreement whereby the lenders under the Credit Agreement generally have agreed to subordinate their lien in the bond collateral to the lien of Exchange National Bank &

Trust Co. In addition to payment defaults, events of default under the promissory note include mergers or sales of a substantial part of our property of if the bank determines in good faith that a material adverse change has occurred in our financial condition or that the prospect for our performance of our loan obligations is impaired.

On May 4, 2009, we signed an unsecured note payable to a vendor for approximately $998 which reduced trade accounts payable by a like amount. The note is evidenced by a promissory note and bears interest at the rate of 10 percent per annum and is payable in 14 monthly installments of principal and interest aggregating $75 and a final payment of $12..

CAPITAL EXPENDITURES.

In the year-to-date we have spent $2,057 in capital expenditures. We had originally budgeted $7,500 for the fiscal year ended June 30, 2009. However, we have not committed to any significant future capital expenditures due to our current financial condition.

We have been exploring alternative sources of energy for our Pekin, Illinois plant in the form of a coal-fired steam generation facility. We have applied for approvals for the construction of a 330 pound per hour high pressure solid fuel boiler cogeneration facility at the plant. The proposed facility would utilize coal as the primary fuel. The cost of the project was estimated at $90,000 to $100,000. We had been seeking a third party energy provider to fund, own and operate the facility and enter a multi-year energy supply agreement with us. Our recent financial issues have forced us to slow down our efforts on this program.

The Illinois Environmental Protection Agency ("IEPA") held a public hearing regarding the fuel boiler cogeneration facility on July 14, 2008. This hearing represented one step toward receiving a permit for the facility. The hearing was followed by a written public comment period, which ended on August 13, 2008. If the IEPA determines to issue a construction permit, it would be effective 35 days after the date of

issue to allow for an appeal period for interested parties. Barring an appeal, we would expect to receive a construction permit at the end of the 35 day waiting period.

After an operating license is granted and a third party energy provider is identified to build the facility, we anticipate that it would take approximately two years to construct and put the complete facility into operation. However, an auxiliary natural gas-only boiler could be constructed and placed in service in approximately twelve to eighteen months.

The facility is proposed to be located on a site that we would lease to the provider which is located on our plant's 49-acre site. It would be utilized to produce steam to power the plant's distillery production processes. In addition, a portion of the generated steam would be used to supply the plant's electrical needs. Excess energy could be available for sale by the provider to others.

As we explore our options for the Pekin plant, we will be reviewing the scope of this project. However, our current contract for steam generation at the Pekin plant expires on January 31, 2011, and to produce alcohol at the plant we will either have to acquire the current steam cogeneration facility, extend the current contract or seek an alternative steam supply such as the proposed coal fired project.

LINE OF CREDIT

Our credit agreement, as amended by the Sixth amendment thereto, provides for a revolving credit facility in the maximum amount of $33,500 through April 30, 2009, subject to borrowing base limitations and other deductions described in Note 2 to the notes to the financial statements contained herein. The lenders' maximum commitments decline to $25,000 on May 1, 2009 and $7,500 on July 17, 2009, subject to borrowing base limitations. The commitment expires on September 3, 2009. The lenders' commitment and our borrowing base as of any date will also be reduced by 70% of the net proceeds of any asset sale or debt or equity issue (other than loans aggregating approximately $6,300 from the Cloud L. Cray Jr. Trust, the Bank of Atchison and Exchange National Bank & Trust. As of May 7, 2009, the amount available to us under the Credit Agreement was $5,626 and the amount of our outstanding borrowings under the Credit Agreement was $17,968.

FINANCIAL COVENANTS

Under our Credit Agreement, we are now required to meet year-to-date cumulative weekly operating cash flow targets. Our year-to-date weekly operating net cash flow for any specified week may not vary negatively by an amount that exceeds the greater of (i) 10% of the year-to-date cumulative weekly operating net cash flow target at the end of such week or (iii) $200. (We were in compliance with this covenant as of May 8, 2009.) The year-to-date cumulative weekly operating net cash flow target requirement for periods after May 4, 2009 through September 3, 2009 range from $2,600 to ($5,500) .

Our Credit Agreement contains various other covenants, including ones limiting our ability to incur liens, incur debt, make investments, make capital expenditures, dispose of assets, issue stock, or purchase stock. While the initial agreement permitted us to pay dividends in the ordinary course, we were required to remain in compliance with our financial covenants. Due to market conditions and our resulting negative cash flow from operations, since June 30, 2008 we have not been able to pay dividends as a result of the fixed charge coverage ratio maintenance requirement in our credit agreement. Further, under subsequent amendments to the Credit Agreement, we are prohibited from paying dividends without the consent of our lenders.

WORKING CAPITAL

COMPARISON TO JUNE 30, 2008

Our working capital decreased $29,741 from June 30, 2008 to March31, 2009. This decrease was primarily the result of increased borrowings on our revolving credit facility, increases in accounts payable, reductions in receivables and inventory partially offset by refundable income taxes and assets held for sale.

COMPARISON TO MARCH 31, 2008

During the twelve month period ended March 31, 2009, our consolidated cash position increased by $503. For the twelve month period ended March 31, 2009, cash was impacted primarily by lower operating cash flow related to reduced earnings. Additionally, we incurred capital expenditures of $5,212 for the twelve month period ended March 31, 2009, yielding a higher investment in property and equipment. We financed capital expenditures, inventory and our operations using our revolving credit facility.

During the twelve month period ended March 31, 2009, our working capital decreased $40,676, primarily as a result of reduced inventory, increased accounts payable, as well as accrued expenses. These factors, which served to reduce working capital, were partially offset by increased income taxes receivable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We make our products primarily from wheat and corn and, as such, are sensitive to changes in commodity prices. We use grain futures and/or options, which we account for as cash flow hedges, as a hedge to protect against fluctuations in the market. Fluctuations in the volume of hedging transactions are dictated by alcohol sales and are based on corn and gasoline prices. The futures contracts that are used are exchange-traded contracts. We trade on the Kansas City and Chicago Boards of Trade and the New York Mercantile Board of Exchange.

Our production process involves the use of natural gas which we purchase under contracts that require us to commit to the purchase of certain quantities on a monthly basis and allow us to lock in prices on such purchase quantities. Because the quantities involved have always been for amounts to be consumed within the normal production process, we have excluded the market value of these commitments within our contracts from our hedge accounting consistent with normal purchases and sales as defined under Statement of Financial Accounting Standards No. 133 as amended ("SFAS 133").

With the shutdown of protein and starch operations, the reduction of distillery operations at and subsequent shutdown of our Pekin plant, commitments for the purchase of natural gas through the remainder of the fiscal year under a single contract for our Pekin plant are in excess of projected consumption. Accordingly, we will settle such commitments on a cash basis for an amount representing the difference between the prices to which we committed to and the current market price of natural gas. We have recorded a charge of $7,553 for projected settlements based upon each month's commitment and the futures price for natural gas for each respective month during the year todate ended March 31, 2009. We will continue to mark this obligation to market through June 30, 2009 when the contract expires As of May 1, 2009, our potential settlement, after adjusting for closed April settlements of $1,289, was $2,798. A 10% decrease in natural gas prices as of May 1, 2009, would increase our projected settlements by $67 and a 10% increase would decrease our projected settlements by $67.

Table of Contents

For inventory and open futures, the table below presents the carrying amount and fair value at March 31, 2009 and June 30, 2008. We include the fair values of open contracts in inventories in our balance sheet.

	At March 31, 2009		At June 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Inventories				
Corn	$ 1,205	$ 1,261	$ 6,485	$ 7,311
Wheat	$ —	$ —	$ 3,499	$ 3,069

	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Corn Options				
Contract Volumes (bushels)			2,000	
Weighted Average				
Strike Price/Bushel				
Long Calls	$ —	$ —	$ 5.40	$ 4,388
Short Calls	$ —	$ —	$ 6.20	$ (2,990)
Short Puts	$ 3.80	$ (382)	$ —	$ —
Contract Amount		$ (382)		$ 1,398

	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Corn Futures				
Contract Volumes (bushels)	1,375			
Weighted Average				
Strike Price/Bushel				
Futures Long	$ 4.44	$ (402)	$ —	$ —
Futures Short	$ —	$ —	$ —	$ —
Contract Amount		$ (402)		$ —

	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Wheat Futures				
Contract Volumes (bushels)			400	
Weighted Average				
Strike Price/Bushel				
Futures Long	$ —	$ —	$ 6.7775	$ 3,585
Contract Amount		$ —		$ 3,585

*The latest expected maturity date occurs within one year from date indicated.

Except for our credit facility and our loan from Union State Bank, our outstanding debt at March 31, 2009 carries fixed interest rates. We have a $31,500 credit facility ($23,594 at May 7, 2009 after giving effect to borrowing base limitations), which permits borrowings at a rate equal to a base rate plus an applicable margin. We have a $1,500 loan from Union State Bank which bears interest at a variable rate (which adjusts quarterly commencing on June 30, 2009) equal to 6 percent plus the weekly average yield on United States Treasury securities adjusted to a constant maturity of three years. Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease. The change in interest expense and earnings before income taxes would be dependent upon the weighted average outstanding borrowings during the reporting period following an increase in market interest rates. Based on weighted average outstanding borrowings at the end of the third

Table of Contents

quarter, a 100 basis point increase over the rates actually in effect in the third quarter would have increased our interest expense in the third quarter by approximately $89.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures.

As of the end of the quarter ended March 31, 2009 our Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure

(b) Changes in Internal Controls.

There has been no change in the Company's internal control over financial reporting required by Exchange Act Rule 13a-15 that occurred during the fiscal quarter ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect MGP Ingredients, Inc.'s internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to Part II, Item 1, Legal Proceedings of the Company's Quarterly report on Form 10-Q for the Quarters ended September 30, 2008 and December 31, 2008 for information on a lawsuit styled *Daniel Martin v. MGP Ingredients, Inc*., et al., No. 08-L-697 that was filed in August 2008 in the Circuit Court for the Third Circuit, Madison County, Illinois. On March 24, 2009, the parties entered a settlement agreement providing for the payment by the Company of an amount not deemed material. The settlement was approved by the court at a hearing on May 8, 2009 and the case was dismissed with prejudice.

From September 16, 2008 until February 11, 2009, tests on the Company's feed drying unit indicated that it was not in compliance with the volatile organic compound emission limit established in the Consent Agreement and Final Order ("CAFO") entered into with the Kansas Department of Health and Environment ("KDHE") on January 11, 2006. Official compliance testing in February 2009 demonstrated the unit to be in compliance. The KDHE has discretion under its penalty policy to pursue an enforcement action against the Company for failing to comply with the emission limit. The Company's management has provided regular updates to the KDHE on efforts to bring the unit into compliance with the permit. Although no formal action has been taken, the KDHE may seek a penalty, but the Company is unable to predict the magnitude of any penalty that KDHE may ultimately assess against it.

ITEM 1A. RISK FACTORS.

Our failure to comply with covenants in our credit facility could result in the termination of our credit facility and acceleration of outstanding debt obligations, in which case we may no longer be able to operate as a going concern.

As of May 7, 2009, the outstanding indebtedness under our credit facility was $17,968. Under the most recent amendment to our credit facility, we are required generally to meet weekly cumulative cash flow projections and to either enter a commitment letter or an agreement from a buyer to purchase our Pekin facility by July 17, 2009 or obtain a commitment letter or agreement from a bank or other lender to loan us $25,000 by July 17, 2009. We are currently exploring strategic options for our Pekin facility but have received no indications of interest to date. We are seeking both asset based loans and line of credit financing from several financial institutions aggregating $40,000 to $45,000 to replace existing financing, but to date have no commitments. Accordingly, there can be no assurance that we will be successful in either selling our Pekin facility or obtaining new financing. If we fail to meet these requirements or otherwise default under the credit agreement, our lenders could, at their election, terminate our ability to borrow under the credit facility and or accelerate our obligations to repay amounts borrowed under the credit agreement. If our bank lenders were to terminate our credit, we might not have sufficient funds available to us to continue normal operations. If we default under our credit facility or our credit facility lenders were to accelerate our debt, it could result in the acceleration of debt under other secured obligations that we are subject to. We would be unable to repay our debt immediately. In the case of acceleration, we might suffer foreclosure on the assets we have pledged to our lenders. We believe that our cash needs over the next several months will exceed amounts available to us from operations and under our credit facility. Our ability to continue as a going concern is dependent on the willingness of our lenders to continue to exercise forbearance and on our obtaining additional financing in the near term and/or selling our Pekin plant.

Our reduced liquidity could affect our operations.

The borrowing base under our credit facility and the amount available to us thereunder fluctuate daily. From April 1, 2009 to May 7, 2009, the daily amount available to us has averaged approximately $4,266, ranging from a low of $1,030 to a high of $6,751, and the amount available at the close of business on May 7, 2009 was approximately $5,626. On May 1, the lenders' maximum commitment, subject to borrowing base limitations, reduced from $33,500 to $25,000 and on July 17, 2009 it will reduce to $7,500 until September 3, 2009, when the credit agreement is scheduled to terminate. Due to the limitations on amounts available under the credit agreement and negative operating cash flows, our cash flows have not been optimal for our needs and we have extended certain vendors past normal credit terms. Until we obtain additional financing and/or sell our Pekin facility, we will need to take particular care in managing our cash flows and may be unable to take advantage of certain business opportunities that would otherwise be available to us. For example, notwithstanding current favorable grain prices, we are not taking long forward positions in grain in order to conserve our cash. This could result in higher future expenses if prices change adversely.

In addition to obtaining additional financing and/or selling our Pekin facility, our prospects depend on a number of factors, some of which are beyond our control, including commodity prices, natural gas prices, our ability to liquidate inventories as planned, the level of our capital expenditures, the amount of margin calls on our commodity trading accounts and the willingness of the bulk of our suppliers to extend normal trading terms. In this regard, some of our suppliers, principally utilities, have required us to make significant deposits or advance payments to maintain service.

