

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

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

For the fiscal year ended June 30, 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
(State or Other Jurisdiction
of Incorporation or Organization)

100 Commercial Street, Box 130, Atchison, Kansas
(Address of Principal Executive Offices)

48-0531200
(I.R.S. Employer
Identification No.)

66002
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

NONE

Name of Each Exchange on Which Registered

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common Stock, no par value

Name of Each Exchange on Which Registered

NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to their Form 10-K. ☒

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 definition of "accelerated filer," "large accelerated filer" and smaller company: in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

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

The aggregate market value of common equity held by non-affiliates, computed by reference to the last sales price as reported by NASDAQ on December 31, 2008, was \$7,166,898

The number of shares of the registrant's common stock outstanding as of August 31, 2009 was 16,598,585

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

- (1) Portions of the MGP Ingredients, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on October 22, 2009 are incorporated by reference into Part III of this report to the extent set forth herein.

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SIGNATURESFINANCIAL STATEMENT SCHEDULES

The calculation of the aggregate market value of the Common Stock held by non-affiliates is based on the assumption that non-affiliates do not include directors or executive officers. Such assumption does not constitute an admission by the Company or any director or executive officer that any director or executive officer is an affiliate of the Company.

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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 Annual Report on Form 10-K 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 manage our cash flows, (ii) our ability to find a strategic alternative for our Pekin facility on a timely basis, (iii) the ability to maintain compliance with all applicable loan agreement covenants, (iv) the availability and cost of grain and fluctuations in energy costs, (v) an increase in interest rates, (vi) disruptions in operations at our Atchison facility, (vii) competitive environment and related market conditions, (viii) our ability to realize operating efficiencies, (ix) the effectiveness of our hedging programs, (x) and actions of governments. For further information on these and other risks and uncertainties that may affect our business, see Item 1A - *Risk Factors*

AVAILABLE INFORMATION

We make available through our web site (www.mgpingredients.com) under “Investors — Investor Relations,” free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such material with the Securities and Exchange Commission.

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PART I

Throughout this document, Dollars are presented in thousands unless otherwise noted.

ITEM 1. BUSINESS

As used herein, unless the context otherwise requires, the terms “Company”, “we”, “us”, “our” and words of similar import refers to the combined business of MGP Ingredients, Inc. and its consolidated subsidiaries.

GENERAL INFORMATION

MGP Ingredients, Inc. is a Kansas corporation headquartered in Atchison, Kansas. It was incorporated in 1957 and is the successor to a business founded in 1941 by Cloud L. Cray, Sr.

The Company is a fully integrated producer of certain ingredients and distillery products which are derived from wheat flour and corn, respectively, and which are principally produced to serve the packaged goods industry. The Company has three reportable segments: ingredient solutions, distillery products and other. Our ingredient solutions segment products primarily consist of specialty starches, specialty proteins, commodity starches and commodity vital wheat gluten. Mill by-products, consisting primarily of mill feeds or “midds,” have also been included in this segment but have been discontinued with the shutdown of our wheat flour milling operations at the Atchison, Kansas plant in the second quarter of fiscal 2009. The distillery products segment consists of food grade alcohol, along with a minimal amount of fuel grade alcohol, commonly known as ethanol, and distillers feed, which are co-products of our distillery operations. Our other segment products are comprised of resins and plant-based polymers and composites manufactured through the further processing of certain of our proteins and starches and wood.

We purchase corn obtained from or through grain elevators. We purchase wheat flour, the principal raw material used in the manufacture of our protein and starch products, from ConAgra Mills. We process flour with water to extract vital wheat gluten, the basic protein component of flour, which we use primarily to process into specialty wheat proteins that possess increased protein levels and/or enhanced functional characteristics. Most wheat protein products are dried into powder and sold in packaged or bulk form. We further process the starch slurry which results after the extraction of the protein component to extract premium wheat starch, a portion of which we sell as commodity starch and a portion of which we further process into specialty starches, and all of which we dry into powder and sell in packaged or bulk form. We mix the remaining starch slurry with corn and water and then cook, ferment and distill it into alcohol. We dry the residue of the distilling operations and sell it as a high protein additive for animal feed. The principal location at which we make our products as of June 30 2009 is our plant located in Atchison, Kansas. We also operate a facility in Onaga, Kansas for the production of plant-based biopolymers and wood composites, and have a facility at Pekin, Illinois which we temporarily closed beginning in the third quarter of fiscal 2009. We continue to evaluate options for the future of the Pekin facility, where in the past we had produced fuel grade alcohol and food grade alcohol, as well as protein and starch ingredients, principally commodity wheat gluten and commodity wheat starch. Additionally, our line of textured wheat proteins are produced through a toll manufacturing arrangement at a facility in Kansas City, Kansas, which we had previously owned and which we sold to Sergeant’s Pet Care Products, Inc. (“Sergeant’s”) on August 21, 2009.

FISCAL 2009 DEVELOPMENTS

In fiscal 2009 we took major steps to focus our activities on the production of value-added ingredient solutions, consisting of specialty, value-added wheat proteins and wheat starches, and high quality beverage and food grade industrial alcohol. In this regard, we have taken steps to substantially exit commodity vital wheat gluten areas of our business and have curtailed the production of fuel grade alcohol and commodity wheat starch. As the result of these measures, our workforce was reduced by approximately 55% between the beginning and end of fiscal 2009 through a combination of temporary and permanent lay-offs and early retirements involving both non-union and union personnel, and we incurred \$10,282 in non-cash impairment charges, \$3,288 in severance and early retirement costs and \$5,241 in lease termination and other restructuring costs during the fiscal year ended June 30, 2009. See Note 9 of our Notes to Consolidated Financial Statements. Although we currently maintain three

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separate facilities, we are concentrating our efforts on optimizing our capabilities for the development, production and commercialization of value-added products, including food grade alcohol, at our Atchison, Kansas location, where we have the technologies and expertise in place to continue building our value-added business. We agreed with our previous revolving credit lenders that we would either sell our Pekin plant or secure new financing from another lender. We secured new financing with Wells Fargo Bank, National Association on July 21, 2009, but we are continuing to explore strategic alternatives for our Pekin, plant, which we have temporarily shut down. Additionally, we have exited the pet products business with the sale on August 21, 2009 of our Kansas City facility to Sergeant's. The sale included all equipment used for the production and packaging of pet-related products, principally consisting of extruded plant-based resins and finished pet treats. However, we maintain ownership of equipment at this facility that is used for the production of our textured wheat proteins. This equipment is located in a separate section of the facility that we have leased for a period of three years and will be operated by a subsidiary of Sergeants under a toll manufacturing arrangement.

Recent strategic decisions we have made in connection with our transformation process include the following:

- In October 2008 we shut down our Atchison wheat flour mill and began purchasing high quality flour for use as the principal raw material in our protein and starch production processes. This decision was based on our view that we could no longer produce flour for our own use at costs that were competitive with those of third party producers. As a result of this decision, we will no longer sell mill feeds as a by-product of our now discontinued wheat flour milling operations.
- In November 2008 we discontinued producing protein and starch at our Pekin facility and consolidated production of value-added protein and starch products at our Atchison facility. These actions were driven by our planned reduction in the manufacturing and sales of commodity vital wheat gluten and significantly curtailed emphasis on the production and commercialization of commodity wheat starch. Underutilized ingredient solutions segment facilities at both our Pekin and Atchison locations combined with continuing losses in our commodity ingredients areas factored heavily into this decision. By closing protein and starch production at Pekin, based on a comparison of our fourth quarter fiscal results to fiscal 2008, we estimate that we have reduced the volume of our ingredient solutions business, in terms of sales, by approximately 44% on an annualized basis. Substantially all the decrease in fiscal 2009 relates to our lower margin commodity protein products.
- In February 2009, we temporarily discontinued distillery operations at our Pekin facility. We now only produce minimal quantities of fuel grade alcohol as a co-product of our food grade alcohol production at our Atchison facility. As a result, our production of distillers feed, a principal co-product of our alcohol production process, has declined. Our decision to temporarily close our Pekin plant resulted from consideration of the following factors: market economics for fuel grade alcohol continued to erode in fiscal 2009, and selling prices were at or below production costs; incremental ethanol production decisions were made difficult by continued volatility in corn and ethanol prices; and, with current ethanol industry capacity in excess of federal mandates, it has not seemed likely that there will be a return to equilibrium in the ethanol markets in the short-term. We do not expect the shutdown of Pekin distillery operations to affect our food grade alcohol customers as we are continuing to optimize food grade alcohol production capabilities at Atchison.
- At the end of the fiscal year ended June 30, 2008, management evaluated strategic alternatives with respect to the mixed use facility in Kansas City, Kansas and committed to a plan to sell the assets at this facility. During the quarter ended December 31, 2008, management, after evaluating new strategic alternatives with respect to our Kansas City Kansas facility, concluded that certain assets related to the production of our Wheatex® line of proteins would be retained. As stated above, we have since sold this facility, along with our pet products business, to Sergeant's, but continue to have our textured wheat proteins manufactured there through a toll manufacturing agreement with a Sergeant's subsidiary.
- In the third quarter, we ceased production of our personal care products.

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FINANCIAL INFORMATION ABOUT SEGMENTS

Note 13 of our Notes to Consolidated Financial Statements set forth in Item 8 of this Report, which is incorporated herein by reference, includes information about sales, depreciation, income before income taxes and identifiable assets for the last three fiscal years by reportable segment. Information about sales to external customers and assets located in foreign countries is included.

BUSINESS STRATEGY

Our strategy is to focus on the development and marketing of wheat-based specialty protein and starch products and high quality food grade alcohol, as well as our plant-based biopolymer and resin products, for use in unique market niches. As such, we seek to add value to our customers' major branded packaged goods products by providing product solutions across a range of food, beverage and non-food product applications.

Market trends that we hope to benefit from include health and wellness lifestyle trends in the food area, and growing demand for natural versus synthetic products. Increased interest in bio-economy initiatives also may create opportunities for us, particularly in regard to our partially and totally degradable biopolymers.

We have existing manufacturing capacity to grow our ingredients business if the market for this business improves further. We seek to develop a more profitable product mix of higher valued specialty wheat proteins and wheat starches, which is especially critical during times when we face increased wheat costs, such as we encountered during fiscal 2009, fiscal 2008 and, to a lesser degree, in 2007. We continue to concentrate on growing specific high end, highly functional ingredient solutions for our customers. We have taken steps to restructure this area of our business to more appropriately align with current production and sales requirements. These steps have included concentrating our production and marketing efforts on supplying our core base of loyal customers with a more select array of high quality, premium ingredients that address nutritional, sensory and convenience issues and that can help build value while making more efficient use of our existing capacities. We continue to step up our product innovation and commercialization efforts and have revamped the responsibilities of our technical applications scientists, who now perform a significantly more integral role as solutions providers to our customers.

We continue to maintain a solid presence in the food grade alcohol industry and pursue efforts to maintain highly efficient alcohol production operations. Since early 2004, the majority of our Atchison distillery's capacity has been dedicated to the production of high quality, high purity food grade alcohol for beverage and industrial applications. Until our decision to temporarily discontinue distillery operations at our Pekin, Illinois facility in fiscal 2009, the majority of that distillery's capacity for several years had been dedicated to the production of fuel grade alcohol. Our fuel grade alcohol business represented approximately 17.2% of our total revenues in fiscal 2009, whereas it represented approximately 33.7% of our total revenues in the preceding fiscal year. We expect this percentage to continue to decrease, as we determined to reduce our focus on the production of fuel grade alcohol and presently only produce the minimum amount (estimated at 2 million gallons annually) of fuel grade alcohol that is produced as a co-product of our food grade alcohol production at our Atchison distillery. It is possible that we may have more involvement in the fuel grade alcohol market in the future, but we are unable to determine whether that will occur at this time. We are presently exploring our strategic alternatives for our Pekin facility, which include reopening it on a joint venture basis to produce fuel and food grade alcohol, reopening on our own or on a joint venture basis to produce food grade alcohol, selling it or

continuing to hold it. We do not intend to pursue alternatives that significantly expose us to the risks of the fuel alcohol market.

We continued to experience generally favorable conditions in the food grade alcohol market in fiscal 2009, providing our customers with what we believe is among the highest quality, high purity alcohol in the world. We have been in the food grade alcohol business since the Company's founding in 1941 and intend to maintain a solid presence in the food grade area.

As stated previously, biopolymers represent an emerging and developing part of our business. Currently, we have two commercial products in the market. The first product is a bio-based resin in which a large percentage of petroleum-based plastic could be replaced with materials made from renewable sources, specifically wheat starch. These biopolymers, which serve as bio-based alternatives to traditional plastics, may be utilized in a wide range of

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products, such as disposable cutlery, cosmetic cases and CD cases. The second product is a wood-based resin, which compounds wood and biopolymer. This product is used in the manufacture of deck boarding and other wood applications in which long-term durability is required. These products are sold directly to producers of finished products. We are also in the process of developing and commercializing a fully bio-based, fully compostable resin.

PRODUCT SALES

The following table shows our sales from continuing operations by each class of similar products during the past three fiscal years ended June 30, 2009, June 30, 2008 and July 1, 2007, as well as such sales as a percent of total sales.

	PRODUCT GROUP SALES					
	Fiscal Year Ended,					
	June 30, 2009		June 30, 2008		July 1, 2007	
	(thousands of dollars)					
	Amount	%	Amount	%	Amount	%
Ingredient Solutions:						
Specialty Proteins	\$ 22,313	8.1%	\$ 23,204	5.9%	\$ 19,197	5.2%
Specialty Starches	38,458	13.9%	36,065	9.2%	28,256	7.7%
Vital Wheat Gluten	13,684	5.0%	31,399	8.0%	13,646	3.7%
Commodity Wheat Starch	4,617	1.7%	3,737	1.0%	4,052	1.1%
Mill By-Products	1,061	0.4%	6,589	1.7%	2,640	0.7%
Total Ingredients	\$ 80,133	29.0%	\$ 100,994	25.8%	\$ 67,791	18.4%
Distillery Products:						
Food-grade Alcohol	\$ 115,589	41.9%	\$ 113,428	28.9%	\$ 98,409	26.7%
Fuel-grade Alcohol	47,361	17.2%	132,978	33.7%	164,163	44.7%
Distillers Grain and other Co-products	27,912	10.1%	39,332	10.0%	31,821	8.6%
Total Distillery Products	\$ 190,862	69.2%	\$ 285,738	72.6%	\$ 294,393	80.0%
Other Products:	\$ 4,981	1.8%	\$ 6,161	1.6%	\$ 5,810	1.6%
Net Sales	\$ 275,976	100.0%	\$ 392,893	100.0%	\$ 367,994	100.0%

Substantially all of our sales are made directly or through distributors to manufacturers and processors of finished goods. Sales to our customers purchasing food grade alcohol are made primarily on a spot, monthly, or quarterly basis with some annual contracts, depending on the customer's needs and market conditions. Sales of fuel grade ethanol are made on the spot market. Contracts with distributors may be for multi-year terms with periodic review of pricing. Contracts with ingredients customers are generally price and term agreements which are fixed for quarterly or six month periods, with very few agreements of twelve months duration or more. During fiscal 2009, our five largest distillery products customers accounted for 26.2 % of our consolidated revenues. One of these customers, Marathon Petroleum, a fuel ethanol customer, individually accounted for approximately 10% of our consolidated revenues for fiscal 2009. Our five largest ingredients products customers combined accounted for 13.7% of our consolidated revenues.

INGREDIENT SOLUTIONS SEGMENT

Our ingredient solutions segment consists primarily of specialty wheat starches, specialty wheat proteins, commodity wheat starch and vital wheat gluten. Through the second quarter of fiscal 2009, mill feeds, the principal by-product of the flour milling process, was also included in this segment. With the discontinuation of our wheat milling operations, we have ceased the production and sales of mill feeds. As noted above, we have substantially exited the commodity wheat gluten market and have curtailed the production of commodity wheat starches.

In recent years, our specialty wheat starches and proteins have accounted for a sizeable share of our total sales in this segment. This primarily has been due to the following factors: product mix optimization, product innovation through increased research and development, partnering with customers on product development,

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increased capacity to produce these products and increased marketing efforts that have resulted in greater customer recognition.

Specialty Wheat Starches. Wheat starch constitutes the carbohydrate-bearing portion of wheat flour. We produce a pure white premium wheat starch powder by extracting the starch from the starch slurry, substantially free of all impurities and fibers, and then by spray, flash or drum drying the starch. Premium wheat starch differs from low grade or B wheat starches, which are extracted along with impurities and fibers and are used primarily as a binding agent for industrial applications, such as the manufacture of charcoal briquettes. We do not produce low grade or B starches because our integrated processing facilities are able to process the slurry remaining after the extraction of premium wheat starch into alcohol and animal feed. Premium wheat starch differs from corn starch in its granular structure, color, granular size and name identification.

A substantial portion of our premium wheat starch is altered during processing to produce certain unique specialty wheat starches designed for special applications. Our strategy is to market our specialty wheat starches in special market niches where the unique characteristics of these starches are better suited to a customer's requirements for a specific use. We have developed a number of different specialty wheat starches, and continue to explore the development of additional starch products with the view to increasing sales of value-added specialty starches. We produce our Fibersym® resistant starch, which has become one of our more popular specialty starches, using a patented technology referred to below under Patents. We sell our specialty starches on a nationwide basis, primarily to food processors and distributors. In addition, we sell specialty

starches for non-food applications in pet treat applications and in the manufacture of biopolymer products.

Our specialty wheat starches are used primarily for food applications as an additive in a variety of food products to affect their nutritional profile, appearance, texture, tenderness, taste, palatability, cooking temperature, stability, viscosity, binding and freeze-thaw characteristics. Important physical properties contributed by wheat starch include whiteness, clean flavor, viscosity and texture. For example, our starches are used to improve the taste and mouth feel of cream puffs, éclairs, puddings, pie fillings, breadings and batters; to improve the size, symmetry and taste of angel food cakes; to alter the viscosity of soups, sauces and gravies; to improve the freeze-thaw stability and shelf life of fruit pies and other frozen foods; to improve moisture retention in microwavable foods; and to add stability and to improve spreadability in frostings, mixes, glazes and sugar coatings. We also sell our specialty starches for a number of non-food applications, which include pet and biopolymer products, and for use in the manufacture of adhesives, paper coatings, carbonless paper, and wall board.

Our wheat starches compete primarily with corn starch, which dominates the United States starch market. However, the unique characteristics of wheat starch provide it with a number of advantages over corn and other starches for certain baking and other end uses. Our principal competitors in the starch market are Cargill Incorporated (primarily corn and tapioca starch), National Starch and Chemical Corporation (corn starch), Manildra Milling Corporation (wheat starch), Penford Corporation (potato starch), Archer-Daniels-Midland Company (wheat and other grain starches) and various European companies. Competition is based upon price, name, color and differing granular characteristics which affect the food product in which the starch is used. Specialty wheat starches usually enjoy a price premium over corn starches and low grade wheat starches. Commodity wheat starch price fluctuations generally track the fluctuations in the corn starch market. As we experienced in fiscal 2009, the specialty wheat starch market usually permits pricing consistent with costs which affect the industry in general, including increased grain costs. However, this is not always the case; during fiscal 2006 and fiscal 2003, increases in grain and fuel prices outpaced market price increases in the specialty wheat starch market.

Specialty Wheat Starches

- **Fibersym® Resistant Starch series.** These starches serve as a convenient and rich source of dietary fiber. Unlike traditional fiber sources like bran, our resistant starches possess a clean, white color and neutral flavor that allow food formulators to create a wide range of both traditional and non-traditional fiber enhanced products that are savory in both appearance and taste. Applications include pan breads, pizza crust, flour tortillas, cookies, muffins, pastries and cakes.

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- **FiberRite® RW Resistant Starch.** FiberRite® RW is a product that boosts dietary fiber levels while also reducing fat and caloric content in such foods as breads, sweet goods, ice cream, yogurt, salad dressings, sandwich spreads and emulsified meats.
- **Pregel™ Instant Starch series.** Our Pregel starches perform as an instant thickener in bakery mixes, allowing fruit, nuts and other particles such as chocolate pieces to be uniformly suspended in the finished product. In coating systems, batter pick-up can be controlled for improved yield and consistent product appearance. Additionally, shelf-life can be enhanced due to improved moisture retention, allowing products to remain tender and soft over an extended storage period.
- **Midsol™ Cook-up Starch series.** These starches deliver increased thickening, clarity, adhesion and tolerance to high shear, temperature and acidity during food processing. Such properties are important in products such as soups, sauces, gravies, salad dressings, fillings and batter systems. Processing benefits of these starches also include the ability to control expansion in extruded breakfast cereals. In addition, they provide textural enhancement and moisture management in processed foods, especially during storage under frozen and refrigerated conditions.

Commodity Wheat Starch. As is the case with value-added wheat starches, our commodity wheat starch has both food and non-food applications, but such applications are more limited than those of value-added wheat starches and typically sell for a lower price in the marketplace. As noted above, commodity wheat starch competes primarily with corn starches, which dominate the marketplace and prices generally track the fluctuations in the corn starch market.

Specialty Wheat Proteins. We have developed a number of specialty wheat proteins for food and non-food applications. Specialty wheat proteins are derived from vital wheat gluten through a variety of proprietary processes which change the molecular structure of vital wheat gluten. Wheat proteins for food applications include gliadin, glutenin, and products in the Arise®, Wheatex®, HWG 2009™ and FPT™ series. Our specialty wheat proteins generally compete with other ingredients and modified proteins having similar characteristics, primarily soy proteins and other wheat proteins, with competition being based on factors such as functionality, price and, in the case of food applications, flavor. Our principal competitors in the specialty proteins market are Archer-Daniels-Midland Company (wheat and other grain proteins), The Solae Company (soy), Manildra Milling (gluten and wheat proteins), US Energy (gluten) and various European companies. Although we are producing a number of our specialty wheat proteins on a commercial basis, some products are in the test marketing or development stage.

Specialty Wheat Proteins

- **Arise® series.** Our Arise® series of products consists of specialty wheat proteins that increase the freshness and shelf life of frozen, refrigerated and fresh dough products after they are baked. Certain ingredients in this series are also sold for use in the manufacture of high protein, lower net carbohydrate products.
- **Wheatex® series.** This series consists of texturized wheat proteins made from vital wheat gluten by changing it into a pliable substance through special processing. The resulting solid food product can be further enhanced with flavoring and coloring and reconstituted with water. Texturized wheat proteins are used for meat, poultry and fish substitutes, extenders and binders. Wheatex® mimics the textural characteristics and appearance of meat, fish and poultry products. It is available in a variety of sizes and colors and can be easily formed into patties, links or virtually any other shape the customer requires. Because of its neutral taste, Wheatex® will not alter flavors that are added to the product. It also has excellent water-binding capacities for the retention of natural meat juices. Wheatex® is presently being sold for applications in vegetarian and extended meat products.
- **FPT™ series.** The FPT™ series of products consists of specialty wheat proteins, each tailored for use in a variety of food applications. These include proteins that can be used to form barriers to fat and moisture penetration to enhance the crispness and improve batter adhesion in fried products,

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effectively bond other ingredients in vegetarian patties and extended meat products, increase the softness and pliability of flour tortillas, and fortify nutritional drinks.

- **HWG 2009™.** This is a lightly hydrolyzed wheat protein that is rich in peptide-bonded glutamine, an amino acid that counters muscle fatigue brought on by exercise and other physical activities. Applications include nutritional beverages and snack products.

Vital Wheat Gluten. Vital wheat gluten is a free-flowing light tan powder which contains approximately 75 percent to 80 percent protein. When we process flour to derive starch, we also derive vital wheat gluten. Vital wheat gluten is added by bakeries and food processors to baked goods, such as breads, and to pet foods, cereals, processed meats, fish and poultry to improve the nutritional content, texture, strength, shape and volume of the product. The neutral flavor and color of wheat gluten also

enhances, but does not change, the flavor and color of food. The cohesiveness and elasticity of the gluten enables the dough in wheat and other high protein breads to rise and to support added ingredients, such as whole cracked grains, raisins and fibers. This allows the baker to make an array of different breads by varying the gluten content of the dough. Vital wheat gluten is also added to white breads, hot dog buns and hamburger buns to improve the strength and cohesiveness of the product.

Gliadin and glutenin are the two principal components that make up vital wheat gluten. Our patented process enables the separation of glutenin and gliadin for a variety of end uses without the use of alcohol, which has been the traditional method of separating the two. Glutenin, a large molecule responsible for the elastic character of vital wheat gluten, increases the strength of bread dough, improves the freeze-thaw characteristics of frozen dough and may be used as a functional protein source in beef jerky-type products, as well as in meat extension. Gliadin, the smaller of the two molecules, is soluble in water and other liquids, including alcohol, and is responsible for the viscous properties of wheat gluten. Those characteristics make it ideal to improve the texture of noodles and pastas. Vital wheat gluten in recent years has been considered a commodity, and therefore, competition primarily has been based upon price.

In prior years, vital wheat gluten has sometimes been a principal ingredients product. However, we generally have been unable to compete with subsidized imports and now try to limit our production to quantities needed for further processing of our specialty wheat proteins.

Mill By-Products. Until October 2008, we operated a flour mill at the Atchison plant. The mill's output of flour was used internally to satisfy a majority of the raw material needed for the production of our starch, protein and vital wheat gluten. In addition to flour, the wheat milling process generated mill feeds or "midds," which were then sold to processors of animal feeds as a feed additive. As noted above, we closed the flour mill in October 2008 and no longer produce mill feeds.

DISTILLERY PRODUCTS SEGMENT

Our Atchison plant processes corn, mixed with the starch slurry from starch and protein processing operations, into food grade alcohol and distillery co-products consisting of fuel grade alcohol and distillers feed.

Food grade alcohol consists of beverage alcohol and industrial food-grade alcohol that are distilled to remove impurities. Fuel grade alcohol, or "ethanol," is grain alcohol that has been distilled to remove all water to yield 200 proof alcohol suitable for blending with gasoline. We have determined to reduce our exposure to the fuel ethanol market, and with the temporary shutdown of our Pekin facility presently only generate minimal amounts as a co-product of the food grade alcohol production process.

Since the reconstruction in 2004 of our Atchison distillery following an explosion that occurred approximately two years earlier, the majority of the distillery's capacity has been dedicated to the production of high quality, high purity food grade alcohol for beverage and industrial applications. The new state-of-the-art equipment that was installed during the reconstruction has resulted in improved alcohol production efficiencies at the Atchison plant. Conversely, the majority of our capacity at our Pekin, Illinois distillery had historically been dedicated to the production of fuel grade alcohol, although shortly before the shut-down of that plant we had reduced fuel grade production and were making increased quantities of food grade alcohol at the plant. Additional

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efforts to further improve distillery production efficiencies, particularly relating to energy usage, have been initiated through recent capital projects. During fiscal 2009, we generally operated at full production capacity for our food grade alcohol at the Atchison plant, but experienced underutilization of our fuel grade alcohol capacity at our Pekin plant, which in the third quarter we ultimately determined to close on a temporary basis.

Food Grade Alcohol. Food grade alcohol sold for beverage applications consists primarily of grain neutral spirits and gin. Grain neutral spirits are sold in bulk quantities at various proof concentrations to bottlers and rectifiers, which further process the alcohol for sale to consumers under numerous labels. Our gin is created by redistilling grain neutral spirits together with proprietary customer formulations of botanicals or botanical oils.

We believe that in terms of fiscal 2009 net sales, we are one of the three largest bulk sellers of food grade alcohol in the United States. Our principal competitors in the beverage alcohol market are Grain Processing Corporation of Muscatine, Iowa and Archer-Daniels-Midland Company of Decatur, Illinois.

Much consolidation in the beverage alcohol industry has occurred at the customer level over the past two decades. As these consolidations have come about, we have maintained a strong and steady presence in the market due to longstanding relationships with customers and our reputation for producing very high quality, high purity alcohol products.

We market food-grade alcohol which is not sold as beverage alcohol as food-grade industrial alcohol. We sell food-grade industrial alcohol for use as an ingredient in foods (e.g., vinegar and food flavorings), personal care products (e.g., hair sprays and deodorants), cleaning solutions, biocides, insecticides, fungicides, pharmaceuticals, and a variety of other products. Although grain alcohol is chemically the same as petroleum-based or synthetic alcohol, certain customers prefer a natural grain-based alcohol. We sell food-grade industrial alcohol in tank truck or rail car quantities direct to a number of industrial processors.

Historically, synthetic alcohol dominated the food grade industrial alcohol market. In recent years, however, the use of grain-based alcohol has exceeded synthetic alcohol in this market. Our principal competitors in the grain-based food grade industrial alcohol market are Grain Processing Corporation of Muscatine, Iowa and Archer-Daniels-Midland Company of Decatur, Illinois. Competition is based primarily upon price, service and quality factors.

Distillery Co-Products.

Fuel Grade Alcohol. The bulk of fiscal 2009 sales of alcohol co-products consisted of fuel grade alcohol and distillers feed. Fuel grade alcohol, which is commonly referred to as ethanol, is sold primarily for blending with gasoline to increase the octane and oxygen levels of the gasoline. As an octane enhancer, ethanol can serve as a substitute for lead and petroleum-based octane enhancers. As an oxygenate, ethanol has been used in gasoline to meet certain environmental regulations and laws relating to air quality by reducing carbon monoxide, hydrocarbon particulates and other toxic emissions generated from the burning of gasoline ("toxics"). Because ethanol is produced from grain, a renewable resource, it also provides a fuel alternative that tends to reduce the country's dependence on foreign oil.

To encourage the production of ethanol for use in gasoline, the Federal government and various states have enacted tax and other incentives designed to make ethanol competitive with gasoline and gasoline additives. Under the internal revenue code, and until the end of 2010, gasoline that has been blended with ethanol provides sellers of the blend with certain credits or payments. Until the end of 2008, these amounted to \$0.51 per gallon of ethanol with a proof of 190 or greater that is mixed with the gasoline; during 2009 and 2010, they amount to \$0.45 per gallon. Although these benefits are not directly available to us, they were intended to permit us to sell our ethanol at prices which generally are competitive with less expensive additives and gasoline.

On August 8, 2005, President Bush signed the Energy Policy Act of 2005 ("Energy Act"), a comprehensive energy bill that includes a provision for establishing a renewable fuels standard. The Energy Act amended the Clean Air Act to provide for the adoption of regulations whose purpose, subject to other provisions of the Energy Act, was to ensure that gasoline sold or introduced into commerce in the continental United States contained on an annual

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average basis 4.0 billion gallons of renewable fuel commencing in 2006 and increasing incrementally to 7.5 billion gallons in 2012. These standards were amended by the Energy Independence and Security Act of 2007. As amended, the Clean Air Act provides for regulations whose purpose is to ensure that transportation fuel sold or introduced into commerce in the continental United States contains on an annual average basis 9.0 billion gallons of renewable fuel commencing in 2008 and increasing incrementally to 36 billion gallons in 2022. Of these amounts, the maximum applicable average volume of conventional ethanol ranges from 10.5 billion gallons in 2009 to 15 billion gallons in 2015 and continuing thereafter to 2022.

State and federal policies promoting cleaner air and state and federal production incentives and tax programs have caused the ethanol industry to grow substantially in recent years. According to information published by the Renewable Fuels Association, as of June 30, 2009, there were approximately 196 ethanol production facilities in the United States with the combined total production capacity of 12.6 billion gallons. Of that amount, all but approximately 1.8 billion gallons of available capacity was being utilized as of June 30, 2009. An additional 1.9 billion gallons of capacity has been under construction. The majority of fuel ethanol production facilities are located in the Midwestern corn producing states. The fuel-grade alcohol market is dominated by Poet Biorefining, Archer-Daniels-Midland Company and Valero Energy Corporation, which together account for approximately 26% of the total production capacity. We compete with other producers of fuel-grade alcohol on the basis of price and delivery service.

Over the past 24 months, there has been significant volatility in corn and ethanol markets, making incremental ethanol production decisions difficult. Market economics for fuel ethanol continued to erode in fiscal 2009, and we were experiencing prices below our production costs. With industry capacity in excess of federal mandates, it did not seem likely that equilibrium would return to the ethanol markets in the short term. For these reasons, as noted above, we determined to substantially reduce our production of this product and now only produce fuel ethanol as a co-product of our food grade alcohol business.

Distillers Feed. Distillers feed is principally derived from the residue of corn from alcohol processing operations. The residue is dried and sold primarily to processors of animal feeds as a high protein additive. We compete with other distillers of alcohol as well as a number of other producers of animal food additives in the sale of distillers feed. During fiscal 2009 and 2008, prices for distillers feed were depressed relative to corn prices as a result of increased fuel alcohol capacity combined with decreased demand in the European Union due to the E.U.'s non-approval of several varieties of genetically modified corn commonly grown in the U.S.

OTHER SEGMENT

Produced from the further processing of certain of our wheat proteins and wheat starches (and other plant sources), our plant-based biopolymers and composites can be used to produce a variety of eco-friendly products, while our plant-based resins have been manufactured for use primarily in pet treat applications. Our production of the pet-related products were discontinued with the sale of our pet products business and Kansas City facility in August 2009. However, such sales occurred through fiscal 2009 and, therefore, are included in year-end sales and pre-tax profit/(loss) results in our other segment. After giving effect to the sale, our principal products in our Other segment consist of our MGPI Terratek® protein and starch resins. These are our environmentally-friendly biopolymers that can be molded to produce a variety of formed objects. Applications include disposable eating utensils, golf tees, food and feed containers and similar type vessels, as well as non-degradable hard plastic-like products. We hold a license under U.S. Patent No. 5,321,064 expiring in 2011 that relates to these products.

As previously reported, at the completion of the third quarter of fiscal 2008, we undertook a review of our long-lived assets in our other segment and concluded that an impairment charge on these assets was appropriate. Our pet business had suffered since we lost a major customer in late 2006. Subsequent increases in wheat prices, changing consumer preferences and failure to obtain previously anticipated new business led to this decision. Our pet business assets were located at a joint use facility, and in the course of our review we also concluded to write-down all the assets at that facility, including those associated with certain of our Wheatex® textured wheat proteins. In fiscal 2008, we recorded an \$8,100 impairment charge related to these combined assets, of which \$4,700 related to assets allocated to our other segment. For the quarter ended December 31, 2008, we performed another test for impairment of these assets as a result of an appraisal resulting in a further charge of \$811. After considering various

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alternatives, we ultimately took the strategic step to exit the pet products business with the sale of our Kansas City facility and related equipment in August 2009.

PATENTS

We are involved in a number of patent-related activities. For at least eight years, we have regularly been filing patent applications to protect a range of inventions made in our expanding research and development efforts, including inventions relating to applications for our products. Our most significant patents or patent licenses are described below.

In 2003, we licensed, on an exclusive basis, certain patented technology from The Kansas State University Research Foundation relating to U. S. Patent No. 5,855,946, which describes and claims processes for making food-grade starches resistant to alpha-amylase digestion, as well as products and uses for the resistant starches. The license relates to products derived from plant-based starches and is a royalty-bearing, worldwide license whose term, subject to termination for material, uncured breaches or bankruptcy, extends until the patent rights expire in 2017. Royalties generally are based on net sales. The patent rights relate to the referenced U.S. patent and any corresponding foreign patent application, which has been filed in Australia. Under the license, we can make, have made, use, import, offer for sale, and sell licensed products within the scope of a claim of the patent rights or which are sold for a use within the scope of the patent rights and may, with approval of the licensor, grant similar rights to sublicensees. We have granted National Starch and Chemical Investment Holding Corporation and certain of its affiliates a royalty bearing sublicense under the patent and related technology to make high amylose maize starch and to sell it anywhere except in the United States. We have granted Cargill Incorporated a royalty bearing sublicense to use the patented process in the production of tapioca-based starches for use in food products.

We hold U.S. Patent No. 5,610,277 expiring in 2015 relating to the alcohol-free wet extraction of gluten dough into gliadin and glutenin.

We are exclusively licensed by the University of Minnesota under U. S. Patent No. 5,321,064, which relates to biodegradable interpolymer compositions made from biodegradable natural and synthetic polymers. The license expires on June 14, 2011, as does the licensed patent.

RESEARCH AND DEVELOPMENT

During the last three fiscal years, we have spent an aggregate of \$7,400 on research and development activities, all in the ingredient solutions and other segments, as follows: 2009-\$1,400; 2008-\$3,200; and 2007- \$2,800.

SEASONALITY

Our sales subsequent to 2002 have not been seasonal.

TRANSPORTATION

Our output is transported to customers by truck and rail transportation equipment, most of which is provided by common carriers. We currently lease 436 rail cars, which may be dispatched on short notice. When our Pekin plant is in operation, we also have the ability to transport by barge from this site, with barge loading facilities on the Illinois River.

RAW MATERIALS

Our principal raw material is wheat flour, which is processed into our starches and proteins, and corn, which is processed into food grade alcohol, and distillery co-products consisting of fuel grade alcohol, and animal feed. We purchase corn throughout the year from or through grain elevators. We provide for our flour requirements through a supply contract with ConAgra Mills. The agreement became effective in October 2008 and has a term of five years. It is automatically renewable for an additional term of 5 years unless either party gives at least 180 days

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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. Currently we purchase our corn requirements from a single elevator company. Our practice is to only order corn for a month at a time.

Historically, the cost of grain has been subject to substantial fluctuations depending upon a number of factors which affect commodity prices in general, including crop conditions, weather, government programs and purchases by foreign governments. Such variations in grain prices have had from time to time significant adverse effects on the results of our operations. This is primarily due to a variety of factors. Fuel grade alcohol prices, which historically have tracked the cost of gasoline, do not usually adjust to rising grain costs. It generally has been difficult for us to compensate for increases in grain costs through adjustments in prices charged for our vital wheat gluten due to subsidized European Union wheat gluten, whose artificially low prices are not affected by such costs.

Historically, we have engaged in the forward purchase of grain and in the purchase of commodity futures and options to hedge economic risks associated with fluctuating grain and grain products prices. During fiscal 2009, we hedged approximately 60.2% of corn processed, compared to approximately 75% in 2008. Of the wheat that we processed in fiscal 2009, 61.4% was hedged compared to 8.7% in fiscal 2008. In October 2008, we ceased processing wheat and started purchasing flour from ConAgra. As a result, we only processed wheat for one quarter in fiscal 2009. Going forward, we intend to purchase commodity futures and options and to contract for the future delivery of grain only to protect margins on contracted alcohol sales. We intend to contract for the future delivery of flour only to protect margins on expected sales of ingredients products. See Item 1A — *Risk Factors* and Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Practices — Hedging Activities*. Also see Item 7A - *Quantitative and Qualitative Disclosures About Market Risk*.

ENERGY

Because energy comprises a major cost of operations, we seek to assure the availability of fuels at competitive prices.

We use natural gas to operate boilers that we use to make steam heat. We procure natural gas for the Atchison plant in the open market from various suppliers. We can purchase contracts for the delivery of natural gas in the future or can purchase future contracts on the exchange. Depending on existing market conditions, at Atchison we have the ability to transport the gas through a gas pipeline owned by a wholly-owned subsidiary. In Pekin, we have either procured natural gas through Central Illinois Light Company (aka AmerenCILCO) or through other suppliers. We had a multi-year agreement with AmerenCILCO under which the utility transported natural gas to our Pekin plant on the utility's pipeline. This agreement expired by its terms in August 2009. We have not sought renewal to date due to the temporary shutdown of the Pekin facility.

In order to control energy costs, we have a risk management program whereby, at pre-determined prices, we may purchase a portion of our natural gas requirements for future delivery.

In 1995, we entered into an arrangement with AmerenCILCO and one of its subsidiaries (collectively "CILCO") with respect to our Pekin, Illinois plant. Under the arrangement, we have leased a portion of our plant facility to CILCO for a term which, as extended, ends in February 2029. CILCO constructed a gas fired electric and steam generating facility on ground leased from us and agreed to provide steam heat to the Pekin plant under a related steam heat service agreement pursuant to which we agreed to purchase any requirements for steam heat from CILCO until February 2011. During fiscal 2009 and prior years, we were required to make adjustable minimum monthly payments over the term of the service agreement, approximately \$141, with declining fixed charges for purchases in excess of minimum usage, and were responsible for fuel costs and certain other expenses. During fiscal 2009, we defaulted on our payment obligations under this agreement, and on July 21, 2009 we entered a restructuring agreement with CILCO whereby we acknowledged combined obligations of \$11,614 to CILCO under the steam agreement, a gas agreement and a delivery service agreement with it. CILCO agreed to accept payment in accordance with a payment schedule reflected in a note we delivered which provides for the payment in full over a 20 month period. In addition, CILCO agreed to terminate the steam agreement relating to Pekin facility effective June 30, 2009. As a result, we will have no future charges under the steam agreement. We agreed with CILCO that should we reopen our facility in Pekin, we would negotiate a new agreement under which we would be responsible

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for start up costs of the boiler plant that generated the steam supplied under the steam agreement and ongoing staffing requirements and a new schedule of charges reflective of increased costs of operating and maintaining the boiler plant. However, neither party will be liable to the other for failure to execute a new agreement, and a failure to do so will not affect our obligations under the note and related agreements we have entered with CILCO.

Our electricity agreement at Pekin is scheduled to expire in September 2009. Historically, we have negotiated a fixed price agreement with AmerenCILCO as the electricity provider. Illinois is a deregulated market, which provides us with alternative sources to supply our electrical needs. We purchase our electrical energy in Atchison from the local utility.

We are currently 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 330,000 pound per hour high pressure solid fuel boiler cogeneration facility at the plant. The proposed facility will utilize coal as the primary fuel. The cost of the project is estimated at \$90,000 to \$100,000. We are seeking a third party energy provider to fund, own and operate the facility, and would expect to enter a multi-year energy supply agreement with the energy provider.

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 will 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 a construction permit 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 facility into operation.

The facility is proposed to be located on a site that we would lease to the provider which is located on the plant's 49-acre site. It would be utilized primarily to produce steam to power the plant's distillery operations. In addition, a portion of the generated steam would be used to supply the plant's electrical needs. Excess energy

would be available for sale by the provider to others.

If we determine to retain the Pekin facility and do not pursue a new coal fired boiler, we will need to pursue the acquisition of the existing steam facility from CILCO or provide an alternate steam production source.

EMPLOYEES

As of June 30, 2009, we had a total of 322 employees, of which 219 were active employees and 103 were temporarily laid-off employees. Of that combined total, 180 (119 active and 61 temporarily laid off) were represented by employees covered by collective bargaining agreements with one labor union. One agreement, which expires on August 31, 2014, covers 100 active employees at the Atchison Plant. Another agreement, which expires on October 31, 2011, covers 61 temporarily laid-off employees at the Pekin plant. A collective bargaining agreement with employees at our Kansas City facility covered 19 active employees and was scheduled to expire on September 25, 2009 prior to our sale of that facility in August 2009. As of July 1, 2008, we had 482 employees.

Although we experienced a brief work stoppage at the Atchison plant from September 27 through October 10 in 2008, we consider our relations with our personnel to generally be good. Previously, we had not experienced a work stoppage since 1978.

REGULATION

Our beverage and industrial alcohol business is subject to regulation by the Alcohol and Tobacco Tax and Trade Bureau (“TTB”) and the alcoholic beverage agencies in the States of Kansas and Illinois. Such regulation covers virtually every aspect of our alcohol operations, including production facilities, marketing, pricing, labeling, packaging, and advertising. Food products are also subject to regulation by the Food and Drug Administration. TTB regulation includes periodic TTB audits of all production reports, shipping documents, and licenses to assure

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that proper records are maintained. We are also required to file and maintain monthly reports with the TTB of alcohol inventories and shipments.

We are subject to extensive environmental regulations at the federal, state and local levels. The regulations include the regulation of water usage, waste water discharge, disposal of hazardous wastes and emissions of volatile organic compounds, nitrogen oxides, sulfur dioxides, particulates and other substances into the air. Under these regulations, we are required to obtain operating permits and to submit periodic reports to regulating agencies. For the Atchison, Kansas plant, the air quality is regulated by both the U.S. Environmental Protection Agency (“USEPA”) and the Division of Environment of the Kansas Department of Health and Environment (the “KDHE”). The KDHE regulates all air emissions. We also were required to obtain a Class I air operating permit from the KDHE and must obtain KDHE approval to make plant alterations that could modify the emission levels. The KDHE also regulates the discharge water quality at the Atchison plant. This includes process water, non-contact water and storm water. We monitor process water and non-contact water discharge on a daily basis and submit monthly reports to the KDHE documenting the test results from these water discharges. The USEPA and KDHE also monitor hazardous waste disposal for the Atchison plant. We also are required to submit annual reports pursuant to the Kansas and Federal Emergency Planning Community Right-to-Know Acts. Local officials, such as the local emergency planning committee in the Atchison community, also receive copies of these annual reports. Presently we are working with the KDHE to renew our National Pollutant Discharge Elimination System (NPDES) permit. We anticipate that our renewal permit will require us over the next four years to bring our water discharge into compliance with additional temperature, color and toxicity standards.

Similar environmental regulations apply to the Pekin, Illinois facility. Air quality at the Pekin plant is regulated by both the USEPA and the Illinois Environmental Protection Agency (the “IEPA”). The IEPA regulates all air emissions. We have permits to make certain emissions, and the IEPA has the right to do on-site testing to verify that emissions comply with these permits. Also, the IEPA regulates waste water, cooling water and storm water discharge at the Pekin plant. We test wastewater effluent quality twice each week and file monthly reports with the IEPA. We also file an Annual Emissions Report and a Toxic Release Inventory annually with the IEPA. The Pekin facility is also required to submit periodic reports pursuant to the Illinois and Federal Emergency Planning Community Right-to-Know Acts.

During 1997, the IEPA commenced an action against our Illinois subsidiary with respect to alleged noncompliance of the Pekin Plant with certain air quality regulations. In 2002, the USEPA began an enforcement initiative relating to air emissions standards, focusing on all ethanol producers in its Midwestern region. In connection with the USEPA enforcement initiative relating to our Pekin facility, we entered a consent decree and paid a federal penalty of \$172. In connection with the IEPA proceedings, we entered a Stipulation and Proposal for Settlement pursuant to which we made a total payment of \$500, including a contribution to a state special project fund. Both the consent decree and the Stipulation required us to undertake specified compliance activities. As a result of these proceedings and a desire to make our operations more efficient, we made capital expenditures of \$11,100 at the Pekin facility.

In January 2006 we entered a consent agreement with the KDHE resolving past allegations relating to permits, emissions levels and compliance with pollution regulations. We agreed to pay a civil penalty and to undertake certain modifications to our Atchison facility over two and one-half years, including replacing a dryer, replacing or modifying our boilers and modifying certain emission controls. We had previously installed the emission-controlled dryer in Atchison that we will use to process distillers feed at an estimated cost of \$12,000. During fiscal 2008 we made additional capital expenditures of \$1,823 for new boiler burners and emission controls and made an additional \$415 in expenditures during fiscal 2009 for such measures. From September 16, 2008 until February 11, 2009, tests on our feed drying unit indicated that it was not in compliance with the volatile organic compound emission limit established in the consent agreement entered in 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. KDHE has advised management that a penalty is likely for this violation. Although no amount has been proposed, representatives of the KDHE indicated that the penalty would be “reasonable”.

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STRATEGIC RELATIONSHIPS

On July 2, 2007 we acquired a 50% interest in a German joint venture company which will produce and distribute our Wheatex® products in the EU and elsewhere. If the venture succeeds, the new company may build its own plant in the EU. We have leased an extruder to the new company for future use and licensed the new company to practice our Wheatex® technology and sell the product in the EU and certain countries that are proximate to the EU. Production began in the fourth quarter of fiscal 2009. As of June 30, 2009 our total capital commitment to the joint venture is \$750, of which we had contributed \$375.

On July 12, 2004, we entered into a business alliance with Cargill, Incorporated for the production and marketing of a new resistant starch called Fibersym® HA that is derived from high amylose corn. Under this arrangement, Cargill agreed to manufacture Fibersym® HA under U.S. patent No. 5,855,946, which has been licensed exclusively to us. The new starch is to be marketed by both companies under the Fibersym® brand name. We and Cargill are to share profits from sales of the new product. In connection with the arrangement for the new corn product, we also granted Cargill a royalty bearing sublicense to use the patented process for the life of the patent in the production of tapioca-based starches for use in food products. We also agreed that if we determined to use the patented process to produce starches derived from other types of corn or to have a third party make product under the patent from other plant sources (other than wheat or potato), we would offer Cargill an opportunity to participate with

us. Cargill has started to market its tapioca-based starch product under the sublicense from us but we have only received nominal royalties to date. As part of the transactions mentioned above, we licensed Cargill to use the technology disclosed and claimed in certain patent applications relating to uses for the patented resistant starch.

Although we originally hoped to introduce Fibersym®HA starch into the market at the end of 2004, due to litigation brought by National Starch and Chemical Investment Holding Corporation, Penford Australia, Ltd. and Penford Holdings Pty. in November 2004, we put the sale and additional production of the product on hold. The litigation was resolved in September 2006. We have engaged in discussions with Cargill about modifying our arrangements with them.

ITEM 1A. RISK FACTORS

Our business is subject to certain risks and uncertainties. The following identifies those which we consider to be most important:

RISKS THAT AFFECT OUR BUSINESS AS A WHOLE

Our reduced liquidity could affect our operations.

Due to limitations on amounts available under our former credit agreement, our liquidity during much of fiscal 2009 was not optimal for our needs and we extended certain vendors past normal credit terms. Although our liquidity has improved and we have reduced our past due trade payables, we will continue to 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, our cash flow limitations may restrict our ability to engage in hedging activities. This could result in higher future expenses if raw material and natural gas prices change adversely. As a result, our profitability and ability to meet certain financial covenants in our credit facility could be affected.

We have incurred impairment and restructuring losses and may suffer such future losses.

We review long-lived assets for impairment at year end or if events or circumstances indicate that usage may be limited and carrying values may not be recoverable. Should events indicate the assets cannot be used as planned, the realization from alternative uses or disposal is compared to the carrying value. If an impairment loss exists, this estimate is recognized. Considerable judgment is used in these measurements, and a change in the assumptions could result in a different determination of impairment loss and/or the amount of any impairment. See Item 7. *Managements' Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates.*

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We recognized a non-cash impairment loss of \$8,100 at the end of the third quarter of fiscal 2008, of which \$4,700 related to the pet treat resin component of our other segment and \$3,400 related to ingredient solutions equipment at our related Kansas City, Kansas production facility. In response to losses incurred during fiscal 2009, we took actions in an effort to return to profitability. These actions include significant changes to operations at our Atchison and Pekin facilities. As a result of these actions, we incurred severance and early retirement costs of \$3,288, other restructuring costs aggregating \$5,241 and impairment charges of \$8,931 in the second quarter of fiscal 2009. We recognized an additional \$1,351 in impairment charges in the fourth quarter, resulting from the sale of our Kansas City, Kansas facility. We have not recognized any impairment or restructuring charge as a result of the temporary shut down of our Pekin, Illinois plant and associated lay-off of employees based on our assumption that we expect to implement a strategic option with respect to this facility within the next year and on our estimates of its fair value. Management's estimations are based primarily on third party appraisals and other market information which exceed the \$29,000 carrying value of the facility. Such appraisals and other information are based on a number of estimates, which may change. Also, the price realized in an actual transaction may prove to be less than an appraised value. If we close the facility permanently and are unable to sell it, we expect to have significant impairment charges. If we sell the facility, we likely will have additional restructuring losses related to our workforce and may have impairment charges depending on the value we derive from the sale. We also may have further impairment and restructuring losses related to that facility if we elect to reopen it, and such losses may be more likely if we are unable to reopen or implement some other strategic option with respect to this facility on a timely basis. Such charges could affect our ability to comply with certain financial covenants in our credit facility.

Covenants and other provisions in our credit facility could hinder our ability to operate. Our failure to comply with covenants in our credit facility could result in the acceleration of the debt extended under such facility, limit our liquidity and trigger other rights.

Our credit agreement with Wells Fargo Bank, National Association contains a number of financial and other covenants, including provisions that require us to meet certain financial tests and that limit or restrict our ability to:

- incur additional indebtedness;
- pay dividends to stockholders or purchase stock;
- make investments;
- dispose of assets;
- make capital expenditures;
- create liens on our assets; or
- merge or consolidate.

These covenants may hinder our ability to operate and reduce our profitability, and a breach of any of these covenants or requirements could result in a default under our credit agreement. Specific covenants require us to meet specified monthly, cumulative net income requirements (aggregating \$3.5 million for fiscal year 2010 and \$1 million for the first quarter of fiscal 2011), and require us to meet, as of fiscal year end, a minimum debt service coverage ratio ((a) the sum of (i) funds from operations (net income plus depreciation and amortization, plus or minus increases or decreases in deferred income taxes and LIFO reserves, plus other non-cash items) plus (ii) interest expense minus (iii) unfinanced capital expenditures minus (iv) dividends and distributions paid during the period, divided by (b) the sum of (i) current maturities of long term debt plus (ii) interest expense) of not less than 1.15 to 1.0. As of June 30, 2009 our debt coverage ratio as calculated under this formula was (8.0) to 1. In addition, our credit agreement permits the lender to modify or reduce the borrowing base. Any modification to reduce our borrowing base would negatively impact our overall liquidity and may require us to take other actions to preserve any remaining liquidity. Although we anticipate that we will be able to meet the covenants in our new credit

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agreement, there can be no assurance that we will do so, as there are a number of external factors that affect our operations, such as commodity prices, over which we have little or no control. If we default on any of our covenants, and if such default is not cured or waived, Wells Fargo, could, among other remedies, terminate its commitment to

lend and/or accelerate our debt and declare that such debt is immediately due and payable. If Wells Fargo were to terminate our credit or materially change our borrowing base, we may not have sufficient funds available to us to operate. If it were to accelerate our debt, we would be unable to repay such debt immediately and might not be able to borrow sufficient funds to refinance. Even if new financing is available, it may not be on terms that are acceptable to us. Acceleration could result in foreclosure on assets that we have pledged to Wells Fargo. Further, certain of our other secured debt instruments contain cross default provisions, such that an event of default under our credit agreement with Wells Fargo may result in an event of default under these other debt instruments. If our lenders were to terminate our credit or accelerate our debt, or if Wells Fargo were to materially change our borrowing base, we might not have sufficient funds to operate.

As a result of recent operating losses we have incurred significant debt.

During fiscal 2008 and 2009 we incurred significant operating losses, as a result of which we had to borrow significant amounts under our credit facilities in order to have sufficient cash to operate. Accordingly, our debt service requirements are significant and the amount of debt we have incurred may have important consequences, including the following:

- We will have to use a substantial portion of our cash flows from operations to pay principal and interest on our debt, which will reduce the funds that would otherwise be available to us for our operations, capital expenditures, future business opportunities and dividends; and
- We will be adversely affected by increases in prevailing interest rates.

Our profitability is affected by the cost of grain and flour that we use in our business, and the availability and cost of such agricultural products are subject to weather and other factors beyond our control.

Grain and flour costs are a significant portion of our costs of goods sold, and historically the cost of such raw materials is subject to substantial fluctuations depending upon a number of factors which affect commodity prices in general and over which we have no control, including crop conditions, weather, government programs and purchases by foreign governments. These fluctuations can be sudden and volatile at times. As an example, in the fourth quarter of fiscal 2009, the price of a bushel of corn ranged from a low of \$3.75 to a high of \$4.50. Such variations in costs have had and are expected to have, from time to time, significant adverse effects on the results of our operations, as we are not always able to keep pace proportionately with price increases due to several factors, such as the terms of sales contracts that limit our ability to raise prices, price competition from substitute products and competition from global competitors with different input commodity prices due to subsidies, tariffs, or other unique advantages.

Our hedging strategy may not protect us from changes in prices of commodities.

Formerly, we engaged in the purchase of commodity and natural gas futures and options and in the forward purchases of grain and natural gas to hedge economic risks associated with fluctuating grain and natural gas prices. We no longer engage in such activities based on expected use of our facilities, and now intend to purchase derivatives and enter contracts for future delivery only to protect margins on contracted alcohol sales and expected ingredients sales. Our cash flow limitations may restrict our ability to engage in such activities. Management will attempt to recover higher commodity costs experienced through higher sales prices, but market considerations may not always permit this, and even where prices can be adjusted there would likely be a lag between when we incurred higher commodity or natural gas costs and when we might be able to increase prices. To the extent we do not enter such derivative contracts or engage in forward purchases and are also unable to timely adjust the prices we charge under sales contracts, we may be adversely impacted by market fluctuations in the cost of grain and natural gas.

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Our profitability is affected by the cost of natural gas.

Natural gas is a significant input cost, and comprised approximately 12 percent of our cost of goods sold in fiscal 2009, 18 percent of our costs of goods sold in fiscal 2008 and 15.4 percent of our cost of goods sold in fiscal 2007. We use natural gas extensively in our operations and the price of natural gas fluctuates, based on anticipated changes in supply and demand, weather and the prices of alternative fuels. During fiscal 2009 for example, the average quarterly price of natural gas fluctuated from a low of \$7.05/MCF to a high of \$12.89/MCF. Historically, prices of natural gas have been higher in the late fall and winter months than during other annual periods. We are not always able to pass on increases in energy costs to our customers, and margins and profitability have been and could continue to be adversely affected by fluctuations in the price of natural gas.

An interruption of operations at our Atchison facility could negatively affect our business.

Following the cessation of starch operations and the temporary shutdown of distillery operations at our Pekin plant, the bulk of our production activities takes place at our facility in Atchison. At interruption in or the loss of operations at this facility, or a strike by our unionized employees at this location, could delay or postpone production of our products, which could have a material adverse effect on our business, results of operation and financial condition.

Changes in interest rates may affect our profitability.

Approximately \$16.8 million of the our debt outstanding at September 4, 2009 was subject to variable interest rates which move in direct relation to either three month LIBOR or three year U.S. treasury rates, depending on the lender. Any significant changes in these rates could materially affect our profitability by increasing our borrowing costs.

We may require significant cash flow to make capital expenditures, and our ability to make such expenditures is limited.

Over the course of the next few years we may need to make substantial capital expenditures. See — Item 1. *Business of the Company - Energy and Regulation* and Item 7. *Managements Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Cash Flow Information — Investing Cash Flows*. We may require additional long-term financing to meet certain of these requirements, but have not determined the amount, type or source of such financing. We cannot assure you that we will be able to arrange such financing on favorable terms, if at all. We may require the consent of Wells Fargo Bank to incur new debt and also may require the consent of Wells Fargo Bank to make such expenditures. Our new credit facility limits our ability to incur debt and the amount of such expenditures which we can make annually. We cannot assure you that we will be able to obtain such consent.

We are subject to extensive regulation, and compliance with existing or future laws and regulations may require us to incur substantial expenditures or require us to make product recalls.

We are subject to a broad range of federal, state, local and foreign laws and regulations intended to protect public health and the environment. Our operations are also subject to regulation by various federal agencies, including the Alcohol and Tobacco Tax Trade Bureau, the Occupational Safety and Health Administration, the Food and Drug Administration and the Environmental Protection Agency, and by various state and local authorities. Such regulation covers virtually every aspect of our operations, including production facilities, marketing, pricing, labeling, packaging, advertising, water usage, waste water discharge, disposal of hazardous wastes and emissions and other matters. Violations of any of these laws and regulations may result in administrative, civil or criminal penalties being levied against us, permit revocation or modification, performance of environmental investigatory or remedial activities, voluntary or involuntary product recalls, or a cease and desist order against operations that are not in compliance. These laws and regulations may change in the future and we may incur material costs in our efforts to comply with current or future laws and regulations or to

affect any product recalls. These matters may have a material adverse effect on our business. See Item 1. *Business-Regulation* where we discuss environmental proceedings in which governmental agencies sought fines from us and required significant capital expenditures.

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If we lose certain key personnel, we may not be successful.

We rely on the continued services of key personnel involved in management, product development, sales, manufacturing and distribution, and, in particular, upon the efforts and abilities of our executive management team. The loss of service of any of the members of our executive management team could have a material adverse effect on our business, financial condition and results of operations. A loss of our CEO could result in the acceleration of the debt under our new credit facility. We do not have key personnel life insurance covering any of our employees.

RISKS SPECIFIC TO OUR DISTILLERY PRODUCTS SEGMENT

Volatile corn prices affect our profitability.

A portion of our operating income is dependent on the spreads between alcohol and corn prices. We intend to protect the margins on our alcohol contracts but may not always be able to do so. If we are not successful in protecting our margins through hedging activities, volatility in corn prices could affect the profitability of our contracts.

The relationship between the price we pay for corn and the sales prices of our distillery co-products can fluctuate significantly and affect our results of operations.

Dried grain, or distillers feed, and fuel grade ethanol are the principal co-products of our alcohol production process and can contribute in varying degrees to the profitability of our distillery products segment. We sell fuel grade ethanol, which typically, but not always, tracked price fluctuations in gasoline prices. Distillers feed is sold for prices which historically have tracked the price of corn. In fiscal 2009 and 2008, however, the value of these co-products has lagged behind the significant and rapid increase in corn prices. In regard to distillers feed, we believe that in part this resulted from decreased demand in the European Union due to the E.U.'s non-approval of several varieties of genetically modified corn commonly grown in the U.S. Further, certain of our co-products compete with similar products made from other plant feedstock whose cost may not have risen as corn prices have risen. As a result, the profitability of these products to us could be affected.

Our cost associated with our Pekin facility may increase.

During fiscal 2009, we determined to reduce our exposure to the fuel grade alcohol markets and temporarily shut down our Pekin plant. We temporarily laid off our employees and have reduced our costs of maintaining the plant to approximately \$200,000 monthly. We are presently exploring our strategic alternatives for our Pekin facility, which include reopening it on a joint venture basis to produce fuel and food grade alcohol, reopening on our own or on a joint venture basis to produce food grade alcohol, selling it or continuing to hold it. As noted above under “*Risks that Affect our Business as a Whole— We have incurred impairment and restructuring losses and may suffer future such losses*”, a permanent shutdown could result in significant impairment charges, and, to a lesser degree, restructuring charges. Implementing another strategy could also result in such charges, although likely to a lesser degree, if at all. If we determine to reopen the plant, the longer we wait to do so the more difficulty we will have in rehiring or replacing our skilled workers and the more likely it is that our other start-up costs will increase.

RISKS SPECIFIC TO OUR INGREDIENT SOLUTIONS SEGMENT

Business Strategy Risks

Our business strategy for our ingredient solutions segment includes focusing our efforts on the production of specialty proteins and starches for sale to targeted domestic consumer packaged goods customers. We have reconfigured our ingredient solutions technology platforms around our customers and the bulk of our research and development is now customer focused. We have narrowed our product lines to drive towards a higher-value product mix. We also intend to explore opportunities for acquisitions and strategic alliances. We may need to incur additional indebtedness (which may be long-term), expend cash or use a combination thereof for all or part of the consideration to make acquisitions or be in future joint ventures, and there can be no assurance that we will have the

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requisite cash flow or access to funding. In this regard, our new credit facility restricts our ability to incur new debt and to make investments.

The markets for our protein and starch products are very competitive, and our results could be adversely affected if we do not compete effectively.

The markets for starches and proteins in which we participate are very competitive. Our principal competitors in these markets have substantial financial, marketing, and other resources. In some product categories, we compete not only with other wheat-based products but also with products derived from other sources. Competition is based on such factors as product innovation, product characteristics, product quality, price, color and name. If market conditions make our specialty ingredients too expensive for use in consumer goods, our revenues could be affected. If our large competitors were to decrease their pricing, we could choose to do the same, which could adversely affect our margins and profitability. If we did not do the same, our revenues could be adversely affected due to the potential loss of sales or market share. Our revenue growth could also be adversely impacted if we are not successful in developing new products for our customers or through new product introductions by our competitors.

RISKS SPECIFIC TO OUR OTHER SEGMENT

Our plant-based biopolymers and wood-based resins may not prove to be profitable.

Plant-based biopolymers and wood-based resins continue to represent an emerging area of our business. While commercialization of these products has begun, they continue to undergo further research and development as we explore additional enhancements to expand their functionality and use capabilities. To date, they have not contributed significant revenues or profit.

OTHER RISKS

Common stockholders have limited rights under our Articles of Incorporation

Under our Articles of Incorporation, holders of our Preferred Stock are entitled to elect five of our nine directors and only holders of our Preferred Stock are entitled to vote with respect to a merger, dissolution, lease, exchange or sale of substantially all of the Company's assets, or on an amendment to the Articles of Incorporation, unless such action would increase or decrease the authorized shares or par value of the Common or Preferred Stock, or change the powers, preferences or special rights of the

Common or Preferred Stock so as to affect the holders of Common Stock adversely. Generally, the Common Stock and Preferred Stock vote as separate classes on all other matters requiring stockholder approval. A majority of the outstanding shares of our Preferred Stock is held by the MGP Ingredients Voting Trust, whose trustees are Cloud L. Cray, Jr., Richard B. Cray and Laidacker M. Seaberg.

If we fail 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 traded below this minimum bid price requirement for the third quarter and portions of the second and fourth quarters of fiscal 2009. Our stock was not affected because NASDAQ suspended this bid price requirement through July 31, 2009, but the requirement is now in effect. If our stock price falls below \$1.00 in the future or if in the future we 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-

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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 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We maintain the following principal plants, warehouses and office facilities:

Location	Purpose	Owned or Leased	Plant Area (in sq. ft.)	Tract Area (in acres)
Atchison, Kansas	Grain processing, distillery, warehousing, and research and quality control laboratories (Distillery Products and Ingredient Solutions)	Owned	494,640	26
	Principal executive office building (Corporate)	Leased	18,000	1
	Technical Innovation Center (Ingredient Solutions)	Leased	19,600	1
Kansas City, Kansas	Specialty proteins. (Ingredient Solutions)	Leased	27,400	N/A
Pekin, Illinois	Distillery, warehousing and quality control laboratories (Distillery Products)	Owned	462,926	49
Onaga, Kansas	Production of plant-based polymers and wood composites (Other)	Owned	23,040	3

Our facilities are generally in good operating condition, and are generally suitable for the business activity conducted therein and have productive capacities sufficient to maintain prior levels of production. Our Pekin facility presently is shut-down. We formerly owned an 83,200 square foot facility in Kansas City, Kansas, but sold it on August 21, 2009. We are now leasing a portion of that facility for three years. We have equipment used for the production of our Wheatex® line of products at this location which is operated by a third party under a toll manufacturing agreement with us. All of our other production facilities are owned, and all of our owned properties are subject to mortgages in favor of one or more of our various lenders. The executive offices and technical innovation center in Atchison are leased from the City of Atchison, pursuant to an industrial revenue bond financing. Our leasehold interest in these properties is subject to a leasehold mortgage. We also own or lease transportation equipment and facilities and a gas pipeline described under *Business — Transportation and Energy*. Our loan agreements contain covenants that limit our ability to pledge our facilities to others.

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ITEM 3. LEGAL PROCEEDINGS

From September 16, 2008 until February 11, 2009, tests on our 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. 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, KDHE has advised management that a penalty is likely for this violation. We are unable to predict the magnitude of any penalty that KDHE may ultimately assess against us; however, representatives of KDHE have indicated that the penalty would be “reasonable”.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters have been submitted to a vote of stockholders during the fourth quarter of the fiscal year covered by this report.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Our Executive Officers are as follows:

Name	Age	Position
Timothy W. Newkirk	41	President and Chief Executive Officer
Donald G. Coffey, Ph.D.	54	Executive Vice President, Sales and Marketing
Clodualdo “Ody” Maningat, Ph.D.	54	Vice President, Application Technology and Technical Services
Marta L. Myers	49	Corporate Secretary and Executive Assistant to the President
Steven J. Pickman	56	Vice President, Corporate Relations and Marketing Services
David E. Rindom	54	Vice President, Human Resources
Randy M. Schrick	59	Vice President, Engineering

Mr. Newkirk has served as President and Chief Executive Officer since March, 2008. He previously had been President and Chief Operating Officer since October, 2006 and Vice President of Operations and Chief Operating Officer since April, 2006. He first joined the Company in 1991, serving initially as a distillery shift manager and later as a process engineer, project engineer and quality control manager at the Atchison, Kansas plant. He became manager of the Company’s Pekin, Illinois plant in 1997. From 2000 to 2002, he was Vice President of Operations for the former High Plains Corporation, an ethanol production company located in Wichita, Kansas. He became Vice President of Global Operations for Abengoa Bioenergy S.L. following that company’s acquisition of

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High Plains in January, 2002. He then served as Chief Operating Officer of Abengoa Bioenergy Corporation from August, 2003 until his return to MGP Ingredients as Director of Operations in 2005.

Dr. Coffey has served as Executive Vice President of Sales and Marketing since June 2009. Prior to that, he had been Executive Vice President of the Company’s Ingredient Solutions segment since November 2008. He joined the company as Vice President of Innovation in July 2007. He previously spent 22 years in commercialization and research positions with the Dow Chemical Co. For 12 years beginning in 1985, he worked in the commercial and research operations of the METHOCEL business, a global business unit within Dow’s Special Chemical Group that manufactures cellulose derivatives for a variety of food and non-food applications. He was later promoted to General Manager of Dow Food Stabilizers with responsibilities for global sales, marketing and research.

Dr. Maningat joined the Company in 1986. He has served as Vice President of Application Technology and Technical Services since June 2002. Previously, he was Corporate Director of Research and Development and Technical Marketing from 1997 to 2002. He served as Corporate Director of Research and Development and Quality Control for the Company from 1993 to 1997.

Ms. Myers joined the Company in 1996. She has served as Secretary since October 1996 and as Executive Assistant to the President since 1999. Previously, she was executive secretary for Superintendent of Schools for Unified School District 409, Atchison, Kansas.

Mr. Pickman joined the Company in 1985. He has served as Vice President, Corporate Relations and Marketing Services since June 2000. Previously he was Executive Director of Corporate Relations from 1999 to June 2000 and prior to that Corporate Director of Public and Investor Relations. Between 1985 and 1989 he served as the Director of Public Relations and Marketing Administration for the Company’s former subsidiary, McCormick Distilling Company, Weston, Missouri.

Mr. Rindom joined the Company in 1980. He has served as Vice President, Human Resources since June 2000. He was Corporate Director of Human Relations from 1992 to June 2000, Personnel Director from 1988 to 1992, and Assistant Personnel Director from 1984 to 1988.

Mr. Schrick joined the Company in 1973. He has served as Vice President of Engineering since June 2009 and, prior to that, also served as Corporate Director of Distillery Products Manufacturing since June, 2008. He previously was Vice President, Manufacturing and Engineering since July 2002. He served as Vice President - Operations from 1992 until July 2002. From 1984 to 1992, he served as Vice President and General Manager of the Pekin plant. From 1982 to 1984, he was the Plant Manager of the Pekin Plant. Prior to 1982, he was Production Manager at the Atchison plant. He was a Director of the Company from 1987 to 2008.

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PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

TRADING MARKET

Our Common Stock is traded on the NASDAQ Global Select Market. Our trading symbol is MGPI.

HISTORICAL STOCK PRICES

The table below reflects the high and low closing prices of our Common Stock for each quarter of fiscal 2009 and 2008:

		Sales Price	
		High	Low
<u>2009</u>			
	First Quarter	\$ 6.35	\$ 2.84
	Second Quarter	2.91	0.60
	Third Quarter	0.96	0.50
	Fourth Quarter	3.10	0.80
<u>2008:</u>			
	First Quarter	\$ 18.10	\$ 10.13
	Second Quarter	10.30	6.13

Third Quarter	10.28	6.16
Fourth Quarter	8.10	5.80

Our new credit facility with Wells Fargo Bank, National Association restricts our ability to pay cash dividends or make other distributions with respect to our stock. We may pay dividends only if (i) no default under the Credit Agreement has occurred or would occur as a result of the dividend, (ii) we have had Average Excess Availability of not less than \$10,000 for the 60 day period prior to such dividend, (iii) after giving effect to such dividend, we have Average Excess Availability of not less than \$5,000 and (iv) on the date of such dividend, we have no accounts payable which remain unpaid more than thirty (30) days after the invoice date. "Average Excess Availability" generally means, as of any date of determination by lender, the average of the amount available for borrowing under the new credit facility, assuming, for purposes of calculation, that all accounts payable which remain unpaid more than sixty (60) days after the invoice date thereof as the close of business on such date are treated as additional advances outstanding on such date.

We paid an annual cash dividend of \$0.20 per share in October 2006 and semi-annual cash dividends of \$0.10 per share in April 2007, \$0.15 per share in October 2007 and \$0.10 per share in April 2008. After we are free of restrictions in our credit agreement, any dividends will be paid at the discretion of the Board of Directors, which will consider various factors, including our operating results and cash requirements, in making any decision respecting dividends.

RECORD HOLDERS

At August 31, 2009, there were approximately 693 holders of record of our Common Stock. We believe that the Common Stock is held by approximately 5,443 beneficial owners.

PURCHASES OF EQUITY SECURITIES BY ISSUER

We did not repurchase any shares of our stock during the three months ended June 30, 2009.

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ITEM 6. SELECTED FINANCIAL DATA (Dollars in thousands unless otherwise noted)

Fiscal Year (1) (2) (3)	2009	2008	2007	2006	2005
Income Statement Data:					
Net sales	\$ 275,976	\$ 392,893	\$ 367,994	\$ 322,477	\$ 275,177
Total cost of sales	310,078	388,662	320,721	276,498	249,449
Gross profit	(34,102)	4,231	47,273	45,979	25,728
Selling, general and administrative expenses	21,401	24,235	20,319	23,811	19,318
Other operating costs	4,694	—	—	—	—
Write-off of assets	—	1,546	—	—	—
Impairment of long-lived assets	10,282	8,100	—	—	—
Severance and early retirement costs	3,288	—	—	—	—
Other restructuring costs	5,241	—	—	—	—
Income (loss) from operations	(79,008)	(29,650)	26,954	22,168	6,410
Other income, net	112	515	1,490	137	890
Gain on settlement of litigation, net of related expenses	—	7,046	—	—	—
Interest expense	(2,901)	(1,490)	(964)	(1,482)	(1,393)
Equity in loss of unconsolidated subsidiary	(114)	(14)	—	—	—
Income (loss) before income taxes	(81,911)	(23,593)	27,480	20,823	5,907
Provision (benefit) for income taxes	(12,788)	(11,851)	9,914	6,963	2,047
Net income (loss)	\$ (69,123)	\$ (11,742)	\$ 17,566	\$ 13,860	\$ 3,860
Basic earnings per common share	\$ (4.17)	\$ (0.71)	\$ 1.07	\$ 0.86	\$ 0.24
Cash dividends per common share	\$ —	\$ 0.25	\$ 0.30	\$ 0.15	\$ 0.15
Weighted average basic common shares outstanding	16,585	16,531	16,428	16,106	15,975
Balance Sheet Data:					
Working capital(4)	\$ 31,242	\$ 51,127	\$ 53,371	\$ 51,063	\$ 48,043
Total assets(4)	145,132	223,068	221,121	202,594	188,837
Long-term debt, less current maturities	3,877	1,301	8,940	12,355	16,785
Stockholders' equity(4)	63,884	136,874	154,778	136,099	120,669
Book value per share	\$ 3.85	\$ 8.28	\$ 9.38	\$ 8.25	\$ 7.32

(1) Fiscal years 2005 and 2006 started on July 1 and ended on June 30. On June 8, 2006 the Board of Directors amended the Company's Bylaws to effect a change in the fiscal year from a fiscal year ending

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June 30 to a 52/53 week fiscal year. As a result of this change, fiscal 2007 ended on July 1, 2007. On March 6, 2008, the Board of Directors amended the Company's bylaws to effect a change in the fiscal year so that it would again end on June 30 each year.