If we fail to continue to meet all applicable continued listing requirements of The NASDAQ Global Market and NASDAQ determines to delist our common stock, the market liquidity and market price of our common stock could decline.

Our common stock is listed on the NASDAQ Global Select Market. In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements. For example, NASDAQ rules require that we maintain a minimum bid price of $1.00 per share for our common stock. Our common stock has traded below this minimum bid price requirement for much of the third quarter. NASDAQ has currently suspended this bid price requirement through July 20, 2009. If NASDAQ does not further extend this suspension and our stock price is below $1.00 at the time the suspension is lifted or falls below $1.00 after that time or if we in the future fail to meet other requirements for continued listing on the NASDAQ Global Select Market, our common stock could be delisted from The NASDAQ Global Select Market if we are unable to cure the events of noncompliance in a timely or effective manner. If our common stock were threatened with delisting from The NASDAQ Global Market, we may, depending on the circumstances, seek to extend the period for regaining compliance with NASDAQ listing requirements by moving our common stock to the NASDAQ Capital Market. If our common stock is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of or to obtain accurate quotations for the price of our common stock, and there would likely also be a reduction in our coverage by security analysts and the news media, which could cause the price of our common stock to decline further.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the quarter ended March 31, 2009 we made no repurchases of our stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

As of March 31, 2009, we were in non-payment default under certain financial covenants of our credit facility and, as a result, were in cross default under our note to Commerce Bank relating to our corporate aircraft and under our loan agreement with the Bank of Atchison. See Note 2 in Notes to Condensed Consolidated Financial Statements set forth in Part I Item 1 for additional information. We have obtained waivers of these defaults.

ITEM 5. OTHER INFORMATION

On May 7, 2009 the Company and its former Chief Financial Officer, Mr.Robert Zonneveld, entered into a Separation Agreement and Release of Claims pursuant to which Mr. Zonneveld will receive $3,750 per week for three months and $3,600 to assist in COBRA premium payments. The Separation Agreement also contains undertakings by Mr. Zonneveld relating to the Company's confidential information and a one year non-solicitation provision.

ITEM 6. EXHIBITS

3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (File No. 0-17196))
3.2	Bylaws of the Company (Incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2008 (File Number 0-17196))
4.1	Fourth Amendment to Credit Agreement dated as of February 27, 2009 (incorporated by reference to Exhibit 4.1 of Company's Report on Form 8-K, dated February 25, 2009.)
4.2	Letter Agreement dated March 11, 2009 with Commerce Bank, N.A. as Agent. (Incorporated by reference to Exhibit 4.1 of the Company's report on Form 8-K dated March 11, 2009.)
4.3	Fifth Amendment to Credit Agreement. (Incorporated by reference to Exhibit 4.2 of the Company's report on Form 8-K dated March 11, 2009.)
*4.4	Sixth Amendment to Credit Agreement dated March 26, 2009 (including form of note to Cloud L. Cray Jr. Trust and related Subordination Agreement as exhibits)
*4.5	May 1, 2009 waiver letter from Agent under the Credit Agreement.
4.6	In accordance with clauses (iii)(A) and (v) of Item 601(b)(4) of Regulation S-K, certain instruments respecting long-term debt of the Registrant have been omitted but will be furnished to the Commission upon request.
*10.1	Form of salary deferral agreement between Company and the executive officers providing for the deferral of a portion of their base salaries until June 30, 2009.
	Pursuant to this agreement, salaries payments in the following amounts will be deferred until June 30, 2009: Ladd Seaberg-$38,699; Tim Newkirk-$52,308 ; Randy Schrick-$34,883 ; Don Coffey-$18,144; Robert Zonneveld-$13,125; all other executive officers, as a group- $79,402.
*10.2	Form of deferral agreement between the Company and outside directors relating to deferral of director fees.

*10.3	Separation Agreement and Release of Claims dated May 7, 2009 between the Company and Robert Zonneveld
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements on the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MGP INGREDIENTS, INC.

Date: May 11, 2009	By	/s/ Timothy W. Newkirk Timothy W. Newkirk, President and Chief Executive Officer
Date: May 11, 2009	By	/s/ David Harbert David Harbert Interim Chief Financial Officer

Exhibit 4.4

SIXTH AMENDMENT TO CREDIT AGREEMENT

This Sixth Amendment to Credit Agreement (the "Amendment") is made as of March 26, 2009, by and among MGP Ingredients, Inc., a Kansas corporation ("MGP"), Midwest Grain Pipeline, Inc., a Kansas corporation ("Midwest Grain"), Commerce Bank, N.A., as Agent, Issuing Bank and Swingline Lender under the Credit Agreement referred to below, and the Banks party to the Credit Agreement referred to below. MGP and Midwest Grain are each referred to herein as a "Borrower" and are collectively referred to herein as the "Borrowers." The Banks, the Agent, the Issuing Bank and the Swingline Lender are each referred to herein as a "Bank Party" and are collectively referred to herein as the "Bank Parties."

Preliminary Statements

(a) The Borrowers and the Bank Parties are parties to a Credit Agreement dated as of May 5, 2008, as amended by (i) a First Amendment to Credit Agreement dated as of September 3, 2008, and a letter agreement dated October 31, 2008, (ii) a Second Amendment to Credit Agreement dated as of November 7, 2008, (iii) a Third Amendment to Credit Agreement dated as of December 19, 2008, (iv) a Fourth Amendment to Credit Agreement dated as of February 27, 2009, and a letter agreement dated as of March 11, 2009, and (v) a Fifth Amendment to Credit Agreement dated as of March 13, 2009 (as so amended, the "Credit Agreement"). Capitalized terms used and not defined in this Amendment have the meanings given to them in the Credit Agreement.

(b) In the past the Borrowers have defaulted on various obligations they have under the Credit Agreement and have requested that the Bank Parties forebear — and, as an accommodation to the Borrowers, the Bank Parties have been willing to forebear — from exercising various rights and remedies otherwise available to the Bank Parties because of such defaults. The Borrowers have now provided the Bank Parties certain business plans and projections and advised the Bank Parties that the Borrowers anticipate receiving by the dates provided herein additional financial resources from other lenders or other funding sources and from the sale of certain fixed assets owned the Borrowers. In order to provide the Borrowers the amount of time they've requested to implement such business plans and obtain such funding and asset sale proceeds, the Borrowers have requested that the Bank Parties extend the Revolving Credit Termination Date and make certain other modifications to or concessions under the Credit Agreement.

(c) The Bank Parties are willing to agree to the foregoing requests by the Borrowers, subject, however, to the terms, conditions and agreements set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Elimination of Standstill Concept; New Revolving Credit Termination Date.

(a) No Standstill Period. Section 3.19 of the Credit Agreement is amended to read:

3.19 [intentionally omitted]

(b) Waiver of Designated Defaults. The Banks waive the Designated Defaults.

(c) Extended Revolving Credit Termination Date. The definition of "Revolving Credit Termination Date" is amended to read as follows:

"Revolving Credit Termination Date" means September 3, 2009; *provided, however,* that, if such day is not a Business Day, the Revolving Credit Termination Date shall be the immediately preceding Business Date.

2. Reduction and Step-Down in Commitments.

(a) New Commitment Exhibits. Exhibit A to the Credit Agreement is replaced by Exhibits A-1, A-2 and A-3 to this Amendment.

(b) Amended Commitment-Related Defined Terms. The following definitions in Section 1.1 of the Credit Agreement are amended to read as follows:

"Letter of Credit Commitment" means, as to each Bank, and subject to the provisions of Section 3.22 of this Agreement, its obligation to participate in Letters of Credit, as described in Section 2.3(f) hereof, in an aggregate amount not to exceed (1) from the Sixth Amendment Closing Date through April 30, 2009, the amount set forth opposite such Bank's name on Exhibit A-1 hereto under the column entitled "Letter of Credit Commitment," (2) from May 1, 2009 through July 16, 2009, the amount set forth opposite such Bank's name on Exhibit A-2 hereto under the column entitled "Letter of Credit Commitment," and (3) from and after July 17, 2009, the amount set forth opposite such Bank's name on Exhibit A-3 hereto under the column entitled "Letter of Credit Commitment."

"Revolving Credit Commitment" means, as to each Bank, and subject to the provisions of Section 3.22 of this Agreement, (1) from the Sixth Amendment Closing Date through April 30, 2009, the amount set forth opposite such Bank's name on Exhibit A-1 hereto under the column entitled "Revolving Credit Commitment," (2) from May 1, 2009 through July 17, 2009, the amount set forth opposite such Bank's name on Exhibit A-2 hereto under the column entitled "Revolving Credit Commitment," and (3) from and after July 16, 2009, the amount set forth opposite such Bank's name on Exhibit A-3 hereto under the column entitled "Revolving Credit Commitment."

"Swingline Loan Commitment" means, as to the Swingline Lender, and subject to the provisions of Section 3.22 of this Agreement, its obligation to make Swingline Loans pursuant to Section 2.2 of this Agreement, in an aggregate principal amount outstanding not to exceed (1) from the Sixth Amendment Closing Date through April 30, 2009, the amount set forth opposite such Bank's name on Exhibit A-1 hereto under the column entitled " Swingline Loan Commitment," (2) from May 1, 2009 through July 16, 2009, the amount set forth opposite such Bank's name on Exhibit A-2 hereto under the column entitled " Swingline Loan Commitment," and (3) from and after July 16, 2009, the amount set forth opposite such Bank's name on Exhibit A-3 hereto under the column entitled "Swingline Loan Commitment."

"Total Letter of Credit Commitment" means, at any time, and subject to the provisions of Section 3.22 of this Agreement, the sum of each Bank's Letter of Credit Commitment at such time.

"Total Revolving Credit Commitment" means, at any time, and subject to the provisions of Section 3.22 of this Agreement, the sum of each Bank's Revolving Credit Commitment at such time.

(c) Reductions in Commitment Amounts. A new Section 3.22 is added to the Credit Agreement which reads as follows:

3.22 Further Commitment Reductions. Notwithstanding anything to the contrary in this Agreement (including, without limitation, anything to the contrary in the definition of "Revolving Credit Commitment" in this Agreement), each Bank's Revolving Credit Commitment at any time shall be reduced by amount equal to the sum of (a) such Bank's Pro-Rata Share of the Commitment Reduction Amount at such time, and (b) such Bank's Pro-Rata Share of the difference between (i) $3,500,000 and (ii) the Overadvance Amount at such time. If the Total Commitment at any time is less than the aggregate amount of the Banks' Letter of Credit Commitments at such time, each Bank's Letter of Credit Commitment shall be reduced in accordance with its Pro-Rata Share such that the aggregate amount of the Banks' Letter of Credit Commitments at such time equals the Total Commitment at such time (and if the LC Exposure exceeds the Total Letter of Credit Commitment after giving effect to such reduction, the Borrowers shall pledge to the Agent, on behalf of the Banks, as additional security for the Obligations, cash collateral in amount equal to 105% of the amount of such excess, in such form and pursuant to such documents as the Agent may reasonably require). Similarly, if the Total Commitment at any time is less than the Swingline Loan Commitment at such time, the Swingline Loan Commitment shall be reduced to an amount that equals the Total Commitment at such time.

(d) *New Conforming Definitions.* Section 1.1 of the Credit Agreement is further amended to add the following definitions in appropriate alphabetical order:

"Commitment Reduction Amount" means, at any time, the sum at such time of:

(1) 70% of the net amount of proceeds received by or on behalf of any Borrower on or after March 11, 2009 from any sale or other disposition of real property or other non-ordinary course asset dispositions (including, without limitation, the sale proceeds received by MGP on or about March 11, 2009 resulting from the sale of the Empty Lots and the Warehouse properties referred to in the letter of the same date from the Borrowers to the Agent); and

(2) 70% of the net amount of proceeds of any Debt, equity interests or other securities incurred or issued, as the case may be, by or on behalf of any Borrower on or after March 11, 2009, other than proceeds from Debt incurred or issued under (a) the Credit Documents, or (b) Permitted Atchison Debt, Permitted Cray Debt and/or Permitted ENB Debt.

For purposes of subpart (1) above, the "net" amount of proceeds from an asset disposition shall be after the repayment of any Permitted Debt secured by such asset that is required to repaid by the holder thereof as a result of such disposition (other than Permitted Debt due the Banks under the Credit Documents).

"Sixth Amendment Closing Date" means March 26, 2009.

"Sixth Amendment" means the Sixth Amendment to Credit Agreement, dated on or about the Sixth Amendment Closing Date, among the Borrowers, the Agent, the Issuing Bank, the Swingline Lender and the other Banks.

3. Borrowing Base; Overadvance Amount.

(a) *Borrowing Base Reduced by Commitment Reduction Amount; Collateral Valuation Timing.* The definition of "Borrowing Base" in Section 1.1 of the Credit Agreement is amended to read as follows:

"Borrowing Base" means, at any time (except as otherwise provided below), an amount equal to the sum of:

(1) 85% of the face amount of Eligible Accounts outstanding at such time;

(2) 65% of the Value of Eligible Inventory consisting of flour;

(3) 75% of the Value of Eligible Inventory consisting of corn;

(4) 75% of the Value of Eligible Inventory consisting of wheat;

(5) 80% of the Value of Eligible Inventory consisting of alcohol (food grade or ethanol);

(6) 75% of the Value of Eligible Inventory consisting of feed;

(7) 65% of the Value of Eligible Inventory consisting of protein (wheat gluten);

(8) 60% of the Value of Eligible Inventory consisting of starch;

(9) 60% of the Value of Eligible Inventory consisting of other finished goods; and

(10) the Overadvance Amount;

less the sum of (i) the Commitment Reduction Amount at such time, and (ii) the amount of taxes arising under 26 USC 5001 at such time which the Borrowers and any Guarantor Subsidiaries reasonably anticipate being payable by a Borrower or a Guarantor Subsidiary to a taxing authority in connection with planned sales of taxable alcohol Inventory to non-bonded warehouses.