(2) Amounts for the fiscal year 2008 include a write-off of assets of \$1,546, a write-down of inventory of \$1,300 and a loss on the impairment of assets of \$8,100, partially offset by a gain on the settlement of litigation of \$7,000 and the removal of a \$3,000 state tax valuation allowance (\$2,000 net of taxes). For further

discussion, see Notes 8, 9 and 10 in *Notes to Consolidated Financial Statements* set forth in Item 8, and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Fiscal 2008 Compared to Fiscal 2007 — Cost of Sales*.

- (3) Amounts for the fiscal year 2009 include a non-cash loss on the impairment of assets of \$10,282, severance and early retirement costs of \$3,288, other restructuring costs of \$5,241 and other operating costs related to our currently closed Pekin, Illinois plant of \$4,694. For further discussion, see Notes 9 and 10 in *Notes to Consolidated Financial Statements* set forth in Item 8, and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Fiscal 2009 Compared to Fiscal 2008 — Cost of Sales*.
- (4) Amounts for working capital, total assets, stockholders' equity and book value per share for fiscal years 2008, 2007, 2006 and 2005 have been restated to reflect a reclassification of deferred credit from current liabilities to non-current liabilities. Deferred tax assets related to this credit have likewise been reclassified from current to non-current. Additionally, amounts for share-based compensation have been reclassified from non-current liabilities to additional paid in capital for the same years. For additional discussion, see Note 1 in *Notes to Consolidated Financial Statements* set forth in Item 8.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars in thousands unless otherwise noted)

GENERAL

We are a fully integrated producer of certain ingredients and distillery products and have three reportable segments, an ingredient solutions segment, a distillery products segment and an other segment. As described herein, 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 personal care market and substantially reduce our emphasis on fuel grade alcohol. We also have temporarily ceased production of food grade alcohol at our Pekin plant. Most recently, we have sold our Kansas City, Kansas facility and related pet treat resin business. 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. We incurred significant costs to implement these initiatives. During the year ended June 30, 2009, we have incurred impairment and restructuring costs, aggregating \$26,453. Products remaining within the ingredient solutions segment consist of starches, including specialty wheat starch and commodity wheat starch, and proteins, including specialty wheat proteins and commodity wheat gluten. Commodity wheat starch and commodity wheat gluten are being produced on a limited basis consistent with our new focus on the production of value added ingredients and distillery products. Distillery products consist of food grade alcohol, including beverage alcohol and industrial alcohol, and distiller's feed, which is a co-product of our distillery operations. Fuel grade alcohol, commonly known as ethanol, also will be produced solely as a co-product of food grade alcohol. Products in our other segment consist of plant-based resins and biopolymers and wood composites.

Our principal raw materials are corn and flour. Flour is processed into all of our products, and corn is processed into alcohol and animal feed. The cost of raw materials is subject to substantial fluctuations depending upon a number of factors which affect commodity prices in general, including crop conditions, weather, government

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programs and purchases by foreign governments. During fiscal 2008 and 2009, market prices for grain increased substantially. The average price for a bushel of corn that we paid in fiscal 2008 increased by 38%, followed by a 9.1% percent increase in fiscal 2009. The average price that we paid per bushel for wheat in fiscal 2008 was approximately 68% higher than fiscal 2007, and until we entered into our flour supply agreement with ConAgra Mills in November 2008 increased 37.0% on average during the first four months of fiscal 2009 compared to the first four months of fiscal 2008. Prices for corn and wheat sometimes spiked higher than the average for the year. Our cost of flour continued to be impacted by wheat prices after November, as the monthly average price per bushel of wheat increased 11.5% from November 2009 to June 2009. Such variations in prices have had from time to time significant adverse effects on the results of our operations, as we are not always able to keep pace proportionately with price increases due to several factors, such as the terms of supply agreements that limited our ability to raise prices price competition from substitute products and competition from global competitors with different input commodity prices due to subsidies, tariffs, or other unique advantages. We believe our focus on value-added products will reduce our risk to such price variations as larger profit margins related to such products can absorb higher levels of raw material volatility and as we may more readily seek adjustable price terms in contracts for such products.

In an attempt to minimize the effects of the volatility of raw material costs on operating profits, historically we have taken hedging positions by entering into contracts for future delivery or readily marketable exchange-traded commodity futures and option contracts to reduce the risk of future grain price increases. We also hedged the purchase price of natural gas used in the distilling process. We based the positions we took on anticipated production levels. The effectiveness of such hedging activities was dependent upon, among other things, the cost of corn, wheat and natural gas, as well as our ability to sell sufficient amounts of products to utilize all of the grain subject to futures contracts. We have changed our risk management program, and going forward intend to engage in more limited hedging activities and only purchase derivatives or enter contracts for future delivery in order to protect margins on contracted alcohol sales or expected ingredients sales. To the extent we do not enter such contracts and are also unable to timely adjust the prices we charge under sales contracts, we may be adversely impacted by market fluctuations in the cost of grain and natural gas. However, we believe our new program has less risk than our prior program.

We elected to discontinue the use of hedge accounting for all commodity derivative positions effective April 1, 2008. Since April 1, 2008, we have recorded all changes in the value of derivatives in cost of sales in our Consolidated Statements of Income. See "*Critical Accounting Policies*" below.

Energy comprises a major cost of operations, and seasonal increases in natural gas and other utility costs can affect our profitability. Except for fiscal 2007, in each fiscal year since fiscal 2002, energy costs have been higher than in the previous fiscal year. We sometimes try to protect ourselves from increased energy costs by entering contracts for future delivery. In fiscal 2009, we suffered \$7,642 in losses from such a contract when we no longer required the gas that we contracted for following our decision to temporarily shut down our Pekin plant.

Substantially all of our sales are made directly or through distributors to manufacturers and processors of finished goods. Sales to our customers purchasing food grade alcohol are made primarily on a spot, monthly or quarterly basis, with some annual contracts, depending on the customer's needs and market conditions. Sales of fuel grade ethanol are made on the spot market. Contracts with distributors may be for multi-year terms with periodic review of pricing. Contracts with ingredients customers are generally price and term agreements which are fixed for quarterly or six month periods, with very few agreements of twelve months duration or more.

We have benefited from a United States Department of Agriculture program in effect from June 1, 2001 to May 31, 2003 to support the development and production of value-added wheat proteins and starches. Current and prior period results reflect the recognition of revenue from this grant. See *Critical Accounting Policies-USDA Grant*.

As noted, we have determined to reduce our focus on the production of fuel grade alcohol and presently only produce the minimum amount (estimated at 2 million gallons annually) of fuel grade alcohol that is produced as a co-product of our food grade alcohol at our Atchison distillery. We are presently exploring our strategic alternatives for our Pekin facility, which include reopening it on a joint venture basis to produce fuel and food grade alcohol, reopening on our own or on a joint venture basis to produce food grade alcohol, selling it or continuing to

hold it. We do not intend to pursue alternatives that significantly expose us to the risks of the fuel grade alcohol market.

CRITICAL ACCOUNTING POLICIES

In preparing financial statements, management must make estimates and judgments that affect the carrying values of our assets and liabilities as well as recognition of revenue and expenses. Management's estimates and judgments are based on our historical experience and management's knowledge and understanding of current facts and circumstances. The policies discussed below are considered by management to be critical to an understanding of our financial statements. The application of certain of these policies places significant demands on management's judgment, with financial reporting results relying on estimations about the effects of matters that are inherently uncertain. For all of these policies, management cautions that future events rarely develop as forecast, and estimates routinely require adjustment and may require material adjustment.

Hedging Activities. From time to time, we have entered into readily marketable exchange-traded commodity futures and option contracts to reduce the risk of future grain price increases. We have changed our risk management program, and going forward intend to only hedge to protect our anticipated margin in contracted alcohol sales and expected ingredients sales. Derivative instruments related to our hedging program are recorded as either assets or liabilities and are measured at fair market value. Consistent with application of hedge accounting under Statement of Financial Accounting Standards No. 133 as amended ("SFAS 133"), 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. 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.

We 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 our Consolidated Statements of Income. Additionally, derivative instruments entered into subsequent to March 31, 2008 have not been designated as hedges. The change in the market value of these instruments also has been recorded in cost of sales in our Consolidated Statements of Income. Regardless of accounting treatment, we believe all commodity hedges are economic hedges.

USDA Grant. As discussed in *Note 1 to the Notes to Consolidated Financial Statements*, we received a grant from the United States Department of Agriculture Commodity Credit Corporation totaling approximately \$25,600 over the two-year period June 1, 2001 to May 31, 2003. The funds were awarded for research, marketing, promotional and capital costs related to value-added wheat gluten and starch products. Of the amount awarded, we allocated approximately \$8,100 to operating costs and \$17,500 to capital expenditures. Management has exercised judgment in applying grant proceeds to operating costs and capital expenditures in accordance with the terms of the grant. Funds applied to current operating costs were considered revenue as those costs were incurred during fiscal years 2002 and 2003. Funds applied to capital expenditures are being recognized in income over the periods during which applicable projects are depreciated. Substantially all of the funds applied to capital expenditures will be recognized in this manner over approximately the next three to four years.

Impairment of Long-Lived Assets. We review long-lived assets, mainly equipment, for impairment at year end or if events or circumstances indicate that usage may be limited and carrying values may not be recoverable. Should events indicate the assets cannot be used as planned, the realization from alternative uses or disposal is compared to the carrying value. If an impairment loss is measured, this estimate is recognized. Considerable judgment is used in these measurements, and a change in the assumptions could result in a different determination of impairment loss and/or the amount of any impairment. We have recognized a non-cash impairment loss of \$10,282 and \$8,100 during the years ended June 30, 2009 and 2008, respectively. We may incur further impairment losses with respect to these assets if the assumptions that we made when we performed our analysis prove to be incorrect or if we determine that we need to change our assumptions. Further, we have experienced operating losses in both our ingredient solutions and distillery products segment in each of the last two fiscal years. If high commodity prices or other factors result in continuing losses in either of these segments beyond our expectations, we may incur additional impairment losses related to those segments. Further, if we permanently close

our Pekin facility and are unable to sell it, or if we sell our Pekin facility for less than its carrying value or are unable to reopen or implement some other strategic option with respect to our facility on a timely basis, we may incur impairment and other charges with respect to that facility.

Defined Benefit Retirement Plan. We sponsor two funded, noncontributory qualified Defined Benefit Retirement Plans that cover substantially all our union employees. The benefits under these plans are based upon years of qualified credited service. Our funding policy is to contribute annually not less than the regulatory minimum and not more than the regulatory maximum amount deductible for income tax purposes. The measurement and valuation date of the plans is June 30 of each year. We make various assumptions in valuing the liabilities and benefits under the plan each year. We consider the rates of return on long-term, high-quality fixed income investments using the Citigroup Pension Liability Index as of June 30, 2009. Assumptions regarding employee and retiree life expectancy are based upon the RP 2000 Combined Mortality Table.

Other Post-Retirement Benefits. We also provide certain other post retirement health care and life insurance benefits to certain retired employees. Currently, the plan covers approximately 363 participants, both active and retired. We fund the post retirement benefit plans on a pay-as-you-go basis and there are no assets that have been segregated and restricted to provide for post retirement benefits. We pay claims as they are submitted for the medical plan. We provide varied levels of benefits to participants depending upon the date of retirement and the location in which the employee worked. The retiree medical and life plans are available to employees who have attained the age of 62 and rendered the required five years of service. All health benefit plans provide company-paid continuation of the active medical plan until the retiree reaches age 65. At age 65, we pay a lump sum advance premium on behalf of the retiree to the MediGap carrier of the retiree's choice. The employee retirement date determines which level of benefits is provided.

Prior to the fiscal year ended June 30, 2008, the plan measurement and valuation date was May 31 of each year. Beginning with the fiscal year ended June 30, 2008, we changed the plan measurement and valuation date to June 30. In accordance with Statement of Financial Accounting Standard No. 158 *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (as amended)* ("SFAS 158"), we have made a \$60 adjustment to retained earnings to reflect the adjustment related to adoption of the new measurement date. We make various assumptions in valuing the liabilities and benefits under the plan each year. We consider the rates of return on currently available, high-quality fixed income investments, using the Citigroup Pension Liability Index as of June 30. (Long term rates of return are not considered because the plan has no assets.) For fiscal 2009, the accumulated post retirement benefit obligation ("APBO") increased to \$8,799 from \$7,697 for fiscal 2008. Assumptions regarding employee and retiree life expectancy are based upon the RP 2000 Combined Mortality Table. We also consider the effects of expected long term trends in health care costs, which are based upon actual claims experience and other environmental and market factors impacting the cost of health care in the short and long-term.

Other Significant Accounting Policies. Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. These policies require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. See *Note 1 in Notes to Consolidated Financial Statements* set forth in Item 8 for other significant accounting policies.

CHANGES IN SEGMENT REPORTING

For the year ended June 30, 2009, we refined our 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, we 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 years ended June 30, 2008 and July 1, 2007. Accordingly, amounts previously disclosed as earnings (loss) before income taxes for these periods have been adjusted to reflect these changes.

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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. We believe the steps we have taken will help enable the Company to return to profitability, be more competitive, and have allowed 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 44 percent, in terms of annualized sales, based on a comparison of fourth quarter fiscal 2009 sales to fiscal 2008 sales. Substantially all this decrease in fiscal 2009 relates to our lower margin protein products. We continue to focus our manufacturing efforts on improving our consistency and capabilities for producing our specialty product lines. For the year ended June 30, 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 year ended June 30, 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.
- 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 to 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 reduce production of fuel grade alcohol and determined to temporarily shut down our 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 the years ended June 30, 2009, 2008 and July 1, 2007, we estimate that our fuel grade alcohol sales accounted for approximately 17.2 percent,

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33.8 percent and 55.8 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

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. 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. During the quarter ended June 30, 2009, based upon final negotiations with our buyer, we recorded a final impairment charge of \$1,351.

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. During the year ended June 30, 2009, after evaluating new strategic alternatives with respect to our Kansas City Kansas facility, we concluded that certain assets related to the production of our Wheatex® line of special proteins would be retained. Accordingly, assets consisting of manufacturing equipment with a net book value of \$2,015 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."

On August 21, 2009, we sold our Kansas City, Kansas, facility to Sergeant's Pet Care Products, Inc. for an initial payment of \$3,585, with potential additional payments over the next three years based on Sergeant's income from sales of our existing products to our existing customers during that period. Such payments will be 40% of Sergeant's pet treat income (as defined) in the first year after closing, declining to 10% of such pet treat income in the third year. The sale to Sergeant's includes all equipment used for the production and packaging of pet-related products, which principally include extruded plant-based resins and finished pet treats. We will retain ownership of equipment that is used for the production of our Wheatex® textured wheat proteins, which are sold for use in meat extension and vegetarian product applications. This equipment is located in a separate section of the facility that will be leased to us and will be operated by a subsidiary of Sergeants for a period of three years under a toll manufacturing arrangement.

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SEGMENT RESULTS

The following is a summary of revenues and pre-tax income (loss) allocated to each reportable operating segment for the three fiscal years ended June 30, 2009, June 30, 2008 and July 1, 2007 (See *Note 13* in our *Notes to Consolidated Financial Statements* in Item 8 for additional information regarding our operating segments.)

(dollars in thousands)	2009	2008	2007
Ingredient Solutions			
Net Sales	\$ 80,133	\$ 100,994	\$ 67,791
Pre-Tax Income (Loss)	(6,720)	(7,554)	(252)
Distillery Products			
Net Sales	190,862	285,738	294,393
Pre-Tax Income (Loss)	(24,367)	10,501	45,687
Other			
Net Sales	4,981	6,161	5,810
Pre-Tax Income (Loss)	40	(3,641)	(2,371)

(i) Non-direct selling, general and administrative, interest expense, investment income and other general miscellaneous expenses are classified as corporate. In addition, we do not assign or allocate special charges to the Company's operating segments. For purposes of comparative analysis, the gain on the settlement of litigation, loss on impairment of long-lived assets, severance and early retirement costs, other restructuring costs, loss on natural gas contract and the write-off of assets recognized for the years ended June 30, 2009 and 2008 have been excluded from our segments.

The following table is a reconciliation between pre-tax income by segment and net income

Income (loss) before income taxes			
Ingredient solutions	\$ (6,720)	\$ (7,554)	\$ (242)
Distillery products	(24,367)	10,501	45,687
Other	40	(3,641)	(2,371)
Corporate	(24,411)	(20,299)	(15,594)
Gain on settlement on litigation(1)	—	7,046	—
Impairment of long-lived assets(1)	(10,282)	(8,100)	—
Severance and early retirement costs(1)	(3,288)	—	—
Other restructuring costs(1)	(5,241)	—	—
Unrealized loss on natural gas contract(1)	(7,642)	—	—
Write-off of fixed assets(1)	—	(1,546)	—
Total income (loss) before income taxes	(81,911)	(23,593)	27,480
Provision (benefit) for income taxes	(12,788)	(11,851)	9,914
Net income (loss)	\$ (69,123)	\$ (11,742)	\$ 17,566

FISCAL 2009 COMPARED TO FISCAL 2008**GENERAL**

Consolidated net losses for the year ended June 30, 2009 increased compared to the year ended June 30, 2008 with a net loss of \$69,123 on consolidated sales of \$275,976 versus a net loss of \$11,742 on consolidated sales

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of \$392,893 for the year ended June 30, 2008. Restructuring costs related to the impairment of long lived assets, severance and other restructuring of \$10,282, \$3,288 and \$5,241, respectively, were incurred in fiscal 2009. Additionally, we incurred \$7,642 in 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 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 ended June 30, 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 year ended June 30, 2009 decreased by \$20,861, or 20.7 percent, compared to the year ended June 30, 2008. Revenues for specialty ingredients increased during this period \$1,398, or 2.4 percent. Revenues for specialty starches increased as a result of improved pricing, partially offset by reduced unit sales. Revenues for specialty proteins decreased as a result of lower unit sales partially offset by improved per unit prices. Revenues for commodity vital wheat gluten for the year ended June 30, 2009 decreased by \$17,715, or 56.4 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 \$984, or 27.1 percent, as a result of improved sales volume related to inventory reductions of commodity starch consistent with our strategy of focusing on value added starch and protein products as well as improved pricing. Margins continued to be significantly impacted by increased cost of sales related to increased wheat prices. 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.

DISTILLERY PRODUCTS

Total distillery products sales revenue for the year ended June 30, 2009 decreased \$94,876, or 33.2 percent, compared to the year ended June 30, 2008. This decrease was due primarily to reduced revenues for fuel grade alcohol of \$84,553, or 64.1 percent, as a result of our planned reduction of fuel grade alcohol related to poor market conditions. Distillery products revenue was also adversely impacted by lower revenues from distiller's grain. Due to reduced volumes resulting from planned reductions of fuel grade alcohol, less distiller's grain is being produced, resulting in lower distiller's grain sales and revenues. This decrease in fuel alcohol and distiller's grain revenue was partially offset by increased revenues related to food grade alcohol of \$2,161, or 1.9 percent, over the year ended June 30, 2008. Increases in revenue for food grade alcohol were attributable to improved pricing partially offset by reduced volume. For the year ended June 30, 2009, margins were impacted by increased cost of sales related to increased corn prices compared to the year ended June 30, 2008. For the year ended June 30, 2009, the per-bushel cost of corn, before adjustments for the impact of our hedging practices, averaged nearly 9.1 percent higher than the year ended June 30, 2008.

OTHER PRODUCTS

For the year ended June 30, 2009, revenues for other products decreased \$1,180, or 19.2 percent as a result of reduced revenues for pet products related to reduced unit sales. Revenues for plant-based biopolymer products for the year ended June 30, 2009 increased \$166 as a result of increased unit sales partially offset by reduced per unit pricing.

SALES

Net sales for the year ended June 30, 2009 decreased \$116,917, or 29.76 percent, compared to the year ended June 30, 2008 as a result of decreased sales in all segments. For the year ended June 30, 2009, decreased revenues in the Ingredient solutions segment were related to reduced revenues for vital wheat gluten and, to a lesser degree, specialty proteins. Vital wheat gluten revenues declined as a result of our planned reduction referred to under Development in Ingredient Solutions Segment. Both commodity starch and specialty starch revenues

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increased as a result of increased sales volumes as well as improved per unit pricing. Decreased revenues for mill feeds of \$5,527 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 production and sales of fuel grade alcohol of \$84,553 and good grade beverage alcohol of \$1,103, partially offset by increased sales of food grade industrial alcohol of \$3,264. Revenues for industrial alcohol increased as a result of improved per unit pricing partially offset by decreased sales volume.

COST OF SALES

For the year ended June 30, 2009, cost of sales decreased \$78,584, or 20.2 percent, while sales decreased 29.8 percent compared to the year ended June 30, 2008. 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 ended June 30, 2009 compared to prior years. For the year ended June 30, 2009, the per-bushel cost of corn, adjusted for the impact of mark to market adjustments on related derivative instruments, was 32.6 percent higher than the year ended June 30, 2008 (the actual price for corn, unadjusted for the effects of hedging, increased 9.1 percent). For the year ended June 30, 2009, the per million cubic feet ("mcf") cost of natural gas averaged nearly 17.2 percent higher than the year ended June 30, 2008. 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.

With the changes effected at our Pekin plant, commitments for the purchase of natural gas through the remainder of the year ended June 30, 2009 under a single contract for our Pekin plant were in excess of projected consumption. Accordingly, we settled 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 \$7,642 for the year ended June 30, 2009 to cost of sales for losses realized upon settlement of this contract.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the year ended June 30, 2009 decreased \$2,834, or 11.7 percent, compared to the year ended June 30, 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 \$4,694 were incurred for the year ended June 30, 2009. These costs primarily relate to charges for maintaining facilities while idled.

IMPAIRMENT: LONG LIVED ASSETS

In response to the losses incurred during the first quarter of fiscal 2009, we took actions since the end of the first quarter in an effort to return to profitability. These actions included significant changes to operations.

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

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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. On January 29, 2009, we determined to cease the manufacture and sale of personal care ingredients products at our Atchison facility. 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 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 announced that we were considering our strategic options for 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 is approximately \$29,000. After considering our assumption that we expect to implement a strategic option with respect to this facility within the next year and 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. 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. As part of our closing process for the quarter ended June 30, 2009, we performed an additional impairment test based upon current negotiations for the sale of the Kansas City facility and recorded an additional impairment charge of \$1,351. On August 21, 2009, we completed the sale of our Kansas City, Kansas facility for \$3,585.

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."

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

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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 June 30, 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 \$403, or 78.3 percent, for the year ended June 30, 2009 compared to the year ended June 30, 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 June 30, 2009.

INTEREST EXPENSE

Interest expense for the year ended June 30, 2009 increased \$1,411 compared to the year ended June 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

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 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 June 30, 2009, we had invested \$375 in DMI since July 2007.

For the year ended June 30, 2009, DMI incurred a net loss of \$228 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 \$114.

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 year ended June 30, 2009, we had an income tax benefit of \$12,788, resulting in an effective rate of (15.6) percent. For the year ended June 30, 2008, our income tax benefit was \$11,851 for an effective rate of (50.2) percent.

For the year ended June 30, 2009, the effective rate was primarily impacted by the establishment of a valuation allowance against the net deferred tax assets of the company of approximately \$20,347. The net deferred tax assets, as detailed in footnote 4 in our Notes to Consolidated Financial Statements, consist largely of Federal and state net operating loss carryforwards, state credit carryforwards, basis differences in fixed assets and various non-deductible accruals. Realization of the benefits of these deferred tax assets was deemed to be uncertain, resulting in the recording of a current year valuation allowance. 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 \$5,500 after filing fiscal 2009 year tax returns. (We have assigned this refund to one of our creditors.) The expected refunds would exhaust our ability to carry back any further losses under current tax law.

For the year ended June 30, 2009, there was a \$929 decrease in our gross uncertain tax positions largely due to certain remediation efforts undertaken by the company and the expiration of the statute of limitations for the June 30, 2005 fiscal year.

NET INCOME

As the result of the factors outlined above, we experienced a net loss of \$69,123 in the year ended June 30, 2009, compared to a net loss of \$11,742 in the year ended June 30, 2008.

FISCAL 2008 COMPARED TO FISCAL 2007

GENERAL

Although net sales increased by \$24,899, from \$367,994 in fiscal 2007 to \$392,893 in fiscal 2008, consolidated earnings for fiscal 2008 declined by \$29,308, from net income of \$17,566 in fiscal 2007 to a net loss of \$11,742 in fiscal 2008. The decline was principally due to a decline in the profitability of our distillery products segment resulting from continued higher corn prices coupled with reduced ethanol prices and unit sales. Losses in the ingredient solutions segment increased over the prior year primarily as a result of the impact of rising wheat costs. Rising wheat costs also negatively impacted the other segment, consisting primarily of developing business lines for pet product and plant-based biopolymer applications.

During the year ended June 30, 2008, there were several non-recurring events which impacted our results, as set forth below.

- We realized a net gain on the settlement of our two-year patent infringement and contract litigation of \$7,046, net of related professional fees of \$954 incurred during fiscal 2008.
- We reassessed the need for a valuation allowance which previously offset the deferred tax asset related to certain state tax credit carryforwards. We determined that the valuation allowance was no longer appropriate and therefore removed it, resulting in a net tax benefit of approximately \$2,000.
- We determined that the assets at our Kansas City, Kansas facility exceeded their estimated realizable fair value. Accordingly, we recorded a non-cash pre-tax charge of \$8,100 related to the impairment of these assets, of which \$4,700 related to our other segment and \$3,400 to our ingredient solutions segment.
- During the fourth quarter of fiscal 2008, we completed a complete assessment of our property, plant and equipment and concluded that assets with a cost of approximately \$30,000 with related accumulated

depreciation of approximately \$28,500 should be written off. Accordingly, a related non-cash charge to earnings of \$1,500 has been recorded in the fourth quarter of fiscal 2008.

INGREDIENT SOLUTIONS

Total ingredient solutions sales revenue for the year ended June 30, 2008 increased by \$33,203, or 49.0 percent, compared to the year ended July 1, 2007. Revenues for specialty ingredients, consisting of specialty proteins and specialty starches, increased by \$12,020, or 25.9 percent, during the year ended June 30, 2008 compared to the year ended July 1, 2007. Revenues for specialty proteins increased as a result of higher unit sales as well as increased per unit prices. Revenues for specialty starches rose as the result of improved pricing and unit sales. Revenues for vital wheat gluten, which increased \$17,799, or 130.0 percent, were a result of both increased sales volume as well as higher per-unit pricing. Revenues for commodity starch decreased \$315,000, or 7.8 percent, as a result of reduced sales volume, consistent with the implementation of our strategy of continued development and commercialization of our value-added wheat proteins and starches. This decrease in commodity starch unit sales was partially offset by improved per-unit pricing. While sales revenue for the ingredient solutions segment improved overall, margins continued to be significantly impacted by increased cost of sales related to record high wheat prices. The per bushel cost of wheat for the year ended June 30, 2008 increased by 63 percent over the year ended July 1, 2007.

DISTILLERY PRODUCTS

Total distillery products sales revenue for the year ended June 30, 2008 decreased \$8,655, or 2.9 percent, compared to the year ended July 1, 2007. This decrease was due to reduced revenues for fuel grade alcohol of \$32,248 due to reduced ethanol prices, reduced production levels in the second and third quarters related to fermentation and other production problems and reduced production levels during the later part of the fourth quarter of fiscal 2008 due to higher corn costs and lower ethanol prices. Decreases in revenues for fuel grade alcohol were partially offset by increased revenue from food grade alcohol of \$15,018 attributable to increased per-unit prices as well as improvements in unit sales. Distiller's grain revenue for the year ended June 30, 2008 increased \$8,113, or 26.0 percent, over the year ended July 1, 2007 as a result of improved pricing offset partially by reduced unit sales. In addition to reduced revenues for distillery products for the year ended June 30, 2008, margins were significantly impacted by increased cost of sales related to increased corn prices compared to the year ended July 1, 2007. For the year ended June 30, 2008, the per-bushel cost of corn, adjusted for the impact of our hedging practices, was 23 percent higher than the year ended July 1, 2007. These increased costs, coupled with reduced revenues, yielded a substantially reduced profit for the segment.

OTHER PRODUCTS

For the year ended June 30, 2008, revenues for other products, consisting primarily of pet treats and plant-based biopolymers, increased \$351, or 6.0 percent, compared to the year ended July 1, 2007, primarily as a result of increased unit sales and improved per-unit prices for biopolymer products, partially offset by reduced unit sales of pet treat products. Selling prices for pet treat products improved over the year ended July 1, 2007.

SALES

Net sales for the year ended June 30, 2008 increased \$24,899, or 6.8 percent, compared to the year ended July 1, 2007 as a result of increased sales in the ingredient solutions segment related to improvements in unit sales as well as overall improvements in pricing for both commodity and specialty products. These increases were partially offset by reduced revenues in the distillery products segment resulting principally from reduced per unit prices and unit sales for fuel grade alcohol. For fuel grade alcohol, the per-unit price declined 3.0 percent while unit sales declined over 17.2 percent. Per unit prices for food grade alcohol improved approximately 6.3 percent during the year while unit sales improved approximately 8.1 percent. Revenues for distillers feed improved as a result of increased per-unit pricing. Net sales for our other segment increased \$351 for the reasons stated above.

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COST OF SALES

For the year ended June 30, 2008, cost of sales rose \$67,941 (21.2 percent) compared to the year ended July 1, 2007. This increase was primarily the result of higher grain costs and higher costs of other inputs used in the manufacturing process combined with the impact of changes in production rates. For the year ended June 30, 2008, the per-bushel cost of corn, adjusted for the impact of our hedging practices, was 23.0 percent higher than the year ended July 1, 2007 (the actual price for corn, unadjusted for the effects of hedging, increased 38.0 percent). For the year ended June 30, 2008, the per-bushel cost of wheat averaged 63.0 percent higher than the year ended July 1, 2007, while the average cost for natural gas rose 14.8 percent.

During the year ended June 30, 2008, we identified a portion of our inventory that we felt was either outdated or in need of additional processing to meet necessary quality standards, resulting in a charge to earnings of \$1,300.

Included within the cost of sales for the year ended June 30, 2008 were mark-to-market adjustments on undesignated derivative instruments outstanding at June 30, 2008 resulting in a reduction to cost of sales expense of \$838.

As described in Note 1 of our Notes to Condensed Consolidated Financial Statements, 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 all derivatives subsequent to March 31, 2008 were recorded in cost of sales in the Company's Consolidated Statements of Income. As of June 30, 2008, a mark-to-market adjustment of \$3,593 (or \$2,149, net of tax of \$1,444) was included in accumulated other comprehensive income related to previously designated derivatives. This amount was recognized during the year ended June 30, 2009.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the year ended June 30, 2008 increased by \$3,916 to \$24,235 from \$20,319 for the year ended July 1, 2007. In the year ended June 30, 2008, we incurred increased costs related to the implementation of certain information technology and communication systems, increased employee health care benefits costs as well as increased occupancy costs, including depreciation, related to our new administrative offices and technology center. We also incurred increased costs related to legal, accounting and other professional fees and increased compensation expense related to higher administrative level staffing as well as higher research and development staffing. These factors, which contributed to increased selling, general and administrative expenses, were partially offset by lower compensation costs related to the Company's management incentive programs.

We adjusted our selling, general and administrative expenses for the year ended June 30, 2008 for a reduction of \$954 to reclassify first and second quarter legal and professional expenses related to the gain on settlement of litigation from selling, general and administrative to the gain on settlement of litigation.

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WRITE-OFF OF ASSETS

During the quarter ended June 30, 2008, in connection with the preparation of our financial statements for the year ended June 30, 2008, we undertook a review of our property, plant and equipment records in order to identify assets that were no longer in service or had been abandoned in place. The focus of this review was identifying assets that were fully depreciated to determine the propriety of continued inclusion within the property, plant and equipment records. In performing our review, we considered such factors as salvage values, current asset implementation and potential future asset implementation. Upon completion of our review, we noted assets with a cost of approximately \$30,000 and related accumulated depreciation of approximately \$28,500 that had been abandoned or were no longer in active service. Accordingly, we recorded a charge to operating earnings of \$1,500 for the year ended June 30, 2008.

LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

In connection with the preparation of our financial statements for the quarter ended March 31, 2008, we undertook a review of our long-lived assets contained within our other and ingredient solutions segments in accordance with Statement of Financial Accounting Standards No. 144 "*Accounting for the Impairment or Disposal of Long-Lived Assets*" ("SFAS No. 144"). The review took into account the impact of the rising trend of commodity prices on existing contracts and consumer preferences, anticipated sales to existing customers, the failure of anticipated business to develop, recent decisions to cease R&D activities on pet treats and reduce staffing in the pet treat area and plans to shift production of certain texturized wheat proteins to third parties. Based upon this review, management estimated that the carrying value of the assets comprising its Kansas City manufacturing facility ("KCIT facility") exceeded the estimated realizable fair value of these assets. In accordance with SFAS No. 144, we recorded a non-cash pre-tax charge of \$8,100 at the end of the third quarter related to the impairment of these assets. Of this amount, \$4,700 relates to assets allocated to our other segment and \$3,400 relates to assets allocated to our ingredient solutions segment.

OTHER INCOME, NET

Other income net, for the year ended June 30, 2008, decreased \$975 compared to the year ended July 1, 2007. This decrease was primarily related to changes in interest capitalized as well as the effect of certain other non-recurring, non-operating revenue items. It is our practice to credit other income for interest incurred that is capitalized.

EQUITY IN LOSS OF JOINT VENTURE

For the year ended June 30, 2008, our German joint venture company, DMI, incurred a net loss of \$28 related to costs incurred for the initial implementation of operations. No sales revenue was reported. As a 50 percent joint venture holder, our equity in this loss was \$14.

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.

GAIN ON SETTLEMENT OF LITIGATION

On December 27, 2007, we settled a two-year patent infringement and contract litigation. Under the terms of the settlement, we agreed to dismiss our lawsuit with prejudice and were paid \$8,000, which we received on December 28, 2007. In connection with the settlement, we also granted the other parties in the lawsuit a non-exclusive license under our U.S. Patent No. 5,665,152. During fiscal 2008, we 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. We have recorded the settlement as a separate line item below income from operations. We used the proceeds from the settlement to reduce the amount outstanding under our line of credit.

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INTEREST EXPENSE

Interest expense for the year ended June 30, 2008 increased \$526 compared to the year ended July 1, 2007. These increases were the result of higher balances 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.

INCOME TAXES

For the year ended June 30, 2008, our income tax benefit was \$11,851 for an effective rate of (50.2) percent compared to a provision of \$9,914 for the year ended July 1, 2007 for an effective rate of 36.1 percent. Excluding certain one-time discrete items applicable to this year, our effective rate was 42.2 percent.

As of the close of the second quarter of fiscal 2008, we had approximately \$3,000 in unused Kansas State Income Tax Credits ("tax credits") related to capital investments we have made at our Atchison, Kansas facility. During the quarter, management reassessed the need for a valuation allowance which previously offset the deferred tax asset related to the credit carryforwards. It was determined that the valuation allowance was no longer appropriate and it was therefore removed, resulting in a new tax benefit for the year ended June 30, 2008 of approximately \$2,000. In making this determination, we considered whether it was more likely than not that we would be able to continue meeting wage base and training requirements in an annual recertification process. We also considered whether it was more likely than not that we would have sufficient taxable income to utilize the carryforwards. Based on our analysis as of December 31, 2007, we concluded that it was more likely than not that the credits would be available to us. The tax credit carryforwards will expire as follows: \$1,700 generated in fiscal year 2005 will expire in fiscal year 2014 and \$1,300 generated in fiscal year 2006 will expire in fiscal year 2015.

NET INCOME

As the result of the foregoing factors, we experienced a net loss of \$11,742 for the year ended June 30, 2008 compared to net income of \$17,566 for the year ended July 1, 2007.

QUARTERLY FINANCIAL INFORMATION

Our sales have not been seasonal during fiscal years 2009 and 2008. The table below shows quarterly information for each of the years ended June 30, 2009 and 2008.

Quarter (dollars in thousands, except per share amounts)	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
Fiscal 2009(2)(3)(4)					
Sales:	\$ 99,020	\$ 73,242	\$ 54,562	\$ 49,152	\$ 275,976
Gross profit	(16,687)	(23,648)	91	6,142	(34,102)
Net loss	(17,243)	(42,716)	(6,248)	(2,916)	(69,123)
Earnings per share (diluted)(1)	\$ (1.04)	\$ (2.58)	\$ (0.38)	\$ (0.18)	\$ (4.17)
Fiscal 2008(5)(6)(7)					
Sales:	\$ 87,977	\$ 93,995	\$ 106,694	\$ 104,227	\$ 392,893
Gross profit	5,860	3,196	3,740	(8,565)	4,231
Net income (loss)	(353)	5,229	(6,629)	(9,989)	(11,742)
Earnings per share (diluted)	\$ (0.02)	\$ 0.31	\$ (0.40)	\$ (0.60)	\$ (0.71)

(1) Earnings per share per quarter does not sum to total earnings per share for fiscal 2009 due to rounding.

(2) Net loss for the second quarter of fiscal 2009 includes a loss on a natural gas contract of \$5,447, loss on impairment of assets of \$8,931, severance and early retirement costs of \$3,288 and other restructuring costs of \$5,241.

(3) Net loss for the third quarter of fiscal 2009 includes a loss on a natural gas contract of \$2,106.

(4) Net loss for the fourth quarter of fiscal 2009 includes a loss on a natural gas contract of \$89 and a loss on impairment of assets of \$1,351.

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(5) Net income for the second quarter of fiscal 2008 includes a gain on the settlement of litigation of \$7,046.

(6) Net loss for the third quarter of fiscal 2008 includes a loss on impairment of assets of \$8,100.

(7) Net loss for the fourth quarter of fiscal 2008 includes a loss on write-off of assets of \$1,546.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of cash are for the cost of raw materials and energy used in our production processes, salaries, debt service obligations on our borrowings and capital expenditures. Our principal sources of cash are revenues from the products we make and our revolving credit facility. We expect our sources of cash to be adequate to provide for our needs in fiscal 2009.

On August 25, 2009, the Company was required to make a deposit of approximately \$1,600 to its surety bond carrier. This deposit secured the Company's

obligations under surety bonds maintained to meet regulatory requirements for distillery operations. Funds for this deposit were borrowed under the terms of the New Credit Agreement. Also in August, the Company received \$325 as a deposit refund from a vendor.

The following table is presented as a measure of our liquidity and financial condition as of June 30, 2009 and 2008: (Dollars in thousands)

	2009	2008
Cash and cash equivalents	\$ 178	\$ —
Working capital	31,242	51,127
Amounts available under lines of credit	4,190	17,000
Credit facility, notes payable and long-term debt	33,337	33,493
Stockholders' equity	63,884	136,874

Certain components of our liquidity and financial results for the years ended June 30, 2009, June 30, 2008 and July 1, 2007 were as follows: (Dollars in thousands)

	2009	2008	2007
Depreciation and amortization	\$ 11,946	\$ 15,172	\$ 14,467
Capital expenditures	2,069	7,432	23,188
EBITDA	\$ (67,064)	\$ (6,931)	\$ 42,911

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.

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The following table sets forth a reconciliation of net income to EBITDA for the years ended June 30, 2009, June 30, 2008 and July 1, 2007 (Dollars in thousands):

	2009	2008	2007
Net income (loss)	\$ (69,123)	\$ (11,742)	\$ 17,566
Provision (benefit) for income taxes	(12,788)	(11,851)	9,914
Interest expense	2,901	1,490	964
Depreciation	11,946	15,172	14,467
EBITDA	\$ (67,064)	\$ (6,931)	\$ 42,911

The following table sets forth a reconciliation of EBITDA to cash flows from operations for the years ended June 30, 2009, June 30, 2008 and July 1, 2007 (Dollars in thousands):

Fiscal year ended	June 30, 2009	June 30, 2008	July 1, 2007
EBITDA	\$ (67,064)	\$ (6,931)	\$ 42,911
Benefit (provision) for income taxes	12,788	11,851	(9,914)
Interest expense	(2,901)	(1,490)	(964)
Non-cash charges against (credits to) net income:			
Deferred income taxes	(7,217)	(4,569)	234
Loss (gain) on sale of assets	(285)	5	(103)
Loss on impairment of assets	10,282	8,100	—
Fixed asset write-off	—	1,546	—
Equity in loss of unconsolidated subsidiary	114	14	—
Changes in accounts receivable	15,684	211	(2,101)
Changes in inventory	42,456	(16,478)	(12,216)
Changes in other operating assets and liabilities	(699)	2,391	(3,108)
Cash flow from operations	\$ 3,158	\$ (5,350)	\$ 14,739

CASH FLOW INFORMATION

Summary cash flow information follows for the years ended June 30, 2009, June 30, 2008 and July 1, 2007, respectively (Dollars in thousands)

	2009	2008	2007
Cash flows provided by (used for)			
Operating activities	\$ 3,158	\$ (5,350)	\$ 14,739
Investing activities	(1,325)	(7,955)	(23,001)
Financing activities	(1,655)	9,405	(2,333)
Increase (decrease) in cash and cash equivalents	178	(3,900)	(10,595)
Cash and cash equivalents at beginning of year	—	3,900	14,495
Cash and cash equivalents at end of year	\$ 178	\$ —	\$ 3,900

During the year ended June 30, 2009, our consolidated cash increased \$178 compared to a decrease of \$3,900 during the year ended June 30, 2008. Operating cash flow improved over the year ended June 30, 2008 primarily as a result of reductions in inventory as well as reductions in accounts receivable related to reduced operating and production levels throughout the year ended June 30, 2009. These factors, which served to increase operating cash, were significantly offset by reduced cash flow resulting from an increase in net loss from \$11,742 for the year ended June 30, 2008 to a net loss of \$69,123 for the year ended June 30, 2009. As a direct result of our borrowing limitations, cash outflows related to capital expenditures during the year ended June 30, 2009 were reduced compared to the year ended June 30, 2008. Net proceeds from our

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During the fiscal year ended June 30, 2008, our consolidated cash decreased \$3,900 compared to a decrease of \$10,595 during the year ended July 1, 2007. The 2008 fiscal year's decrease was primarily a result of reduced operating cash flow resulting from an increase in inventory carrying costs, increased refundable income taxes, and reduced net income from \$17,566 to (\$11,742). The impact of reduced operating cash flow was partially offset by reduced cash outflows related to capital expenditures during the year ended June 30, 2008 compared to the year ended July 1, 2007.

Operating Cash Flows. Summary operating cash flow information for the years ended June 30, 2009, June 30, 2008 and July 1, 2007, respectively is as follows: (Dollars in thousands):

	2009	2008	2007
Net income	\$ (69,123)	\$ (11,742)	\$ 17,566
Depreciation	11,946	15,172	14,467
Loss (gain) on sale of assets	(285)	5	(103)
Write-off of assets	—	1,546	—
Loss on impairment of assets	10,282	8,100	—
Deferred income taxes	(7,217)	(4,569)	234
Equity in loss of unconsolidated subsidiary	114	14	—
Changes in:			
Restricted cash	(200)	3,333	(1,045)
Accounts receivable	15,684	211	(2,101)
Inventory	42,456	(16,478)	(12,216)
Prepaid expenses	(1,130)	95	61
Accounts payable	(611)	7,056	4,024
Accrued expenses	(694)	(1,187)	(1,563)
Deferred credit	(846)	(1,412)	(1,317)
Income taxes payable/receivable	2,525	(8,206)	(4,574)
Other non-current liabilities	2,516	2,824	1,306
Gains previously deferred in other comprehensive income	(2,149)	—	—
Other	(110)	(112)	—
Net cash provided by operating activities	\$ 3,158	\$ (5,350)	\$ 14,739

Cash flow from operations for the year ended June 30, 2009 increased \$8,508 to \$3,158 from \$(5,350) for the year ended June 30, 2008. This increase in operating cash flow was the result of the following:

- For the year ended June 30, 2009, we reduced inventory consistent with our strategy of exiting unprofitable product lines and focusing on value added protein, starch and alcohol products. This reduction in inventory yielded positive operating cash flow of \$42,456 compared to increases in inventory in the prior year yielding negative operating cash flow of \$16,478;
- For the year ended June 30, 2009, accounts receivable declined, generating positive operating cash flow of \$15,684 compared to \$211 during the year ended June 30, 2008;
- An adjustment to net loss for a non-cash charge of \$10,282 for asset impairment; and
- An adjustment to net loss for an increase in other non-current liabilities of \$2,516.

These factors, which served to improve operating cash flow were partially offset by the following:

- An increase in net loss of \$57,381, from a net loss of \$11,742 during the year ended June 30 2008 to \$69,123 in the year ended June 30, 2009;
- A change in restricted cash yielding negative operating cash flow of \$200 compared to positive operating cash flow of \$3,333 during the year ended June 30, 2008 related to restricted cash;

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- Changes in prepaid expenses yielding negative operating cash flow of \$1,130 compared to positive operating cash flow related to prepaid expenses of \$95 for the year ended June 30, 2008;
- An adjustment to net loss for non-cash gains recognized in the year ended June 30, 2009 of \$2,149; and
- Adjustments to accounts payable, accrued expenses as well as deferred credits which also served to reduce operating cash flow.

Cash flow from operations for the year ended June 30, 2008 decreased \$20,089 to \$(5,350) from \$14,739 for the year ended July 1, 2007. This decline in operating cash flow was primarily related to the following:

- A reduction in net income of \$29,308 from \$17,566 for the year ended July 1, 2007 to a net loss \$11,742 for the year ended June 30, 2008.
- Cash outflow for inventories of \$16,478 for the year ended June 30, 2008 compared to \$12,216 for the year ended July 1, 2007. (Total inventory changed by \$21,025 of which \$4,547 represents a non-cash change as a result of mark-to-market adjustments to our derivative instrument values.)
- Inventory for the year ended June 30, 2008 increased by \$21,025.
 - Of this increase, \$3,238 was related to higher raw material inventories, which increased by \$7,357 due to higher prices offset by a \$4,119 reduction resulting from lower volume;
 - \$11,832 was related to higher finished goods inventories, which increased \$5,566 due to increased costs and \$6,266 due to higher volumes;
 - \$5,955 was related to changes in other inventory items consisting of maintenance and packaging materials as well as investments in derivative instruments; and
 - \$4,547 resulted from non-cash mark-to-market adjustments to our derivative values.

Adjustments to net loss related to increases in refundable income taxes as well as deferred taxes also served to reduce operating cash flow.

These factors, which served to reduce operating cash flow, were partially offset by a non-cash adjustment to net loss for the loss on impairment of assets of \$8,100 and a non-cash write-off of assets of \$1,546. Additionally, operating cash flow was impacted by the timing of cash receipts and disbursements resulting in a decrease in accounts receivable and an increase in accounts payable.

Investing Cash Flows. Net investing cash outflow for the year ended June 30, 2009 was \$1,325 compared to \$7,955 for the year ended June 30, 2008 for a net decrease of \$6,630 in investing cash outflows. For the year ended June 30, 2009, we invested \$2,069 in capital expenditures related to our property, plant and equipment compared to \$7,432 in the year ended June 30, 2008. Capital expenditures in the year ended June 30, 2009, while significantly lower than the year ended June 30, 2008, primarily reflect routine and sustaining capital projects. Cash outflow related to investment in property, plant and equipment for the year ended June 30, 2009 was partially offset by the net proceeds from the disposition and sale of equipment of \$744, the most significant of which was the sale a corporate aircraft rendering net proceeds of approximately \$447.

Net investing cash outflow for the year ended June 30, 2008 was \$7,955 compared to \$23,001 for the year ended July 1, 2007 for a net decrease of \$15,046 in investing cash outflows. During the year ended June 30, 2008, we invested \$7,432 in capital expenditures related to our property, plant and equipment. Additionally, during fiscal 2008, we invested \$375 in DMI GmbH, our foreign joint venture. During the year ended July 1, 2007, we made investments of \$23,188 in capital expenditures, including expenditures related to distillery upgrading at our Atchison plant, the acquisition of feed dryers at our Pekin, Illinois plant, injection molding and packaging equipment at our Kansas City, Kansas facility, equipment to improve the efficiency of our alcohol production facilities at Pekin as well as construction costs related to our new corporate headquarters and technology center in Atchison. Capital

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expenditures in the year ended June 30, 2008, while significantly lower than fiscal 2007, primarily reflect routine and sustaining capital projects.

Financing Cash Flows. Net financing cash outflow for the year ended June 30, 2009 was \$1,655 compared to net financing cash inflow of \$9,405 for the year ended June 30, 2008 for a net decrease in cash flow of \$11,060. For the year ended June 30, 2009, advances on long-term debt consisted primarily of (a) \$2,000 from the Cloud L. Cray Jr. Trust; (b) \$1,500 from the Union State Bank – Bank of Atchison; (c) \$2,768 from Exchange National Bank and Trust Co. of Atchison; (d) other financing of approximately \$1,000. We made principal payments on long-term debt of \$3,776. Additionally, for the year ended June 30, 2009 we made net principal payments on our operating line of credit of \$5,167.

Net financing cash inflow for the year ended June 30, 2008 was \$9,405 compared to net financing cash outflow of \$2,333 for the year ended July 1, 2007 for a net increase in cash flow of \$11,738. During the year ended June 30, 2008, we had net proceeds of \$16,000 under our operating line of credit. Additionally, we received loan proceeds of \$1,600 for the purchase of a corporate business aircraft during the fourth quarter of fiscal 2008. During the year ended June 30, 2008, we made principal payments on long-term debt of \$4,198 and paid dividends of \$4,233. During the year ended July 1, 2007, we purchased 80,500 shares of our common stock at an average price of \$24.09 per share for a total of \$1,900 in connection with tax elections made by participants in our option and restricted stock plans. No such transactions occurred in the year ended June 30, 2008. Proceeds from stock plans decreased significantly to \$236 from \$1,904 in fiscal 2007 due to a reduced number of stock options being exercised during fiscal 2008.

CAPITAL EXPENDITURES

For the year ended June 30, 2009, we incurred \$2,069 in capital expenditures, primarily related to production capacity upgrades and maintenance. We also made improvements to our information technology property and data center. During the year ended June 30, 2008, we incurred \$7,432 in capital expenditures primarily related to completion of distillery expansion projects, general production capacity maintenance as well as the purchase of a corporate business aircraft. For fiscal 2010, we have budgeted \$4,000 in capital expenditures related to improvements in and replacements of existing plant and equipment. As of June 30, 2009, we had contracts to acquire capital assets of approximately \$43.

CONTRACTUAL OBLIGATIONS

Our contractual obligations at June 30, 2009 are as follows (dollars in thousands):

	Fiscal Year						
	2010	2011	2012	2013	2014	Thereafter	Total
Long-term debt (1)(5)	\$ 5,413	\$ 6,627	\$ 489	\$ 476	\$ 1,052	\$ —	\$ 14,057
Capital leases (2)	459	433	270	217	68	—	1,447
Operating leases	3,139	2,180	1,838	1,394	589	606	9,746
Energy contract (3)	9,162	2,452	—	—	—	—	11,614
Post-retirement benefits	752	763	784	729	664	3,697	7,389
Defined benefit retirement plan	42	76	121	148	178	1,553	2,118
Open purchase commitments (4)	434	—	—	—	—	—	34
Total	\$ 11,931	\$ 11,207	\$ 3,502	\$ 2,964	\$ 2,551	\$ 5,856	\$ 38,011

(1) Long-term debt at June 30, 2009 included the following:

- (a) A secured promissory note dated September 24, 2004 in the initial principal amount of \$9,795 payable in monthly installments of \$140, with the final payment due in October, 2011. The note bears interest at 5.26 percent per annum. Long term debt also includes a secured

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promissory note dated September 29, 2005 in the initial principal amount of \$7,000 payable in monthly installments of \$135, with the final payment due in September 2010. The note bears interest at 5.92 percent per annum. We may prepay each note at any time. These notes are secured by all of our equipment at our facility in Kansas City, Kansas. Subsequent to year end, on August 21, 2009 we sold our Kansas City, Kansas facility and certain of our equipment for \$3,585. To obtain the release of the lien on the equipment sold, we prepaid the note due in 2010 in its entirety and prepaid \$650 on the note due in 2011. Amounts shown in the table include the amounts paid subsequent to June 30, 2009.

- (b) A secured promissory note dated April 9, 2008, in the initial principal amount of \$1,600, bearing interest at 5.45 percent per annum and payable in 60 equal monthly installments of \$31. We may prepay the note in whole, but not in part, after the first anniversary of the note subject to the payment of a prepayment premium of 3.0 percent of the original principal amount of the note if the note is paid after the first anniversary of the note and declining to 1 percent after the third anniversary of the note.
 - (c) A \$2,000 secured subordinated promissory note dated March 27, 2009 which, as amended July 20, 2009, provides for interest at the rate of 7.0 percent per annum and the payment of principal and interest in a lump sum on March 27, 2011. The note is secured by a mortgages on the Company's Atchison and Pekin production facilities and by a security interest in personal property, other than accounts, inventory, certain equipment and our equity in our German joint venture.
 - (d) A \$1,500 secured note dated March 31, 2009 bearing interest, payable semi-annually commencing on September 30, 2009, at a variable rate (which adjusts quarterly commencing on June 30, 2009) equal to 6.0 percent plus the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of three years. 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.
 - (e) A \$2,800 promissory note dated April 15, 2009 which bears interest, payable monthly commencing in May, 2009, at the rate of 7.0 percent per annum. Principal on the note, as amended, is due on July 5, 2010. The note is secured by a 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 own.
 - (f) An unsecured note payable dated May 4, 2009 in the initial principal amount of \$998 bearing interest at the rate of 10.0 percent per annum and payable in 14 monthly installments of principal and interest aggregating \$75 and a final payment of \$12.
- (2) In connection with implementation of the our new enterprise resources planning system (ERP), \$1,200 in costs incurred during development of the system have been funded by Winthrop Resources Corporation and CSI Leasing, Inc. under various capital lease agreements with rates ranging from 4.56 percent to 5.54 percent. These agreements, which are unsecured, have maturities ranging from July, 2010 to October, 2013.
- Additionally, we financed \$71 in equipment purchases through a capital lease with Delage Corporation at 7.15 percent. This capital lease is secured by the equipment purchased and matures in October, 2011.
- (3) On July 21, 2009, Central Illinois Light Company ("CILCO") entered a restructuring agreement with us dated as of July 20, 2009 whereby we acknowledged that we owed Central Illinois \$11,614 under a steam agreement, a gas agreement and a delivery service agreement at our temporarily idled Pekin, Illinois facility. The note bears interest at 9%, payable monthly commencing August 14, 2009.

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Principal is payable in 18 equal monthly installments, with the first installment due on October 14, 2009. The note is secured by an assignment of an anticipated income tax refund of approximately \$5,500. After application of the refund to the note, the monthly principal payment will be recalculated. We also gave CILCO a second mortgage on our Pekin, Illinois plant. To accommodate this, the Cloud L. Cray, Jr. Trust agreed to subordinate its lien on the plant to the liens of Exchange National Bank & Trust Co. of Atchison and CILCO.

In the Restructuring Agreement, the parties agreed to terminate the steam agreement relating to our Pekin facility effective June 30, 2009. As a result, we will have no future charges under the steam agreement, which otherwise had a term expiring in February 2011. We agreed with CILCO that should we reopen our facility in Pekin, we would negotiate a new agreement under which we would be responsible for start-up costs of the boiler plant that generated the steam supplied under the steam agreement and ongoing staffing requirements and a new schedule of charges reflective of increased costs of operating and maintaining the boiler plant. However, the Restructuring Agreement provides that neither party will be liable to the other for failure to execute a new agreement, and a failure to do so will not affect our obligations under the note and related agreements we have entered with CILCO.

- (4) Purchase Commitments at June 30, 2009 included the following
 - (a) Commitments (\$434) to purchase grain to be used in our operations during the first 12 weeks of fiscal 2009.
 - (b) Commitments with respect to steam and natural gas at our Pekin plant aggregated \$11,614, all of which was past due. This obligation was addressed in the Restructuring Agreement and related promissory note to CILCO referred to in note (3) above.
- (5) Subsequent to June 30, 2009, we entered several new long term debt obligations. In addition to the note to CILCO referred to in note (3), these consist of the following.
 - (c) On July 21, 2009, we entered a new revolving Credit and Security Agreement with Wells Fargo Bank, National Association ("New Credit Agreement"). The New Credit Agreement, which matures in July 2012, generally provides for a Maximum Line of Credit of \$25,000, subject to borrowing base limitations. At July 21, 2009, approximately \$19,311 was available under the New Credit Agreement before the initial funding. We drew \$15,940 under the facility on July 21, 2009 and used the proceeds to pay amounts due our lenders under our former credit facility, which was due to expire on September 3, 2009. Borrowings under the New Credit Agreement bear interest, payable monthly, at a variable rate equal to Daily Three Month LIBOR plus 5 percent, but not less than 5.5 percent. During a default period, the interest rate may be increased by 3 percent at the lender's discretion. The New Credit Agreement provides for minimum interest of \$500 annually, an unused line fee of .50 percent per annum and origination fees, letter of credit fees and other administrative fees. If we terminate the facility prior to the maturity date or the lender terminates during a default period, there is a prepayment fee of 3 percent if the termination occurs prior to the first anniversary date, declining to 1 percent if the termination occurs after the second anniversary of the initial funding. The New Credit Agreement is secured by a security interest in substantially all of our personal property. The lender may terminate or accelerate our obligations under the New Credit Agreement upon the occurrence of various events in addition to payment defaults and other breaches, including such matters as over advances arising from reductions in the borrowing base, certain changes in the Board, failure to pay taxes when due, defaults under other material debt, lease or other contracts and our CEO ceasing to be actively engaged in the Company's day to day business activities for a period of one year after July 21, 2009, or thereafter and the Company shall fail to hire a successor acceptable to the lender in 90 days.

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- (d) A \$2,000 promissory note dated July 20, 2009 secured by a mortgage and security interest on our Atchison plant and related equipment. The note bears interest at 6 percent over the three year treasury index, adjustable quarterly, and is payable in 84 monthly installments of \$32, with any balance

due on the final installment.

LINE OF CREDIT

Reference is made to note (5) in *Contractual Obligations* above for information on our New Credit Agreement. The amount of borrowings which we may make is subject to borrowing base limitations. As of September 4, 2009, our outstanding borrowings under this facility were \$13,328 and \$6,521 was available for additional borrowings. The borrowing base is the lesser of the maximum line amount or an amount based on specified percentages of eligible accounts receivable and inventories less specified reserves. The lender has discretion under the New Credit Agreement to change the manner in which the borrowing base is determined, such as altering the advance rates applicable to accounts receivable and inventory or changing reserve amounts.

FINANCIAL COVENANTS

Under the New Credit Agreement, we must meet specified monthly, cumulative net income requirements (aggregating \$3,500 for fiscal year 2010 and \$1,000 for the first quarter of fiscal 2011), are limited in the amount of capital expenditures we may make annually (\$4,500) and must meet as of fiscal year end, a minimum debt service coverage ratio ((a) the sum of (i) funds from operations (net income plus depreciation and amortization, plus or minus increases or decreases in deferred income taxes and LIFO reserves, plus other non-cash items) plus (ii) interest expense minus (iii) unfinanced capital expenditures minus (iv) dividends and distributions paid during the period, divided by (b) the sum of (i) current maturities of long term debt plus (ii) interest expense) of not less than 1.15 to 1.0.

The net income requirements that we are required to meet under the New Credit Agreement are set forth below. We have exceeded these covenants in July. Upon expiration of this covenant we will be required to amend it to cover future periods upon terms acceptable to our lender.

Period	Minimum Cumulative Net Income
7/1/2009 Through 7/31/2009	\$ 200
7/1/2009 Through 8/31/2009	\$ 700
7/1/2009 Through 9/30/2009	\$ 1,000
7/1/2009 Through 10/31/2009	\$ 1,250
7/1/2009 Through 11/30/2009	\$ 1,350
7/1/2009 Through 12/31/2009	\$ 1,500
7/1/2009 Through 1/31/2010	\$ 1,800
7/1/2009 Through 2/28/2010	\$ 2,200
7/1/2009 Through 3/31/2010	\$ 2,575
7/1/2009 Through 4/30/2010	\$ 3,000
7/1/2009 Through 5/31/2010	\$ 3,250
7/1/2009 Through 6/30/2010	\$ 3,500
7/1/2010 Through 7/31/2010	\$ 200
7/1/2010 Through 8/31/2010	\$ 700
7/1/2010 Through 9/30/2010	\$ 1,000

The New Credit Agreement contains various other covenants, including covenants which generally restrict dividends and increases in bonuses and salaries and prohibit liens, other than permitted liens, indebtedness, except existing indebtedness and indebtedness to the lender, and investments in other persons.

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OFF BALANCE SHEET OBLIGATIONS

As discussed elsewhere herein under Item 1. *Business — Strategic Relationships*, we have entered a business alliance with Cargill, Incorporated for the production and marketing of a new resistant starch derived from high amylose corn. We have sold only an insignificant amount of the product, and therefore the significance of the agreement with Cargill cannot be determined at this time. If we terminate the arrangement before the expiration of 18 months following certain force majeure events affecting Cargill, or if Cargill terminates the arrangement because of a breach by us of our obligations, we will be required to pay a portion (up to 50 percent) of the book value of capital expenditures made by Cargill to enable it to produce the product. This amount will not exceed \$2,500 without our consent. Upon the occurrence of any such event, we also will be required to give Cargill a non-exclusive sublicense to use the patented process for the life of the patent in the production of high amylose corn-based starches for use in food products. The sublicense would be royalty bearing, provided we were not also then making the high amylose corn-based starch. We have talked to Cargill about modifying our arrangements with them.

The Company purchases its corn requirements for one of its plants through a single elevator company. If the Company fails to purchase 13 million bushels each 12 months, commencing September 2007, it must pay the elevator company \$0.02 per bushel for each bushel less than 13 million purchased. The elevator company may terminate if the Company fails to purchase specified minimums, in which case the Company would be obligated to pay the elevator company \$260 plus its costs incurred in contracting for delivery of corn purchased for the Company pursuant to previously issued Company delivery orders. The Company's practice has been to only order corn for a month at a time.

On December 28, 2006, we engaged in an industrial revenue bond transaction with the City of Atchison, Kansas in order to receive ten-year real property tax abatement on our newly constructed office building and technical center in Atchison, Kansas. At the time of this transaction, the facilities were substantially completed and had been financed with internally generated cash flow. Pursuant to this transaction, the City issued \$7,000 principal amount of its industrial revenue bonds to us and then used the proceeds to purchase the office building and technical center from us. The City then leased the facilities back to us under a capital lease, the terms of which provide for the payment of basic rent in an amount sufficient to pay principal and interest on the bonds. Our obligation to pay rent under the lease is in the same amount and due on the same date as the City's obligation to pay debt service on the bonds which we hold. The lease permits us to present the bonds at any time for cancellation, upon which our obligation to pay basic rent would be cancelled. We do not intend to do this until their maturity date in 2016, at which time we may elect to purchase the facilities for \$100. Because we own all outstanding bonds, management considers the debt de-facto cancelled and, accordingly, no amount for our obligations under the capital lease is reflected on our balance sheet. In connection with this transaction, we agreed to pay the city an administrative fee of \$50, which is payable over 10 years. If we were to present the bonds for cancellation prior to maturity, the \$50 fee would be accelerated.

NEW 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 adopted this FSP in the fourth quarter of 2009. This adoption did not have an impact on the Company’s financial position or net earnings.

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In May 2009, the FASB issued SFAS No. 165, “Subsequent Events.” This standard incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, but the rules concerning recognition and disclosure of subsequent events will remain essentially unchanged. SFAS No. 165 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the provisions of SFAS No. 165 for the quarter ended June 30, 2009. The adoption of these provisions did not have a material effect on the Consolidated Financial Statements. The Company has evaluated subsequent events through September 10, 2009, the date the financial statements were issued. Events occurring after this date have not been evaluated.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 168 authorizes the *FASB Accounting Standards Codification™* (“Codification”) to become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws remain sources of authoritative GAAP for SEC registrants. On the effective date of SFAS No. 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. All guidance contained in the Codification carries an equal level of authority. Certain accounting treatments that entities have followed, and continue to follow, which are not part of the Codification are grandfathered because they were adopted before a certain date or certain accounting standards have allowed for the continued application of superseded accounting standards. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company’s adoption of SFAS No. 168 is not expected to have a material impact on the Consolidated Financial Statements

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, “*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*” (“FSP EITF 03-6-1”), which clarifies that share-based payment awards that entitle their holders to receive non-forfeitable dividends before vesting should be considered participating securities. As participating securities, these instruments should be included in the earnings allocation in computing basic earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*. The Company will implement EITF 03-06-1 effective July 1, 2009. The Company’s unvested restricted stock awards contain rights to dividends prior to vesting. Upon adoption of FSP EITF 03-6-1, the Company will adjust its weighted average common shares outstanding and earnings per share data for the quarter ended September 30, 2008 to confirm with the provisions in FSP EITF 03-6-1.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We make our products primarily from flour and corn and, as such, are sensitive to changes in commodity prices. We use grain futures and/or options, which mark to market, 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, natural gas 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. For inventory and open futures, the table below presents the carrying amount and fair value at June 30, 2009 and 2008. We include the fair values of open contracts in inventories.

As of June 30,	At June 30, 2009		At June 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Inventories				
Corn	\$ 1,107,899	\$ 1,030,344	\$ 6,485,147	\$ 7,311,379
Flour	\$ 108,079	\$ 108,550	—	—
Wheat	\$ —	\$ —	\$ 3,499,541	\$ 3,069,123
	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Corn Options				
Contract Volumes (bushels)	—	—	2,000,000	—
Weighted Average Strike Price/Bushel				
Long Calls	\$ —	\$ —	\$ 5.40	\$ 4,387,500
Short Calls	\$ —	\$ —	\$ 6.20	\$ (2,990,000)
Short Puts	\$ —	\$ —	\$ —	\$ —
Contract Amount	\$ —	\$ —	\$ —	\$ 1,397,500
	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Corn Futures				
Contract Volumes (bushels)	670,000	—	—	—
Weighted Average Strike Price/Bushel	\$ 3.9448	\$ 3.5450	\$ —	\$ —
Contract Amount	\$ 2,643,016	\$ 2,375,150	\$ —	\$ —
	Description and Expected Maturity*	Fair Value	Description and Expected Maturity*	Fair Value
Wheat Futures				
Contract Volumes (bushels)	—	—	400,000	—
Weighted Average Strike Price/Bushel	\$ —	\$ —	\$ 6.7775	\$ 8.9625
Contract Amount	\$ —	\$ —	\$ 2,711,000	\$ 3,585,000

*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 carries fixed interest rates. There were \$17,833 in outstanding borrowings under our former credit facility at June 30, 2009, which bore interest at a base rate plus an applicable margin. Our new credit facility with Wells Fargo Bank provides for interest at a variable rate equal to daily three month LIBOR plus 5%, but not less than 5.5%; the default rate is 3% higher, in the lender's discretion. On July 21, 2009, we drew \$15,940 under our new credit facility and paid our obligations under our former credit facility. At June 30, 2009 we had a \$1,500 loan from Union State Bank which

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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. On July 20, 2009, we borrowed an additional \$2,000 from Union State Bank which bears interest at the same rate. As a result, at September 4, 2009 we had approximately \$16,808 in outstanding borrowings bearing interest at variable rates. 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 September 4, 2009, a 100 basis point increase over the non-default rates actually in effect at such date would increase our interest expense on an annualized basis by \$168.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of MGP Ingredients, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Internal control over financial reporting is a process designed 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. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

With the participation of the Chief Executive Officer and the Interim Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management has concluded that the company's internal control over financial reporting as of June 30, 2009 was effective.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
MGP Ingredients, Inc.:

We have audited the accompanying consolidated balance sheet of MGP Ingredients, Inc. and subsidiaries as of June 30, 2009, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for the year ended June 30, 2009. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule, Schedule II — Consolidated Valuation and Qualifying Accounts. We also have audited MGP Ingredient, Inc.'s internal control over financial

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reporting as of June 30, 2009, based on Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). MGP Ingredients, Inc.'s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies

or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MGP Ingredients, Inc. and subsidiaries as of June 30, 2009, and the results of its operations and its cash flows for the year ended June 30, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the accompanying financial statement schedule for the year ended June 30, 2009, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also in our opinion, MGP Ingredients, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG, LLP

Kansas City, Missouri
September 10, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders
MGP Ingredients, Inc.
Atchison, Kansas

We have audited the accompanying consolidated balance sheet of MGP Ingredients, Inc. as of June 30, 2008, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the two-year period ended June 30, 2008. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MGP Ingredients, Inc. as of June 30, 2008, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8, in 2008 the Company changed its measurement date used to account for its defined benefit post-retirement benefit plan. As discussed in Note 5, in 2008 the Company changed its method of accounting for uncertain tax positions.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MGP Ingredients, Inc.'s internal control over financial reporting as of June 30, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 11, 2008, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ BKD, LLP

Kansas City, Missouri
September 11, 2008

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**MGP INGREDIENTS, INC.
CONSOLIDATED STATEMENTS OF INCOME
Fiscal Years Ended**

	June 30, 2009	June 30, 2008	July 1, 2007
	Dollars in thousands except per share amounts		
Net sales	\$ 275,976	\$ 392,893	\$ 367,994
Cost of sales: Product costs	302,436	388,662	320,721
Loss on natural gas contract	7,642	—	—
Total cost of sales	310,078	388,662	320,721
Gross profit (loss)	(34,102)	4,231	47,273
Selling, general and administrative expenses	21,401	24,235	20,319
Other operating costs	4,694	—	—
Impairment of long-lived assets	10,282	8,100	—
Severance and early retirement costs	3,288	—	—
Other restructuring costs	5,241	—	—
Write-off of assets	—	1,546	—
Income (loss) from operations	(79,008)	(29,650)	26,954
Other income, net	112	515	1,490
Gain on settlement of litigation, net of related expenses	—	7,046	—
Interest expense	(2,901)	(1,490)	(964)
Equity in loss of joint venture	(114)	(14)	—
Income (loss) before income taxes	(81,911)	(23,593)	27,480

Provision (benefit) for income taxes	(12,788)	(11,851)	9,914
Net income (loss)	\$ (69,123)	\$ (11,742)	\$ 17,566

Per Share Data

Total basic earnings (loss) per common share	\$ (4.17)	\$ (0.71)	\$ 1.07
Total diluted earnings (loss) per common share	\$ (4.17)	\$ (0.71)	\$ 1.04

See Accompanying Notes to Consolidated Financial Statements

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MGP INGREDIENTS, INC. CONSOLIDATED BALANCE SHEETS

	June 30, 2009	June 30, 2008
	Dollars in thousands, except share and per share amounts	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 178	\$ —
Restricted cash	203	3
Receivables (less allowance for doubtful accounts: June 30, 2009 - \$388 and June 30, 2008 - \$264)	18,403	34,087
Inventory	20,400	63,620
Prepaid expense	980	362
Deposits	980	580
Deferred income taxes	1,218	394
Refundable income taxes	6,045	8,570
Assets held for sale	32,380	5,600
Total current assets	80,787	113,216
Property and equipment, at cost	163,345	315,782
Less accumulated depreciation	(100,036)	(206,808)
Property and equipment, net	63,309	108,974
Investment in joint venture	238	399
Other assets	798	479
Total assets	\$ 145,132	\$ 223,068
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$ 3,147	\$ 432
Liabilities related to assets held for sale	2,725	8,760
Revolving credit facility	17,833	23,000
Accounts payable	19,864	23,315
Accrued expenses	5,976	6,582
Total current liabilities	49,545	62,089
Long-Term debt	9,632	1,301
Deferred credit	6,190	7,127
Other non current liabilities	14,663	8,047
Deferred income taxes	1,218	7,630
Total liabilities	81,248	86,194
Stockholders' Equity		
Capital stock		
Preferred, 5% non-cumulative; \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
Common stock		
No par value; authorized 40,000,000 shares; issued 19,530,344 shares	6,715	6,715
Additional paid-in capital	11,572	11,862
Retained earnings	62,690	131,813
Accumulated other comprehensive income (loss)	(2,311)	1,515
Treasury stock, at cost		
Common; 2009 – 2,931,759 shares, 2008 - 2,969,766 shares	(14,786)	(15,035)
Total stockholders' equity	63,884	136,874
Total liabilities and stockholders' equity	\$ 145,132	\$ 223,068

See Accompanying Notes to Consolidated Financial Statements

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MGP INGREDIENTS, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS Fiscal Years Ended

	June 30, 2009	June 30, 2008	July 1, 2007
	Dollars in thousands		
Cash Flows from Operating Activities			
Net income	\$ (69,123)	\$ (11,742)	\$ 17,566
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,946	15,172	14,467
Loss (gain) on sale of assets	(285)	5	(103)
Loss on write-off of assets	—	1,546	—
Loss on impairment of assets	10,282	8,100	—
Deferred income taxes	(7,217)	(4,569)	234
Equity in loss of joint venture	114	14	—
Changes in working capital items:			
Restricted cash	(200)	3,333	(1,045)
Accounts receivable	15,684	211	(2,101)
Inventory	42,456	(16,478)	(12,216)
Prepaid expenses	(1,130)	95	61
Accounts payable	(3,063)	7,056	4,024
Accrued expenses	(694)	(1,187)	(1,563)
Deferred credit	(846)	(1,412)	(1,317)
Income taxes payable/receivable	2,525	(8,206)	(4,574)
Other non-current liabilities	4,968	2,824	1,306
Gains previously deferred in other comprehensive income	(2,149)	—	—
Other	(110)	(112)	—
Net cash (used in) provided by operating Activities	3,158	(5,350)	14,739
Cash Flows from Investing Activities			
Additions to property and equipment	(2,069)	(7,432)	(23,188)
Investments in and advances to joint venture	—	(375)	—
Proceeds from disposition of equipment	744	10	187
Other	—	(158)	—
Net cash used in investing activities	(1,325)	(7,955)	(23,001)
Cash Flows from Financing Activities			
Purchase of treasury stock	(34)	—	(1,939)
Proceeds from stock plans	12	236	1,904
Tax effect of restricted stock awards	(40)	—	—
Proceeds from issuance of long-term debt	7,350	1,600	—
Principal payments on long-term debt	(3,776)	(4,198)	(4,262)
Proceeds from line of credit	156,980	36,933	7,000
Principal payments on line of credit	(162,147)	(20,933)	—
Dividends paid	—	(4,233)	(5,036)
Net cash provided by (used in) financing activities	(1,655)	9,405	(2,333)
Increase (decrease) in cash and cash equivalents	178	(3,900)	(10,595)
Cash and cash equivalents, beginning of year	—	3,900	14,495
Cash and cash equivalents, end of period	<u>\$ 178</u>	<u>\$ —</u>	<u>\$ 3,900</u>

See Accompanying Notes to Consolidated Financial Statements

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MGP INGREDIENTS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
Dollars in thousands

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Treasury Stock	Total
Balance, June 30, 2006	\$ 4	\$ 6,715	\$ 9,406	\$ 135,260	\$ (482)	\$ (14,795)	\$ 136,108
Comprehensive income:							
2007 net income				17,566			17,566
Change in fair market value of cash flow hedge					(1,534)		(1,534)
Reclassification adjustment for losses included in net income					1,446		1,446
Comprehensive income				17,566	(88)		17,478
Adjustment to initially apply FASB Statement No. 158, net of tax					(662)		(662)
Share-based compensation			888				888
Tax effect of share-based compensation			1,038				1,038
Options exercised and stock subscribed			529			338	867
Dividends paid on common stock (\$0.30/share)				(5,036)			(5,036)
Stock plan shares issued from treasury			(1,044)			1,044	—
Stock shares repurchased						(1,939)	(1,939)
Balance, July 1, 2007	<u>\$ 4</u>	<u>\$ 6,715</u>	<u>\$ 10,817</u>	<u>\$ 147,790</u>	<u>\$ (1,232)</u>	<u>\$ (15,352)</u>	<u>\$ 148,742</u>
Comprehensive income:							

2008 net loss				(11,742)			(11,742)
Change in fair market value of cash flow hedge					7,103		7,103
Reclassification adjustment for gains included in net income				(4,384)			(4,384)
Adjustment to recognize prior pension service cost				(202)			(202)
Adjustment to recognize prior other post employment benefits service cost					207		207
Translation adjustment on unconsolidated foreign subsidiary					23		23
Comprehensive income				(11,742)	2,747		(8,995)
Options exercised and stock subscribed			(81)			317	236
Dividends paid on common stock (\$0.25/share)				(4,233)			(4,233)
Adjustment to adopt FIN 48				58			58
Adjustment to recognize change in measuring date for other post employment benefits plan				(60)			(60)
Share-based compensation			1,126				1,126
Balance, June 30, 2008	\$ 4	\$ 6,715	\$ 11,862	\$ 131,813	\$ 1,515	\$ (15,035)	\$ 136,874
Comprehensive income:							
2009 net loss				(69,123)			(69,123)
Reclassification adjustment for gains included in net income					(2,149)		(2,149)
Adjustment to recognize prior pension service cost					(778)		(778)
Adjustment to recognize prior other post employment benefits service cost					(872)		(872)
Translation adjustment on unconsolidated foreign subsidiary					(27)		(27)
Comprehensive income				(69,123)	(3,826)		(72,949)
Options exercised and stock subscribed						12	12
Share-based compensation			14				14
Tax effect of share-based compensation			(38)				(38)
Stock plan shares issued from treasury			(266)			266	—
Stock shares repurchased						(29)	(29)
Balance, June 30, 2009	\$ 4	\$ 6,715	\$ 11,572	\$ 62,690	\$ (2,311)	\$ (14,786)	\$ 63,884

See Accompanying Notes to Consolidated Financial Statements

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MGP INGREDIENTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2009, JUNE 30, 2008 AND JULY 1, 2007 (Dollars in thousands, unless otherwise noted)

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company. MGP Ingredients, Inc. (“MGPI” or the “Company”) processes flour and corn into a variety of products through an integrated production process. The Company is a fully integrated producer of certain ingredients and distillery products derived from grain and has three reportable segments, ingredient solutions, distillery products and other. The ingredient solutions segment products primarily consist of specialty starches, specialty proteins, commodity starches and commodity vital wheat gluten. Mill by-products, consisting primarily of mill feeds or “midds,” have also been included in this segment but have been discontinued with the shutdown of our wheat flour milling operations at the Atchison, Kansas plant in the second quarter of fiscal 2009. The distillery products segment consists of food grade alcohol, along with fuel grade alcohol, commonly known as ethanol, and distillers feed, which are co-products of our distillery operations. The other segment products are comprised of resins and plant-based polymers and composites manufactured through the further processing of certain of our proteins and starches and wood. For the year ended June 30, 2009, revenues from products in the other segment represent less than 2.0 percent of the Company’s consolidated revenues. See Note 9 for restructuring activity completed in fiscal 2009.