For purposes of determining the amount of the Borrowing Base at any time in a month, the amount of Eligible Inventory as reflected in a weekly Borrowing Base Certificate referred to in Section 6.1(b)(3) of this Agreement shall be the amount of the Eligible Inventory at the end of the prior month. Eligible Inventory shall be calculated at the lower of cost or market value.

(b) *Overadvance Amount.* The definition of "Overadvance Amount" in Section 1.1 of the Credit Agreement is amended to read as follows:

"Overadvance Amount" means: (1) at any time from the Sixth Amendment Closing Date through April 1, 2009, the difference between (a) $3,500,000 and (b) the aggregate amount of proceeds received by a Borrower from Permitted Atchison Debt, Permitted Cray Debt and/or Permitted ENB Debt financings at such time; and (2) at any time after April 1, 2009, zero; *provided, however,* that in no event shall the Overadvance

Amount be a negative number.

4. **New Permitted Debt.**

(a) *Permitted Debt.* The definition of Permitted Debt in Section 1.1 of the Credit Agreement is amended to read as follows:

"Permitted Debt" means any of the following:

(1) accrued expenses and current trade account payables incurred in the ordinary course of a Person's business;

(2) Debt under the Credit Documents;

(3) Swap Obligations;

(4) Debt described in Schedule 5.1(h) of this Agreement, together with any refinancings of such Debt, provided that any refinancing does not act to increase the principal amount of the Debt outstanding at the time of the refinancing;

(5) intercompany Debt between or among any Borrower and/or any Guarantor Subsidiaries;

(6) to the extent the same constitute Debt by virtue of subparts (8) or (9) of the definition thereof, any such Debt arising under

performance bonds or surety bonds incurred in the ordinary course of business;

(7) Debt of Firebird Acquisitions, LLC to Commerce Bank, N.A.;

(8) Permitted New Debt;

(9) Debt, other than Debt described in subparts (1) through (8) above, provided that such Debt is unsecured and the aggregate outstanding principal amount of such Debt does not exceed $1,000,000 at any time; and

(10) other Debt approved in advance in a writing signed by the Required Banks and delivered to the Agent.

(b) *Conforming Definitions.* Section 1.1 of the Credit Agreement is further amended to add the following definitions in appropriate alphabetical order:

"Cray Trust" means the Cloud L. Cray, Jr. Trust under agreement dated October 25, 1983.

"Permitted Atchison Debt" means Debt of MGP to Bank of Atchison (Union State Bank) provided that (1) the aggregate principal amount of such Debt outstanding at any time does not exceed $1,500,000, less any payments or prepayments thereof after the date of its incurrence, (2) such Debt is unsecured except for a Lien on (i) MGP's real property and improvements thereon located in Onaga, Kansas, (ii) MGP's real property and improvements thereon located in Atchison, Kansas and commonly known as the "flour mill," and (iii) equipment located at such real property locations, (3) such Debt is subject to an intercreditor agreement in favor of the Agent, on behalf of the Banks, which provides for the Agent, on behalf of the Banks, to retain a subordinate Lien on such properties and equipment and which restricts the holder of such Debt from obtaining judgment liens on or taking other action against assets of MGP other than such properties and which is otherwise reasonably acceptable to the Agent, and (4) the maturity, payment and other terms of such Debt are reasonably acceptable to the Banks.

"Permitted Cray Collateral" means: (1) Collateral consisting of personal property in which the Agent, on behalf of the Banks, has been granted a Lien by a Borrower pursuant to the Credit Documents, (2) Collateral consisting of MGP's real property and improvements thereon located in Pekin, Illinois and which are subject to a prior Lien in favor of the Agent, on behalf of the Banks, pursuant to a mortgage instrument from MGP to the Agent recorded September 8, 2008 as document number 200800019473 in the real property records of Tazewell County, Illinois; and (3) Collateral consisting of MGP's real property and improvements thereon located in Atchison, Kansas and which are subject to a prior Lien in favor of the Agent, on behalf of the Banks, pursuant to

a mortgage instrument from MGP to the Agent recorded December 12, 2008 in Book 569, Page 19 in the real property records of Atchison County, Kansas; *provided, however,* that (a) Permitted Cray Collateral shall not include any Excluded Assets, Excluded Real Estate or any Borrower's Accounts or Inventory, in each case whether now owned or existing or hereafter acquired or arising, and (b) in no shall event any real or personal property constitute Permitted Cray Collateral unless the Agent, on behalf of the Banks, has a prior perfected Lien on such property as security for the Obligations.

"Permitted Cray Debt" means Debt of MGP to the Cray Trust provided that (1) the aggregate principal amount of such Debt outstanding at any time does not exceed $2,000,000, less any payments or prepayments thereof after the date of its incurrence, (2) such Debt is unsecured except for a Lien in favor of the Cray Trust on Permitted Cray Collateral, (3) such Lien in favor of the Cray Trust is subordinate in priority in all respects to the Agent's Lien, on behalf of the Banks, on the Permitted Cray Collateral, (4) the Cray Trust and MGP have executed and delivered to the Agent a subordination agreement in respect of such Debt and the Permitted Cray Collateral substantially in the form of Exhibit B to the Sixth Amendment, and (5) the maturity, payment and other terms of such Debt are as set forth in Exhibit C to the Sixth Amendment.

"Permitted ENB Debt" means Debt of MGP to Exchange National Bank provided that (1) the aggregate principal amount of such Debt outstanding at any time does not exceed $3,000,000, less any payments or prepayments thereof after the date of its incurrence, (2) such Debt is unsecured except for a Lien on (a) industrial revenue or similar bonds issued by the City of Atchison, Kansas or an agency thereof and which are owned by MGP and with respect to which MGP is the ultimate obligor, and (b) a leasehold mortgage on MGP's leasehold interest and improvements thereon with respect to MGP's property in Atchison, Kansas commonly known as its "new office building" and its "research and development building," (3) if required by the Agent, such Debt is subject to an intercreditor agreement in favor of the Agent, on behalf of the Banks, which restricts the holder of such Debt from obtaining judgment liens on or taking other action against assets of MGP other than such bonds or leasehold property and improvements thereon and which is otherwise reasonably acceptable to the Agent, and (4) the maturity, payment and other terms of such Debt are reasonably acceptable to the Banks.

"Permitted New Debt" means, collectively, (1) Permitted Cray Debt, (2) Permitted Atchison Debt, (3) Permitted ENB Debt, and

(4) Permitted USDA Debt.

"Permitted USDA Debt" means Debt of MGP to one or more lenders, guaranteed in whole or in part by the United States Department of Agricultural, provided that (1) the aggregate principal amount of such Debt outstanding at any time does not exceed $25,000,000, less any

payments or prepayments thereof after the date of its incurrence, (2) such Debt is unsecured except for a Lien on MGP's real property and improvements thereon located in Atchison, Kansas (other than MGP's property in Atchison, Kansas commonly known as its "new office" and its "research and development building"), and (3) the maturity, payment and other terms of such Debt are reasonably acceptable to the Banks.

5. New Permitted Liens.

(a) Permitted Liens. The definition of Permitted Liens in Section 1.1 of the Credit Agreement is amended to read as follows:

"Permitted Liens" means any of the following:

(1) Liens for taxes, assessments or governmental charges not delinquent or being contested in good faith and by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP;

(2) Liens arising out of deposits in connection with workers' compensation, unemployment insurance, old age pensions or other social security or retirement benefits legislation;

(3) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds, and other obligations of like nature arising in the ordinary course of business;

(4) Liens imposed by law, such as mechanics', workers', materialmen's, carriers' or other like Liens (excluding, however, any Lien in favor of a landlord) arising in the ordinary course of a Borrower's business which secure the payment of obligations which are not more than 30 days past due or which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP;

(5) rights of way, zoning restrictions, easements and similar encumbrances affecting real property which do not materially interfere with the use of such property;

(6) Liens existing on the Closing Date and described on Schedule 5.1(m) of this Agreement, and any renewals or refinancings thereof, provided that (a) the Debt secured by such Liens is limited to the Debt owing to the related creditor as described in Schedule 5.1(h), and any renewals or refinancings thereof, and (b) such Liens do not encumber any Collateral (other than Collateral consisting of Equipment, including proceeds thereof, with respect to which the Agent was first granted a Lien pursuant to the Second Amendment);

(7) [intentionally omitted];

(8) Liens in favor of a Bank or its affiliate securing Swap Obligations, which Liens shall be pari passu in priority with the Liens referred to in subpart (10) immediately below;

(9) in the case of Inventory of a Borrower or a Subsidiary of a Borrower consisting of distilled spirits, the Lien thereon arising under 26 USC 5004;

(10) Liens in favor of the Agent (for the benefit of the Banks);

(11) Liens resulting from any judgment or award, the time for the appeal or petition for rehearing for which shall not have expired, or in respect of which a Borrower or a Subsidiary of a Borrower shall in good faith be prosecuting on appeal or proceeding for review and in respect of which a stay or execution pending such appeal or preceding for review shall have been granted;

(12) Liens granted by Firebird Acquisitions, LLC to Commerce Bank, N.A. securing Permitted Debt of the type described in subpart (7) of the definition of Permitted Debt in Section 1.1 of this Agreement;

(13) Permitted New Debt Liens; and

(14) other Liens approved in advance in a writing signed by the Required Banks and delivered to the Agent.

(b) Conforming Definition. Section 1.1 of the Credit Agreement is further amended to add the following definition in appropriate alphabetical order:

"Permitted New Debt Liens" means, (a) in the case of Permitted Cray Debt, Liens described in the definition thereof as being permitted to secure such Debt, (b) in the case of Permitted Atchison Debt, Liens described in the definition thereof as being permitted to secure such Debt, (c) in the case of Permitted ENB Debt, Liens described in the definition thereof as being permitted to secure such Debt, and (d) in the case of Permitted USDA Debt, Liens described in the definition thereof as being permitted to secure such Debt.

6. Reporting Requirements.

(a) Borrowing Base Certificate. Section 6.1(b)(3) of the Credit Agreement is amended to read as follows:

(3) Borrowing Base Certificate. As soon as available and in any event within three Business Days after the end of each week, a Borrowing Base Certificate dated as of the end of such week, which certificate shall, in addition to any others requirements applicable thereto, (i) break out Eligible Inventory by the applicable Borrowing

Base inventory group at the previous month-end cost figure, and (ii) include an accounts receivable customer aging.

(b) *Additional Reporting Requirements.* A new Section 6.1(n) is added to the Credit Agreement which reads as follows:

(n) Additional Reporting Obligations. Without limiting the provisions of Section 6.1(b) or any other provisions of this Agreement, the Borrowers shall also furnish to the Agent and the Banks the following:

(1) Customer List. A list of all customers of each Borrower, including the name, address, phone number and contact information for each customer and such other information as the Agent may reasonably request, within 10 days after the end of each month;

(2) Risk Management Report. A risk management report regarding the Borrowers, substantially in the form as that being provided to the Banks prior to the Sixth Amendment Closing Date and including in any event information regarding the Borrowers' purchase contracts, sales contracts and net open positions; such report to be delivered within three Business Days after the end of each week;

(3) Commodity Hedge Statement. A daily commodity hedge statement, substantially in the form as that being provided to the Banks prior to the Sixth Amendment Closing Date; such statement to be provided on each Business Day;

(4) Cash Flow Report; Reconciliation. A report (the "Cash Flow Report") detailing the Borrowers' projected cash flow and actual cash flow on a week-to-week basis and a cumulative basis (since the week beginning March 9, 2009), substantially in the form as (and using the same methodology to compute projected cash flow and actual cash flow as in) the Cash Flow Report attached to the Sixth Amendment as Exhibit D thereto; and, in addition, a reconciliation of such projected cash flow to actual cash flow on a week-to-week basis and on a cumulative basis (as provided above); in each case within three Business Days after the end of each week;

(5) Accounts Payable Customer Aging. An aging of all accounts payable owing by each Borrower, substantially in the form as that being provided to the Banks prior to the Sixth Amendment Closing Date; such aging to be delivered within three Business Days after the end of each week; and

(6) Outstanding Checks. A report regarding each Borrower's outstanding checks and similar payment items,

substantially in the form as that being provided to the Banks prior to the Sixth Amendment Closing Date; such report to be delivered within three Business Days after the end of each week.

7. Additional Covenants Relating to Inspections; Executive Compensation; Timing of Certain Transactions; and Hedging.

(a) *Inspections.* A new Section 6.1(o) is added to the Credit Agreement which reads as follows:

(o) Inspections. Without limiting any other provisions of this Agreement or any other Credit Document, the Borrowers agree that the Agent and the Banks shall have the right at any time to inspect the Collateral and each Borrower's other properties for purposes of confirming the Borrowing Base and for any other purposes permitted under the Credit Documents. If the Agent employs one or more third-parties to conduct any such inspections, the Borrowers agree to reimburse the Agent on demand for all out-of-pocket costs and expenses incurred by the Agent or such third-parties in connection with such inspections.

(b) *Executive Compensation Deferral.* A new Section 6.1(p) is added to the Credit Agreement which reads as follows:

(p) Executive Compensation. Until the earlier of (1) June 30, 2009, or (2) such time as the Total Revolving Credit Commitment equals or is less than $7,500,000, the Borrowers shall maintain in effect their executive compensation deferral agreements with certain officers that were disclosed in writing by the Borrowers to the Agent and the Banks prior to the Sixth Amendment Closing Date.

(c) *Pekin Sale; Closing on Permitted New Debt.* A new Section 6.1(q) is added to the Credit Agreement which reads as follows:

(q) Timing of Certain Transactions. The Borrowers covenant to the Banks that: (1) on or before April 1, 2009, the Borrowers shall close on the financing transactions described in the definitions of Permitted Atchison Debt and Permitted Cray Debt in Section 1.1 of this Agreement in amounts and on terms and conditions reasonably satisfactory to the Banks; (2) on or before April 15, 2009, the Borrowers shall close on the financing transactions described in the definition of Permitted ENB Debt in Section 1.1 of this Agreement in an amount and on terms and conditions reasonably satisfactory to the Banks; and (3) on or before June 15, 2009, MGP shall have received either (i) a written commitment letter or agreement from a third-party buyer to purchase MGP's Pekin, Illinois facility on or before July 17, 2009 in an amount and on terms and conditions reasonably satisfactory to the Banks, or (ii) a written commitment letter or agreement by a bank or other institutional lender to provide the Permitted USDA Debt on or before July 17, 2009 in an amount and on terms and conditions reasonably satisfactory to the Banks.

(d) *Hedging.* A new Section 6.2(k) is added to the Credit Agreement which reads as follows:

(k) Hedging. No Borrower shall enter into any commodity hedge transaction, except for commodity hedges to "lock in" or protect a Borrower from price movements associated with forward sales contracts the term of which does not exceed six months from the date of the executed hedge transaction.

(e) *Possible Section Numbering Errors.* The parties acknowledge that the Credit Agreement has been amended on numerous occasions and that, as a result, various sections or subsections of the Credit Agreement have been added or, in some cases, deleted. Such additions and deletions of section or subsections may lead to inadvertent section or subsection numbering errors. In light of this, the parties agree that, if a "new" section or subsection is added to the Credit Agreement and such section or subsection is inadvertently assigned a section or subsection number that already exists under the Credit Agreement, such new section or subsection shall not act to replace (and instead shall be in addition to) such existing section or subsection, unless the parties expressly agree that such new section or subsection is to "replace" such existing section or subsection or unless the context otherwise clearly requires that such replacement occur.

(f) *Material Non-Monetary Defaults to Include All Affirmative Covenants.* Section 7.1(b) of the Credit Agreement is amended to read as follows:

(b) Material Non-Monetary Default. Any Borrower fails to perform or observe any term, covenant or other provision contained in Sections 6.1, 6.2 or 6.3 of this Agreement in accordance with the terms thereof; or

8. Weekly Cash Flow.

(a) *New Financial Covenant*. A new Section 6.3(i) is added to the Credit Agreement which reads as follows:

(i) Cash Flow. The Borrowers' cumulative Actual Cash Flow at the end of any week shall not vary negatively fromthe Borrowers' cumulative Projected Cash Flow at the end of such week by an amount that exceeds the greater of (i) 10% of the cumulative Projected Cash Flow at the end of such week, or (ii) $200,000. Notwithstanding the foregoing, to the extent any such negative variance is attributable solely to a Borrower's failure to receive cash from a funding source described in the "Other Funding Sources" section of the Borrower's Cash Flow Report delivered to the Banks pursuant to Section 6.1(n)(4) hereof, the Borrowers shall be deemed to be in compliance with the foregoing covenant for such week if such shortfall amount is received by a Borrower from such funding source within 10 Business Days after the end of such week (*provided, further,* that, if such funding source is Permitted ENB Debt, the Borrowers shall be deemed to be in compliance with such covenant if such Permitted ENB Debt proceeds are received by MGP by April 15, 2009). The "cumulative" Actual Cash Flow and

Projected Cash Flow of the Borrowers shall be computed as provided in Section 6.1(n)(4) of this Agreement.

(b) *Related Definitions*. Section 1.1 of the Credit Agreement is further amended to add the following definitions in appropriate alphabetical order:

"Actual Cash Flow" means, for any period, the Borrowers' actual cash flow, as reflected in the Cash Flow Report for such period.

"Cash Flow Report" has the meaning given to such term in Section 6.1(n)(4) of this Agreement.

"Projected Cash Flow" means, for any period, the Borrowers' projected cash flow for such period as reflected in the Cash Flow Report attached to the Sixth Amendment as Exhibit D thereto.

9. No Other Amendments; No Waiver; No Implied Duty. Except as amended hereby, the Credit Agreement and the other Credit Documents shall remain in full force and effect and be binding on the parties in accordance with their respective terms. Nothing in this Amendment shall constitute a waiver by any of the Bank Parties of any Default or Event of Default which may exist on the date hereof, and nothing herein shall require any Bank Party to waive any Default or Event of Default which may arise hereafter. Nothing herein shall act to, or obligate any Person at any time to, release any Lien on any Collateral or limit the scope or amount of the obligations secured thereby.

10. Reaffirmation of Credit Documents. Each Borrower reaffirms its obligations under the Credit Agreement, as amended hereby, and the other Credit Documents to which it is a party or by which it is bound, and represents, warrants and covenants to the Bank Parties, as a material inducement to the Bank Parties to enter into this Amendment, that: (a) such Borrower has no and in any event waives any defense, claim or right of setoff or recoupment with respect to its obligations under, or in any other way relating to, the Credit Agreement, as amended hereby, or any of the other Credit Documents to which it is a party, or any Bank Party's actions or inactions in respect of any of the foregoing, and (b) except as otherwise expressly provided in this Amendment, all representations and warranties made by such Borrower in the Credit Agreement or the other Credit Documents to which it is a party are true and complete on the date hereof as if made on the date hereof.

11. Representations and Warranties. Each Borrower represents and warrants to the Bank Parties as follows: (a) it is a validly existing corporation and has full corporate power and authority to enter into this Amendment and any documents or transactions contemplated hereby and to pay and perform any obligations it may have in respect of the foregoing; (b) its execution, delivery and performance of this Amendment and any documents or transactions contemplated hereby do not violate or conflict with, or require any consent under, (1) its organizational documents or any other agreement or document relating to its formation, existence or authority to act, (2) any agreement or instrument by which it or any its properties is bound, (3) any court order, judicial proceeding or any administrative or arbitral order or decree, or (4) any applicable law, rule or regulation; and (c) no authorization, approval or consent of or by, and no notice to or filing or registration with, any governmental authority or other Person is necessary for it to enter into this Amendment or any document or transaction contemplated hereby or to perform any of its obligations with respect to any of the foregoing.

12. Release of Bank Parties. Without limiting any other provision of this Amendment, each Borrower, on behalf of itself and any officers, directors, agents, attorneys, employees, representatives, affiliates, successors and assigns it may have and anyone claiming through or under it (collectively, with

respect to all Borrowers, the "Releasing Parties"), hereby releases, remises and acquits each Bank Party, and its officers, directors, agents, attorneys, employees, representatives, affiliates, successors and assigns and anyone claiming through or under it (collectively, with respect to all Bank Parties, the "Released Parties"), from all manners of action, causes of action, claims and demands of every kind and nature whatsoever, whether known or unknown, fixed or contingent, liquidated or unliquidated, as of the date of this Amendment, that any of the Releasing Parties had or may have against any of the Released Parties.

13. Conditions Precedent to Amendment. Unless and to the extent the Agent waives the benefits of this sentence by giving written notice thereof to the Borrowers, the Bank Parties shall have no duties under this Amendment, nor shall any extensions, waivers or other concessions by the Bank Parties under this Amendment be effective, in each case until the Agent has received fully executed originals of each of the following, each in form and substance satisfactory to the Agent:

(a) *Amendment.* This Amendment;

(b) *Other.* Such other documents, consents, agreements or other items as the Agent may reasonably request.

14. Joint and Several Liability. Notwithstanding anything in this Amendment to the contrary, each Borrower's representations, warranties and covenants under this Amendment (and under the other Credit Documents as amended hereby) shall be the joint and several representations, warranties and covenants of all Borrowers.

15. Expenses. The Borrowers shall pay the reasonable out-of-pocket legal fees and expenses incurred by the Agent, the Banks and their respective representatives in connection with the preparation and closing of this Amendment and any other documents referred to herein and the consummation of any transactions referred to herein or therein.

16. Governing Law. This Amendment shall be governed by the same law that governs the Credit Agreement.

17. Counterparts; Fax Signatures. This Amendment may be executed in one or more counterparts and by different parties thereto, all of which counterparts, when taken together, shall constitute but one agreement. This Amendment may be validly executed and delivered by fax, e-mail or other electronic means and any such execution or delivery shall be fully effective as if executed and delivered in person.

18. Firebird Aircraft Financing; Commerce Only. Insofar as the Designated Defaults gave rise to a default or event of default under the aircraft financing agreements between Commerce Bank, N.A. and Firebird Acquisitions, LLC, Commerce Bank, N.A. waives any such default or event of default.

[signature page(s) to follow]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

MGP INGREDIENTS, INC.

By /s/ Robert Zonneveld
Name: Robert Zonneveld
Title: VP Finance & CFO

MIDWEST GRAIN PIPELINE, INC.

By /s/ Robert Zonneveld
Name: Robert Zonneveld
Title: VP Finance & CFO

COMMERCE BANK, N.A.,
as Agent, Issuing Bank, Swingline Lender and a Bank

By: /s/Wayne C. Lewis
Name: Wayne C. Lewis
Title: Vice President

BMO CAPITAL MARKETS FINANCING, INC.,
as a Bank

By /s/ Barry W. Stratton
Name: Barry Stratton
Title:Managing Director

NATIONAL CITY BANK,
as a Bank

By /s/:Michael Leong
Name: Michael Leong
Title: Vice President

Exhibit A-1

(Banks and Commitments*; Prior to April 30, 2009)

Bank	Revolving Credit Commitment	Letter of Credit Commitment**	Swingline Loan Commitment**	Bank's Total Commitment
Commerce Bank, N.A.	$ 12,897,500	$ 3,080,000	$ 5,000,000	$ 12,897,500
BMO Capital Markets Financing, Inc.	$ 10,301,250	$ 2,460,000	0	$ 10,301,250
National City Bank	$ 10,301,250	$ 2,460,000	0	$ 10,301,250
Totals:	$ 33,500,000	$ 8,000,000	$ 5,000,000	$ 33,500,000

* Commitments subject to reduction as provided in Section 3.22 of the Agreement.

** As more particularly described in the Agreement, the Letter of Credit Commitment and the Swingline Loan Commitment are each subcommitments under the Total Revolving Credit Commitment. Accordingly, extensions of credit under the Letter of Credit Commitment or the Swingline Loan Commitment act to reduce, on a dollar-for-dollar basis, the amount of credit otherwise available under the Total Revolving Credit Commitment.

Exhibit A-2

(Banks and Commitments*; May 1, 2009 through July 16, 2009)

Bank	Revolving Credit Commitment	Letter of Credit Commitment**	Swingline Loan Commitment**	Bank's Total Commitment
Commerce Bank, N.A.	$ 9,625,000	$ 3,080,000	$ 5,000,000	$ 9,625,000
BMO Capital Markets Financing, Inc.	$ 7,687,500	$ 2,460,000	0	$ 7,687,500
National City Bank	$ 7,687,500	$ 2,460,000	0	$ 7,687,500
Totals:	$ 25,000,000	$ 8,000,000	$ 5,000,000	$ 25,000,000

* Commitments subject to reduction as provided in Section 3.22 of the Agreement.

** As more particularly described in the Agreement, the Letter of Credit Commitment and the Swingline Loan Commitment are each subcommitments under the Total Revolving Credit Commitment. Accordingly, extensions of credit under the Letter of Credit Commitment or the Swingline Loan Commitment act to reduce, on a dollar-for-dollar basis, the amount of credit otherwise available under the Total Revolving Credit Commitment.

Exhibit A-3

(Banks and Commitments*; After July 17, 2009)

Bank	Revolving Credit Commitment	Letter of Credit Commitment**	Swingline Loan Commitment**	Bank's Total Commitment
Commerce Bank, N.A.	$ 2,887,500	$ 2,887,500	$ 1,000,000	$ 2,887,500
BMO Capital Markets Financing, Inc.	$ 2,306,250	$ 2,306,250	0	$ 2,306,250
National City Bank	$ 2,306,250	$ 2,306,250	0	$ 2,306,250
Totals:	$ 7,500,000	$ 7,500,000	$ 1,000,000	$ 7,500,000

* Commitments subject to reduction as provided in Section 3.22 of the Agreement.

** As more particularly described in the Agreement, the Letter of Credit Commitment and the Swingline Loan Commitment are each subcommitments under the Total Revolving Credit Commitment. Accordingly, extensions of credit under the Letter of Credit Commitment or the Swingline Loan Commitment act to reduce, on a dollar-for-dollar basis, the amount of credit otherwise available under the Total Revolving Credit Commitment.

Exhibit B

(form of Subordination Agreement)

SUBORDINATION AGREEMENT

This Subordination Agreement (the "Agreement") is made as of March , 2009, among Commerce Bank, N.A, a national banking association, in its capacity as Agent under the Credit Agreement referred to below (in such capacity, the "Agent"), Cloud L. Cray, Jr. Trust under agreement dated October 25, 1983 (the "Junior Creditor"), MGP Ingredients, Inc., a Kansas corporation ("MGP"), and Midwest Grain Pipeline, Inc., a Kansas corporation ("Midwest Grain" and, together with MGP, the "Borrowers").

ARTICLE I
DEFINITIONS

1.1 Definitions. Terms used but not defined in this Agreement have the meanings given to them in the Credit Agreement. In addition, the following terms have the meanings specified below (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Agent" means the Agent referred to in the introductory paragraph hereof and any successor Agent under the Credit Agreement.

"Bank" has the meaning specified in the Credit Agreement.

"Credit Agreement" means the Credit Agreement dated as of May 5, 2008, among the Borrowers, Commerce Bank, N.A., as the Agent, Issuing Bank and Swingline Lender, and the Banks from time to time party thereto and any amendments, replacements, restatements, consolidations and other modifications thereof from time to time.

"Credit Documents" means all instruments (including, without limitation, the Notes), documents and agreements which now or hereafter evidence, secure, guarantee or otherwise relate to the Borrowers' Obligations under the Credit Agreement, the Notes and/or the other Credit Documents and any renewals, replacements, consolidations, amendments and other modifications of any of the foregoing from time to time.

"Default" means any Default or Event of Default specified in the Credit Agreement.

"Insolvency Event" has the meaning specified in Section 3.2(a) hereof.

"Junior Creditor" means the Junior Creditor referred to in the introductory paragraph hereof and any other holder from time to time of any Junior Debt, as appropriate.