The Company sells its products on normal credit terms to customers in a variety of industries located primarily throughout the United States. The Company is currently operating its plant in Atchison, Kansas and has temporarily shut down its Pekin, Illinois plant. The Company also operated a facility in Kansas City, Kansas, for the further processing and extrusion of wheat proteins and starches prior to its sale in August, 2009, and operates a facility in Onaga, Kansas for the production of plant-based biopolymers and wood composites. The Company has a 50% interest in an unconsolidated German subsidiary, D.M. Ingredients GmbH, through which it plans to produce and distribute Wheatex® textured protein products in the European Union (“EU”) and elsewhere.

Use of Estimates. The financial reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Management reviews its estimates, including those related to the liabilities for litigation, other claims and income taxes. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates.

Principles of Consolidation. The Consolidated Financial Statements include the accounts of MGP Ingredients, Inc., and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year. The Company’s current and previous fiscal years ended on June 30, 2009 and 2008. The fiscal year prior to these two years ended on July 1, 2007. On March 6, 2008, the Board of Directors amended the Company’s bylaws to effect a change in the fiscal year.

Inventories. Inventories include finished goods, raw materials in the form of agricultural commodities used in the production process and certain maintenance and repair items. Inventories are stated at the lower of cost or market on the first-in, first-out (“FIFO”) method.

Restricted Cash. The Company segregates certain interest bearing cash accounts in accordance with commodity exchange requirements. Restricted cash consists of interest bearing clearing accounts on deposit with and pledged to the Company’s broker for exchange-traded commodity instruments.

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Derivative Instruments. In connection with the purchase of raw materials, principally corn, for anticipated operating requirements, the Company has used readily marketable exchange-traded commodity futures and option contracts to mitigate the risk of future grain price increases. Derivative instruments related to the Company’s hedging program are recorded as either assets or liabilities and are measured at fair market value. Consistent with application of hedge accounting under Statement of Financial Accounting Standards No. 133 as amended (“SFAS 133”), 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. 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.

The 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. Additionally, certain derivative instruments entered into during the third quarter of fiscal 2008 were not designated as hedges. The change in the market value of these instruments has been recorded in cost of sales in the Company’s Consolidated Statements of Income in the period in which such changes in value occur. As of June 30, 2008, the mark-to-market adjustment included in accumulated other comprehensive income with respect to derivatives originally designated for hedging under SFAS 133 and subsequently de-designated in April 2008 remained in accumulated other comprehensive income as a component of equity until the forecasted transactions to which the specific hedged positions relate occurred during the year ended June 30, 2009. At that time, the accumulated comprehensive income was reclassified to earnings. Regardless of accounting treatment, the Company’s management believes all commodity hedges are economic hedges of the Company’s risk exposures.

Accounts Receivable. Accounts receivable are stated at the amounts billed to customers. The Company provides an allowance for estimated doubtful accounts. This allowance is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Receivables are considered delinquent after 30 days. These delinquent receivables are monitored and are charged to the allowance for doubtful accounts based upon an evaluation of individual circumstances of the customer.

Properties and Depreciation. Property, Plant and Equipment are stated at cost. Additions, including those that increase the life or utility of an asset, are capitalized and all properties are depreciated over their estimated remaining lives. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 – 30 years
Transportation equipment	5 – 6 years
Machinery and equipment	10 – 12 years

Annual depreciation expense was \$11,700, \$15,172 and \$14,467 for fiscal 2009, 2008 and 2007, respectively.

Maintenance costs are expensed as incurred. The cost of property and equipment sold or retired as well as related accumulated depreciation is eliminated from the property accounts with related gains and losses reflected in net income. The Company capitalizes interest costs associated with significant construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred for fiscal 2009, 2008 and 2007 is noted below:

Years ended, (in thousands)	June 30, 2009	June 30, 2008	July 1, 2007
Interest costs charged to expense (gross)	\$ 2,901	\$ 1,490	\$ 964
Less: Interest cost capitalized in other income	(91)	(309)	(761)
Total	\$ 2,810	\$ 1,181	\$ 203

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Earnings (loss) per Share. Basic earnings 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. Anti-dilutive share units were 1,043,109,148,994 and 131,560 for the years ended June 30, 2009, June 30, 2008 and July 1, 2007 respectively. The following is a reconciliation from the weighted average shares used for the basic earnings (loss) per share computation to the shares used for the diluted earnings (loss) per share computation for each of the years ended June 30, 2009, June 30, 2008 and July 1, 2007.

Years ended,	June 30, 2009(1)	June 30, 2008(1)	July 1, 2007
Basic Shares	16,585,361	16,531,347	16,427,959
Additional weighted average shares attributable to:			
Stock options	—	—	241,046
Restricted shares	—	—	244,337
Diluted Shares	16,585,361	16,531,347	16,913,342

(1) The stock options and the restricted stock awards have not been considered due to the loss experienced during the years ended June 30, 2009 and 2008, respectively.

Cash and Cash Equivalents. Short-term liquid investments with an initial maturity of 90 days or less are considered cash equivalents. Cash equivalents are stated at cost, which approximates market value due to the relatively short maturity of these instruments. At various points in time during the years ended June 30, 2009 and 2008, cash balances exceeded limits established by the Federal Deposit Insurance Corporation.

Income Taxes. Deferred income tax assets and liabilities resulting from the effects of transactions reported in different periods for financial reporting and income tax are recorded under the liability method of accounting for income taxes. This method gives consideration to the future tax consequences of the deferred income tax items and immediately recognizes changes in income tax laws upon enactment as well as applied income tax rates when facts and circumstances warrant such changes. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that a deferred tax asset may not be realized. Additionally, we follow the provisions of FIN 48 to account for uncertainty in income tax positions. FIN 48 requires substantial management judgment and use of estimates in determining whether the impact of a tax position is “more likely than not” of being sustained on audit by the relevant taxing authority. We consider many factors when evaluation and estimating our tax positions, which may require periodic adjustment and which may not accurately anticipate actual outcomes. It is reasonably possible that amounts reserved for potential exposure could change significantly as a result of the conclusion of tax examinations and, accordingly, materially affect our operating results.

Revenue Recognition. Revenue from the sale of the Company’s products is recognized as products are delivered to customers according to shipping terms and title has transferred. Income from various government incentive grant programs is recognized as it is earned.

Deferred Credit. During the fourth quarter of fiscal 2001, the United States Department of Agriculture developed a grant program for the gluten industry in place of a two-year extension of a wheat gluten import quota that took effect on June 1, 1998. Over the life of the program, which was administered by the Commodity Credit Corporation (“CCC”) and which ended on May 31, 2003, the Company was eligible to receive nearly \$26,000 of the program total of \$40,000. For the first year of the program, approximately \$17,300 was allocated to the Company, with the remaining \$8,300 allocated in July 2002. The funds were required to be used for research, marketing, promotional and capital costs related to value-added gluten and starch products. Funds allocated on the basis of current operating costs were recognized in income as those costs were incurred. Funds allocated based on capital expenditures are being recognized in income as the capital projects are depreciated. As of June 30, 2009 and 2008, deferred credit related to the USDA Grant was \$6,190 and \$7,127 respectively.

Advertising. Advertising costs are expensed as incurred. These costs totaled \$224, \$548 and \$531 for the years ended June 30, 2009, June 30, 2008 and July 1, 2007, respectively.

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Research and Development. Research and development costs are expensed as incurred. These costs totaled approximately \$1,416, \$3,200 and \$2,800 for the years ended June 30, 2009, June 30, 2008 and July 1, 2007, respectively.

Long-Lived Assets and Loss on Impairment of Assets. Management reviews long-lived assets, mainly fixed assets, at year-end and whenever events or circumstances indicate that usage may be limited and carrying values may not be recoverable. Should events indicate the assets cannot be used as planned, the realization from alternative uses or disposal is compared to the carrying value. If management determines an impairment loss has occurred, an estimate of the loss is recognized and charged to income.

In making such assessments, management must make estimates and judgments relating to anticipated revenues and expenses and values of the Company’s assets and liabilities. Management’s estimates and judgments are based on the Company’s historical experience and management’s knowledge and understanding of current facts and circumstances. Management derives data for its estimates from both outside and internal sources, and considers such matters as product mix, unit sales, unit prices, input costs, expected target volume levels in supply contracts and expectations about new customers as well as overall market trends. For the years ended June 30, 2009 and 2008, the Company has recorded losses on impairment of long-lived assets of \$10,282 and \$8,100 respectively.

Fair Value of Financial Instruments. Effective July 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (“SFAS 157”) for financial assets and liabilities measured on a recurring basis. SFAS 157 defines the fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments based on the fair value hierarchy established in SFAS 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy is broken down into three levels based upon the observability of inputs. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value in its entirety requires judgment and considers factors specific to the asset or liability.

Statement of Financial Accounting Standards No. 107 “Disclosures About Fair Value of Financial Instruments” requires the disclosure of the estimated fair value of financial instruments. The Company’s short term financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The carrying value of the short term financial instruments approximates the fair value due to their short term nature. These financial instruments have no stated maturities or the financial instruments have short term maturities that approximate market.

The fair value of the Company’s debt is estimated based on current market interest rates for debt with similar maturities and credit quality. The fair value of the Company’s debt was \$15,227 and \$10,300 at June 30, 2009 and 2008, respectively. The financial statement carrying value was \$15,503 and \$10,493 at June 30, 2009 and 2008, respectively.

Stock Options. The Company has share-based employee compensation plans, which are described more fully in Note 7. The Company accounts for share-based compensation using Financial Accounting Standards Board Statement No. 123 (Revised 2004), *Share-Based Payments*, (“SFAS 123R”). Under the provisions of SFAS 123R, the cost of Share-Based Payments is recognized over the service period based on the fair value of the option or other instruments at the date of grant. The grant date fair value is estimated using the Black - Scholes option-pricing model adjusted for the unique characteristics of the options or other instruments granted. In implementing SFAS 123R, the Company applied the Modified Prospective Application which requires all new awards and modified

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awards after the effective date and any unvested awards at the effective date be recognized as compensation cost ratably over the option vesting period.

Adjustments to Prior Year Financial Statements. Certain prior year amounts have been reclassified to conform to current year presentation. The consolidated financial statements reflect immaterial adjustments to the Company’s June 30, 2008 balance sheet. These adjustments had no impact upon the Company’s previously reported earnings. For the balance sheet as of June 30, 2008, the Company reclassified \$2,565 from liabilities related to assets held for sale to deferred credit, \$2,859 from other non-current liabilities to additional paid in capital to reflect equity share-based awards, reclassified deferred credits totaling \$7,127 from current liabilities to non-current liabilities and reclassified current deferred tax assets of \$2,864 to reduce non-current deferred tax liabilities.

We incurred significant operating losses in our fiscal years 2009 and 2008. These losses caused us to be in violation of covenants under the credit facility we used during these periods and seriously impacted our liquidity. In response to these conditions, management undertook a number of actions in fiscal 2009 designed to return the Company to profitability. These actions resulted in a significant downsizing of the scope of our operations, which resulted in special charges being recorded for impairments and severance costs. These actions have been designed to allow the Company to focus on the sale of higher margin, value added products.

In connection with management's actions, the Company entered into a new credit agreement in July 2009, as more fully discussed in Note 19. This new credit agreement requires, among other things, that we meet specified monthly, cumulative net income requirements (aggregating \$3,500 for fiscal 2010 and \$1,000 for the first quarter of 2011) and meet a minimum debt service coverage ratio of not less than 1.15 to 1.0 at June 30, 2010. In addition, the new credit agreement permits the lender to modify or reduce the borrowing base at the lender's reasonable discretion. Any modification to reduce our borrowing base would negatively impact our overall liquidity and may require us to take other actions to preserve any remaining liquidity. Management believes the Company will be able to comply with the covenants and restrictions associated with the new credit agreement based on its operating plan for the fiscal year ended June 30, 2010; however, there are no assurances compliance will be maintained. Management's expectations are based on a number of significant estimates for which risk and uncertainties exist. The more significant of these estimates relate to the availability and cost of raw materials, energy costs, interest rates, the competitive environment and overall economy.

Commodity prices for certain raw materials that we use and prices for natural gas are subject to significant volatility. Grain and flour costs are a significant portion of our costs of goods sold, and historically the cost of such raw materials is subject to substantial fluctuations depending upon a number of factors and over which we have no control, including crop conditions, weather, government programs and purchases by foreign governments. These fluctuations can be sudden and volatile at times. As an example, in the fourth quarter of fiscal 2009, the price of a bushel of corn ranged from a low of \$3.75 to a high of \$4.50. Since the end of our fiscal year, June 30, 2009 the market price of corn per bushel has decreased to \$3.20 at September 1, 2009. During fiscal 2009, the average quarterly price of natural gas fluctuated from a low of \$7.05/MCF to a high of \$12.89/MCF. Such variations in costs have had and may continue to have, from time to time, significant effects on the results of our operations. Prior to April 1, 2009, we engaged in the purchase of commodity and natural gas futures and options and in the forward purchase of commodities and natural gas to hedge economic risks associated with fluctuating grain and energy prices. We no longer engage in such activities based on expected use of our facilities, and now intend to purchase derivatives and enter contracts for future delivery only to protect margins on contracted alcohol sales and expected ingredients sales prospectively. Our cash flow limitations may restrict our ability to engage in such hedges. Management attempts to recover higher commodity costs experienced through higher sales prices, but market considerations may not always permit this, and even where prices can be adjusted, there would likely be a lag between when we incurred higher commodity and natural gas costs and when we might be able to increase prices. To the extent we do not enter such derivative contracts or contracts for future delivery and are also unable to timely adjust the prices we charge under sales contracts, we may be adversely impacted by market fluctuations in the cost of grain and natural gas.

We have not recognized any further impairment or restructuring charge as a result of the temporary shutdown of our Pekin, Illinois plant and associated lay-off of employees, based on our assumption that we expect to

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implement a strategic option with respect to this facility within the next year and on our estimates of its fair value. Management's estimations are based on third party appraisals and other market information which exceed the \$29 million carrying value of the facility. Such appraisals and information are based on a number of estimates, which may change. Also, the price realized in an actual transaction may prove to be less than our estimate of fair value. The Company is presently exploring its strategic alternatives for our Pekin facility, which include reopening it on a joint venture basis to produce fuel and food grade alcohol, reopening on its own or on a joint venture basis to produce food grade alcohol, selling it or continuing to hold it.

Any failure to comply with the covenants under our new credit agreement would permit the lender to terminate its commitment to lend and/or accelerate our debt and declare that such debt is immediately due and payable. Further, certain of our other secured debt instruments contain cross default provisions as discussed in Note 3, Debt. Our credit facility lender can also reduce our borrowing base and accelerate our debt obligations at its discretion. While management believes the Company will comply with terms of the new credit agreement, many important factors, as noted above, are outside the control of management. If our lender terminated or materially changed our borrowing base or if we cannot comply with our covenants, we may not have sufficient funds available to operate.

NOTE 3: DEBT

Indebtedness Outstanding. Debt consists of the following: *(in thousands)*

	June 30, 2009	June 30, 2008
Secured Promissory Note, 5.26%, due monthly to October, 2011.(i)	\$ 3,559	\$ 5,003
Secured Promissory Note, 5.92%, due monthly to September, 2010.(i)	2,076	3,524
Secured Promissory Note, 5.45%, due monthly to May, 2013.	1,289	1,553
Former Credit Facility terminated in July, 2009 (variable interest rate, 7.0%)	17,833	23,000
Industrial Revenue Bond Obligation, 5.26%, due monthly to September, 2008.(i)	—	233
Secured Promissory Note, 7.00%, due March, 2010.	2,000	—
Secured Promissory Note, 7.63%, due semi-annually to March, 2014.	1,500	—
Secured Promissory Note, 7.00%, due September, 2009.	2,768	—
Unsecured Promissory Note, 10.00%, due monthly to July, 2010.	864	—
Capital Lease Obligations, 4.25% - 7.91%, due monthly to October, 2013.	1,448	180
Total	33,337	33,493
Less revolving credit facility	(17,833)	(23,000)
Less current maturities of long term debt	(3,147)	(432)
Less liabilities related to assets held for sale	(2,725)	(8,760)
Long-term debt	\$ 9,632	\$ 1,301

(i) Obligation included within "Liabilities related to assets held for sale."

5.26% Secured Promissory Note. On September 24, 2004, the Company borrowed \$9,795 from GE Capital Public Finance, Inc. ("GECFP"). The Company's obligation is evidenced by a promissory note bearing interest at 5.26 percent per annum and is payable in 83 consecutive monthly payments of \$140 and an 84th payment equal to the unpaid principal and interest, commencing November 1, 2004. The note may be prepaid at any time in its entirety with no prepayment premium.

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In connection with this note, the Company entered into a security agreement to secure the note. The security agreement grants a security interest in specified equipment located at the facility used by the Company in Kansas City, Kansas. Among other reasons, payment obligations under the note can be accelerated if any payment is not made within 10 days of its due date, if there is an event of default under the security agreement, if there is a breach under any other agreement with the lender or if there is a default under any other material obligation for borrowed money.

As referenced in Note 11 to the consolidated financial statements, at June 30, 2009, certain assets at the Kansas City facility were being held pending sale. On August 21, 2009, the Company sold these assets and paid an additional \$650 in principal on this note. Accordingly, \$650 of this note, for which a security interest in these assets was granted, has been classified as a current liability under “Liabilities related to assets held for sale.” For additional information, see Note 19 *Subsequent Events*.

5.92% Secured Promissory Note. On September 29, 2005, the Company borrowed \$7,000 from General Electric Capital Corporation (“GECC”). The Company’s obligation to GECC is evidenced by a promissory note bearing interest at 5.92% per annum and payable in monthly payments of \$135 with the final payment being adjusted for the remaining amount of outstanding principal and interest. The note may be prepaid at any time with no prepayment premium thereafter.

In connection with this note, the Company entered into a security agreement. The security agreement granted a security interest in all of the Company’s equipment located or to be located at the Company’s KCIT facility in Kansas City, Kansas

As further discussed in note 11 to the consolidated financial statements, at June 30, 2009, certain assets at the Company’s Kansas City facility were being held pending sale. On August 21, 2009, the Company sold these assets and paid the remaining balance due on this note. Accordingly, this note, for which a security interest in these assets was granted, has been classified as a current liability under “Liabilities related to assets held for sale.” For additional information, see Note 19 *Subsequent Events*.

5.45% Secured Promissory Note. On April 9, 2008, the Company, through its wholly-owned subsidiary, Firebird Acquisitions, LLC, (“Firebird Acquisitions”), borrowed \$1,600 from Commerce Bank, National Association (“Commerce Bank”) to finance the acquisition of a corporate aircraft. The Company’s obligation to Commerce Bank is evidenced by a promissory note bearing interest at 5.45% per annum and payable in equal monthly payments of \$31. The note may be prepaid in whole, but not in part, after the first anniversary of the Note, subject to the payment of a prepayment premium equal to 3% of the original principal amount if the note is prepaid after the first anniversary and declining to 1% for the final two years of the note. No prepayment penalty applies to any proceeds received from the sale of the Company’s previous corporate aircraft.

In connection with this note, the Company entered into a security agreement to secure the note. The security agreement grants a security interest in the acquired aircraft located at an aviation facility located in St. Joseph, Missouri.

Payment obligations under the note can be accelerated if any payment is not made within 10 days of its due date or if there is an event of default under the security agreement, including certain acts of bankruptcy or insolvency or defaults by the Company under any other obligations to Commerce Bank.

7% Secured Promissory Note to Cloud L. Cray Jr. Trust. On March 27, 2009, the Company borrowed \$2,000 from the Cloud L. Cray, Jr. Trust pursuant to a subordinated secured promissory note which, as amended, provides for interest at the rate of 7.0 percent per annum and the payment of principal and interest in a lump sum on March 27, 2011. The note is secured by mortgages on the Company’s Atchison and Pekin production facilities and by a security interest in substantially all of the Company’s personal property, other than accounts receivable, inventory, its interest in our German joint venture and equipment at the Kansas City facility. The note is subject to the provisions of subordination agreements between the Cloud L. Cray, Jr. Trust and Bank of Atchison, Wells Fargo Bank, National Association and Exchange National Bank & Trust Co. of Atchison. 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

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beneficial ownership interest in the common stock of the Company. Mr. Cray is also a voting trustee of the voting trust which owns a controlling interest in the Company’s preferred stock.

Secured Promissory Note, 7.63% to Union State Bank — Bank of Atchison. On March 31, 2009, the Company borrowed \$1,500 from Union State Bank — Bank of Atchison (“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 U.S. Treasury securities adjusted to a constant maturity of three years. The current interest rate on borrowings under the loan agreement is 7.63%. 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. 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. The Company’s CEO, Mr. Newkirk, is a director of Union State Bank.

7% Secured Promissory Note to Exchange National Bank & Trust Co of Atchison. On April 15, 2009, the Company borrowed \$2,800 from Exchange National Bank & Trust Co. of Atchison. 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, as amended, is due on July 5, 2010. The loan is secured by a 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 owns. 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 Co. of Atchison’s board.

10% Unsecured Promissory Note to Union Pacific. On May 4, 2009, the Company signed an unsecured note payable to Union Pacific for \$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.

5.26% Industrial Revenue Bond Obligation. Industrial development revenue bonds issued by The Unified Government of Wyandotte County, Kansas City, Kansas, provide for principal payments to bondholder of \$77 plus interest at 5.26 percent, which are due monthly. The bonds are secured by a security interest in the project as defined in the lease agreement. The last installment on the bonds was paid in September 2008.

Capital Lease Obligations. These were entered in connection with implementation of numerous information technology initiatives and other equipment purchases which have been funded under various capital lease agreements with rates ranging from 4.56% to 7.792%. These agreements have final maturities ranging from September 2010 to October 2013. Certain of these leases are secured.

Former Credit Facility. At June 30, 2009, the Company had a term loan facility (“former credit facility”) which, as amended, provided for a maximum of \$25,000 in borrowings, subject to borrowing base limitations. It was secured by substantially all of our personal property and real estate except for our Kansas City, Kansas facility, our leasehold interest in our new office building and technical center and our interest in our German joint venture. At June 30, 2009, there was \$17,833 in outstanding borrowings

and \$4,189 available under the former credit facility (after giving effect to borrowing base limitations). Borrowings bore interest at prime plus 3%, with prime being not less than the greater of 4%, the Commerce Bank, N.A.'s prime rate or the federal funds rate plus 1%. As of such date, the aggregate commitments under the former credit facility were to have reduced to \$7,500 on July 16, 2009, which date was subsequently extended to July 24, 2009. The former credit facility was to have terminated on September 3, 2009. During much of fiscal 2009 the Company was not able to maintain compliance with its debt covenants and as a result seven amendments to the former credit facility were executed.

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In addition to interest expense, during the fiscal year ended June 30, 2009 the Company incurred and expensed bank fees and other charges related to amendments of its former credit facility of approximately \$458

4.90% Industrial Revenue Bond Obligation. On December 28, 2006, the Company engaged in an industrial revenue bond transaction with the City of Atchison, Kansas pursuant to which the City (i) under a trust indenture, ("the Indenture"), issued \$7,000 principal amount of its industrial revenue bonds ("the Bonds") to the Company and used the proceeds thereof to acquire from the Company its newly constructed office building and technical innovations center in Atchison, Kansas, ("the Facilities") and (ii) leased the Facilities back to the Company under a capital lease ("the Lease"). The bonds mature on December 1, 2016 and bear interest, payable annually on December 1 of each year commencing December, 2007 at the rate of 4.90% per annum. Basic rent under the lease is payable annually on December 1 in an amount sufficient to pay principal and interest on the bonds. The Indenture and Lease contains certain provisions, covenants and restrictions customary for this type of transaction. In connection with the transaction, the Company agreed to pay the city an administrative fee of \$50 payable over 10 years.

The purpose of the transaction was to facilitate certain property tax abatement opportunities available to the Company related to the newly constructed facilities. The facilities acquired with bond proceeds will receive property tax abatements which terminate upon maturity of the Bonds on December 1, 2016. The issuance of the Bonds was integral to the tax abatement process. Financing for the Facilities was provided internally from the Company's operating cash flow. Accordingly, upon consummation of the transaction and issuance of the Bonds, the Company acquired all bonds issued for \$7,000, excluding transaction fees. As a result, the Company owns all of the outstanding Bonds. It is management's intention to hold these bonds to their maturity. Because the Company owns all outstanding bonds, management considers the debt de-facto cancelled and, accordingly, no amount for these Bonds is reflected as debt outstanding on the Balance Sheets as of June 30, 2009 or 2008.

On July 21, 2009, the Company entered into a new revolving Credit and Security Agreement with Wells Fargo Bank, National Association and refinanced its obligations under the former credit facility. For further information, See Note 19, *Subsequent Events*.

On July 21, 2009 the company entered into a restructuring agreement with Central Illinois Light Company ("CILCO") dated as of July 20, 2009 whereby the Company acknowledged that it owed CILCO \$11,614. This Note bears interest at 9.0%. For further information, See Note 19, *Subsequent Events*.

Leases and Debt Maturities. The Company leases railcars and other assets under various operating leases. For railcar leases, the Company is generally required to pay all service costs associated with the railcars. Rental payments include minimum rentals plus contingent amounts based on mileage. Rental expenses under operating leases with terms longer than one month were \$3,431, \$3,021 and \$2,711 for the years ended June 30, 2009 and 2008 and July 1, 2007, respectively. Minimum annual payments and present values thereof under existing debt maturities, capital leases and minimum annual rental commitments under non-cancelable operating leases are as follows: (*in thousands*)

	Long-Term Debt	Capital Leases			Total Debt	Operating Leases
		Minimum Lease Payments	Less Interest	Net Present Value		
2010	\$ 13,394	\$ 495	\$ 36	\$ 459	\$ 13,889	\$ 3,139
2011	9,836	450	17	433	10,286	2,212
2012	914	273	3	270	1,187	1,902
2013	476	218	1	217	694	1,590
2014	1,050	69	1	68	1,114	981
Thereafter	—	—	—	—	—	2,021
Total	\$ 25,670	\$ 1,505	\$ 58	\$ 1,447	\$ 27,175	\$ 11,845

(see subsequent events, Note 19, for CILCO note and other debt entered into in July 2009)

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NOTE 4: INCOME TAXES

The provision (benefit) for income taxes is comprised of the following: (*in thousands*)

Years ended,	June 30, 2009	June 30, 2008	July 1, 2007
Current:			
Federal	\$ (6,800)	\$ (7,229)	\$ 8,804
State	\$ (133)	\$ (131)	\$ 985
	\$ (6,933)	\$ (7,360)	\$ 9,789
Deferred:			
Federal	(8,815)	675	209
State	2,960	(5,166)	(84)
	(5,855)	(4,491)	125
Total	\$ (12,788)	\$ (11,851)	\$ 9,914

A reconciliation of the provision for income taxes at the normal statutory federal rate to the provision included in the accompanying consolidated statements of income is shown below: (*in thousands*)

Years ended,	June 30, 2009	June 30, 2008	July 1, 2007
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"Expected" provision at federal statutory rate	\$	(28,598)	\$	(8,258)	\$	9,633
State income taxes		(3,801)		(1,278)		1,554
State tax credits		(107)		(170)		(1,229)
Change in valuation allowance		19,818		(1,996)		418
Other		(100)		(149)		(462)
Provision for income taxes	\$	(12,788)	\$	(11,851)	\$	9,914
Effective tax rate		15.6 %		50.2 %		36.1 %

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets are as follows: *(in thousands)*

	June 30, 2009	June 30, 2008
Deferred tax assets:		
Post-retirement liability	\$ 3,426	\$ 3,119
Deferred income	2,445	2,888
Stock based compensation	1,052	1,445
Federal operating loss carryforwards	17,628	—
State tax credits	3,018	3,051
State operating loss carryforwards	6,800	1,941
Other	6,421	2,720
Less: valuation allowance	(20,443)	—
Gross deferred tax assets	20,347	15,164
Deferred tax liabilities:		
Fixed assets	(15,763)	(18,272)
Hedging transactions	—	(2,003)
Other	(4,584)	(2,125)
Gross deferred tax liabilities	(20,347)	(22,400)
Net deferred tax liability	\$ —	\$ (7,236)

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The above net deferred tax liability is presented on the consolidated balance sheets as follows: *(in thousands)*

	June 30, 2009	June 30, 2008
Deferred tax asset - current	\$ 1,218	\$ 394
Deferred tax liability - long-term	(1,218)	(7,630)
Net deferred tax liability	\$ —	\$ (7,236)

The amount of income taxes that the Company pays is subject to ongoing audits by federal and state taxing authorities. The Company was under exam by the IRS for its tax years ended June 30, 2005 and June 30, 2006. The Company was also under exam by the State of Illinois related to its tax years ended June 30, 2006 through June 30, 2007. The Company believes that it has adequately provided for any reasonably foreseeable outcome related to these matters. However, future results may include favorable or unfavorable adjustments to estimated tax liabilities in the period the assessments are made or resolved.

The Company establishes a valuation allowance against certain deferred tax assets if management believes, based on its assessment of historical and projected operating results and other available facts and circumstances, that it is more-likely-than-not that all or a portion of the deferred tax assets will not be realized. Management reassessed the need for a valuation allowance for its deferred tax assets. It was determined that a full valuation allowance was appropriate on its net deferred tax assets of \$20,443 at June 30, 2009.

As of June 30, 2009, the Company had approximately \$50,400 and \$94,300 of federal and state net operating loss carryforwards, respectively. The federal net operating loss will expire before the end of fiscal year 2028. Due to varying state carryforward periods, the state net operating losses will expire between fiscal years 2013 and 2029. The Company also has state tax credit carryforwards of approximately \$3,000. The state tax credits will expire in varying periods through fiscal year 2015.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB No. 109" ("FIN 48"), clarifies the accounting for uncertainty in income taxes by defining criteria that a tax position on an individual matter must meet before the tax benefit of that position is recognized in the financial statements.

The Company adopted the provisions of FIN 48 on July 2, 2007. In accordance with the recognition standards established by FIN 48, the Company performed a comprehensive review of potential uncertain tax positions in each jurisdiction in which the Company operates. As a result of the Company's review, the Company adjusted the carrying amount of the liability for unrecognized tax benefits resulting in a net increase to retained earnings of \$59. The Company's gross liability for unrecognized tax benefits (excluding interest and penalties) was \$1,300 as of July 2, 2007 of which \$783 would impact the effective tax rate if recognized.

As of June 30, 2009, the total gross amount of unrecognized tax benefits (excluding interest and penalties) was \$124, all of which would impact the effective tax rate, if recognized. As of June 30, 2008, the total gross amount of unrecognized tax benefits (excluding interest and penalties) was \$1,100. The amount of the Company's liability for uncertain tax benefits at June 30, 2008 that would impact the effective tax rate, if recognized, was \$776.

The Company has elected to treat interest and penalties related to tax liabilities as a component of income tax expense. During the year ended June 30, 2009, the Company recorded a net decrease in interest and penalties accrued under FIN 48 of approximately \$177 and \$31, respectively, as a component of income tax expense. Accrued interest and penalties were \$49 and \$13, respectively, as of June 30, 2009.

The following is a reconciliation of the total amount of unrecognized tax benefits (excluding interest and penalties) for the fiscal years ended June 30, 2008 to June 30, 2009 (dollars in thousands):

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	June 30, 2009	June 30, 2008
Beginning of year balance	\$ 1,053	\$ 1,284
Additions for tax positions of prior years	—	432
Decreases for tax positions of prior years	(647)	(208)
Additions for tax positions of the current year	92	129
Settlements with taxing authorities	—	(79)
Lapse of applicable statute of limitations	(374)	(505)
End of year balance	\$ 124	\$ 1,053

The Company's 2005 through 2009 Federal and state income tax returns are open to examination.

NOTE 5: CAPITAL STOCK

Common Stock shareholders are entitled to elect four of the nine members of the Board of Directors, while Preferred Stock shareholders are entitled to elect the remaining five members. Common Stock shareholders are not entitled to vote with respect to a merger, dissolution, lease, exchange or sale of substantially all of the Company's assets, or on an amendment to the Articles of Incorporation, unless such action would increase or decrease the authorized shares or par value of the Common or Preferred Stock, or change the powers, preferences or special rights of the Common or Preferred Stock so as to affect the Common Stock shareholders adversely. Generally, Common Stock shareholders and Preferred Stock shareholders vote as separate classes on all other matters requiring shareholder approval. A majority of the outstanding shares of the company's preferred stock is held by the MGP Ingredients Voting Trust. The beneficial interests in the voting trust are held by the Cray Family Trust. The trustees of the MGP Ingredients Voting Trust and the Cray Family Trust are Cloud L. Cray, Jr., Richard B. Cray and Laidacker M. Seaberg.

NOTE 6: COMMITMENTS

The Company purchases its corn requirements for its Atchison plant through a single elevator company. If the Company fails to purchase 13 million bushels each 12 months, it must pay the elevator company \$0.02 per bushel for each bushel less than 13 million purchased. The elevator company may terminate if the Company fails to purchase specified minimums, in which case the Company would be obligated to pay the elevator company \$260 plus its costs incurred in contracting for delivery of corn purchased for the Company pursuant to previously issued Company delivery orders. The Company has complied with its commitment under this agreement.

NOTE 7: EMPLOYEE BENEFIT PLANS

Employee Stock Ownership Plans. The Company and its subsidiaries have employee stock ownership plans covering all eligible employees after certain eligibility requirements are met. There were no contributions to the plans for the year ended June 30, 2009. Contributions to the plans totaled \$710 and \$942 for the years ended June 30, 2008 and July 1, 2007, respectively. Contributions are made in the form of cash and/or additional shares of common stock.

401(k) Profit Sharing Plans. The Company and its subsidiaries have established 401(k) profit sharing plans covering all employees after certain eligibility requirements are met. There were no contributions to the plans for the year ended June 30, 2009. Contributions to the plans totaled \$599 and \$1,744 for the years ended June 30, 2008 and July 1, 2007, respectively.

Defined Benefit Retirement Plan. The Company sponsors two funded, noncontributory qualified defined benefit pension plans, which covers substantially all union employees. The benefits under this pension plan are based upon years of qualified credited service. The Company's funding policy is to contribute annually not less than the regulatory minimum and not more than the maximum amount deductible for income tax purposes. The

Company has contributed \$787 to the plans during fiscal 2009. Additionally, the Company has contributed \$69 to the 401(k) plans of the Atchison participants consistent with their collective bargaining agreement. In determining the rate of return on assets, we consider long-term average rates experienced.