"Junior Debt" means all Obligations of each Borrower to, or acquired by, the Junior Creditor. Without limiting the generality of the foregoing, Junior Debt includes the Junior Note and all other Obligations of each Borrower of any nature whatsoever to the Junior Creditor, irrespective of whether such Obligations are evidenced by any written instrument or agreement, whether now existing or hereafter arising or acquired, or however arising.

“Junior Liens” has the meaning specified in Section 3.6 hereof.

“Junior Lien Documents” has the meaning specified in Section 2(a)(ii) hereof.

“Junior Note” means the promissory note, dated March , 2009, from the Borrowers, as makers, to the Junior Creditor, as payee, in the original principal amount of $2,000,000.00, as the same may be amended, renewed, restated, consolidated, replaced and otherwise modified from time to time.

“Notes” has the meaning specified in the Credit Agreement.

“Obligations” means all debts and other liabilities of each Borrower of any nature whatsoever whether now existing or hereafter incurred or arising and whether matured or unmatured, liquidated or unliquidated, contractual or non-contractual, joint, several or joint and several, fixed or contingent, disputed or undisputed, direct or indirect.

“Senior Creditors” means, collectively, the Banks and any other holder from time to time of any Senior Debt, as appropriate.

“Senior Debt” means: (a) all Obligations of each Borrower under the Credit Agreement, the Notes and the other Credit Documents, whether for principal, interest (including interest accruing after the occurrence of an Insolvency Event whether or not the same is allowed as a claim), premium, fees, expenses, indemnification obligations or otherwise; and (b) all indebtedness of each Borrower, the proceeds of which are used to refinance any of the foregoing.

“Senior Liens” has the meaning specified in Section 3.6 hereof.

ARTICLE II
REPRESENTATIONS OF JUNIOR CREDITOR

2.1 Representations and Warranties.

(a) The Junior Creditor represents and warrants to the Agent as follows:

(i) This Agreement has been duly executed and delivered by the Junior Creditor, and is the valid and binding obligation of the Junior Creditor, enforceable against the Junior Creditor in accordance with its terms.

(ii) The Junior Creditor does not have any lien or other security interest on any existing or future assets of any Borrower, whether real, personal or otherwise, except for any such lien or security interest arising under or evidenced by (collectively, the “Junior Lien Documents”): (1) the Junior Note; (2) one Uniform Commercial Code financing statement, from MGP, as debtor, to the Junior Creditor, as secured party, relating to the collateral described in the Junior Note, to be filed in the Kansas Secretary of State’s Office; (3) one Uniform Commercial Code financing statement from Midwest Grain, as debtor, to the Junior Creditor, as secured party, to be filed in the Kansas Secretary of State’s Office; (4) the Mortgage, Assignment of Leases, Security Agreement and Fixture Filing Financing Statement, dated on or about the date hereof, made by MGP, as mortgagor, to the Junior Creditor, as mortgagee, encumbering certain real property of MGP located in Pekin, Illinois and more particularly described in the definition of Permitted Cray Collateral in the Credit Agreement; and (5) the Mortgage, Assignment of Leases, Security Agreement and Fixture Filing Financing Statement, dated on or about the date hereof, made by MGP, as mortgagor, to the Junior Creditor, as mortgagee, encumbering certain real property of MGP located in Atchison, Kansas and more particularly described in the definition of Permitted Cray Collateral in the Credit Agreement.

(iii) The Junior Creditor is the holder of the Junior Debt and has not encumbered, hypothecated or otherwise transferred any Junior Debt or any interest of the Junior Creditor therein to any other person or entity. Similarly, the Junior Creditor has not assigned or otherwise transferred the Junior Liens or any rights of the Junior Creditor under any of the Junior Lien Documents to any other person or entity.

(iv) No person or entity has guaranteed the payment or performance of any Junior Debt or agreed to purchase or otherwise acquire any Junior Debt.

(v) A true and complete copy of the Junior Note is attached hereto as Exhibit A hereto.

(b) Each Borrower represents and warrants to the Agent as follows:

(i) This Agreement has been duly executed and delivered by such Borrower, and is the valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms.

(ii) Such Borrower has not encumbered (and has not agreed to encumber at any time) any of its existing or future properties in any respect to secure its obligation to pay any Junior Debt, except as provided in the Junior Lien Documents.

(iii) To such Borrower’s knowledge, after making due inquiry, the Junior Creditor is (1) the holder of the Junior Debt and has not encumbered, hypothecated or otherwise transferred any Junior Debt or any interest of the Junior Creditor therein to any other person or entity, and (2) the only person or entity entitled to enforce any rights under the Junior Lien Documents or otherwise with respect to any Junior Liens.

(iv) No person or entity has guaranteed the payment or performance of any Junior Debt or agreed to purchase or otherwise acquire any Junior Debt.

(v) A true and complete copy of the Junior Note is attached hereto as Exhibit A hereto.

ARTICLE III
SUBORDINATION TO SENIOR DEBT

3.1 Subordination.

(a) General. Notwithstanding anything to the contrary in any document evidencing any Junior Debt, the Junior Creditor agrees and covenants that the Junior Debt is and shall be subordinate in right of payment to the prior payment in full of the Senior Debt. The Senior Debt shall not be deemed to have been paid in full until all obligations of the Agent and the Senior Creditors under the Credit Agreement shall have been terminated and the Agent and the Senior Creditors shall have received indefeasible payment in full of the Senior Debt in cash.

(b) Payment of Junior Debt. Until all obligations of the Agent and the Senior Creditors under the Credit Agreement shall have been terminated and the Agent and the Senior Creditors shall have received indefeasible payment in full of the Senior Debt in cash, the Junior Creditor shall not be entitled to receive any payments of principal, interest, fees or any other amounts payable in respect of any Junior Debt.

3.2 Priority and Payment Over of Proceeds in Certain Events.

(a) Insolvency or Dissolution of the Borrowers. Upon any payment or distribution of all or any of the assets or securities of a Borrower of any kind or character, whether in cash, property or securities, upon any dissolution, winding up, liquidation, reorganization, arrangement, adjustment, protection, relief or composition of a Borrower or its debts, whether voluntary or involuntary or in bankruptcy, insolvency, receivership, arrangement, reorganization, relief or other proceedings, or upon any assignment for the benefit of creditors or any other marshaling of the assets and liabilities of a Borrower or otherwise (any such event being an "Insolvency Event"), all Senior Debt shall first be indefeasibly paid in full before the Junior Creditor shall be entitled to receive any payment of any Junior Debt from or on account of such Borrower. Upon the occurrence of any Insolvency Event, any payment or distribution of assets or securities of a Borrower of any kind or character, whether in cash, property or securities, to which the Junior Creditor would be entitled except for the provisions of this Article III, shall be made by such Borrower or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, directly to the Agent for application (in the case of cash) to, or as collateral (in the case of non-cash property or securities) for, the payment or prepayment in full of all Senior Debt after giving effect to any concurrent payment or distribution to the Agent on the Senior Debt.

(b) Certain Payments Held in Trust. In the event that, notwithstanding the foregoing provisions prohibiting such payment or distribution, the Junior Creditor shall have received any payment or distribution in respect of any Junior Debt contrary to such provisions, then and in such event such payment or distribution shall be received and held in trust for the Senior Creditors and shall be paid over or delivered to the Agent for application (in the case of cash) to, or as collateral (in the case of non-cash property or securities) for, the payment or prepayment of all Senior Debt in full after giving effect to any concurrent payment or distribution to the Agent in respect of the Senior Debt.

3.3 Suspension of Remedies. Prior to the indefeasible payment in full of the Senior Debt and the termination of the Credit Agreement in accordance with its terms, the Junior Creditor shall not (a) ask, demand or sue for any payment or distribution or exercise any other remedy in respect of any Junior Debt or with respect to any Junior Liens, in each case whether arising under contract, by law or in equity (including, without limitation, any action to enforce any guaranty or other credit enhancement in respect of any Junior Debt) or (b) commence, or join with any other creditor (other than the Agent) in commencing, any Insolvency Event.

3.4 Rights of the Agent Not to be Impaired; Modification of Senior Debt. No right of the Agent to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act in good faith by the Agent or any Senior Creditor, or by any noncompliance by any Borrower, with the terms and provisions and covenants herein, regardless of any knowledge thereof the Agent or any Senior Creditor may have or otherwise be charged with. The provisions of this Article III are intended to be for the benefit of, and shall be enforceable directly by, the Agent. Without limiting the generality of Section 3.8(a) or any other provision of this Agreement, the Junior Creditor agrees that the Agent, the Banks and the Borrowers may from time to time modify the terms of any Senior Debt, including, without limitation, extending or otherwise modifying the payment terms thereof; increasing or otherwise modifying the interest rates or fees payable under the Credit Agreement, the Notes and the other Credit Documents; or extending the maturity thereof. The Junior Creditor agrees that the Agent, the Banks and the Borrowers may so modify the terms of any Senior Debt from time to time without obtaining the consent of, or giving notice to, the Junior Creditor and that the right of the Agent and the Senior Creditors to receive prior payment in full of the Senior Debt, as so modified, and all other rights of the Agent hereunder, shall not be impaired or otherwise affected by any such modification or modifications.

3.5 Actions to Effectuate Subordination.

(a) Authorization to Senior Creditors to Act. In the event of an Insolvency Event, the Agent is irrevocably authorized and empowered (in its own name or in the name of the Junior Creditor or otherwise), but shall have no obligation, to demand, sue for, collect and receive every payment or distribution referred to in Section 3.2(a) above and to file and vote claims and proofs of claim with respect to the Junior Debt in any bankruptcy or other insolvency proceeding, and in each case to apply any payment or other distribution of assets or securities in the manner and to the extent provided in Section 3.2(a) above. In furtherance of the rights granted to the Agent herein, Junior Creditor hereby grants to the Agent a power of attorney to vote claims and proof of claims for, on behalf of and in the name of, the Junior Creditor. The power of attorney granted by Junior Creditor to the Agent hereunder is acknowledged by Junior Creditor and the Agent to be coupled with an interest and shall be irrevocable. Junior Creditor further grants and assigns to the Agent a beneficial interest in the Junior Creditor's claims solely for the purpose and to the extent required to vest in the Agent an interest in the Junior Creditor's claims sufficient under applicable provisions of the Bankruptcy Code to enable the Agent to direct Junior Creditor to vote claims and proofs of claims on behalf of the Junior Creditor as provided herein.

(b) Specific Performance. The Agent is hereby authorized to demand specific performance of the provisions of this Agreement, at any time when the Junior Creditor shall have failed to comply with any of the provisions of this Agreement. The Junior Creditor hereby irrevocably waives any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance. The Junior Creditor hereby acknowledges that the provisions of this Article are intended to be enforceable at all times, whether before or after the commencement of an Insolvency Event.

(c) Notice of Subordination; Further Assurances. The Junior Creditor will cause the Junior Note and any other writing evidencing or securing any Junior Debt to provide a legend on such writing or to otherwise conspicuously note in such writing that that the Junior Debt evidenced or secured thereby is subordinate to the Senior Debt (or, as applicable, the Senior Liens) to the extent provided in this Agreement. The Junior Creditor will further mark the Junior Creditor's books of account, if any, in such a manner as shall be effective to give proper notice of the effect of this Agreement, and will, in the case of any Junior Debt which is not evidenced by any instrument, upon the Agent's request cause such Junior Debt to be evidenced by an appropriate instrument or instruments that comply with the provisions of this Agreement. The Junior Creditor will, at the Junior Creditor's expense and at any time and from time to time, promptly execute and deliver all further instruments and documents, and take all commercially reasonable further action, that may be necessary or desirable, or that the Agent may request, in order to protect any right or interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder.

3.6 Security Interest of Junior Creditor.

(a) Subordination of Security Interests and Other Liens. Each Borrower has granted to the Junior Creditor certain security interests in and liens upon certain of its property as security for certain of the Junior Debt. All such security interests and liens, and any other security interests and liens now or hereafter granted by any Borrower in favor of the Junior Creditor, are collectively referred to as the "Junior Liens". The Junior Creditor agrees that until all obligations of the Agent and the Senior Creditors under the Credit Agreement shall have been terminated and the Agent and the Senior Creditors shall have received indefeasible payment in full of the Senior Debt in cash, the Junior Liens shall be subject, junior and subordinate to all security interests and liens granted or purported to be granted by any Borrower in favor of the Agent for the benefit of the Banks (all such security interests and liens, and any other security interests and liens granted or purported to be granted, now or hereafter, by any Borrower in favor of the Agent for the Benefit of the Banks are collectively referred to as the "Senior Liens"), irrespective of (i) the order or method of attachment or perfection of any Senior Liens and any Junior Liens (including, without limitation, the order of filing or recording of any financing statements, deeds of trust or other security documents evidencing any such liens and any rights the Junior Creditor may have as the holder of a purchase money security interest or similar lien right), or (ii) the failure of the Agent to perfect, or to maintain the perfection of, any security interests or liens comprising any of the Senior Liens.

(b) Release of Junior Liens. In the event of any sale or disposition of any asset that is subject to a Junior Lien, the Junior Creditor shall execute and deliver to the Agent and the applicable Borrower all such consents, releases, assignments and other instruments with respect to such assets (including, without limitation, a partial releases, termination statements or mortgage satisfactions, as the Agent may request in order to effect such sale or disposition free of any Junior Lien.

(c) Insurance for Collateral. Prior to indefeasible payment in full of the Senior Debt and termination of the Credit Agreement in accordance with its terms, the Agent shall have the sole right, in the exercise of its reasonable credit judgment, to adjust and compromise any claims under any insurance maintained by any Borrower insuring any Collateral, to collect and receive the proceeds thereof, and to execute and deliver all proofs of loss, receipts, vouchers and releases in connection with such claims. Upon request, the Junior Creditor will deliver to the Agent or any such insurer such releases, consents or other instruments as the Agent may reasonably request to implement the provisions of this subsection (c). Any insurer shall be entitled to rely on a copy of this Agreement as its irrevocable authorization to deal solely with the Agent as hereinabove described, notwithstanding the designation of the Junior Creditor as loss payee, mortgagee, additional insured or the like on any such policy of insurance.