Post-Retirement Benefit Plan. The Company sponsors an unfunded, contributory qualified plan that provides life insurance coverage as well as certain health care and medical benefits including prescription drug coverage to certain retired employees. This post-retirement benefit plan is contributory and provides benefits to retirees and their spouses. Contributions are adjusted annually. The plan contains fixed deductibles, coinsurance and out-of-pocket limitations. The life insurance segment of the plan is noncontributory and is available to retirees only. The liability for such benefits is unfunded as it is the Company's policy to fund benefits payable as they come due. In the year ended June 30, 2008, the Company converted to a June 30 measurement date for the plan. An adjustment of \$60 has been made to retained earnings to reflect the change in measurement date. The Company expects to contribute approximately \$752 to the plan in fiscal year 2010. In determining the discount rate, we consider the rates of return on long-term, high-quality fixed income investments using the Citigroup Pension Liability Index as of June 30, 2009.

In September 2006, the Financial Accounting Standards Board ("FASB") released Statement of Financial Accounting Standards Statement No. 158 ("SFAS 158"), Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R). SFAS 158 requires the Company to recognize in its statement of financial position an asset for a defined benefit postretirement plan's over funded status or a liability for a plan's under-funded status. This section of the standard became effective for the Company as of the end of its fiscal year ended on July 1, 2007. The statement also eliminates the option of using a measurement date prior to the Company's fiscal year-end, effective June 30, 2009.

The amount in accumulated other comprehensive income expected to be recognized as components of net period benefit cost during fiscal year 2010 is approximately \$34. The status of the Company's plans at June 30, 2009 and 2008, respectively, was as follows: (*in thousands*)

	Defined Benefit Retirement Plan		Post-Retirement Benefit Plan	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Change in benefit obligation				
Beginning of year	\$ 3,039	\$ 2,279	\$ 7,697	\$ 7,658
Service cost	564	528	301	268
Interest cost	194	138	498	505
Actuarial (gain) loss	122	127	855	(297)
Benefits paid	(230)	(33)	(552)	(437)
Benefit obligation at end of year	\$ 3,689	\$ 3,039	\$ 8,799	\$ 7,697

The following table shows the change in plan assets based on the Fiscal 2009 measurement dates *(in thousands)*

	Defined Benefit Retirement Plan		Post-Retirement Benefit Plan	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Fair value of plan assets at beginning of period	\$ 2,193	\$ 1,653	\$ —	\$ —
Actual return on plan assets	(522)	(93)	—	—
Employer contributions	787	666	—	—
Benefits paid	(230)	(33)	—	—
Fair value of plan assets at end of period	\$ 2,228	\$ 2,193	\$ —	\$ —

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Assumptions used to determine accumulated benefit obligations as of the year-end were:

	Defined Benefit Retirement Plan		Post-Retirement Benefit Plan	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Discount rate	6.29 %	6.41 %	6.23 %	6.41 %
Average compensation increase	0.00 %	0.00 %	4.50 %	4.50 %
Measurement date	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008

Assumptions used to determine net benefit cost for the years ended June 30, 2009 and 2008 were:

	Defined Benefit Retirement Plan		Post-Retirement Benefit Plan	
	2009	2008	2009	2008
Expected return on assets	7.00 %	7.00 %	—	—
Discount rate	6.41 %	6.10 %	6.41 %	6.10 %
Average compensation increase	0.00 %	0.00 %	4.50 %	4.50 %
Measurement date	June 30, 2008	June 30, 2007	June 30, 2008	May 31, 2007

Components of net periodic benefit cost are as follows: *(in thousands)*

Years ended,	Defined Benefit Retirement Plan			Post-Retirement Benefit Plan		
	June 30, 2009	June 30, 2008	July 1, 2007	June 30, 2009	June 30, 2008	July 1, 2007
Service cost	\$ 564	\$ 528	\$ 520	\$ 301	\$ 268	\$ 244
Interest cost	194	138	101	498	505	461
Expected return on assets	(175)	(138)	(100)	—	—	—
Amortization of unrecorded prior service cost	25	25	25	(37)	(39)	(36)
Other amortization	16	(5)	(11)	20	46	30
Total	\$ 624	\$ 548	\$ 535	\$ 782	\$ 780	\$ 699

A reconciliation of the funded status of the plans with amounts recorded in the Consolidated Balance Sheets is as follows: *(in thousands)*

	Defined Benefit Retirement Plan	
	As of June 30, 2009	As of June 30, 2008
Fair value of plan assets:	\$ 2,228	\$ 2,193
Benefit obligations:	3,689	3,039
Funded status (plan assets less benefit obligations)	(1,461)	(846)
Amounts not recognized:		
Unrecognized net (gain) / loss:	1,073	270
Unrecognized prior service cost:	134	158
Unrecognized transition liability	—	—
Accrued benefit cost	\$ (254)	\$ (418)

The following amounts have been recognized in the Consolidated Balance Sheet: *(in thousands)*

	Defined Benefit Retirement Plan	
	As of June 30, 2009	As of June 30, 2008
Accrued benefit cost	\$ 254	\$ 418
Intangible assets	—	—
Accumulated Other Comprehensive Income	1,207	428
Net amount recognized	\$ 1,461	\$ 846

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The assumed average annual rate of increase in the per capita cost of covered benefits (health care cost trend rate) is as follows:

Years ended,	Post-Retirement Benefit Plan	
	June 30, 2009	June 30, 2008
Health care cost trend rate	8.50 %	8.50 %
Ultimate trend rate	6.00 %	6.00 %
Year rate reaches ultimate trend rate	2020	2019

A one percentage point increase (decrease) in the assumed health care cost trend rate would have increased (decreased) the accumulated benefit obligation by \$511

(\$456) at June 30, 2009, and the service and interest cost would have increased (decreased) by \$71 (\$62) for the year then ended.

As of June 30, 2009, the following benefit payments (net of Medicare Part D subsidiary for Post-Retirement Benefit Plan Payments), which reflect expected future service, as appropriate, are expected to be paid to plan participants: *(in thousands)*

	Expected Defined Benefit Retirement Plan Payments	Expected Post-Retirement Benefit Plan Payments
2010	\$ 42	\$ 752
2011	76	763
2012	121	784
2013	148	729
2014	178	664
2015-2019	1,553	3,697
Total	\$ 2,118	\$ 7,389

The weighted average asset allocation by asset category is as follows: *(in thousands)*

Asset Category	Defined Benefit Retirement Plan	
	As of June 30, 2009	As of June 30, 2008
Equity Securities	54 %	62 %
Debt Securities	37 %	34 %
Real Estate	0 %	0 %
Other	9 %	4 %
Total	100 %	100 %

Equity-Based Compensation Plans. The Company has five equity-based compensation plans, the Stock Incentive Plan of 2004 (the “2004 Plan”), the Stock Incentive Plan of 1996 (the “1996 Plan”), the Stock Option Plan for Outside Directors (the “Directors Option Plan”), the 1998 Stock Incentive Plan for Salaried Employees (the “Salaried Plan”) and the Non-Employee Directors’ Restricted Stock Plan (the “Directors’ Stock Plan”). These Plans permit the issuance of stock options, stock appreciation rights and/or stock awards to salaried employees and outside directors of the Company.

Stock Options. Under the 2004 Plan, the Company may grant incentives (including stock options and restricted stock awards) for up to 980,000 shares of the Company’s common stock to salaried, full time employees, including executive officers. The term of each award generally is determined by the committee of the Board of Directors charged with administering the 2004 Plan. Under the terms of the 2004 Plan, any options granted will be nonqualified stock options, must be exercisable within ten years and must have an exercise price which is not less than the fair value of the Company’s common stock on the date of the grant. As of June 30, 2009, no stock options and 881,934 restricted stock awards (net of forfeitures) had been granted under the 2004 Plan. Under the 1996 Plan,

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the Company was authorized to grant incentives for up to 1,200,000 shares of the Company’s common stock to key employees. The term of each award was determined by the committee of the Board of Directors charged with administering the 1996 Plan. Under the terms of the 1996 Plan, options granted could be either nonqualified or incentive stock options and the exercise price could not be less than the fair value of the Company’s common stock on the date of the grant. On January 31, 2006, the period in which the Company could grant incentives expired and no further options may be granted. At June 30, 2009, the Company had outstanding incentive stock options to purchase 231,500 shares, all of which were exercisable. The options have ten-year terms and have exercise prices equal to fair market value on the date of grant.

Under the Directors Option Plan, each non-employee or “outside” director of the Company received on the day after each annual meeting of stockholders an option to purchase 2,000 shares of the Company’s common stock at a price equal to the fair market value of the Company’s common stock on such date. Options became exercisable on the 184th day following the date of grant and expired no later than ten years after the date of grant. Subject to certain adjustments, a total of 180,000 shares were reserved for annual grants under the Plan. The Plan expired in 2006 and no further options may be granted under it. At June 30, 2009, the Company had outstanding options to purchase 28,000 shares, all of which were exercisable as of June 30, 2009.

Under the Salaried Plan, the Company was authorized to grant stock incentives for up to 600,000 shares of the Company’s common stock to full-time salaried employees. The Salaried Plan provides that the amount, recipients, timing and terms of each award be determined by the Committee of the Board of Directors charged with administering the Salaried Plan. Under the terms of the Salaried Plan, options granted could be either nonqualified or incentive stock options and the exercise price could not be less than the fair value of the Company’s common stock on the date of the grant. At June 30, 2009, the Company had outstanding incentive stock options on 17,100 shares, all of which were exercisable. These options have ten-year terms and have exercise prices equal to fair market value of the Company’s common stock as of the date of grant. On March 5, 2008 the period in which the Company could make awards under the Plan expired and no further awards may be made under the Plan.

The fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model. For the years ended June 30, 2009, June 30, 2008 and July 1, 2007, no options have been granted.

A summary of the status of stock options awarded under the Company’s stock option plans as of June 30, 2009, June 30, 2008 and July 1, 2007 and changes during the years then ended is presented below:

	2009		2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	421,795	\$ 5.30	509,020	\$ 5.53	578,850	\$ 5.43
Granted	—	—	—	—	—	—
Cancelled/Forfeited	(145,195)	5.32	(22,180)	6.73	—	—
Exercised	—	—	(65,045)	6.60	(69,830)	4.70
Outstanding at end of year	276,600	\$ 5.28	421,795	\$ 5.30	509,020	\$ 5.53

During the years ended June 30, 2009, June 30, 2008 and July 1, 2007, the total intrinsic value of stock options exercised was \$0, \$193 and \$1,479, respectively. Since no options were exercised, cash received and the income tax benefit from stock option exercises for the year ended June 30, 2009 aggregated \$0.

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Outstanding options are comprised as follows:

	Shares	Exercise Price	Remaining Contractual Lives (Years)	Shares Exercisable at June 30, 2009
The 1996 Plan	27,500	3.63	4.00	27,500
	66,000	6.45	3.00	66,000
	20,000	5.95	2.50	20,000
	50,000	4.65	2.00	50,000
	20,000	4.65	1.50	20,000
	48,000	4.00	.50	48,000
Salaried Plan	2,500	5.95	2.50	2,500
	4,350	4.65	1.50	4,350
	10,250	4.00	.50	10,250
Directors' Plan	10,000	10.45	6.25	10,000
	8,000	9.09	5.25	8,000
	2,000	4.38	4.25	2,000
	2,000	3.25	3.25	2,000
	2,000	5.58	2.25	2,000
	2,000	4.82	1.25	2,000
	2,000	4.50	.25	2,000
Total	276,600			276,600

At June 30, 2009, the aggregate intrinsic value of stock options outstanding and exercisable was \$0.

Restricted Common Stock. The Company's equity based compensation plans provide for the awarding of shares of restricted common stock ("restricted stock") for senior executives and salaried employees as well as outside directors. As of June 30, 2009, 881,934 shares of restricted common stock (net of forfeitures) have been awarded from shares available under the Company's long-term incentive plans. Compensation expense related to these awards is based on the market price of the stock on the date the Board of Directors approved the program and is amortized over the vesting period of the restricted stock award. For the years ended June 30, 2009, June 30, 2008 and July 1, 2007, the Company recorded compensation expense related to all outstanding restricted stock awards that remained unvested of \$(7), \$1,476 and \$1,021, respectively.

Under programs approved by the Company's Board of Directors annually in fiscal years 2004 through 2007, shares of restricted stock were awarded to senior executives and other employees under plans in which they were eligible. These annual programs provide for the accelerated vesting of restricted stock after three fiscal years if the Company achieves certain specific operating and financial objectives over such period. If the objectives are not met, the program provides for the vesting of the restricted stock at the end of the seventh fiscal year of the restricted stock award. Accelerated or partial vesting may be permitted upon a change of control or if employment is terminated as a result of death, disability, retirement or termination without cause. For the year ended July 1, 2007, the Company awarded 132,960 shares at a fair value of \$21.45 per share.

The Company has implemented a new restricted stock program which is administered under the Company's 2004 Stock Incentive Plan and under which amounts awarded are based in part on improvements to MEP (as defined below under Annual Cash Incentive plan). Under the program, subject to the availability of shares under the 2004 Stock Incentive Plan, restricted stock awards are made each year and generally are based on a percentage (approximately 85.7 percent) of the increase in MEP over the prior year. However, the maximum grant date market value of the awards made for any year to all participants is \$4,500 and the minimum grant date market value made in any year to all participants, including years in which the change in MEP is negative, is \$1,500. Shares awarded vest in 5 years and pay dividends during the vesting period. Provisions for forfeiture and accelerated and pro rata vesting generally are similar to those under the guidelines for the Company's outstanding performance accelerated restricted stock awards. An award of 296,441 shares valued at \$1,500 on the grant date was made on August 28, 2008, based on fiscal 2008 performance, and an award of 378,250 shares valued at \$1,135 was made on

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June 11, 2009, based on fiscal 2009 performance. Shares with a value of less than \$1,500 were awarded with respect to fiscal 2009 due to the unavailability of shares under the 2004 Stock Incentive Plan.

Under the Directors' Stock Plan, which was approved by stockholders at the 2006 Annual Meeting, the Company may grant incentives for up to 75,000 shares of the Company's common stock to outside directors. The plan allows for grants to be made on the first business day following the date of each annual meeting of stockholders, whereby each non-employee director is awarded shares of restricted stock with a fair market value of \$12,500, as determined on such first business day following the annual meeting. The shares awarded become fully vested upon the occurrence of one of the following events (1) the third anniversary of the award date, (2) the death of the director, or (3) a change in control, as defined in the Plan. The Human Resources and Compensation Committee may allow accelerated vesting in the event of specified terminations. As of June 30, 2009, 50,967 shares of restricted common stock have been awarded from shares available under the plan. For the year ended June 30, 2009, the Company awarded 36,918 shares at a fair value of \$2.37 per share. Compensation expense related to these awards is based on the market price of the stock on the date the shares are awarded and is amortized over the vesting period of the restricted stock award. For fiscal 2009, the Company recorded compensation expense related to these restricted stock awards of \$80.

A summary of the status of restricted stock awarded under the Company's restricted stock plans at June 30, 2009, June 30, 2008 and July 1, 2007 and changes during the years then ended is presented below:

	2009		2008		2007	
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
Nonvested balance at beginning of year	235,855	\$ 13.62	223,564	\$ 15.35	204,743	\$ 8.76
Granted	869,941	4.62	9,975	8.79	137,034	21.45
Forfeited	(115,736)	8.57	(17,797)	13.33	(30,157)	9.27
Vested	(57,159)	3.76	20,113	3.48	(88,056)	11.60
Nonvested balance at end of year	932,901	\$ 6.45	235,855	\$ 13.62	223,564	\$ 15.35

During the years ended June 30, 2009, June 30, 2008 and July 1, 2007, the total fair value of restricted stock awards vested was \$215, \$70 and \$1,021, respectively. As of June 30, 2009 there were \$4,014 of total unrecognized compensation costs related to stock awards. These costs are expected to be recognized over a weighted average period of 2.11 years.

Annual Cash Incentive Plan. Beginning in the 2008 fiscal year, the Company has implemented a new annual cash incentive plan based upon modified economic profit ("MEP"). MEP equals income from operations, net of taxes, less the product of total capital employed in the business multiplied by the estimated cost of capital, which for purposes of the new program is 11 percent. Total capital represents current assets (excluding cash) less current liabilities plus the book value of property, plant and equipment, plus goodwill and other long-term assets. The Company includes amounts payable under annual awards in determining income from operations. The Board of Directors approved a five-year annual cash incentive plan, whereby annual awards are based on improvements in MEP. The Board has established a targeted annual growth rate for MEP ("Target") of \$3,150. Additionally, there was a starting hypothetical bonus pool amount ("available pool amount") of \$10,500, which amortizes in equal increments over five years. Although it is anticipated that the annual growth rate will be the same for each year of the program, the Company's compensation committee may change the targeted growth rate from year-to-year. The compensation committee may also determine whether any non-recurring or extraordinary items will be included in income from operations.

In a year in which the change in MEP from the prior year is positive yet less than the Target amount, participants will receive an incentive payment equal to the change in MEP plus 1/3 of the available pool amount, less the amortized amount. In a year in which the change in MEP from the prior year is positive and also greater than the

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Target, the amount of MEP in excess of the Target amount will be added to the available pool amount and the incentive payment will equal the Target amount plus 1/3 of the available pool amount, less the amortized amount. In a year in which the change in MEP from the prior year is negative, the available pool amount will be reduced by the amount of the negative change in MEP, not to exceed the Target amount, and the incentive payment, if any, will equal 1/3 of the remaining available pool amount, less the amortized amount. The compensation committee must approve and may adjust any award prior to payment. For the year ended June 30, 2009, no amount was accrued since the incentive amount was less than the amortized amount.

NOTE 8: GAIN ON SETTLEMENT OF LITIGATION

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. For the first and second quarters of Fiscal 2008, the Company incurred professional fees of \$568 and \$386, respectively, related to this litigation. These amounts have 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.

NOTE 9: RESTRUCTURING COSTS AND LOSS ON IMPAIRMENT OF ASSETS

In response to the losses incurred during fiscal 2009, actions were taken 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 during the year ended June 30, 2009. Amounts for such charges included in results for the year ended June 30, 2009 were as follows: *(in thousands)*

	Total
Impairment of long lived assets	\$ 10,282
Loss on Natural Gas Contract	7,642
Severance and early retirement costs	3,288
Other restructuring costs	5,241
Total	\$ 26,453

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 Consolidated Statements related to the Pekin protein and starch assets.

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 costs.

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.

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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 June 30, 2009, management performed an additional impairment test of these assets and recorded an additional impairment charge of \$1,351. On August 21, 2009, the Company completed the sale of its Kansas City, Kansas facility for \$3,585. See note 19 *Subsequent Events*.

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 June 30, 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.

With the changes effected at the Company's Pekin plant, commitments for the purchase of natural gas through the remainder of the year ended June 30, 2009 under a single contract for the Pekin plant were in excess of projected consumption. Accordingly, the Company settled such commitments for the difference between the prices to which it committed to and the market price of natural gas upon settlement. The Company recorded a charge of \$7,642 for the year ended June 30, 2009 to cost of sales for losses realized upon settlement of this contract.

On January 29, 2009, the Company temporarily shut down its Pekin, Illinois plant. On March 31, 2009, the Company announced that it was considering its strategic options. Management has performed an impairment analysis of the Pekin plant as of June 30, 2009 and has determined that no further impairment charge related to the Pekin plant was warranted based upon management's assumption that the Company expects to implement a strategic option with respect to this facility in the next year and upon management's expectation of value to be realized upon sale. The Company is presently exploring its strategic alternatives for our Pekin facility, which include reopening it on a joint venture basis to produce fuel and food grade alcohol, reopening on its own or on a joint venture basis to produce food grade alcohol, selling it or continuing to hold it.

NOTE 10: WRITE-OFF OF FIXED ASSETS

For the year ended June 30, 2008, the Company undertook a review of its property, plant and equipment records in order to identify assets that were no longer in service or had been abandoned in place. The focus of this review was identifying assets that were fully depreciated to determine the propriety of continued inclusion within the property, plant and equipment records. In performing its review, management considered such factors as salvage values, current asset implementation and potential future asset implementation. Upon completion of this review, management noted assets with a cost of approximately \$30,000 and related accumulated depreciation of approximately \$28,500 that had been abandoned or were no longer in active service. Accordingly, a charge to operating earnings of \$1,500 was recorded for the year ended June 30, 2008.

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NOTE 11: ASSETS HELD FOR SALE

Based upon changes in management's strategic plan, changes in assets held for sale from June 30, 2008 to June 30, 2009 are shown below.

	June 30, 2008	Kansas City Assets returned to service in second quarter fiscal 2009	Kansas City assets held for sale fourth quarter fiscal 2009	Pekin plant assets held for sale third quarter fiscal 2009.	June 30, 2009
Property and equipment, at cost(1)	\$ 12,490	\$ (7,379)	\$ 6,567	\$ 146,118	\$ 157,796
Less accumulated depreciation	(6,890)	4,316	(5,775)	(117,067)	(125,416)
Assets held for sale, net	<u>\$ 5,600</u>	<u>\$ (3,063)</u>	<u>\$ 792</u>	<u>\$ 29,051</u>	<u>\$ 32,380</u>

- (1) Kansas City Assets at cost further adjusted for the \$811 impairment charge recorded in 2nd quarter 2009 and the \$1,351 impairment charge recorded in 4th quarter 2009.

NOTE 12: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Defined benefit pension and post-retirement benefit obligations. The Company accrues amounts for defined benefit pension and post-retirement benefit obligations as discussed in Note 8. An accrual of \$1,461 for defined benefit pension obligations and \$8,799 for post-retirement benefit obligations is included in the accompanying 2009 financial statements. Claim payments and pension obligations based upon actual experience could ultimately differ materially from these estimates.

Inventory valuation. The Company has recorded the carrying value of its inventories at the lower of cost or market based upon management estimates. Actual results could differ significantly in the near term.

Impairment. The Company reviews long-lived assets, mainly equipment, for impairment at year end or if events or circumstances indicate that usage may be limited and carrying values may not be recoverable. Should events indicate the assets cannot be used as planned, the realization from alternative uses or disposal is compared to the carrying value. If an impairment loss is measured, this estimate is recognized. Considerable judgment is used in these measurements, and a change in the assumptions could result in a different determination of impairment loss and/or the amount of any impairment. The Company recognized a non-cash impairment loss of \$10,282 and \$8,100 during the years ended June 30, 2009 and 2008, respectively. The Company may incur further impairment losses with respect to these assets if the assumptions that it made when it performed its analysis prove to be incorrect or if it determines that it needs to change its assumptions. See Note 1, *Long Lived Assets* and Note 9, *Restructuring Costs and Loss on Impairment of Assets*.

Significant customers. For the year ended June 30, 2009, the Company had sales to 1 customer accounting for approximately 10 percent of consolidated net sales. In addition, during the fiscal year ended June 30, 2009 the Company's 10 largest customers accounted for approximately 40% of consolidated net sales. For the year ended June 30, 2008, the Company had no customers with sales greater than 10 percent of consolidated sales.

Workforce subject to collective bargaining. As of June 30, 2009, the Company had 322 employees, 180 of whom are covered by collective bargaining agreements with one labor union. One agreement, ratified on July 15, 2009, covers 100 employees at the Atchison Plant and expires August 31, 2014. Another agreement, which expires on October 31, 2011, covers 61 employees at the Pekin plant. A collective bargaining agreement with employees at the Company's Kansas City facility covers 19 employees and expires on September 25, 2009. As of June 30, 2008, the Company had 482 employees.

Tax Valuation Allowance. The Company establishes a valuation allowance against certain deferred tax assets if management believes, based on its assessment of historical and projected operating results and other

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available facts and circumstances, that it is more-likely-than-not that all or a portion of the deferred tax assets will not be realized. Management reassessed the need for a valuation allowance for its deferred tax assets. It was determined that a full valuation allowance was appropriate on its net deferred tax assets of \$20,443 at June 30, 2009.

NOTE 13: OPERATING SEGMENTS

The Company's operations are classified into three reportable segments: ingredient solutions, distillery products and other. Ingredient solutions consist of specialty starches and proteins, commodity starch and vital wheat gluten. Mill by-products, consisting primarily of mill feeds or "midds," have also been included in this segment but have been discontinued with the shutdown of our wheat flour milling operations at the Atchison, Kansas plant in the second quarter of fiscal 2009. The distillery products segment consists of food grade alcohol, along with fuel grade alcohol, commonly known as ethanol, and distillers feed, which are co-products of our distillery operations. The other segment products are comprised of resins and plant-based polymers and composites manufactured through the further processing of certain of our proteins and starches and wood.

For the quarter ended September 30, 2008, 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 all prior periods. Accordingly, amounts previously disclosed as earnings (loss) before income taxes for all prior periods have been adjusted to reflect these changes.

Operating profit (loss) for each segment is based on net sales less identifiable operating expenses. Interest expense, investment income and other general miscellaneous expenses have been excluded from segment operations and classified as Corporate. Receivables, inventories and equipment have been identified with the segments to which they relate. All other assets are considered as Corporate.

Years Ended, (in thousands)	June 30, 2009	June 30, 2008	July 1, 2007
Sales to Customers			
Ingredient solutions	\$ 80,133	\$ 100,994	\$ 67,791
Distillery products	190,862	285,738	294,393
Other	4,981	6,161	5,810
Total	\$ 275,976	\$ 392,893	\$ 367,994
Depreciation			
Ingredient solutions	\$ 3,022	\$ 3,724	\$ 5,064
Distillery products	7,095	8,111	6,883
Other	246	1,340	1,323
Corporate	1,583	1,997	1,197
Total	\$ 11,946	\$ 15,172	\$ 14,467
Income (loss) before Income Taxes			
Ingredient solutions	\$ (6,720)	\$ (7,554)	\$ (242)
Distillery products	(24,367)	10,501	45,687
Other	40	(3,641)	(2,371)
Corporate	(24,411)	(20,299)	(15,594)
Gain on settlement on litigation(1)	—	7,046	—
Impairment of long-lived assets(1)	(10,282)	(8,100)	—
Severance and early retirement costs(1)	(3,288)	—	—
Other restructuring costs(1)	(5,241)	—	—
Loss on natural gas contract(1)	(7,642)	—	—
Write-off of fixed assets(1)	—	(1,546)	—
Total	\$ (81,911)	\$ (23,593)	\$ 27,480
Identifiable Assets			
Ingredient solutions	\$ 36,204	\$ 72,935	
Distillery products	56,535	121,650	
Other	1,873	2,969	
Assets held for sale	32,380	5,600	
Corporate	18,140	19,914	
Total	\$ 145,132	\$ 223,068	

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Information about the Company's revenues and assets by geographic area is as follows:

Revenues, (in thousands)	June 30, 2009	June 30, 2008	July 1, 2007
United States	\$ 253,349	\$ 374,501	\$ 354,884
Japan(ii)	15,047	12,028	8,206
Canada	2,633	1,588	1,563
EU	1,310	2,131	1,411
Other	3,637	2,645	1,930
Total	\$ 275,976	\$ 392,893	\$ 367,994
Assets, (in thousands)	June 30, 2009	June 30, 2008	
United States	\$ 144,894	\$ 222,669	
EU	238	399	
Total	\$ 145,132	\$ 223,068	

- (i) MGPI's management reporting does not assign or allocate special charges to the Company's operating segments. For purposes of comparative analysis, the gain on the settlement of litigation, loss on impairment of long-lived assets, severance and early retirement costs, other restructuring costs, loss on natural gas contract and the write-off of assets recognized for the years ended June 30, 2009 and 2008 have been excluded from our segments.

- (ii) Substantially all of the Company's sales in Japan are to one customer.

NOTE 14: SUPPLEMENTAL CASH FLOW INFORMATION

Years Ended, (in thousands)	June 30, 2009	June 30, 2008	July 1, 2007
Non-cash investing and financing activities:			
Purchase of property and equipment in Accounts Payable	\$ 430	\$ 465	\$ 1,127
Purchase of property and equipment and other assets in capital leases	1,436	—	1,206
Reclassification of assets held for sale from property, plant and equipment	27,979	5,600	—
Reclassification of liabilities related to assets held for sale from long-term debt and current portion, long-term debt	—	11,325	—
Additional cash payment information:			
Interest paid, net of amount capitalized	2,733	1,181	203
Income taxes paid	—	830	11,585

NOTE 15: CONTINGENCIES

There are various legal proceedings involving the Company and its subsidiaries. Except for the following matter, 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.

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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. The Company's management has provided regular updates to the KDHE on efforts to bring the unit into compliance with the permit. The KDHE has discretion under its penalty policy to pursue an enforcement action against the Company for failing to comply with the emission limit. Although no formal action has been taken, KDHE has advised management that a penalty is likely for this violation. The Company is unable to predict the magnitude of any penalty that KDHE may ultimately assess against it but does not believe the impact will be material to the Financial Statements.

NOTE 16: DERIVATIVE INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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 non-financial 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 non-financial assets and non-financial 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.

Derivative Instruments. In connection with the purchase of raw materials, principally corn, 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. The Company has historically used derivative instruments to reduce the risk related to price volatility for corn, flour and natural gas. The Company has historically managed its exposure through a combination of forward purchases, long-term contracts with suppliers and exchange traded commodity futures and option contracts. 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 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. Changes in fair value of open derivative instruments are recorded as inventory and cost of sales.

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.

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With the temporary 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 were in excess of projected consumption. Accordingly, the Company settled 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 \$7,642 for the year ended June 30, 2009, to cost of sales for settlements of contract related to unused gas resulting from the temporary shutdown.

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 non-financial assets and non-financial 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 June 30, 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) (b)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 268	\$ —	\$ 268
Total financial assets, liabilities and derivative positions:	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 268	\$ —	\$ 268

(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) Based on prices of futures exchanges and recently reported prices in the marketplace.

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Information related to our derivatives for the years ended June 30, is as follows:

Years Ended	2009	2008	July 1, 2007
Derivatives Not Designated as Hedging Instruments:			
Corn commodity contracts			
Amount of gain (loss) recognized in earnings (a)	\$ (7,602)	\$ 6,445	
Wheat commodity contracts			
Amount of gain (loss) recognized in earnings (a)		523	
Pekin Natural gas contracts			
Amount of gain (loss) recognized in earnings (a)	(7,642)		
Derivatives De-Designated as Hedging Instruments:			
Wheat commodity contracts			
Amount of gain (loss) recognized in earnings (b)	(260)		
Amount of gain (loss) reclassified from accumulated other comprehensive income into earnings before Atchison Mill closure(c)	2,485	(1,092)	
Amount of gain (loss) reclassified from accumulated other comprehensive income into earnings after Atchison Mill Closure(d)	1,108		
Corn commodity contracts			
Amount of gain (loss) recognized in earnings (b)		2,646	
Derivatives Designated as Hedging Instruments:			
Corn commodity contracts			
Amount of gain (loss) deferred into accumulated other comprehensive income. (e)		8,458	(1,985)
Amount of gain (loss) reclassified from accumulated other comprehensive income into earnings.(e)		7,504	(1,646)
Ineffectiveness recognized in earnings (f)		804	(1,501)
Wheat commodity contracts			
Amount of gain (loss) deferred into accumulated other comprehensive income. (e)		3,414	
Amount of gain reclassified from accumulated other comprehensive income into earnings. (e)			
Ineffectiveness recognized in earnings (f)		(180)	
Natural gas commodity contracts			
Amount of gain (loss) deferred into accumulated other comprehensive income. (e)			(2,003)
Amount of gain reclassified from accumulated other comprehensive income into earnings. (e)			(1,319)
Ineffectiveness recognized in earnings (f)			(246)

(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 accumulated other comprehensive income ("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.

(e) Gain (loss) on wheat, corn and natural gas commodity contracts reclassified from AOCI was recognized in cost of sales.

(f) Gain (loss) on ineffectiveness on wheat, corn and natural gas commodity contracts was recognized in current earnings in cost of sales.

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

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collateral to cover any shortfall in the market value of derivatives, which has been accounted for as restricted cash in the consolidated balance sheets.

In December 2008, the Financial Accounting Standards Board (“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 June 2009, the FASB issued FASB Statement Number 165 *Subsequent Events* (“FASB 165”). FASB 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company will be required to adopt this new standard beginning in the first quarter of fiscal 2010.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events.” This standard incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, but the rules concerning recognition and disclosure of subsequent events will remain essentially unchanged. SFAS No. 165 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the provisions of SFAS No. 165 for the quarter ended June 30, 2009. The adoption of these provisions did not have a material effect on the Consolidated Financial Statements. The Company has evaluated subsequent events through September 10, 2009, the date the financial statements were issued. Events occurring after this date have not been evaluated.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 168 authorizes the *FASB Accounting Standards Codification™* (“Codification”) to become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws remain sources of authoritative GAAP for SEC registrants. On the effective date of SFAS No. 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. All guidance contained in the Codification carries an equal level of authority. Certain accounting treatments that entities have followed, and continue to follow, which are not part of the Codification are grandfathered because they were adopted before a certain date or certain accounting standards have allowed for the continued application of superseded accounting standards. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company’s adoption of SFAS No. 168 is not expected to have a material impact on the Consolidated Financial Statements.

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, “*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*” (“FSP EITF 03-6-1”), which clarifies that share-based payment awards that entitle their holders to receive non-forfeitable dividends before vesting should be considered participating securities. As participating securities, these instruments should be included in the earnings allocation in computing basic earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*. The Company will implement EITF 03-06-1 effective July 1, 2009. The Company’s unvested restricted stock awards contain rights to dividends prior to vesting. Upon adoption of FSP EITF 03-6-1, the Company will adjust its weighted average common shares outstanding and earnings per share data for the quarter ended September 30, 2008 to confirm with the provisions in FSP EITF 03-6-1.

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NOTE 18: OTHER BALANCE SHEET CAPTIONS

Inventories. Inventories consist of the following: *(in thousands)*

	June 30, 2009	June 30, 2008
Raw materials	\$ 1,216	\$ 16,211
Finished goods	9,977	33,185
Maintenance materials	5,831	6,356
Derivative instruments	(268)	2,271
Other	3,644	5,597
Total	<u>\$ 20,400</u>	<u>\$ 63,620</u>

Property and Equipment. Property and equipment consist of the following: *(in thousands)*
(See notes 9 and 10)

	June 30, 2009	June 30, 2008
Land, buildings and improvements	\$ 35,563	\$ 49,109
Transportation equipment	2,105	3,270
Machinery and equipment	124,930	260,153
Construction in progress	747	3,250
Total Cost	163,345	315,782
Less accumulated depreciation	(100,036)	(206,808)
Total	<u>\$ 63,309</u>	<u>\$ 108,974</u>

Accrued Expenses. Accrued expenses consist of the following: *(in thousands)*

	June 30, 2009	June 30, 2008
Employee benefit plans (Note 7)	\$ 839	\$ 2,515
Salaries and wages	973	1,889
Restructuring charges — current portion	2,101	—
Property taxes	702	825
Other expenses	1,361	1,353
Total	<u>\$ 5,976</u>	<u>\$ 6,582</u>

NOTE 19: SUBSEQUENT EVENTS

The Company has evaluated subsequent events through September 10, 2009, the date of the Financial Statements. On July 21, 2009, the Company entered a new revolving Credit and Security Agreement with Wells Fargo Bank, National Association (“New Credit Agreement”). The New Credit Agreement, which matures in July 2012, generally provides for a Maximum Line of Credit of \$25,000, subject to borrowing base limitations. At September 4, 2009, approximately \$13,328 was outstanding and \$6,521 was available under the New Credit Agreement. Borrowings under the New Credit Agreement bear interest, payable monthly, at a variable rate equal to Daily Three Month LIBOR plus 5%, but not less than 5.5%. During a default period, the interest rate may be increased by 3% at the lender’s discretion. The New Credit Agreement

provides for minimum interest of \$500 annually, an unused line fee of .50% per annum and origination fees, letter of credit fees and other administrative fees. If the Company terminates the facility prior to the maturity date or the lender terminates during a default period, there is a prepayment fee of 3% if the termination occurs prior to the first anniversary date, declining to 1% if the termination occurs after the second anniversary of the initial funding. The New Credit Agreement is secured by a security interest in substantially all of the Company's personal property other than its Kansas City, Kansas equipment, by mortgages on its owned real estate assets, other than its Kansas City, Kansas facility. The New Credit Agreement contains various covenants, including covenants which generally restrict dividends and increases in bonuses and salaries and prohibit liens, other than permitted liens, indebtedness, except existing indebtedness and

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indebtedness to the lender, and investments in other persons.

Under the New Credit Agreement, the Company must meet specified monthly, cumulative net income requirements (aggregating \$3,500 for fiscal year 2010 and \$1,000 for the first quarter of fiscal 2011), is limited in the amount of capital expenditures it may make annually (\$4,500) and must meet, at fiscal year end, a minimum debt service coverage ratio ((a) the sum of (i) funds from operations (net income plus depreciation and amortization, plus or minus increases or decreases in deferred income taxes and LIFO reserves, plus other non-cash items) plus (ii) interest expense minus (iii) unfinanced capital expenditures minus (iv) dividends and distributions paid during the period, divided by (b) the sum of (i) current maturities of long term debt plus (ii) interest expense) of not less than 1.15 to 1.0. The lender has significant lending discretion under the New Credit Agreement; it may modify the Company's borrowing base and various components thereof in its reasonable discretion, thereby affecting the amount of credit available to the Company. The lender may terminate or accelerate the Company's obligations under the New Credit Agreement upon the occurrence of various events in addition to payment defaults and other breaches, including such matters as over advances arising from reductions in the borrowing base, certain changes in the Board, failure to pay taxes when due, defaults under other material debt, lease or other contracts and, for a period of one year after July 21, 2009, the Company's CEO ceasing to be actively engaged in the Company's day to day business activities, or thereafter if the Company's fails to hire a successor acceptable to the lender within 90 days.

The New Credit Agreement also includes provisions that limit or restrict our ability to:

- incur additional indebtedness;
- pay dividends to stockholders or purchase stock;
- make investments;
- dispose of assets;
- make capital expenditures;
- create liens on our assets; or
- merge or consolidate.

On July 21, 2009, the initial funding date, the Company drew \$15,940 under the New Credit Facility to pay all obligations under the former credit facility, and this facility was terminated on this date.