3.7 No Contest; Insolvency Proceedings.

(a) The Junior Creditor shall have no right to contest any of the procedures or actions taken by the Agent to foreclose or liquidate any assets subject to a Senior Lien (including, without limitation, any price or other terms of the sale of such assets) or to otherwise enforce any of the Agent's rights and remedies with respect to such assets.

(b) The Junior Creditor agrees that it shall not (and hereby waives any right to) contest or support, directly or indirectly, any other Person in contesting, in any proceeding (including any relating to an Insolvency Event), the priority, validity or enforceability of the Senior Debt or Senior Liens.

(c) If a Borrower becomes the subject of an insolvency or bankruptcy proceeding the Junior Creditor will not (i) seek adequate protection of, or relief from the automatic stay with respect to the Junior Liens without the prior written consent of the Agent, (ii) oppose or object to any court order in such insolvency or bankruptcy proceeding to the extent it allows such Borrower to use the proceeds of any assets of such Borrower that are subject to the Junior Liens and that is consented to by the Agent in writing or (iii) oppose or object to any post-petition financing that any of the Senior Creditors elect, in their sole and absolute discretion, to extend to such Borrower as a debtor-in-possession in any such proceeding, and any such post-petition financing will be considered "Senior Debt" for purposes of this Agreement.

3.8 Miscellaneous.

(a) All rights and interests of the Agent under this Article III, and all agreements and obligations of the Junior Creditor under this Article III, shall remain in full force and effect irrespective of: (i) any lack of validity or enforceability of the Credit Agreement, the Notes or any of the other Credit Documents or any other documents or agreements evidencing or otherwise relating to any Senior Debt; (ii) any change in the time, manner or place of payment of, or in any other term of, any Senior Debt, or any other amendment or waiver of or any consent to departure from the Credit Agreement, the Notes or any of the other Credit Documents or any other documents or agreements evidencing or otherwise relating to any Senior Debt; (iii) any exchange, release or non-perfection of any collateral, any release of any person or entity liable in whole or in part, or any release or amendment or waiver of or consent to departure from any guaranty, for any Senior Debt; (iv) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any of the Borrowers, a surety or a subordinate creditor.

(b) The provisions of this Article III shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Senior Debt is rescinded or must otherwise be returned by a Senior Creditor upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise, all as though such payment had not been made.

(c) The Junior Creditor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any Senior Debt and this Article III and any requirement that the Agent protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against all or any Borrower or any other person or entity or any collateral.

(d) No failure on the part of the Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(e) The provisions of this Article III constitute a continuing agreement and shall (i) remain in full force and effect until all obligations of the Agent and the Senior Creditors under the Credit Agreement shall have been terminated and the Agent and the Senior Creditors shall have received indefeasible payment in full of the Senior Debt in cash, (ii) be binding upon the Junior Creditor and the Junior Creditor's successors and assigns, and (iii) inure to the benefit of and be enforceable by the Agent, the Senior Creditors and their respective successors, assigns and transferees. Without limiting the generality of the foregoing clause (iii), a Senior Creditor may assign or otherwise transfer any Notes or any part of the indebtedness evidenced thereby, or grant any participation in any of its rights or obligations under the Credit Agreement or any of the other Credit Documents, or may transfer any interest it has in any other Senior Debt, to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to such Senior Creditor herein or otherwise.

ARTICLE IV
COVENANTS

4.1 Covenants of Junior Creditor. The Junior Creditor covenants and agrees with the Agent that, unless the Agent shall otherwise agree in writing, prior to the termination of the Credit Agreement and indefeasible payment in full of the Senior Debt:

(a) The Junior Creditor will not cancel or otherwise discharge any Junior Debt (except upon payment in full thereof to the extent permitted by Article III).

(b) The Junior Creditor will not sell, assign, pledge, encumber or otherwise dispose of any Junior Debt or any Junior Liens held by the Junior Creditor unless each such sale, assignment, pledge, encumbrance or disposition is made expressly subject to this Agreement.

(c) The Junior Creditor will not permit the terms of any Junior Debt held by the Junior Creditor to be amended or otherwise modified in any respect without obtaining the prior written consent of the Agent. Similarly, the Junior Creditor will not permit any documents evidencing any Junior Liens to be amended or otherwise modified in any respect without obtaining the prior written consent of the Agent.

(d) Except as set forth in the Junior Lien Documents, the Junior Creditor will not secure the payment of any Junior Debt, or obtain a lien, security interest or other charge or encumbrance of any nature whatsoever against the property of any Borrower, whether now owned or hereafter acquired.

(e) The Junior Creditor will not accept or be the beneficiary under any guaranty, debt purchase agreement or similar assurance of payment or performance from any person or entity who has guaranteed or hereafter guarantees or who otherwise assures payment of any Senior Debt without obtaining the prior written consent of the Agent, and then only upon first entering into a subordination agreement with the Agent whereby the Junior Creditor's payment and other rights in respect of such guarantor are subordinated in substantially the same manner as the Junior Creditor's payment and other rights in respect of the Borrowers under this Agreement.

ARTICLE V
MISCELLANEOUS

5.1 Amendments; Waiver. No amendment or waiver of any provision of this Agreement or consent to any departure by the Junior Creditor herefrom shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and the specific purpose for which given.

5.2 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

5.3 Execution in Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. A signature of a party to this Agreement sent by facsimile or other electronic transmission shall be deemed to constitute an original and fully effective signature of such party.

5.4 Addresses for Notices. All demands, notices and other communications provided for hereunder shall be in writing and shall be delivered, or sent by facsimile or other electronic transmission, to the parties as follows:

If to the Agent:

Commerce Bank, N.A.
1000 Walnut Street
Kansas City, Missouri 64106
Attn: Wayne Lewis
Fax No.: (816) 234-7290

If to the Junior Creditor:

Cloud L. Cray, Jr. Trust under agreement dated October 25, 1983
20045 266th Road
Atchison, Kansas 66002
Attention:
Fax No.:

If to a Borrower:

[Name of Borrower]
c/o Cray Business Plaza
100 Commercial Street
Atchison, Kansas 66002
Attention:
Fax No.:

5.5 Third Parties. This Agreement is among the Agent, the Junior Creditor and the Borrowers only and (except as provided in the next sentence) is not intended to confer any benefits or rights on any other persons or entities. Notwithstanding the preceding sentence, the Junior Creditor and each Borrower agrees that (a) the Senior Creditors are express third-party beneficiaries of this Agreement, (b) each representation or warranty the Junior Creditor or any Borrower makes to the Agent in this Agreement is made to the Agent, for its benefit and for the benefit of the Senior Creditors, and (c) each covenant, undertaking, waiver, release, indemnification and other term and provision of this Agreement that is agreed to or given by the Junior Creditor or any Borrower in favor of the Agent is agreed to or given in favor of the Agent, for its benefit and for the benefit of the Senior Creditors. Nothing in this Agreement is intended to affect the rights and obligations of the Borrowers, the Agent, the Senior Creditors (including the Banks) under the Credit Documents and all references to the rights and obligations of those parties are qualified in their entirety by the relevant provisions of the Credit Documents.

5.6 Entire Agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes all prior negotiations, understandings and agreements among such parties with respect to such subject matter.

5.7 Governing Law. This Agreement shall be governed by the laws of the State of Missouri without regard to any choice of law rule thereof giving effect to the laws of any other jurisdiction.

5.8 Consent to Forum. As part of the consideration for new value this day received, the Junior Creditor hereby consents to the jurisdiction of any state or federal court located within Jackson County, Missouri, and waives personal service of any and all process upon the Junior Creditor and consents that all such service of process be made by certified or registered mail directed to the Junior Creditor at the address provided in Section 5.4 hereof and service so made shall be deemed to be completed upon actual receipt thereof. The Junior Creditor waives any objection to jurisdiction and venue of any action instituted against the Junior Creditor as provided herein and agrees not to assert any defense based on lack of jurisdiction or venue. The Junior Creditor further agrees not to assert against the Agent or any Senior Creditor (except by way of a defense or counterclaim in a proceeding initiated by the Agent or any Senior Creditor) any claim or other assertion of liability with respect to this Agreement, the conduct of the Agent or any Senior Creditor or otherwise in any jurisdictions other than the foregoing jurisdictions. Nothing in this Section shall affect the right of the Agent to serve legal process in any other manner permitted by law or affect the right of the Agent to bring any action or proceeding against the Junior Creditor in the courts of any other jurisdictions.

5.9 Waiver of Jury Trial. To the fullest extent permitted by law, and as separately bargained for consideration to the Agent, the Junior Creditor hereby waives any right to trial by jury (which the Agent also waives) in any action, suit, proceeding or counterclaim of any kind arising out of or relating to this Agreement or the actions or inactions of the Agent or any Senior Creditor in respect thereof. To effectuate the foregoing, the Agent is hereby granted an irrevocable power of attorney to file, as attorney-in-fact for the Junior Creditor, a copy of this agreement in any Missouri court pursuant to Mo.Rev.Stat. § 510.190 and rule 69.01, V.A.M.R. and/or any other applicable law, and the copy of this Agreement so filed shall conclusively be deemed to constitute the Junior Creditor's waiver of trial by jury in any proceeding arising out of or otherwise relating to this Agreement or the conduct of the Agent or any Senior Creditor in respect thereof.

[signature page(s) to follow]

IN WITNESS WHEREOF, the Agent, the Junior Creditor and the Borrowers have duly executed and delivered this Agreement as of the date first above written.

COMMERCE BANK, N.A.,
in its capacity as Agent under the Credit Agreement

By: ______________________________
Name:
Title:

CLOUD L. CRAY, JR. TRUST
under agreement dated October 25, 1983

By: ______________________________
Cloud L. Cray, Trustee

MGP INGREDIENTS, INC.,
a Kansas corporation

By: ______________________________
Name:
Title:

MIDWEST GRAIN PIPELINE, INC.,
a Kansas corporation

By: ______________________________
Name:
Title:

Exhibit A to Subordination Agreement

(see attached copy of Junior Note)

Exhibit C

(form of Cray Trust note)

SUBORDINATED secured promissory note

$2,000,000.00 **March , 2009**
Atchison, Kansas

FOR VALUE RECEIVED, the undersigned, **MGP INGREDIENTS, INC.,** a Kansas corporation and **MIDWEST GRAIN PIPELINE, INC.**, a Kansas corporation (each a "**Borrower**" and collectively the Borrowers), each jointly and severally promises to pay to the order of the **CLOUD L. CRAY, JR. TRUST** under agreement dated October 25, 1983, whose address is 20045 266th Road, Atchison, Kansas 66002 (together with his successors and assigns, the "**Lender**") the principal amount of **TWO MILLION DOLLARS ($2,000,000.00)** (the "**Principal Amount**"), together with interest upon the principal balance remaining outstanding from time to time as set forth below, in payments as set forth below. The indebtedness evidenced by this Subordinated Secured Promissory Note (the "**Note**") is referred to herein as the "**Loan**.".

1. PROMISE TO PAY PRINCIPAL.

Subject to the terms of the subordination agreement (as defined below), the borrowers promise to pay to the lender the outstanding principal of the Loan under this note in full on the maturity date of this Note.

2. MATURITY DATE.

The "**Maturity Date**" of this Note shall be the earlier of: (a) the date that is **1 year** from the date hereof; or (b) the acceleration of the Loan by the Lender upon the occurrence of an Event of Default (as defined below).

3. INTEREST.

The applicable interest rate (the "**Applicable Interest Rate**") shall be interest at a rate per annum equal to **seven percent (7%)**. Interest on this Note shall be calculated on the actual number of days elapsed, on the basis of a calendar year.

4. PAYMENTS.

The Borrowers shall make payments to Lender at his address or as later communicated to Borrowers, in immediately payable U.S. funds. Payments shall be applied first to unpaid fees, costs, and expenses which are reimbursable under the terms of this Note, then to accrued unpaid interest, then to principal. If any payment due date is a Saturday, Sunday, or holiday generally observed by banks in Atchison, Kansas, the due date of the payment shall automatically be extended to the next following banking business day.

4.1 Interest and Principal Payments. Subject to the terms of the Subordination Agreement, the Borrowers shall pay interest in a single lump sum payment on the Maturity Date. Principal payments of the Loan will be paid in accordance with **Section 1**.

4.2 Final Payment. Subject to the terms of the Subordination Agreement, all accrued and unpaid interest, late payment charges, outstanding principal, and all other amounts chargeable under the Loan Documents shall be due and payable in full on the Maturity Date.

5. BUSINESS LOAN.

The purpose of the Loan is to fund the Borrowers' general corporate purposes. The Borrowers agree that the funds the Borrowers receive under the terms of the Loan will be used only for these purposes. The Borrowers agree that this is a business loan and that none of the Loan proceeds have been or will be used for any personal, consumer, family, or household purpose.

6. SECURITY.

6.1 Grant of Security Interest. Each Borrower hereby grants to Lender a security interest in, and a lien on, all of such Borrower's right, title and interest in the following property (together with any property subject to a lien in favor of the Lender pursuant to any other Loan Document, the "**Collateral**") wherever located and whether now owned or hereafter acquired or arising (capitalized terms used in this **Section 6** and not otherwise defined in this Note shall have the meaning assigned to such terms in the Uniform Commercial Code as adopted by the State of Kansas):

(a) all Equipment;

(b) all General Intangibles (including, without limitation, patents, trademarks and trade names and applications for patents, trademarks and trade names);

(c) all Chattel Paper;

(d) all Documents;

(e) all Instruments;

(f) all Investment Property;

(g) all Deposit Accounts;

(h) all Fixtures;

(i) all As - Extracted Collateral;

(j) all books, records, ledger cards, data processing records, Software, and other property at any time evidencing or relating to Collateral;

(k) all monies, securities, and other property now or hereafter held, or received by, or in transit to, Lender, from or for the Borrower;

(l) all parts, accessories, attachments, special tools, additions, replacements, substitutions, and accessions to or for all of the foregoing; and

(m) All Proceeds and products of all of the foregoing in any form, including, without limitation, amounts payable under any policies of insurance insuring the foregoing against loss or damage, and all increases and profits received from all of the foregoing.

6.2 Excluded Assets. Notwithstanding anything in this Note to the contrary the Collateral shall not include the Excluded Assets.

"**Excluded Assets**" means:

(1) all Accounts;

(2) all Inventory;

(3) the Excluded GE Equipment Collateral;

(4) the Excluded Real Estate; and

(5) MGP's equity interest in D.M. Ingredients GmbH.

"**Excluded GE Equipment Collateral**" means Equipment of the Borrowers so long as such Equipment is encumbered by a the lien in favor of GE Capital Public Finance, Inc. set forth in Schedule 5.1(m) of the Senior Credit Agreement; *provided, however,* that, upon the repayment or other satisfaction of the debt secured by any such lien, the related Equipment shall no longer constitute Excluded GE Equipment Collateral.

"**Excluded Real Estate**" means (1) MGP's "new" office building and laboratory located in Atchison, Kansas and which has been conveyed to, and leased back from, the City of Atchison in connection with an industrial revenue bond financing transaction (including, without limitation, the Borrower's leasehold interest in such property), and (2) MGP's plant located in Kansas City, Kansas (i.e., the KCIT Facility), so long as such plant is encumbered by a lien which secures "Permitted Debt" under the Senior Credit Agreement.

6.3 Real Estate Collateral. The obligations of the Borrowers to the Lender are also secured by certain liens on certain parcels of the Borrowers' real property in Pekin, Illinois and Atchison, Kansas granted to the Lender by the Borrowers pursuant to those certain Mortgage, Assignment of Leases, Security Agreements and Fixture Filing Financing Statements (the "**Mortgages**") entered into as of the date of this Note.

6.4 Secured Obligations. The security interests granted by Borrowers pursuant to this **Section 6** secure payment of any and all indebtedness, and performance of all obligations and agreements, of the Borrowers to Lender pursuant to this Note. The Borrowers authorize the Lender to file any UCC financing statements the Lender deems necessary or desirable to perfect the lien granted pursuant to this **Section 6** including with a description of the collateral as "all assets" or a substantially similar description; provided that such description shall expressly exclude the Excluded Assets.

6.5 Subordination to Senior Obligations. The security interest granted pursuant to this Note and the Lender's rights and remedies with respect to the Collateral are subordinated to certain other security interests and liens pursuant to, and to the extent provided in, that certain Subordination Agreement dated as of March , 2009 (the **"Subordination Agreement"**) in favor of Commerce Bank, N.A, a national banking association, in its capacity as Agent under the Credit Agreement referred to in such Subordination Agreement, as the same may be amended, restated, consolidated, replaced or otherwise modified from time to time.

---

7. CONDITIONS PRECEDENT TO OBLIGATIONS

The Borrowers and the Lender shall have delivered or caused to be delivered the following this Note, the Mortgages, and the Intercreditor Agreement, in each case duly executed by Borrowers and the Lender party thereto (as amended, restated, supplemented or otherwise modified from time to time, the "**Loan Documents**").

8. CONTINUING REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into this note, and make Loan to the Borrowers as herein provided, each Borrower represents and warrants as follows:

8.1 Existence. Each Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Kansas and is duly licensed or qualified to do business and in good standing in every state in which the failure to be so licensed or qualified would materially adversely affect the property, assets, financial condition, or business of the Borrower or materially impair the right or ability of the Borrower to carry on its operations substantially as conducted on the date of this Note.

8.2 Power and Authority. The execution, delivery, and performance of this Note and the other Loan Documents to which each Borrower is a party are within each Borrower's corporate powers, have been duly authorized by all necessary and appropriate corporate and shareholder action, and are not in contravention of any law or the terms of the Borrower's Articles of Incorporation or Bylaws or any amendment thereto, or of any indenture, agreement, undertaking, or other document to which each Borrower is a party or by which each Borrower or any of the Borrowers' property is bound or affected.

8.3 Title to Collateral. (i) Borrower is the owner of the Collateral free of all security interests, liens, and other encumbrances except for liens in favor of Lender and the Senior Lenders; (ii) each Borrower has the authority to grant the security interest and liens under this Note and the other Loan Documents to Lender; and (c) Lender has an enforceable lien on all Collateral subject to the liens of the Senior Lenders.

8.4 Validity. This Note and the other Loan Documents constitute the legal, valid, and binding obligations of Debtors party thereto, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy and insolvency laws and laws affecting creditors' rights generally.

8.5 No Consents. No consent, license, approval, or authorization of, or registration, declaration, or filing with, any court, governmental body or authority, or other person is required: (i) in connection with the valid execution, delivery, or performance of this Note of the other Loan Documents by Debtors (other than filings and recordings to perfect security interests in or liens on the Collateral in connection with the Loan Documents), or (ii) for the conduct of any Debtor's business as now conducted, except ordinary business licenses or permits which such Debtor has obtained; in each case except to the extent already obtained.

9. EVENTS OF DEFAULT.

The following shall be "**Events of Default**" under this Note in addition to any events of default defined in the Loan Documents:

9.1 Payment Default. A failure to pay within 5 business days of when due any principal, interest, fee, expense reimbursement, or escrow payment.

9.2 Breach of Covenant; Default Under Loan Documents. The Borrower's breach of any other obligation, covenant, representation, warranty, or agreement under the terms of any Loan Document in strict accordance with the terms and provisions thereof, and with respect to any such breach that is capable of being cured, Borrower's failure to cure such breach within 30 days of receiving written notice (which may be sent by e-mail, facsimile or other electronic transmission) of such breach from Lender.

9.3 Bankruptcy; Insolvency; Debtor Relief. A Borrower: **a)** making an assignment for the benefit of creditors; **b)** filing a voluntary proceeding seeking protection from creditors under any bankruptcy or other law; **c)** becoming the subject of an involuntary proceeding under any bankruptcy or other similar law (provided, such filing shall not constitute a default for sixty (60) days following the date of any such filing as long as the Borrower is at all times diligently pursuing proceedings to discuss any such bankruptcy filing); or **d)** making any admission of its inability to pay its debts generally as they become due.

9.4 Senior Credit Agreement Cross Acceleration. The Senior Lenders providing notice to the Borrowers demanding immediate payment of all obligations of the Borrowers under the Senior Credit Agreement.

10. REMEDIES.

Subject to the terms of the Subordination Agreement, upon the occurrence of an Event of Default, Lender shall have the right to demand payment in full of the Loans and all other obligations under this Note and any other Loan Document, to enforce its liens and security interests and exercise any rights under the Loan Documents, applicable law, and/or principles of equity.

11. COSTS AND EXPENSES.

Promptly upon Lender's demand (but subject to the terms of the Subordination Agreement), the Borrowers shall reimburse Lender for any reasonable costs, including but not limited to, attorneys' costs and fees (based upon time actually expended and at a reasonable hourly rate) incurred in: **a)** collecting any sums due under the Loan Documents; **b)** enforcing or defending any lien on or security interest related to the Collateral or the Loan Documents;**c)** pursuing or defending any litigation based on, arising from, or related to any Loan Document; and **d)** connection with the custody, preservations, use, operation, or sale of the Collateral.

12. USURY.

All provisions of this Note which call for the payment of interest are intended to comply with all applicable usury statutes and regulations. If the terms of this Note would require the payment of interest in excess of the amount permitted by any applicable law or regulation, the terms of this Note shall be deemed to be modified to comply with all such applicable laws or regulations without any action by either party. If Lender receives interest in excess of the amount permitted by any applicable law or regulation, the excess portion of the interest received shall be deemed to be a prepayment of principal without premium as of the date received.

13. WAIVER.

To the fullest extent permitted by law, Borrower and all endorsers, sureties, and guarantors irrevocably: a) waive presentment for payment, notice of dishonor, notice of nonpayment, protest, notice of protest, demand, other notices of every kind, and all rights to plead any statute of limitations as a defense to any action hereunder; b) consent that the time of payment of any installment may be extended

from time to time, that all or any part of the Collateral may be released, and that any person liable under this Note may be released, all without notice, and all without affecting the liability of any person or the lien on that portion of the Collateral not expressly released; and c) agree that no delay in enforcing any remedy under this Note or any Loan Document shall be construed to be a waiver of that or any other remedy. Lender's failure to exercise any of its rights, remedies, or powers set forth herein or in the Loan Documents or Lender's acceptance of partial payments or performance shall not constitute a waiver of any Event of Default, but any such right, remedy, or power shall remain continually in force. A waiver of one Event of Default shall not be construed as continuing or as a bar to or waiver of: x) such Event of Default at a later date; y) any other Event of Default; or z) any other right, remedy, or power.

14. NOTICES.

All communications required hereunder or in the Loan Documents shall be given to Borrower and Lender at their respective addresses set forth underneath their respective signatures hereto or at such other addresses as either party may designate by notice given in accordance with the terms of this section. All communications required or permitted pursuant to this Note shall be legible and shall be deemed to have been properly given and received: **a)** if sent by hand delivery, then upon such delivery; **b)** if sent by nationally known overnight courier, then on the next business day after dispatch; and**c)** if mailed by registered or certified U.S. Mail, postage prepaid and return receipt requested, then 3 days after deposit in the mail.

15. MISCELLANEOUS.

15.1 This Note shall be binding on Borrower and Borrower's heirs, successors, and assigns, as applicable, and shall inure to the benefit of Lender and Lender's successors and assigns. Borrower may not assign its obligations under this Note without Lender's prior written consent. Lender may assign its rights and obligations under this Note with notice to the Borrower.

15.2 This Note may not be modified, nor any of its provisions waived, without Lender's prior written consent.

15.3 Time shall be of the essence of this Note.

15.4 The provisions of this Note are separable. If any judgment is hereafter entered holding any provision of this Note to be invalid or unenforceable, then the remainder of this Note shall not be affected by such judgment, and the remaining terms of this Note shall be carried out as nearly as possible according to its original terms.

15.5 No inference in favor of, or against, any person shall be drawn from the fact that such person has drafted all or any part of this Note or any other Loan Document.

15.6 If there is a conflict between or among the terms of this Note or any Loan Document, Lender may elect to enforce from time to time those provisions that would afford Lender the maximum financial benefits and security for the obligations evidenced and secured by the Loan Documents and/or provide Lender the maximum assurance of payment and performance of such obligations in full.

16. STATUTORY NOTICE. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS CONSTITUTE THE COMPLETE AND FINAL EXPRESSION OF THE "CREDIT AGREEMENT" (AS DEFINED IN K.S.A. § 16-117(A)) BETWEEN DEBTORS AND SECURED PARTY AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR ORAL CREDIT AGREEMENT OR OF ANY CONTEMPORANEOUS ORAL

CREDIT AGREEMENT BETWEEN DEBTORS AND SECURED PARTY. DEBTORS AGREE THAT ALL NONSTANDARD TERMS AND ALL PRIOR ORAL CREDIT AGREEMENTS AND CONTEMPORANEOUS ORAL CREDIT AGREEMENTS BETWEEN DEBTORS AND SECURED PARTY ARE SUFFICIENTLY SET FORTH IN THE TRANSACTION DOCUMENTS EXCEPT AS FOLLOWS (IF NONE, STATE "NONE" OR LEAVE BLANK): NONE.

DEBTORS ALSO AGREE THAT THE ABOVE SPACE IS SUFFICIENT FOR THE DISCLOSURE OF TERMS AND AGREEMENTS NOT OTHERWISE SET FORTH IN THE TRANSACTION DOCUMENTS. BY SIGNING THIS AGREEMENT, DEBTORS AND SECURED PARTY AFFIRM THAT NO UNWRITTEN ORAL CREDIT AGREEMENT BETWEEN THEM EXISTS.

Please initial: ______________________ ______________________

MGP Midwest Grain

17. CHOICE OF LAW; VENUE

This Note shall be deemed to have been executed and shall be performed in the State of Kansas and shall be governed by its laws. Borrower irrevocably agrees that Lender may bring suit, action, or other legal proceedings arising out of the Loan Documents in courts located in Atchison County, Kansas, whether local, state, or federal.

Borrower hereby submits to the jurisdiction of such court(s) and waives any right Borrower may have to request a change of venue or a removal to another court.

[The remainder of this page intentionally left blank]

BORROWERS:
MGP INGREDIENTS, INC., a Kansas corporation

By: ______________________________
Name:
Title:

MIDWEST GRAIN PIPELINE, INC., a Kansas corporation

By: ______________________________
Name:
Title:

Address:
c/o Cray Business Plaza
100 Commercial Street
Atchison, Kansas 66002

ACKNOWLEDGED AND AGREED TO BY LENDER:

____
Cloud L. Cray, Jr., as Trustee of the **CLOUD L. CRAY, JR. TRUST** under agreement dated October 25, 1983

Address:
20045 266th Road
Atchison, Kansas 66002

Exhibit D

[The following has been extracted from Exhibit D of the foregoing agreement and sets forth the cumulative Projected Cash Flow requirement referred to in Section 8(a) of the foregoing agreement.]