On July 20, 2009, the Bank of Atchison, which previously had loaned the Company \$1,500, agreed to loan the Company an additional \$2,000. The note for this loan is secured by a mortgage and security interest on the Company's Atchison plant and equipment and its Atchison Flour Mill equipment and Onaga plant equipment. The note bears interest at 6% over the three year treasury index, adjustable quarterly, and is payable in 84 monthly installments of \$32, with any balance due on the final installment. The Company's President and Chief Executive Officer, Mr. Newkirk, is a director of the Bank.

On July 20, 2009, the Cloud L. Cray, Jr. Trust agreed to extend the maturity date of the Company's note to it from March 2010 to March 2011.

On July 21, 2009, the Company and Central Illinois Light Company ("CILCO") entered a restructuring agreement dated as of July 20, 2009 whereby the Company acknowledged that it owed Central Illinois \$11,614 under a steam agreement, a gas agreement and a delivery service agreement at its temporarily idled Pekin, Illinois facility. The note bears interest at 9%, payable monthly commencing August 14, 2009. Principal is payable in 18 equal monthly installments, with the first installment due on October 14, 2009. The note is secured by an assignment of an anticipated income tax refund of approximately \$5,500. After application of the refund to the note, the monthly principal payment will be recalculated. The Company also gave CILCO a second mortgage on its Pekin,

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Illinois plant. To accommodate this, the Cloud L. Cray, Jr. Trust agreed to subordinate its lien on the plant to the liens of Exchange National Bank & Trust Co. of Atchison and CILCO.

In the Restructuring Agreement, the parties agreed to terminate the steam agreement relating to its Pekin facility effective June 30, 2009. As a result, the Company will have no future charges under the steam agreement, which otherwise had a term expiring in February 2011. The Company agreed with CILCO that should the Company reopen its facility in Pekin, it would negotiate a new agreement under which the Company would be responsible for start-up costs of the boiler plant that generated the steam supplied under the steam agreement and ongoing staffing requirements and a new schedule of charges reflective of increased costs of operating and maintaining the boiler plant. However, the Restructuring Agreement provides that neither party will be liable to the other for failure to execute a new agreement, and a failure to do so will not affect the Company's obligations under the note and related agreements it has entered with CILCO.

In connection with the New Credit Agreement, CILCO, the Union Pacific Railroad and the Cloud L. Cray, Jr. Trust entered into subordination agreements with Wells Fargo Bank, National Association that generally restrict their ability to demand or accept payment of debt due them under their loan agreements with the Company until Wells Fargo Bank is paid in full. Union State Bank entered into an intercreditor agreement with Wells Fargo Bank in which it agreed not to commence an enforcement action under its loan agreement with the Company until expiration of a 180 day standstill period. Exchange National Bank & Trust Co. of Atchison, which has a leasehold mortgage on the Company's executive office building and technical center, agreed with Wells Fargo that if Exchange Bank acquired possession of such facilities through foreclosure it would give Wells Fargo access for 180 days to dispose of its collateral. The Cloud L. Cray, Jr., Trust also entered into subordination agreements with Union State Bank and Exchange National Bank & Trust Co. of Atchison

On August 21, 2009, we sold our Kansas City, Kansas, facility to Sergeant's Pet Care Products, Inc for \$3,585, with potential additional payments over the next three years based on Sergeant's income from sales of our existing products to our existing customers during that period. Such payments will be 40% of Sergeant's pet treat income, as defined, in the first year after closing, declining to 10% of such pet treat income in the third year. The sale to Sergeant's includes all equipment used for the production and packaging of pet-related products, which principally include extruded plant-based resins and finished pet treats. We will retain ownership of equipment that is

used for the production of our Wheatex® textured wheat proteins, which are sold for use in meat extension and vegetarian product applications. This equipment is located in a separate section of the facility that will be leased to us for a period of three years and will be operated by a subsidiary of Sergeants under a toll manufacturing arrangement.

On August 25, 2009, the Company was required to make a deposit of approximately \$1,600 to its insurance carrier. This deposit secured the Company's obligations under surety bonds maintained to meet regulatory requirements for distillery operations. Funds for this deposit were borrowed under the terms of the New Credit Agreement. Also in August, the Company received \$325 as a deposit refund from a vendor.

On September 3, 2009, Exchange National Bank & Trust Co. of Atchison agreed to extend the due date on its 7% secured promissory note from September 3, 2009 to July 5, 2010.

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NOTE 20. QUARTERLY FINANCIAL DATA (Unaudited)

	2009			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In thousands, except per share data amounts)			
Net sales	\$ 49,152	\$ 54,562	\$ 73,242	\$ 99,020
Cost of sales: Product costs	42,921	52,365	91,443	115,707
Loss on natural gas contract	89	2,106	5,447	—
Total cost of sales	43,010	54,471	96,890	115,707
Gross profit	6,142	91	(23,648)	(16,687)
Selling, general and administrative	4,482	5,067	5,737	6,115
Other operating costs	2,618	2,076	—	—
Impairment of long-lived assets	1,351	—	8,931	—
Severance and early retirement costs	—	—	3,288	—
Other restructuring costs	—	—	5,241	—
Loss from operations	(2,309)	(7,052)	(46,845)	(22,802)
Other income, net	17	21	33	41
Interest expense	(671)	(705)	(797)	(728)
Equity in loss of joint venture	(35)	(45)	(18)	(16)
Income (loss) before taxes	(2,998)	(7,781)	(47,627)	(23,505)
Provision (benefit) for income taxes	(82)	(1,533)	(4,911)	(6,262)
Net income (loss)	\$ (2,916)	\$ (6,248)	\$ (42,716)	\$ (17,243)
Per Share Data(i)				
Total basic earnings (loss) per common share	\$ (0.18)	\$ (0.38)	\$ (2.58)	\$ (1.04)
Total diluted earnings (loss) per common share	\$ (0.18)	\$ (0.38)	\$ (2.58)	\$ (1.04)
Dividends per Common Share	\$ —	\$ —	\$ —	\$ —
Stock price ranges:				
Common				
-High	\$ 3.10	\$ 0.96	\$ 2.91	\$ 6.35
-Low	\$ 0.80	\$ 0.50	\$ 0.60	\$ 2.84

(i) Total basic loss per common share does not equal the annual amount of \$(4.17) due to rounding.

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	2008			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In thousands, except per share data amounts)			
Net sales	\$ 104,227	\$ 106,694	\$ 93,995	\$ 87,977
Cost of sales	112,792	102,954	90,799	82,117
Gross profit	(8,565)	3,740	3,196	5,860
Selling, general and administrative	6,609	6,532	4,815	6,279
Write off of assets	1,546	—	—	—
Impairment of long-lived assets	—	8,100	—	—
Income from operations	(16,720)	(10,892)	(1,619)	(419)
Other income, net	(69)	456	(76)	190
Gain on settlement of litigation, net of related expenses	—	—	7,046	—
Interest expense	(450)	(359)	(405)	(276)
Income (loss) before taxes	(17,239)	(10,795)	4,946	(505)
Provision (benefit) for income taxes	(7,250)	(4,166)	(283)	(152)
Net income (loss)	\$ (9,989)	\$ (6,629)	\$ 5,229	\$ (353)
Per Share Data(i)				
Total basic earnings (loss) per common share	\$ (0.60)	\$ (0.40)	\$ 0.32	\$ (0.02)
Total diluted earnings (loss) per common share	\$ (0.60)	\$ (0.40)	\$ 0.31	\$ (0.02)

Dividends per Common Share	\$	0.10	\$	—	\$	0.15	\$	—
Stock price ranges:								
Common								
-High	\$	8.10	\$	10.28	\$	10.30	\$	18.10
-Low	\$	5.80	\$	6.16	\$	6.13	\$	10.13

- (i) Total basic loss per common share does not equal the annual amount of \$ (0.71) due to rounding.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

KPMG LLP was first appointed as the Company's accountant in September 2008. BKD, LLP was previously the principal accountant for the Company. On September 17, 2008, the Audit Review Committee of the Company's Board of Directors approved the dismissal of BKD, LLP and the engagement of KPMG LLP as the Company's independent registered public accounting firm. KPMG completed its prospective client evaluation process on September 18, 2008.

The audit reports of BKD, LLP on the consolidated financial statements as of June 30, 2008 and July 1, 2007 and for the years then ended contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle, except that (i) both reports noted that in 2007, the Company changed its method of accounting for pension and post-retirement benefits, and (ii) the report on the consolidated financial statements as of June 30, 2008 noted that (a) the Company changed its measurement date used to account for its defined benefit post-retirement benefit plan and (b) the Company changed its method of accounting for uncertain tax positions. The post-retirement plan changes resulted from the release by the Financial Accounting Standards Board ("FASB") of Statement of Financial Accounting Standards Statement No. 158 ("SFAS 158"), Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R), and the change in method of accounting for uncertain tax positions resulted from the Company's adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB No. 109.

The audit reports of BKD, LLP on management's assessment of the effectiveness of internal control over financial reporting and on the effectiveness of internal control over financial reporting as of July 1, 2007 and June 30, 2008, respectively, did not contain an adverse opinion or disclaimer of opinion nor were they qualified or modified as to uncertainty, audit scope or accounting principle.

During the Company's fiscal years ended July 1, 2007 and June 30, 2008 and through September 17, 2008, (i) there were no "disagreements" (as defined in Item 304(a)(1)(iv) of regulation S-K and related instructions) with BKD, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of BKD, LLP, would have caused it to make references to the subject matter of the disagreement in connection with its report, and (ii) there were no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S-K), except for a material weakness related to the recognition of deferred income, which management identified in connection with its evaluation required by paragraph (d) of Regulation 13(a)-15 that occurred during the third quarter of fiscal 2008. The Company believes that the material weakness was remediated as of March 31, 2008 and, as indicated above, BKD, LLP issued an unqualified report on the Company's internal control over financial reporting as of June 30, 2008. The Audit Review Committee discussed the material weakness with BKD, LLP, and the Company has authorized BKD, LLP to respond fully to inquiries from KPMG LLP. During fiscal year 2009, there have been no reportable events.

During the fiscal years ended July 1, 2007 and June 30, 2008 and through September 17, 2008, the Company did not consult with KPMG LLP regarding either the application of accounting principles to a specified transaction, either completed or proposed, the type of audit opinion that might be rendered on the Company's financial statements, or a reportable event as defined above.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the fiscal year, 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

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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 Interim Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

REPORT ON INTERNAL CONTROLS

Management's Annual Report on Internal Control Over Financial Reporting and our registered public accounting firm's attestation report on our internal control over financial reporting can be found under Item 8.

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 June 30, 2009 that has materially affected, or is reasonably likely to materially affect MGP Ingredients, Inc.'s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable

PART III**ITEM 10. DIRECTORS AND CORPORATE GOVERNANCE**

Incorporated by reference to the information under *Election of Directors* at pages 2 to 5 of the Proxy Statement, the information relating to the Audit Committee in the first paragraph of *Certain Information Concerning The Board And Its Committees — Standing Committees; Meetings; Independence* at page 5 of the Proxy Statement and in the second paragraph of *Certain Information Concerning The Board And Its Committees — Audit Review Committee* at page 6 of the Proxy Statement, and *Section 16(a) Beneficial Ownership Reporting Compliance* at page 26 of the Proxy Statement.

The Company has adopted a code of ethics that applies to all its employees, including the principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. A copy is filed as an exhibit to this report.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the information in *Executive Compensation and Other Information*, at pages 9-24 of the Proxy Statement, the information relating to the Human Resources and Compensation Committee in the first paragraph of *Certain Information Concerning The Board And Its Committees — Standing Committees; Meetings; Independence* at page 5 of the Proxy Statement and *Certain Information concerning the Board and its Committees — Compensation Committee Interlocks and Insider Participation and Human Resources and Compensation Committee Report* at page 8 of the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to the information under *Principal Stockholders* on pages 24 to 26 of the Proxy Statement.

The following is a summary of securities authorized for issuance under equity compensation plans as of June 30, 2009:

	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average of exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1))
Equity compensation plans approved by security holders	276,600	\$ 5.28	64,940
Equity compensation plans not approved by security holders	—	—	—
Total	276,600	\$ 5.28	64,940

(1) Of these securities, as of June 30, 2009, 40,907 shares may also be issued as performance or restricted stock awards under the terms of the Stock Incentive Plan of 2004.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference to the information in the third paragraph under *Certain Information Concerning the Board and its Committees — Standing Committees; Meetings; Independence* on page 5 of the Proxy Statement and to the information under *Related Transactions* on page 26 of the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to the information under *Audit and Certain Other Fees Paid Accountants* at page 43 of the Proxy Statement.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this report:

(1) Financial Statements:

KPMG, LLPs and BKD, LLPs Reports on Financial Statements.
Consolidated Statements of Income — for the Three Years Ended June 30, 2009, June 30, 2008 and July 1, 2007.
Consolidated Balance Sheets at June 30, 2009, June 30, 2008 and July 1, 2007
Consolidated Statements of Stockholders' Equity — for the Three Years Ended June 30, 2009, June 30, 2008 and July 1, 2007.
Consolidated Statements of Cash Flow — for the Three Years Ended June 30, 2009, June 30, 2008 and July 1, 2007.
Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules:

BKD, LLP's Report on Financial Statement Schedules:
II — Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the information is contained in the Consolidated Financial Statements or notes thereto.

(3) The exhibits required by Item 601 of Regulation S-K (paragraph (b) below).

(b) Exhibits:

- *2 Asset Purchase Agreement between the Company and Sergeants Pet Care Products, Inc.
- 3.1 Articles of Incorporation of the Company, as amended (Incorporated by reference to Exhibit 3.1 of the Company's 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 Credit and Security Agreement dated July 21, 2009 between the Company . and Wells Fargo Bank, National Association and Revolving Note
- *4.1.1 Patent and Trademark Security Agreement dated as of July 21, 2009 between the Company. and Wells Fargo Bank, National Association
- *4.1.2 Assignment of Membership Interests dated as of July 21, 2009 between the Company and Wells Fargo Bank, National Association, relating to Firebird Acquisitions, LLC

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- *4.1.3 Stock Pledge Agreement dated as of July 21, 2009 between the Company and Wells Fargo Bank, National Association, relating to stock of Midwest Grain Pipeline, Inc.
- *4.1.4 Control Agreement and Assignment of Hedging Account among Wells Fargo Bank, National Association, the Company and ADM Investor Services, Inc.
- 4.1.5 Form of Mortgage relating to the Company's Onaga in favor of Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 4.1.6 below, which is being filed in the same form in Pottawatomie County, Kansas)
- *4.1.6 Amended and Restated Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of August 31, 2009 relating to the Company's Atchison facility in favor of Wells Fargo Bank, National Association.
- *4.1.7 Mortgage relating to the Company's Pekin facility dated August 19, 2009 in favor of Wells Fargo Bank, National Association
- 4.1.8 Form of Mortgage relating to a tract of land owned by the Company in Wyandotte County, Kansas in favor of Wells Fargo Bank, national Association (Incorporated by reference to Exhibit 4.1.6 above, which is being filed in the same form in Wyandotte County, Kansas)
- *4.1.9 Consent and Release dated August 19, 2009 between Wells Fargo Bank, National Association and the Company
- *4.2 Restructuring Agreement dated July 20, 2009 between Central Illinois Light Company and the Company .
- *4.2.1 Promissory Note from the Company to Central Illinois Light Company dated July 20, 2009 in the initial principal amount of \$11,614,197
- *4.2.2 Assignment of Income Tax Refunds and Proceeds dated July 20, 2009 from the Company to Central Illinois Light Company
- *4.2.3 Waiver Agreement among the Company, Cloud L. Cray, Jr. Trust and Central Illinois Light Company
- *4.2.4 Subordination agreement between Central Illinois Light Company and Wells Fargo Bank, National Association
- *4.2.5 Mortgage dated August 14, 2009 relating to the Company's Pekin facility in favor of Central Illinois Light Company
- *4.2.6 Subordination Agreement dated August 14, 2009 among the Company, Cloud L. Cray, Jr. Trust, Exchange National Bank & Trust Co. of Atchison and Central Illinois Light Company.
- *4.3 Promissory Note from the Company to Union Pacific Railroad Company dated May 3, 2009 in the initial principal amount of \$997,545

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- *4.3.1 Subordination Agreement between Union Pacific Railroad Company and Wells Fargo Bank, National Association
- *4.4 Promissory Note from the Company to Exchange National Bank & Trust Co. of Atchison dated April 15, 2009 in the initial principal amount of \$2,800,000
- *4.4.1 Leasehold Mortgage, Security Agreement and Fixture Filing dated April 15, 2009 from the Company to Exchange National Bank & Trust Co. of Atchison securing note in item 4.4 relating to executive office building and new technical center in Atchison, Ks.
- *4.4.2 Mortgage dated April 15, 2009 from the Company to Exchange National Bank & Trust Co. of Atchison securing the note in Item 4.4 relating to Pekin, Plant
- *4.4.3 Pledge and Security Agreement dated April 15, 2009 of Taxable Industrial Revenue Bond, Series 2006 (MGP Ingredients Project) from the Company to Exchange Bank & Trust Co. of Atchison securing the note in Item 4.4
- *4.4.4 Mortgagee's Disclaimer and Consent dated July 17, 2009 between Exchange National Bank & Trust Co. of Atchison and Wells Fargo Bank, National Association

- *4.4.5 Commercial Loan Extension Agreement dated September 3, 2009 between the Company and Exchange National Bank & Trust Co. of Atchison
- *4.5 Commercial Loan Agreement dated March 31, 2009 between the Company and Union State Bank of Everest
- *4.5.1 Promissory Note dated March 31, 2009 from the Company to Union State Bank of Everest in the initial principal amount of \$1,500,000
- *4.5.2 Commercial Security Agreement from the Company to Union State Bank of Everest dated March 31, 2009
- *4.5.3 Amendment to Commercial Security Agreement dated as of July 20, 2009 between the Company and Union State Bank of Everest
- *4.5.4 Mortgage dated March 31, 2009 from the Company to Union State Bank of Everest relating to the Atchison flour mill and the Onaga plant securing the note referred to in Item 4.5
- *4.6 Promissory Note dated July 20, 2009 from the Company to Union State Bank of Everest in the initial principal amount of \$2,000,000
- *4.6.1 Commercial Security Agreement dated July 20, 2009 from the Company to Union State Bank of Everest of Everest relating to equipment at Atchison Plant and flour mill and Onaga plant
- *4.6.2 Mortgage dated July 20, 2009 from the Company to Union State Bank of Everest relating to the Atchison plant.

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- *4.7 Intercreditor Agreement between Wells Fargo Bank, National Association and Union State Bank of Everest
- *4.8 Subordinated Secured Promissory Note dated March 27, 2009 from the Company to Cloud L. Cray, Jr. Trust
- *4.8.1 Amendment No. 1 dated July 20, 2009 to Subordinated Secured Promissory Note dated March 27, 2009
- *4.8.2 Mortgage, Assignment of Leases, Security Agreement and Fixture Filing Financing Statement dated March 27, 2009 from the Company to Cloud L. Cray, Jr. Trust relating to Atchison plant
- *4.8.3 Mortgage, Assignment of Leases, Security Agreement and Fixture Filing Financing Statement dated March 27, 2009 from the Company to Cloud L. Cray, Jr. Trust relating to Pekin plant
- *4.8.4 Subordination Agreement dated July 17, 2009 between Cloud L. Cray, Jr. Trust and Union State Bank of Everest
- *4.8.5 Subordination Agreement dated July 16, 2009 between Cloud L. Cray, Jr. Trust and Exchange National Bank & Trust Co. of Atchison
- *4.8.6 Subordination Agreement dated July 16, 2009 between Cloud L. Cray, Trust and Wells Fargo Bank, National Association
- *4.8.7 Mortgagee's Consent from Cloud L. Cray, Jr. Trust to Wells Fargo Bank, National Association
- 4.9 Credit Agreement dated May 5, 2008 among MGP Ingredients, Inc., MGP Ingredients of Illinois, Inc., and Midwest Grain Pipeline, Inc., as Borrowers, Commerce Bank, N.A., as Agent, Issuing Bank, Swingline Lender and a Bank and the Lenders from time to time Party thereto (Incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2008). [THE CREDIT AGREEMENT AND RELATED NOTES WERE PAID ON JULY 21, 2009 WITH PROCEEDS OF LOAN FROM WELLS FARGO BANK
- 4.9.1 First Amendment to Credit Agreement dated as of September 3, 2008 (Incorporated by reference to Exhibit 4.1.1 of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2008 (file number 0-17196))
- 4.9.2 First Amendment to Security Agreement dated as of September 3, 2008 (Incorporated by reference to Exhibit 4.1.2 of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2008 (file number 0-17196))
- 4.9.3 Amended and Restated Revolving Credit Note dated as of September 3, 2008 to Commerce Bank, N.A. (Incorporated by reference to Exhibit 4.1.3 of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2008 (file number 0-17196))

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- 4.9.4 Amended and Restated Revolving Credit Note dated as of September 3, 2008 to BMO Capital Markets Financing, Inc. (Incorporated by reference to Exhibit 4.1.4 of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2008 (file number 0-17196))
- 4.9.5 Amended and Restated Revolving Credit Note dated as of September 3, 2008 to National City Bank (Incorporated by reference to Exhibit 4.1.5 of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2008 (file number 0-17196))
- 4.9.6 Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of September 3, 2008 (Incorporated by reference to Exhibit 4.1.6 of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2008 (file number 0-17196)) [RELEASED]
- 4.9.7 Second Amendment to Credit Agreement, dated as of November 7, 2008 (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed November 12, 2008 (file number 0-17196))
- 4.9.7.1 Second Amendment to Security Agreement, dated as of November 7, 2008 (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed November 12, 2008 (file number 0-17196))

- 4.9.8 Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing with respect to the Company's Onaga, Kansas facility, dated November 7, 2008 (Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed November 12, 2008 (file number 0-17196)) [RELEASED]
- 4.9.9 Third Amendment to Credit Agreement dated as of December 19, 2008 (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed December 22, 2008 (file number 0-17196))
- 4.9.10 Fourth Amendment to Credit Agreement dated as of February 27, 2009 (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed March 3, 2009 (file number 0-17196))
- 4.9.11 Letter Agreement dated March 11, 2009 with Commerce Bank N.A., as Agent. (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed March 16, 2009(file number 0-17196))
- 4.9.12 Fifth Amendment to Credit Agreement (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed March 16, 2009 (file number 0-17196))
- 4.9.13 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) (Incorporated by reference to Exhibit 4.4 of the Company's Quarterly Report on Form 10-Q for the period ended march 31, 2009 (file number 0-17196))
- 4.9.14 Seventh Amendment to Credit Agreement dated June 15, 2009 (Incorporated by reference to Exhibit 4 of the Company's Current Report on Form 8-K filed June 16, 2009 (file number 0-17196))

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- 4.9.15 Waiver letter dated September 16, 2008 from GE Government Public Finance Inc. and General Electric Capital Corporation (Incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2008 (file number 0-17196))
- 4.9.16 Letter dated October 31, 2008 from Commerce Bank extending standstill period under Credit Agreement to November 10, 2008. (Incorporated by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2008 (file number 0-17196))
- 4.9.17 Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated December 23, 2008 from MGP Ingredients, Inc. to Commerce Bank, N.A., as agent, relating to vacant land property in Kansas City, Kansas . (Incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2008 (file number 0-17196)) [RELEASED]
- 4.9.18 Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated November 7, 2008 from MGP Ingredients, Inc. to Commerce Bank, N.A., as agent, relating to certain property in Atchison, Kansas (excluding new corporate office and technology center) . (Incorporated by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2008 (file number 0-17196)) [RELEASED]
- 4.9.19 Commodity Account Control Agreement dated as of November 19, 2008 among MGP Ingredients, Inc., Commerce Bank, N.A., as agent and ADM Investor Services, Inc. . (Incorporated by reference to Exhibit 4.3 of the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2008 (file number 0-17196))(Terminated)
- 4.9.20 May 1, 2009 waiver letter from Agent under the Credit Agreement. (Incorporated by reference to Exhibit 4.5 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009 (file number 0-17196))
- *4.9.21 Stand Down Extension Agreement letter dated July 17, 2009
- 4.10 Security Agreement dated May 5, 2008, among MGP Ingredients, Inc., MGP Ingredients of Illinois, Inc., and Midwest Grain Pipeline, Inc., as Borrowers and Commerce Bank, N.A., a national banking association, in its capacity as Agent under the Credit Agreement referred to in Exhibit 4.9 (Incorporated by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2008). (Terminated)
- 4.11 Promissory Note to GE Capital Public Finance dated September 24, 2004 and related Security Agreement dated as of September 24, 2004, as amended by Addendum No. 001 (Incorporated by reference to Exhibit 4.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (file number 0-17196))

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- 4.12 Addendum 002 to Security Agreement dated as of September 24, 2004 filed as exhibit 4(f) (Incorporated by reference to Exhibit 4(g) of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 30, 2005 (file number 0-17196))
- 4.13 Addendum 003, dated August 31, 2005, to Security Agreement dated as of September 24, 2004 filed as exhibit 4(f) (Incorporated by reference to Exhibit 4(h) of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 20, 2005 (file number 0-17196))
- 4..14 Promissory Note to General Electric Capital Corporation dated as of September 29, 2005 (Incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (file number 0-17196))
- 4.15 Security Agreement to General Electric Capital Corporation dated as of September 29, 2005 (Incorporated by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (file number 0-17196))
- 4.16 Cross-Collateral and Cross-Default Agreement dated as of September 29, 2005 in favor of General Electric Capital Corporation and GE Capital Public Finance (Incorporated by reference to Exhibit 4.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (file number 0-17196))

- 4.17 Trust Indenture Dated as of December 28, 2006 relating to \$7,000,000 Taxable Industrial Revenue Bonds Series 2006 (MGP Ingredients Project (Incorporated by Reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2006 (file number 0-17196))
- 4.18 Lease dated as of December 28, 2006 between the City of Atchison, as Issuer and MGP Ingredients, Inc., as tenant relating to \$7,000,000 Taxable Industrial Revenue Bonds Series 2006 (MGP Ingredients Project (Incorporated by Reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2006 (file number 0-17196))
- 4.19 In accordance with Item 601(b)(4)(iii)(A) 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.
- 9.1 Copy of Cray Family Trust (Incorporated by reference to Exhibit 1 of Amendment No. 1 to Schedule 13D of Cloud L. Cray, Jr. dated November 17, 1995))
- 9.2 First Amendment to Cray Family Trust dated November 13, 1980 (Incorporated by reference to Exhibit 9.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2005 (file number 0-17196))

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- 9.3 Voting Trust Agreement dated as of November 16, 2005 among Cloud L. Cray, Jr., Richard B. Cray and Laidacker M. Seaberg, as trustees of the Cray Family Trust and Cloud L. Cray, Jr., Richard B. Cray and Laidacker M. Seaberg, as trustees (Incorporated by reference to Exhibit 9.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2005 (file number 0-17196))
- 10.1 Summary of informal cash bonus plan (Incorporated by reference to Exhibit 10(a) of the Company's Annual Report on Form 10-K for the Fiscal Year ended June 20, 2004 (file number 0-17196))
- 10.2 Copy of MGP Ingredients, Inc. Stock Incentive Plan of 1996, as amended as of August 26, 1996 (Incorporated by reference to Exhibit A to the Company's Notice of Annual Meeting and Proxy Statement filed September 17, 1996))
- 10.3 Copy of amendment to MGP Ingredients, Inc. Stock Incentive Plan of 1996 (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196))
- 10.4 Form of Stock Option with respect to stock options granted under the MGP Ingredients, Inc. Stock Incentive Plan of 1996 (Incorporated by reference to Exhibit 10(e) to the Company's Form 10-K for the year ended June 30, 1996 (file number 0-17196))
- 10.5 Copy of MGP Ingredients, Inc. 1996 Stock Option Plan for Outside Directors, as amended as of August 26, 1996 (Incorporated by reference to Exhibit B to the Company's Notice of Annual Meeting and Proxy Statement filed September 17, 1996))
- 10.6 Copy of amendment to MGP Ingredients, Inc. 1996 Stock Option Plan for Outside Directors (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196))
- 10.7 Copy of MGP Ingredients, Inc. 1998 Stock Incentive Plan for Salaried Employees (Incorporated by reference to Appendix A to the Company's Notice of Annual Meeting and Proxy Statement dated September 17, 1998, filed with the Securities and Exchange Commission on September 15, 1998))
- 10.8 Form of Stock Option with respect to stock options granted under the MGP Ingredients, Inc. 1998 Stock Incentive Plan for Salaried Employees (Incorporated by reference to Exhibit 10(e) to the Company's Form 10-K for the year ended June 30, 1996 (file number 0-17196))
- 10.9 Copy of amendments to Options granted under MGP Ingredients, Inc. Stock Option Plans (Incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196))

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- 10.10 Form of Option Agreement for the grant of Options under the MGP Ingredients, Inc. 1996 Stock Option Plan for Outside Directors, as amended (Incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196))
- 10.11 Form of Amended Option Agreements for the grant of Options under the MGP Ingredients, Inc. 1998 Stock Incentive Plan for Salaried Employees (Incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196))
- 10.12 Form of Option Agreement for the grant of Options under the MGP Ingredients, Inc. Stock Incentive Plan of 1996, as amended (Incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended September 30, 1998 (file number 0-17196))
- 10.13 Form of Incentive Stock Option Agreement approved on December 7, 2000, for use thereafter under the Stock Incentive Plan of 1996 (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196))
- 10.14 Form of Incentive Stock Option Agreement approved on December 7, 2000 for use thereafter under the 1998 Stock Incentive Plan for Salaried Employees (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196))
- 10.15 Form of Memorandum of Agreement Concerning Options approved on December 7, 2000 between the Company and certain members of senior management, including the following named executive officers: Ladd M. Seaberg, Randall M. Schrick and Dr. Sukh Bassi (Incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended December 31, 2000 (file number 0-17196))

- 10.16 Lease Agreement dated as of August 1, 2001 among GE Capital Public Finance, Inc., The Unified Government of Wyandotte County/Kansas City, Kansas, and MGP Ingredients, Inc. (Incorporated by reference to Exhibit 10(q)(1) of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2003 (file number 0-17196)) Said lease makes reference to Note Agreement dated as of August 1, 1993, providing for the issuance and sale of \$25 million of 6.68% term notes (incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10-Q for the quarter ended September 30, 1993 (file number 0-17196))
- 10.17 Amendment No. 1 dated as of July 1, 2003, to Lease Agreement referred to in Item 10(q)(1) among General Electric Capital Corporation, as assignee and successor-in-interest to GE Capital Public Finance, Inc., The Unified Government of Wyandotte County/Kansas City, Kansas and MGP Ingredients, Inc. (Incorporated by reference to Exhibit 10(q)(2) of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2003 (file number 0-17196))

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- 10.18 Form of Memorandum of Agreement Concerning Options approved on December 10, 2001 between the Company and certain members of senior management, including the following named executive officers: Ladd M. Seaberg, Randall M. Schrick and Dr. Sukh Bassi (Incorporated by reference to Exhibit 10 to the Company's form 10-Q for the quarter ended December 31, 2001 (file number 0-17196))
- 10.19 Lease dated December 16, 1993 between MGP Ingredients, Inc. and Cilcorp Development Services Inc. (Incorporated by reference to Exhibit 10(s) to the Company's report on Form 10-K for the fiscal year ended June 30, 2002 (File No. 0-17196))
- 10.20 Steam Heat Service Agreement dated December 16, 1993 between MGP Ingredients, Inc. and Cilcorp Development Services Inc. (Incorporated by reference to Exhibit 10(t) to the Company's report on Form 10-K for the fiscal year ended June 30, 2002 (File No. 0-17196))(Terminated by Restructuring Agreement attached as Exhibit 4.2 to this Report.)
- 10.21 Cogeneration Agreement dated December 16, 1993 among MGP Ingredients, Inc., Central Illinois Light Company and Cilcorp Development Services Inc. (Incorporated by reference to Exhibit 10(u) to the Company's report on Form 10-K for the fiscal year ended June 30, 2002 (File No. 0-17196))
- 10.22 Guidelines for Issuance of Fiscal 2004 Restricted Share Awards (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004)
- 10.23 Agreement with Ladd M. Seaberg as to Award of Restricted Shares Granted under the Stock Incentive Plan of 1996 and the 1998 Stock Incentive Plan for Salaried Employees (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names: Michael J. Trautschold—23,400 shares; Randy M. Schrick — 22,000 shares; Brian T. Cahill - 20,800 shares; Sukh Bassi, Ph.D. — 22,000 shares (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004))
- 10.24 Stock Incentive Plan of 2004 (Incorporated by reference to Exhibit 4.2 of Registrant's Form S-8 Registration Statement filed October 20, 2004 (File Number 333-119860))
- 10.25 Guidelines for Issuance of Fiscal 2005 Restricted Share Awards (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2004 (File Number 0-17196))

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- 10.26 Agreement with Ladd M. Seaberg as to Award of Restricted Shares Granted under the Stock Incentive Plan of 2004 (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names: Michael J. Trautschold—7,400 shares; Randy M. Schrick — 7,000 shares; Brian T. Cahill — 6,600 shares; Sukh Bassi, Ph.D. — 6,800 shares (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2004 (File Number 0-17196))
- 10.27 Guidelines for Issuance of Fiscal 2006 Restricted Share Awards (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (file number 0-17196))
- 10.28 Agreement with Ladd M. Seaberg as to Award of Restricted Shares Granted under the Stock Incentive Plan of 2004 (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names: Michael J. Trautschold — 14,600 shares; Sukh D. Bassi, Ph.D. — 13,600 shares; Brian T. Cahill — 13,000 shares; Randy M. Schrick — 13, 500 shares) (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (file number 0-17196))
- 10.29 Consent Decree relating to Registrant's Pekin facility entered on April 19, 2006 (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (file number 0-17196))
- 10.30 Consent Agreement between the Registrant and the Kansas Department of Health and Environment dated January 11, 2006 (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (file number 0-17196))
- 10.31 Guidelines for executive incentive plan for fiscal 2006 (Incorporated by reference to the second paragraph of Item 1.01 of the Company's Current Report on Form 8-K dated August 30, 2005 (file number 0-17196))
- 10.32 Director compensation arrangements ((Incorporated by reference to the second paragraph of Item 1.01 of the Company's Current Report on Form 8-K dated December 19, 2005 (file number 0-17196))
- 10.33 Guidelines for executive incentive plan for fiscal 2007 (Incorporated by reference to Item 1.01 of the Company's Current Report on Form 8-K dated August 31, 2006 (file number 0-17196))
- 10.34 Employment Agreement with Dr. Sukh Bassi dated April 16, 2007 (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly report on Form 10-Q for the quarter ended April 1, 2007 (file number 0-17196))

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10.36	Guidelines for Issuance of Fiscal 2007 Restricted Share Awards (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly report on Form 10-Q for the quarter ended December 31, 2006 (file number 0-17196))
10.37	Agreement with Ladd M. Seaberg as to Award of Restricted Shares Granted under the Stock Incentive Plan of 2004 with respect to Fiscal 2007 (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names: Timothy W. Newkirk — 9,200 shares; Randy M. Schrick — 9,300 shares; Brian T. Cahill — 8,900 shares; Sukh Bassi, Ph.D. — 9,400 shares (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly report on Form 10-Q for the quarter ended December 31, 2006 (file number 0-17196))
10.38	Separation Agreement and Release of Claims relating to Michael J. Trautschold Separation Agreement and Release of Claims relating to Michael J. Trautschold (Incorporated by reference to Exhibit 10.4 of the Company's Quarterly report on Form 10-Q for the quarter ended December 31, 2006 (file number 0-17196))
10.39	Consultation Agreement with Michael J. Trautschold (Incorporated by reference to Exhibit 10.5 of the Company's Quarterly report on Form 10-Q for the quarter ended December 31, 2006 (file number 0-17196))
10.40	Lease dated as of December 28, 2006 between the City of Atchison, as Issuer and MGP Ingredients, Inc., as tenant relating to \$7,000,000 Taxable Industrial Revenue Bonds Series 2006 (MGP Ingredients Project (Incorporated by reference to Exhibit 10.5 of the Company's Quarterly report on Form 10-Q for the quarter ended December 31, 2006 (file number 0-17196))
10.41	Stipulation and Proposal for Settlement (Incorporated by reference to Exhibit 10.6 of the Company's Quarterly report on Form 10-Q for the quarter ended December 31, 2006 (file number 0-17196))
10.42	Order dated January 26, 2007 of Illinois Pollution Control Board approving Stipulation and Proposal for Settlement (Incorporated by reference to Exhibit 10.7 of the Company's Quarterly report on Form 10-Q for the quarter ended December 31, 2006 (file number 0-17196))
10.43	Non-Employee Directors Restricted Share Award Agreement for fiscal 2007 of Cloud L. Cray. Similar agreements were made for the same number of shares with Michael Braude, John Byom, Gary Gradinger, Linda Miller, Daryl Schaller and John Speirs. (Incorporated by reference to Exhibit 3(b) of the Company's Current Report on Form 8-K filed June 19, 2007 (file number 0-17196))
10.44	Non-Employee Directors' Restricted Stock Plan (Incorporated by reference from Ex. 4.3 of the Registrant's Form S-8 Registration Statement filed September 26, 2006 (File No. 333-137593))

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10.45	Guidelines for Issuance of Fiscal 2008 Restricted Share Awards (Incorporated by reference from Ex. 10(ss) of the Registrants Annual Report on Form 10-K for the Fiscal Year ended July 1, 2007)
10.46	MGP Ingredients, Inc. Short-Term Incentive Plan (Incorporated by reference from Ex. 10(tt) of the Registrants Annual Report on Form 10-K for the Fiscal Year ended July 1, 2007)
10.47	Separation Agreement and Release of Claims between Brian Cahill and MGP Ingredients, Inc. dated as of November 4, 2008. Speirs (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed November 21, 2008(file number 0-17196))
10.48	Agreement with Brian Cahill as to Award of Restricted Shares Granted Under the Stock Incentive Plan of 2004 with respect to Fiscal 2008 (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names Timothy W. Newkirk — 17,695; Robert Zonneveld — 10,772; Randy M. Schrick - 13,530; and Donald Coffey — 10,834.) (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed November 21, 2008 (file number 0-17196))
*10.49	Agreement with Timothy Newkirk as to Award of Restricted Shares Granted Under the Stock Incentive Plan of 2004 with respect to Fiscal 2009 (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names —Randy M. Schrick - 24,500 and Donald Coffey — 21,000.)
10.50	Interim Services Agreement, dated as of April 14, 2009, by and between Tatum, LLC and MGP Ingredients, Inc. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 20, 2009 (file number 0-17196))
10.51	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 (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009 (file number 0-17196))
10.52	Form of deferral agreement between the Company and outside directors relating to deferral of director fees 2009 (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009 (file number 0-17196))
10.53	Separation Agreement and Release of Claims dated May 7, 2009 between the Company and Robert Zonneveld 2009 (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009 (file number 0-17196))

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- 10.54 Supply Agreement dated as of October 24, 2008 by and between Conagra Foods Food Ingredients Company, Inc. and MGP Ingredients, Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment) (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2008 (file number 0-17196))
- *10.55 Consultation Agreement with Ladd Seaberg
- *10.56 Non-Employee Directors Restricted Share Award Agreement for fiscal 2008 of John Speirs. Similar agreements were made for the same number of shares with Michael Braude, John Byom, Cloud L. Cray, Gary Gradinger, Linda Miller and Daryl Schaller.
- 10.57 Interim Services Agreement, dated as of April 14, 2009, by and between Tatum, LLC and MGP Ingredients, Inc. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on April 20, 2009 (file number 0-17196)).
- 14 Code of Conduct (Incorporated by reference to Exhibit 14 of the Company's Current Report on Form 8-K filed June 16, 2009(file number 0-17196
- 22 Subsidiaries of the Company

Subsidiary		State of Incorporation or Organization
Midwest Grain Pipeline, Inc.	(100%)	Kansas
Firebird Acquisitions, LLC	(100%)	Delaware
D.M. Ingredients GmbH	(50%)	Germany

*23.1 Consent of BKD, LLP

*23.2 Consent of KPMG, LLP

25 Powers of Attorney executed by all officers and directors of the Company who have signed this report on Form 10-K (Incorporated by reference to the signature pages of this report)

*31.1 CEO Certification pursuant to Rule 13a-14(a)

*31.2 CFO Certification pursuant to Rule 13a-14(a)

*32.1 CEO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350

*32.2 CFO Certification furnished pursuant to Rule 13a-14(b)

* Filed herewith

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SIGNATURES

Pursuant to requirements of Section 13 of 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, in the city of Atchison, State of Kansas, on this 10th day of September, 2009.