Week Ended (2009)		**YTD Cumulative Weekly Operating Net Cash Flow Target [In(out)]**
March 9	$	(410,456)
March 16	$	(3,452,748)
March 23	$	(4,256,515)
March 30	$	(3,518,860)
April 6	$	(1,425,324)
April 13	$	(1,902,056)
April 20	$	1,940,354
April 27	$	3,681,324
May 4	$	2,817,358
May 11	$	2,695,919
May 18	$	(193,757)
May 25	$	(148,950)
June 1	$	(1,823,277)
June 8	$	(1.011,523)
June 15	$	(3,250,706)
June 22	$	(1,950,805)
June 29	$	(3,234,753)
July 6	$	(2,196154)
July 13	$	(2,404,122)
July 20	$	(153,487)
July 27	$	511,300
August 3	$	(1,840,860)
August 10	$	(2,670,863)
August 17	$	(4,189,076)
August 24	$	(4,148,342)
August 31	$	(5,472,292)
September 7	$	(4,651,710)

Exhibit 4.5

May 1, 2009

MGP Ingredients, Inc.
Midwest Grain Pipeline, Inc.
100 Commercial Street
Atchison, KS 66002

Re: Waiver of Borrowers' Obligation to Comply with Certain Financial Covenants

Ladies and Gentlemen:

This letter concerns the Credit Agreement dated as of May 5, 2008, among MGP Ingredients, Inc., Midwest Grain Pipeline, Inc., Commerce Bank, N.A., as Agent, Issuing Bank and Swingline Lender, and the Banks party thereto, as amended (as so amended, the "Credit Agreement"). Capitalized terms used and not defined in this letter have the meanings given to them in the Credit Agreement.

The Agent, at the direction and with the consent of the Required Banks, (1) waives the Borrowers' obligation to comply, now or hereafter, with the financial covenants set forth in Sections 6.3(b), 6.3(c), 6.3(d) and 6.3(e) of the Credit Agreement, and (2) waives any Default or Event of Default arising solely out of the Borrowers' failure to comply with any of the foregoing financial covenants for the fiscal quarter ending March 31, 2009.

Nothing in this letter shall constitute a waiver by the Agent or any Bank of any other obligation of any Borrower or a waiver of any other Default or Event of Default which may exist on the date hereof; and nothing in this letter shall require the Agent or any Bank to waive any Default or Event of Default which may arise in the future.

[next page follows]

This letter may be validly executed and delivered by fax, e-mail or other electronic means.

Very truly yours,

COMMERCE BANK, N.A.,
as Agent

By: /s/ Craig D, Buckley
Name: Craig D. Buckley
Title: Vice President

Exhibit 10.1

AGREEMENT

THIS AGREEMENT, made and entered into this 23rd day of February, 2009, by and between (the "Executive") and **MGP Ingredients, Inc.** (the "Company").

WITNESSETH:

WHEREAS, the Executive is employed by the Company as one of the Company's principal executives.

WHEREAS, the Company, because of current economic circumstances, has need for additional liquidity by the reduction of expenses, and the Executive is willing to assist the Company in dealing with short-term liquidity issues by agreeing to a short-term base salary adjustment agreement.

NOW, THEREFORE, the parties here to agree as follows:

1. The Executive agrees that the Executive's base salary, for the period commencing March 2, 2009, and ending as of June 26, 2009, may be temporarily adjusted by reducing the Executive's per-pay-period base salary from **$** to **$** (the "Adjustment Amount").

2. For the period beginning July 1, 2009, the Adjustment Amount shall no longer apply in a temporary reduction of the Executive's base salary.

3. The Company shall pay to the Executive in a lump sum the cumulative amount of the Adjustment Amount, less applicable taxes, on June 30, 2009.

This Agreement executed as of the day and year first above written.

____
NAME
Executive

MGP INGREDIENTS, INC.

By: ____________________________________
Title: CEO, President

Exhibit 10.2

AGREEMENT

THIS AGREEMENT, made and entered into this day of March, 2009, by and between (the "Board Member") and MGP Ingredients, Inc. (the "Company").

WITNESSETH:

WHEREAS, the Board Member is currently a board of director for the Company.

WHEREAS, the Company, because of current economic circumstances, has need for additional liquidity by the reduction of expenses, and the Board Member is willing to assist the Company in dealing with short-term liquidity issues by agreeing to a short-term compensation adjustment agreement.

NOW, THEREFORE, the parties here to agree as follows:

1. The Board Member agrees that the Board Member's fees and retainer (the "Fees") payable during the period commencing March 3, 2009, and ending as of June 30, 2009, may be temporarily adjusted by deferring payment of said Fees in their entirety until June 30, 2009.

2. For the period beginning July 1, 2009, Board Member's Fees shall no longer be deferred but paid in the ordinary course..

3. The Company shall pay to the Board Member in a lump sum the cumulative amount of Fees deferred on June 30, 2009..

This Agreement executed as of the day and year first above written.

____
[Name of Board Member]
Board Member

MGP INGREDIENTS, INC.

By: ______________________________
Title: CEO, President

MGP INGREDIENTS, INC.
SEPARATION AGREEMENT AND RELEASE OF CLAIMS

WHEREAS, the undersigned employee wishes to voluntarily resign employment with MGP Ingredients, Inc.;

WHEREAS, this Separation Agreement and Release of Claims ("Agreement") is dated as of April 17, 2009, is by and between Robert Zonneveld ("Employee") and MGP Ingredients, Inc. ("Employer"), and shall be effective upon the expiration of the Agreement's revocation period;

WHEREAS, MGP Ingredients is making available to the undersigned employee a separation benefit in recognition of Employee's efforts in the restructuring of Employer and conditioned upon a release of all claims by the undersigned employee; and

WHEREAS, the undersigned employee is not entitled otherwise to any separation benefit and wishes to accept the separation benefit described below.

The undersigned employee agrees as follows:

1. In exchange for the separation benefit described below, **Robert Zonneveld** ("Employee") releases and forever discharges MGP Ingredients, Inc., its predecessors, successors, assigns, officers, directors, stockholders, agents, employees, and all related or subsidiary companies or divisions (collectively referred to as "Employer") from all claims, demands, suits, grievances, liabilities, or causes of action of any kind whatsoever now existing including but not limited to those that in any way

relate to or are connected with or arise directly or indirectly out of the employment of Employee by Employer or the termination of that employment.

2. The claims released and discharged by Employee as of the effective date of this Agreement include, but are not limited to, claims that might be asserted under any federal, state or local law, regulation, ordinance, or decision concerning employment, discrimination in employment, or termination of employment including but not limited to:

A. The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. sec. 621, et seq.;

B. The Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. sec. 1001, et seq.;

C. The Kansas Acts Against Discrimination, as amended, Kan. State. Ann. sec. 44-1001, et seq.;

D. Title VII of Civil Rights Act of 1964 as amended, 42 U.S.C. sec 2000e, et seq.;

E. Americans With Disabilities Act, 42 U.S.C. sec. 12101, et seq.:

F. The Civil Rights Act of 1866, as amended, 42 U.S.C. sec. 1981;

G. The Civil Rights Act of 1991, 42 U.S.C. sec. 1981a; and

H. Family and Medical Leave Act.

The claims released and discharged by Employee also include, but are not limited to, any claim that Employer breached any contract, express or implied, with Employee, made any misrepresentations to Employee, discharged Employee in violation of public policy, or acted wrongfully in any way toward Employee. The claims released and discharged by Employee also include, but are not limited to, any claim relating in any

manner to personal injuries, fringe benefits, medical, dental, hospitalization, life, disability, or other insurance benefits, pension or other retirement benefits, and any claims for attorney's fees, reinstatement or rehire.

Employee further agrees not to initiate any legal proceeding on Employee's behalf against Employer based on any fact or circumstance occurring up to and including the effective date of this Agreement.

Employee's last date of employment will be **April 17, 2009**. By this Agreement, Employee waives any claim for reinstatement and agrees not to seek re-employment with Employer at any time in the future. Employee agrees that any attempt to obtain re-employment following his signing this Agreement will constitute a breach of this Agreement, and that Employer may rely upon such breach in refusing employment, or in discharging Employee from employment.

3. The separation benefit shall be paid after the revocation period for this Agreement has expired, and shall be as follows:

a. Employee shall receive gross compensation of Thirty-seven Hundred Fifty Dollars ($3,750.00) per week from April 20, 2009 until July 17, 2009. Compensation checks will be paid at net pay after normal deductions. The above amount is inclusive of accrued vacation that was not paid prior to April 17, 2009. If Employee does not accept this Agreement, any unpaid accrued vacation will be paid to Employee.

b. Health Care. If otherwise eligible, Employee may elect continuing healthcare coverage pursuant to COBRA. Employer will pay a one time amount of $3,600.00 to Employee to assist in COBRA premium payments. Employee will be responsible to send his premium monthly unless other arrangements are mutually agreed to.

c. Retirement. Employee may take distribution of his deferrals to the 401k Plan after May 1, 2009.

d. Withholding. All payments hereunder will be subject to applicable withholding.

4. Employer will pay to Employee any amount of salary deferred from March 8, 2009 through April 19, 2009 on June 30, 2009 as previously agreed by the parties. See Attachment 1.

5. Employee is not releasing Employer from any obligation concerning any claim for unemployment compensation Employee may make. Employer agrees not to protest any unemployment compensation claim if Employee's factual information provided to support the claim is truthful.

6. Employee acknowledges that he continues to be bound by confidentiality obligations as imposed by law or as referenced in the Acknowledgement of and Agreement with Respect to Ongoing Confidentiality Obligations, attached as Attachment 2.

7. Employee further agrees to assist in a smooth transition, to not be disruptive, and to cooperate with Employer concerning this change in employment status. Employer agrees not to disparage or portray Employee in any negative light whatsoever.

8. Employee will return on or before April 17, 2009, keys, entry card, and other Company property, if any, in his possession. Mobile phone will be returned on April 22, 2009.

9. Employee understands and agrees that the provisions of this Agreement and the requirement that the Agreement be signed in order for Employee to receive the separation benefit do not constitute an admission of any liability to Employee and that Employer expressly denies any such liability.

10. Employee does not waive any rights or claims that may arise after the effective date of this Agreement.

11. Employee agrees that prior to June 30, 2009 he will not, without the prior written consent of the Company, (a) represent, approach, solicit, hire or otherwise deal with, directly or indirectly, any customer or any person associated with a customer of the Company with whom he had contact during the period of his employment with Employer regarding the wheat protein, starch or alcohol business ("Business") or (b) employ or retain or solicit for employment or retention by any other person or entity, any employee of the Employer. Employee hereby acknowledges that the remedies at law of the Employer for any breach of Employee's obligations contained in this Section would be inadequate and the Employer shall be entitled to injunctive relief or any other equitable relief for any violation hereof and Employee, in any equitable proceeding, agrees not to claim that a remedy at law is available to the Employer.

12. Employer hereby advises Employee in writing to consult with an attorney prior to executing this Agreement, and Employee has been given a period of at least 21 days within which to consider this Agreement, but Employee may accept or reject its terms, if he chooses, at any time prior to the expiration of the 21 day period (05/08/09). For a period of seven days following the signing of this Agreement, Employee may revoke the Agreement and the Agreement shall not become effective or enforceable until the revocation period has expired.

13. Employee certifies that all transactions reportable under Section 16 of the Securities Exchange Act of 1934, as amended, by him in Employer's stock prior to the date hereof have been reported.

14. Employee acknowledges and agrees that no promise or agreement not expressed in this Agreement has been made; that this Agreement is not executed in

reliance upon any statement or representation made by Employer or by any person employed by or representing Employer other than the statements contained in the Agreement itself; that the consideration recited above is the sole and only consideration for this Agreement; and that the terms of this Agreement are contractual and not mere recitals.

Date: 5/7/09	/s/ Robert Zonneveld Robert Zonneveld
	/s/ David E. Rindom Witness
Date: 5/7/09	/s/ David E. Rindom Authorized Officer MGP Ingredients, Inc.

Attachment 1

AGREEMENT

THIS AGREEMENT, made and entered into this 23rd day of February, 2009, by and between **Robert Zonneveld** (the "Executive") and **MGP Ingredients, Inc.** (the "Company").

WITNESSETH:

WHEREAS, the Executive is employed by the Company as one of the Company's principal executives.

WHEREAS, the Company, because of current economic circumstances, has need for additional liquidity by the reduction of expenses, and the Executive is willing to assist the Company in dealing with short-term liquidity issues by agreeing to a short-term base salary adjustment agreement.

NOW, THEREFORE, the parties here to agree as follows:

1. The Executive agrees that the Executive's base salary, for the period commencing March 2, 2009, and ending as of June 26, 2009, may be temporarily adjusted by reducing the Executive's per-pay-period base salary from $**3,750.00** to $**1,875.00** (the "Adjustment Amount").

2. For the period beginning July 1, 2009, the Adjustment Amount shall no longer apply in a temporary reduction of the Executive's base salary.

3. The Company shall pay to the Executive in a lump sum the cumulative amount of the Adjustment Amount, less applicable taxes, on June 30, 2009.

This Agreement executed as of the day and year first above written.

/s/ Robert Zonneveld
Robert Zonneveld
Executive

MGP INGREDIENTS, INC.

By: /s/ Timothy Newkirk
Title: CEO, President

Attachment 2

Verification of Receipt

My signature below certifies that I have received, read and understand MGP Ingredients, Inc. documents as follows:

- Code of Conduct
- Acknowledgement Of and Agreement With Respect To Ongoing Confidentiality Obligations

Robert Zonneveld
Print Employee Name

/s/ Robert T. Zonneveld
Employee Signature

8/8/2008
Date

Exhibit 31.1

CERTIFICATION

I, Timothy W. Newkirk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGP Ingredients, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2009

/s/ Timothy W. Newkirk
Timothy W. Newkirk
President and Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, David Harbert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGP Ingredients, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11. 2009,

/s/ David Harbert
David Harbert
Interim Chief Financial Officer
Principal Financial Officer

Exhibit 32.1

CERTIFICATION

OF

PERIODIC REPORT

I, Timothy W. Newkirk, President of MGP Ingredients, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2009 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 11, 2009

/s/ Timothy W. Newkirk
Timothy W. Newkirk
President and Chief Executive Officer

[A signed original of this written statement required by Section 906 has been provided to MGP Ingredients, Inc. and will be retained by MGP Ingredients, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

Exhibit 32.2

CERTIFICATION

OF

PERIODIC REPORT

I, David Harbert, Interim Chief Financial Officer of MGP Ingredients, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2009, (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 11, 2009

/s/ David Harbert
David Harbert
Interim Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to MGP Ingredients, Inc. and will be retained by MGP Ingredients, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]