MGP INGREDIENTS, INC.

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

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy W. Newkirk and David Harbert and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all reports of the Registrant on Form 10-K and to sign any and all amendments to such reports and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities & Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the dates indicated

Name	Title	Date
<u>/s/Timothy W. Newkirk</u> Timothy W. Newkirk	President and Chief Executive Officer	September 10 , 2009
<u>/s/David Harbert</u> David Harbert	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	September 10, 2009

<u>/s/Michael Braude</u> Michael Braude	Director	September 10 , 2009
<u>/s/John E. Byom</u> John E. Byom	Director	September 10, 2009
<u>/s/Cloud L. Cray, Jr.</u> Cloud L. Cray, Jr.	Director	September 10, 2009
<u>/s/Gary Gradinger</u> Gary Gradinger	Director	September 10, 2009
<u>/s/Linda E. Miller</u> Linda E. Miller	Director	September 10, 2009
<u>/s/Daryl R. Schaller</u> Daryl R. Schaller	Director	September 10, 2009
<u>/s/ Karen Seaberg</u> Karen Seaberg	Director	September 10, 2009
<u>/s/John R. Speirs</u> John R. Speirs	Director; Chairman of the Board	September 10, 2009

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MGP INGREDIENTS, INC.

**Consolidated Financial Statement Schedules
(Form 10-K)**

June 30, 2009, June 30, 2008, and July 1, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

Audit Committee, Board of Directors and Stockholders
MGP Ingredients, Inc.
Atchison, Kansas

In connection with our audits of the consolidated financial statements of MGP Ingredients, Inc. for each of the years in the two-year period ended June 30, 2008, we have also audited the following financial statement schedule. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits of the basic financial statements. The schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and regulations and is not a required part of the consolidated financial statements.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ BKD, LLP

**Kansas City, Missouri
September 11, 2008**

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MGP INGREDIENTS, INC.

II. VALUATION AND QUALIFYING ACCOUNTS

	Balance, Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Write-Offs	Balance, End of Period
	(In Thousands)				
Year Ended June 30, 2009 Allowance for doubtful accounts	\$ 264	\$ 124	—	—	\$ 388
Year Ended June 30, 2008 Allowance for doubtful accounts	\$ 207	\$ 57	—	—	\$ 264
Year Ended July 1, 2007 Allowance for doubtful accounts	\$ 320	—	—	\$ 113	\$ 207

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of August 19, 2009, between Sergeant's Pet Care Products, Inc., Inc., a Nevada corporation (the "Buyer"), and MGP Ingredients, Inc., a Kansas corporation ("Seller").

WITNESSETH:

WHEREAS, Seller is in the business of manufacturing and marketing formulated pet treat products (the "Pet Treat Business") at its location at 16 Kansas Avenue, Kansas City, Kansas (the "Manufacturing Location"); and

WHEREAS, the Buyer wishes to purchase or acquire (directly or indirectly through subsidiaries) from Seller, and Seller wishes to sell, assign and transfer to the Buyer, substantially all of the assets and properties held in connection with, necessary for, or material to the Pet Treat Business, including, but not limited to, the Owned Real Property and the pet treat equipment at the Manufacturing Location, all for the purchase price and upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants, representations and warranties made herein, and of the mutual benefits to be derived hereby, the parties hereto agree as follows:

ARTICLE I
SALE AND PURCHASE OF THE ASSETS

1.1. Assets. Subject to and upon the terms and conditions set forth in this Agreement, at the Closing, the Seller will sell, transfer, convey and assign to the Buyer Parties, as directed by Buyer, and the Buyer Parties will purchase or acquire from the Seller, all right, title and interest of the Seller in and to the properties, assets and rights of every nature, kind and description, tangible and intangible (including goodwill), whether real, personal or mixed, whether accrued, contingent or otherwise and whether now existing or hereinafter acquired (other than the Excluded Assets) primarily relating to or used or held for use in connection with the Pet Treat Business, including the Owned Real Property legal described as set forth on Schedule 1.1 and the physical assets located at the Manufacturing Location, as the same may exist on the Closing Date, (collectively, the "Assets"), including without limitation all those items in the following categories that conform to the definition of the term "Assets":

(a) all machinery, equipment, furniture, furnishings, automobiles, trucks, vehicles, tools, dies, molds and parts and similar property (including, but not limited to, any of the foregoing purchased subject to any conditional sales or title retention agreement in favor of any other Person) located at the Manufacturing Location, including but not limited to as identified on Schedule 1.1 (a);

(b) all inventories of raw materials, work in process, finished products, goods, spare parts, replacement and component parts, and office and other supplies used in the Pet Treat Business and those spare parts, replacement and component parts and tools related to the Manufacturing Location (collectively, the "Inventories"), including Inventories previously purchased and in transit to Seller at the Manufacturing Location;

(c) all rights (including but not limited to any and all Intellectual Property rights) in and to the products sold and the formulas used in the Pet Treat Business;

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(d) all of the rights of the Seller under all contracts, arrangements, licenses, leases and other agreements set forth on Schedule 1.1 (d) (the "Assumed Contracts");

(e) all credits, prepaid expenses, deferred charges, advance payments, security deposits and prepaid items related to the Pet Treat Business;

(f) all Intellectual Property, including but not limited to the Intellectual Property listed on Schedule 3.1.19 (a), and all rights there under or in respect thereof primarily relating to or used or held for use in connection with the Pet Treat Business, including, but not limited to, rights to sue for and remedies against past, present and future infringements thereof, and rights of priority and protection of interests therein under the laws of any jurisdiction worldwide and all tangible embodiments thereof (together with all Intellectual Property rights included in the other clauses of this Section 1.1, the "Intellectual Property Assets"); provide, however, the Seller shall not transfer the Trademarks;

(g) all books, records, manuals and other materials (in any form or medium), including, without limitation, all records and materials maintained at the headquarters of Seller, advertising matter, catalogues, price lists, correspondence, mailing lists, lists of customers, distribution lists, photographs, production data, sales and promotional materials and records, purchasing materials and records, personnel records, manufacturing and quality control records and procedures, blueprints, research and development files, records, data and laboratory books, Intellectual Property disclosures, media materials and plates, accounting records, sales order files and litigation files related to the Pet Treat Business;

(h) to the extent their transfer is permitted by law, all Governmental Approvals, including all applications therefore related to the operation of the i) Pet Treat Business or the ii) the Manufacturing Location, including but not limited to those identified on Schedule 1.1 (h);

(i) all rights to causes of action, lawsuits, judgments, claims and demands of any nature available to or being pursued by the Seller with respect to the Pet Treat Business or the ownership, use, function or value of any Asset, whether arising by way of counterclaim or otherwise; and

(k) all guarantees, warranties, indemnities and similar rights in favor of the Seller with respect to any Asset.

Subject to the terms and conditions hereof, at the Closing, the Assets shall be transferred or otherwise conveyed to the Buyer Parties, as directed by the Buyer, free and clear of all liabilities, obligations, liens and encumbrances excepting only Assumed Liabilities and Permitted Liens.

1.2. Excluded Assets. The Buyer shall not acquire and Seller shall retain and not transfer the following assets (collectively, the "Excluded Assets"):

(a) all assets of Seller and its subsidiaries that are not included in the described Assets, including those used in Seller's other lines of business;

(b) cash and cash equivalents, account receivables, and all note receivables;

(c) the names and marks "MGP Ingredient Inc." and derivatives thereof;

- (d) the equipment at the Manufacturing Location utilized for the production of Wheatex®, as identified on Schedule 1.2 (d), the Wheatex® trademark and all intellectual property and know-how associated with the Wheatex Product;
- (e) all customer-owned molds and all customer-owned intellectual property and rights of use thereof related to the Pet Treat Business;
- (f) perpetual joint ownership interest within the meaning of 35 U.S.C. §262 in U.S. Patent 5,665,152 (the "152 Patent") as further defined and set forth in a Joint Ownership Agreement in the form attached as Exhibit D with respect to the '152 Patent to be entered into by the parties at Closing; and
- (g) all of Seller's right, title and interest in the vacant tract of land north of the Owned Real Property.

ARTICLE II THE CLOSING

2.1. Place and Date. The closing of the sale and purchase of the Assets (the "Closing") shall take place at 10:00 A.M. local time on the 21st day of August, 2009, at the offices of Lathrop & Gage LLP, 2345 Grand Boulevard, Suite 2200, Kansas City, Missouri 64108, or such other time and place upon which the parties may agree. The day on which the closing actually occurs is herein sometimes referred to as the "Closing Date".

2.2. Purchase Price. On the terms and subject to the conditions set forth in this Agreement, the Buyer agrees to pay or cause to be paid to Seller an aggregate of U.S. \$3,585,110 (the "Purchase Price") and to assume or cause the Buyer to assume the Assumed Liabilities as provided in Section 2.4. The following portions of the Purchase Price shall be payable at the respective Closing, in separate payments, as follows:

- (a) By the wire transfer, the sum of \$3,585,110 in immediately available funds to such bank account or accounts as per written instructions of Seller, given to the Buyer prior to the Closing to which such payment relates; and
- (b) In addition to the foregoing Buyer shall pay Seller earn-out payments in an amount equal to 40% of the Pet Treat Income for the period from August 1, 2009 through July 31, 2010, such amount payable on November 1, 2010; 20% of the net income of the Pet Treat Income for the period from August 1, 2010 through July 31, 2011, such amount payable on November 1, 2011; 10% of the net income of the Pet Treat Income for the period from August 1, 2011 through July 31, 2012, such amount payable on November 1, 2012. Net income shall be computed in accordance with GAAP by the Buyer. Together with each earn-out payment, Buyer shall provide a calculation of the net income of the Pet Treat Income for such period and, upon Seller's request, Buyer shall also provide any supporting documentation reasonably requested by Seller to enable Seller to verify the earn-out payment calculation.

2.3. Allocation of Purchase Price.

- (a) The Purchase Price shall be allocated among the Assets in accordance with an allocation schedule to be initially prepared by Buyer and approved by Seller at or before Closing.

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Such allocation schedule shall be prepared in accordance with section 1060 of the Code. Such allocation schedule shall be prepared in accordance with the requirements of applicable tax law.

- (b) In connection with the determination of the foregoing allocation schedules, the parties shall cooperate with each other and provide such information as any of them shall reasonably request. The parties will each report the federal, state and local and other Tax consequences of the purchase and sale contemplated hereby (including the filing of Internal Revenue Service Form 8594) in a manner consistent with such allocation schedules.

2.4. Assumption of Liabilities. Subject to the terms and conditions set forth herein, at the Closing the Buyer shall assume and agree to pay, honor and discharge when due the liabilities, obligations and commitments (x) arising out of the Assumed Contract, but not including any obligation or liability for any breach thereof occurring prior to the Closing Date or (y) listed on Schedule 2.4(a)(ii) (collectively, the "Assumed Liabilities"). The parties shall execute an "Assumption Agreement" evidencing Buyer's assumption of these liabilities.

2.5. Excluded Liabilities. Notwithstanding the provisions of Section 2.4 or any other provision hereof or any schedule or exhibit hereto and regardless of any disclosure to the Buyer, the Buyer shall not assume any other liabilities, obligations or commitments arising from activities conducted prior to the Closing, included but not limited to any liability of the Seller, regardless of when such liability arose (the "Excluded Liabilities").

2.6. Consent of Third Parties. Notwithstanding anything to the contrary in this Agreement, this Agreement shall not constitute an agreement to assign or transfer any Governmental Approval or Assumed Contract or any claim, right or benefit arising there under or resulting there from if an assignment or transfer or an attempt to make such an assignment or transfer without the consent of a third party would constitute a breach or violation thereof or affect adversely the rights of the Buyer or Seller there under; and any transfer or assignment to the Buyer by Seller of any interest under any such Governmental Approval or Assumed Contract that requires the consent of a third party shall be made subject to such consent or approval being obtained.

2.7. Prorations. The following items shall be adjusted or prorated between Seller and Buyer:

- (a) Ad valorem taxes relating to the Owned Real Property for 2009 shall be prorated between Seller and Buyer as of the Closing Date. If the ad valorem taxes for such calendar year have not been determined on the Closing Date, the proration shall be estimated based upon the ad valorem taxes for the calendar year immediately preceding the calendar year in which the Closing Date occurs, but such proration shall be subject to adjustment between the parties when the actual ad valorem taxes are determined for the calendar year in which the Closing Date occurs. Seller shall pay any installments of special assessments for any periods prior to the Closing Date.
- (b) All utilities and similar operating expenses of the Owned Real Property shall be prorated at the Closing effective as of the Closing Date. If the exact amount of any item to be prorated is not known as of the Closing Date, the proration shall be based upon the exact amount of the item when it is known, the proration shall be adjusted, if necessary, and appropriate cash adjustments shall be made by Buyer and Seller if necessary.

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ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1. Representations and Warranties of Seller. As of the date hereof and as of the Closing Date, Seller represents and warrants to the Buyer Parties as follows:

3.1.1. Authorization, etc. Seller has the corporate power and authority to execute and deliver this Agreement and each of the Collateral Agreements to which it will be a party, to perform fully its obligations there under, and to consummate the transactions contemplated thereby. The execution and delivery by Seller of this Agreement and the consummation of the transactions contemplated hereby, have been, and on the Closing Date each of the Collateral Agreements to which the Seller will be a party and the consummation of the transactions contemplated thereby will have been, duly authorized by all requisite corporate action of the Seller. Seller has duly executed and delivered this Agreement and on the Closing Date the Seller will have duly executed and delivered each of the Collateral Agreements to which it is a party. This Agreement is, and on the Closing Date each of the Collateral Agreements to which Seller is a party will be, legal, valid and binding obligations of Seller, enforceable against it in accordance with their respective terms.

3.1.2. Corporate Status.

- (a) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, with full corporate power and authority to carry on the Pet Treat Business and to own or lease and to operate the Manufacturing Location as and in the places where such Pet Treat Business is conducted.
- (b) The Seller is duly qualified and is in good standing in Kansas, which is the only jurisdiction in which the operation of the Pet Treat Business or the character of the properties owned, leased or operated by it in connection with the Pet Treat Business makes such qualification necessary.
- (c) The Seller is not in violation of any provisions of its certificate of incorporation or by-laws or other organizational documents.

3.1.3. No Conflicts, etc. The execution, delivery and performance by Seller of this Agreement and each of the Collateral Agreements to which it is a party, and the consummation of the transactions contemplated thereby, do not and will not conflict with, contravene, result in a violation or breach of or default under (with or without the giving of notice or the lapse of time or both), give rise to a right or claim of termination, amendment, modification, vesting, acceleration or cancellation of any right or obligation or loss of any material benefit under, or result in the creation of any Lien (or any obligation to create any Lien) upon any of the Assets under (i) any Applicable Law applicable to Seller or any Affiliate thereof or any of the properties or assets of Seller (including but not limited to the Assets), (ii) the certificate of incorporation or by-laws or other organizational documents of Seller or (iii) except as set forth in Schedule 3.1.3, any Contract or other contract, agreement or other instrument to which Seller or any Affiliate thereof is a party or by which Seller or any of their properties or assets, including but not limited to the Assets, may be bound or affected. Except as specified in Schedule 3.1.3, no Governmental Approval or other Consent is required to be obtained or made by any Seller in connection with the execution and delivery of this Agreement and the Collateral Agreements or the consummation of the transactions contemplated thereby.

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3.1.4. Financial Statements, Etc.

(a) Financial Statements. Seller has delivered to the Buyer unaudited profit and loss statements of the Pet Treat Business for the monthly periods beginning on July 1, 2007 through May 31, 2009 (the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP, but are divisional statements that do not contain notes and are subject to normal end of period and audit adjustments. The Financial Statements present fairly the results of operations of the Pet Treat Business for the periods indicated and have been prepared and, when delivered will have been prepared in all material respects on a basis consistent with Seller's books and records.

(b) Other Financial Information. Schedule 3.1.4(b) sets forth the sales attributable to each customer of the Pet Treat Business for the last two fiscal years.

3.1.5. Absence of Undisclosed Liabilities. Seller has no liabilities or obligations of any nature, whether known or unknown, absolute, accrued, contingent or otherwise and whether due or to become due, which may impose a lien upon the assets or which may be payable by the Buyer, other than the Assumed Liabilities or as otherwise disclosed in this Agreement.

3.1.6. Taxes.

(a) The Seller has (or by the Closing will have) duly and timely filed all Tax Returns relating to the Assets required to be filed on or before the Closing Date ("Returns"). Except for Taxes set forth on Schedule 3.1.6(a), which are being contested in good faith, all Taxes have (or by the Closing Date will have) been duly and timely paid. All Taxes required to be withheld by or on behalf of the Seller in connection with amounts paid or owing to any employee, independent contractor, creditor or other party with respect to the Pet Treat Business ("Withholding Taxes") have been withheld, and such withheld taxes have either been duly and timely paid to the proper Governmental Authorities or escrowed in accounts solely for such purpose.

(b) No agreement or other document extending, or having the effect of extending, the period of assessment or collection of any Taxes or Withholding Taxes related to the Pet Treat Business, and no power of attorney with respect to any such Taxes, has been filed with the IRS or any other Governmental Authority, other than powers of attorney applicable to the Seller's tax returns generally.

(c) Except as set forth on Schedule 3.1.6(c), (i) there are no Taxes or Withholding Taxes related to the Pet Treat Business asserted in writing by any Governmental Authority to be due and (ii) no issue has been raised in writing by any Governmental Authority in the course of any audit with respect to any such Taxes or Withholding Taxes related to the Pet Treat Business. Except as set forth on Schedule 3.1.6(c), no Taxes and no Withholding Taxes related to the Pet Treat Business are currently under audit by any Governmental Authority. Except as set forth on Schedule 3.1.6(c), neither the IRS nor any other Governmental Authority is now asserting or, to the Knowledge of Seller, threatening to assert against Seller any deficiency or claim for additional Taxes or any adjustment of Taxes related to the Pet Treat Business, if the payment of such deficiency or claim would have a Material Adverse Effect and there is no reasonable basis for any such assertion of which Seller is or reasonably should be aware.

(d) Buyer will not be required to deduct and withhold any amount pursuant to section 1445(a) of the Code upon the transfer of the Assets to Buyer.

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(e) Except as set forth on Schedule 3.1.6(e), there is no litigation or administrative appeal pending or, to the Knowledge of Seller, threatened against or relating to Seller in connection with Taxes, if such Taxes would impose a Lien on the Assets or be properly assessed against Buyer.

3.1.7. Absence of Changes. Except as set forth in Schedule 3.1.7, since the January 1, 2009, the Seller has conducted the Pet Treat Business only in the ordinary course consistent with prior practice and has not, on behalf of, in connection with or relating to the Pet Treat Business or the Assets:

- (a) suffered any Material Adverse Effect;

- (b) incurred any obligation or liability, absolute, accrued, contingent or otherwise, whether due or to become due, except current liabilities for trade or Pet Treat Business obligations incurred in connection with the purchase of goods or services in the ordinary course of Pet Treat Business consistent with prior practice, none of which liabilities, in any case or in the aggregate, could have a Material Adverse Effect;
- (c) discharged or satisfied any Lien other than those then required to be discharged or satisfied, or paid any obligation or liability, absolute, accrued, contingent or otherwise, whether due or to become due, other than current liabilities incurred since the date thereof in the ordinary course of Pet Treat Business consistent with prior practice;
- (d) assigned, mortgaged, pledged or otherwise subjected to Lien, any Asset;
- (e) sold, transferred, leased to others or otherwise disposed of any of the Assets, except for inventory sold in the ordinary course of Pet Treat Business, or forgiven, canceled or compromised any debt or claim, or waived or released any right, of substantial value;
- (f) received any notice of termination of any contract, lease or other agreement related to the Assets or suffered any damage, destruction or loss (whether or not covered by insurance);
- (g) transferred or granted any rights or licenses under, or entered into, any settlement regarding the breach or infringement of, any Intellectual Property, or modified any existing rights with respect thereto;
- (h) made any change in the rate of compensation, commission, bonus or other direct or indirect remuneration payable, or paid or agreed or orally promised to pay, conditionally or otherwise, any bonus, incentive, retention or other compensation, retirement, welfare, fringe or severance benefit or vacation pay, to or in respect of any shareholder, director, officer, employee, salesman, distributor or agent of Seller relating to the Pet Treat Business, other than in the ordinary course of business;
- (i) encountered any labor union organizing activity, had any actual or threatened employee strikes, work stoppages, slowdowns or lockouts, or had any material change in its relations with its employees, agents, customers or suppliers;
- (j) failed to maintain inventories and supplies in a normal and customary manner consistent with its prior practice or made any purchase commitment in excess of or less than the normal, ordinary and usual requirements;

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- (k) made any capital expenditures or capital additions or improvements in excess of an aggregate of \$15,000;
- (l) instituted, settled or agreed to settle any litigation, action or proceeding before any court or government; body relating to the Assets involving amounts in excess of \$15,000;
- (m) (i) entered into any transaction, contract or commitment related specifically to the Pet Treat Business other than in the ordinary course of the Pet Treat Business or (ii) breached any contract or commitment;
- (n) made any material changes in policies or practices relating to selling practices, returns, discounts or other terms of sale or accounting therefore or in policies of employment;
- (o) delayed payment of any trade payables or other obligations, or made any other cash payments other than in the ordinary course of Pet Treat Business;
- (p) failed to maintain all of the Assets in good repair, working order and operating condition;
- (q) failed to keep in full force and effect insurance comparable in amount and scope of coverage to insurance now carried in connection with the Pet Treat Business; or
- (r) taken any action or omitted to take any action that would result in the occurrence of any of the foregoing.

3.1.8. Litigation. Except as set forth on Schedule 3.1.8, there is no action, claim; demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or threatened against or relating to Seller in connection with the Assets or against or relating to the transactions contemplated by this Agreement. Except as set forth in Schedule 3.1.8, no citations, fines or penalties have been asserted against any Seller with respect to the Assets under any Environmental Law or any foreign, federal, state or local law relating to occupational health or safety.

3.1.9. Compliance with Laws, Governmental Approvals and Consents; Governmental Contracts

- (a) Except as disclosed in Schedule 3.1.9(a) Seller has complied with all Applicable Laws applicable to the Pet Treat Business and the Assets, and Seller has not received any written notice alleging any such conflict, violation, breach or default.
- (b) Schedule 3.1.9(b) sets forth all Governmental Approvals and other Consents necessary for or otherwise material to, the conduct of the Pet Treat Business and the ownership and operation of the Assets as they are currently operated. Except as set forth in Schedule 3.1.9(b), all such Governmental Approvals and Consents have been duly obtained and are in full force and effect, and Seller is in compliance with each of such Governmental Approvals and Consents held by it with respect to the Assets and the Pet Treat Business.
- (c) Schedule 3.1.9(c) sets forth all Contracts related to the Pet Treat Business or the Assets with any Governmental Authority.

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- (d) To the Knowledge of Seller, there are no proposed laws, rules, regulations, ordinances, orders, judgments, decrees, governmental takings, condemnations or other proceedings applicable to the Owned Real Property which are reasonably likely to materially affect the use and ownership of the Owned Real Property as currently used by Seller.

3.1.10. Operation of the Pet Treat Business. Except as set forth in Schedule 3.1.10, (a) Seller has conducted the Pet Treat Business only through Seller and not through any other entity and (b) no part of the Pet Treat Business is operated by Seller through any entity other than Seller.

3.1.11. Assets. Except as disclosed in Schedule 3.1.11, the Seller has good and marketable title to all the Assets free and clear of any and all Liens other than

Permitted Liens. The Assets, together with the services and arrangements described in the Collateral Agreements, comprise all assets and services required for (i) the continued conduct of the Pet Treat Business by the Buyer as such business is now being conducted, and the (ii) operation of the Manufacturing Location as now conducted. The Assets are in all material respects adequate for the purposes for which such assets are currently used or are held for use, and are in good repair and operating condition for their current use. Except as disclosed in this Agreement, none of the Assets are subject to any lease or license.

3.1.12. Contracts.

(a) Schedule 3.1.12(a) contains a complete and correct list of all agreements, contracts, commitments and other instruments and arrangements (whether written or oral) (x) by which any of the Assets are bound or affected or (y) to which any Seller is a party and by which it is bound in connection with the Pet Treat Business or the Assets, in each case excepting contracts related to the Liens set forth on Schedule 3.1.11 to be released at or before Closing (the "Contracts").

(b) The Seller has delivered to the Buyer complete and correct copies of all written Contracts, together with all amendments thereto, and accurate descriptions of all material terms of all oral Contracts, set forth or required to be set forth in Schedule 3.1.12(a).

(c) All Contracts are in full force and effect and enforceable against each party thereto. There does not exist under any Contract any event of default or event or condition that, after notice or lapse of time or both, would constitute a violation, breach or event of default there under on the part of any Seller or, to the Knowledge of Seller, any other party thereto except as set forth in Schedule 3.1.12(c) and except for such events or conditions that, individually and in the aggregate, (i) have not had or resulted in, and will not have or result in, a Material Adverse Effect and (ii) have not and will not materially impair the ability of Seller to perform its obligations under this Agreement and under the Collateral Agreements. Except as set forth in Schedule 3.1.3, no consent of any third party is required under any Assumed Contract as a result of or in connection with the execution, delivery and performance of this Agreement or any of the Collateral Agreements or the consummation of the transactions contemplated thereby.

(d) The Seller does not have outstanding any power of attorney relating to the Assets.

3.1.13. Territorial Restrictions. Except as may be provided in any of the Assumed Contracts, the Buyer, solely as a result of its purchase of the Pet Treat Business from the Seller pursuant hereto and the assumption of the Assumed Liabilities, will not thereby become restricted in carrying on any Pet Treat Business anywhere in the world.

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3.1.14. Inventories. All Inventories are of good, usable and merchantable quality in all material respects and, except as set forth on Schedule 3.1.14, do not include obsolete or discontinued items. Except as set forth on Schedule 3.1.14, (a) all Inventories are of such quality as to meet the quality control standards of Seller and any applicable governmental quality control standards, (b) all Inventories that are finished goods are saleable as current inventories at the current prices thereof in the ordinary course of the Pet Treat Business, (c) all Inventories are recorded on the books of the Pet Treat Business at the lower of cost or market value determined in accordance with GAAP and (d) no write-down in inventory has been made or should have been made pursuant to GAAP since January 1, 2009. Schedule 3.1.14 lists the locations of all Inventories.

3.1.15. Customers. Schedule 3.1.15 sets forth (a) the names and addresses of all customers of Seller as to the Pet Treat Business that ordered goods and services from such Seller with an aggregate value for each such customer of \$5,000 or more during the twelve-month period ended May 31, 2009, and (b) the amount for which each such customer was invoiced during such period. Except as set forth on Schedule 3.1.15, Seller has not received any notice or has any reason to believe that any significant customer of Seller (i) has ceased, or will cease, to use the products, goods or services of the Pet Treat Business, (ii) has substantially reduced or will substantially reduce, the use of products, goods or services of the Pet Treat Business or (iii) has sought, or is seeking, to reduce the price it will pay for products, goods or services of the Pet Treat Business, including in each case after the consummation of the transactions contemplated hereby. Except as set forth on Schedule 3.1.15, to the Knowledge of the Seller, no customer of the Pet Treat Business described in clause (a) of the first sentence of this section has otherwise threatened to take any action described in the preceding sentence as a result of the consummation of the transactions contemplated by this Agreement and the Collateral Agreements.

3.1.16. Suppliers: Raw Materials. Schedule 3.1.16 sets forth (a) the names and addresses of all suppliers (including without limitation Seller and any Affiliates thereof) from which the Pet Treat Business ordered raw materials, supplies, merchandise and other goods and services with an aggregate purchase price for each such supplier of \$15,000 or more during the twelve-month period ended May 31, 2009, and (b) the amount for which each such supplier invoiced the Pet Treat Business during such period. Seller has not received any notice nor, except for general fluctuations in commodity prices, has any reason to believe that there has been any material adverse change in the price of such raw materials, supplies, merchandise or other goods or services, or that any such supplier will not sell raw materials, supplies, merchandise and other goods to the Buyer at any time after the Closing Date on terms and conditions materially similar to those used in its current sales to the Pet Treat Business, subject to general and customary price increases. To the Knowledge of the Seller, no supplier of the Pet Treat Business described in clause (a) of the first sentence of this section has otherwise threatened to take any action described in the preceding sentence as a result of the consummation of the transactions contemplated by this Agreement and the Collateral Agreements.

3.1.17. Products.

(a) Warranties. Buyer has been furnished with complete and correct copies of the terms and conditions of sale for each of the products or services of Seller (containing applicable guaranty, warranty and indemnity provisions) currently sold with respect to the Pet Treat Business. Except as required by Applicable Law or as set forth on Schedule 3.1.17(a), no product manufactured, sold, or delivered by, or service rendered by or on behalf of, Seller is subject to any guaranty, warranty or other indemnity, express or implied, beyond such terms and conditions.

(b) Product Liability. Except as set forth on Schedule 3.1.17(b), Seller has no liability or obligation of any nature (whether known or unknown, accrued, absolute, contingent or

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otherwise, and whether due or to become due), whether based on strict liability, negligence, breach of warranty (express or implied), breach of contract or otherwise, in respect of any product, component or other item manufactured, sold, designed or produced by the Pet Treat Business prior to the Closing by, or service rendered prior to the Closing by or on behalf of, Seller or any predecessor thereto with respect to the Pet Treat Business, that is not fully and adequately disclosed to Buyer.

(c) Rebates. Except as set forth on Schedule 3.1.17(c), Seller has not entered into, or offered to enter into, any agreement, contract commitment or other arrangement with respect to the Pet Treat Business (whether written or oral) pursuant to which such Seller is or will be obligated to make any rebates, discounts, promotional allowances or similar payments or arrangements to any customer ("Rebate Obligations").

(d) Returns. No products of the Pet Treat Business sold prior to the Closing shall be returned by any purchaser of such products following the Closing.

3.1.18. Absence of Certain Pet Treat Business Practices. The Seller, any officer, employee or agent of any Seller, or any other person acting on their behalf, has not, directly or indirectly, within the past five years given or agreed to give any gift or similar benefit to any customer, supplier, governmental employee or other person who

is or may be in a position to help or hinder the Pet Treat Business (or assist the Seller in connection with any actual or proposed transaction relating to the Pet Treat Business) (i) which subjected or might have subjected any Seller to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (ii) for any of the purposes described in Section 162(c) of the Code.

3.1.19. Intellectual Property.

(a) Title. Schedule 3.1.19(a) contains a complete and correct list of all Intellectual Property Assets (excluding the formulas described in Section 1.1(c), which shall be delivered by separate document to Buyer by Seller at the Closing) that are owned by Seller and primarily related to, used in, held for use in connection with, or necessary for the conduct of, or otherwise material to the Pet Treat Business or the Assets (the "Owned Intellectual Property"). Except as set forth on Schedule 3.1.19(a), the Seller owns or has the exclusive right to use pursuant to license, sublicense, agreement or permission all Intellectual Property Assets, free from any Liens (other than Permitted Liens) and free from any requirement of any past, present or future royalty payments, license fees, charges or other payments, or conditions or restrictions whatsoever. The Intellectual Property Assets to be transferred to Buyer at Closing comprise all of the Intellectual Property necessary for the Buyer to conduct and operate the Pet Treat Business as now being conducted by the Seller.

(b) Transfer. Immediately after the Closing, Buyer will own all of the Intellectual Property Assets except for the Trademarks and rights under agreements not assumed by Buyer. Buyer will have a right to use the Wonderware software on the same terms and conditions as Seller's rights in effect prior to the Closing. The rights in the Intellectual Property Assets, will be conveyed by Buyer free from any Liens (other than Permitted Liens).

(c) No Infringement. The conduct of the Pet Treat Business does not infringe or otherwise conflict with any rights of any Person in respect of any Intellectual Property. To the Knowledge of the Seller, none of the Intellectual Property Assets is being infringed or otherwise used or available for use, by any other Person.

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(d) Licensing Arrangements. Schedule 3.1.19(d) sets forth all agreements, arrangements or laws (i) pursuant to which Seller has licensed Intellectual Property Assets to, or the use of Intellectual Property Assets is otherwise permitted (through non-assertion, settlement or similar agreements or otherwise) by, any other Person and (ii) pursuant to which Seller has had Intellectual Property licensed to it, or has otherwise been permitted to use Intellectual Property (through non-assertion, settlement or similar agreements or otherwise). Seller has delivered to the Buyer true and complete copies of all licenses and arrangements (including amendments) set forth on Schedule 3.1.19(d). Except as disclosed in this Agreement, all of the agreements or arrangements set forth on Schedule 3.1.19(d) (x) are in full force and effect in accordance with their terms and no default exists there under by Seller, or to the knowledge of Seller after due inquiry, by any other party thereto, (y) are free and clear of all Liens, and (z) do not contain any change in control or other terms or conditions that will become applicable or inapplicable as a result of the consummation of the transactions contemplated by this Agreement.

(e) No Intellectual Property Litigation. No claim or demand of any Person has been made nor is there any proceeding that is pending, or to the Knowledge of the Seller, threatened in writing, which (i) challenges the rights of the Seller in respect of any Intellectual Property Assets, (ii) asserts that Seller is infringing or otherwise in conflict with, or is, except as set forth in Schedule 3.1.19(d), required to pay any royalty, license fee, charge or other amount with regard to, any Intellectual Property, or (iii) claims that any default exists under any agreement or arrangement listed on Schedule 3.1.19(d). Except as set forth on Schedule 3.1.19(e), none of the Intellectual Property Assets is subject to any outstanding order, ruling, decree, judgment or stipulation by or with any court, arbitrator, or administrative agency, or has been the subject of any litigation within the last five years, whether or not resolved in favor of the Seller.

(f) Due Registration. Etc. The Owned Intellectual Property has been duly registered with, filed in or issued by, as the case may be, the United States Patent and Trademark Office, United States Copyright Office, and the Seller has taken such other actions, to ensure full protection under any applicable laws or regulations, and such registrations, filings, issuances and other actions remain in full force and effect, in each case to the extent material to the Assets.

(g) Reserved

(h) Software. The WonderWare software used to operate certain equipment included in the Assets is sufficient to operate such equipment in accordance with its current use. Seller has a sufficient number of licenses for the WonderWare software to operate the equipment in accordance with its current use.

(i) Trademarks. The trademarks used by Seller in the Pet Treat Business are identified on Schedule 3.1.19(a) (the "Trademarks"). Following the Closing, Seller shall cease and desist from directly or indirectly using the Trademarks and shall not license the right to use the Trademarks to others, nor sell the Trademarks. Seller shall abandon in due course all pending trademark applications with respect to the Pet Treat Business and shall cancel in due course all existing trademark registrations with respect to the Pet Treat Business. Seller shall have no liability of any kind to Buyer arising out of or relating to the existence of the applications or registrations after the Closing so long as Seller does not breach this Section 3.1.19(i).

3.1.20. Insurance. Seller has maintained insurance coverage for the Assets that is adequate and customary for the Assets and is on such terms (including without limitation as to deductibles and self-insured retentions), covers such risks, contains such deductibles and retentions, and is in such amounts, as the insurance customarily carried by comparable companies of established reputation

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similarly situated and carrying on the same or similar businesses or owning similar assets. Schedule 3.1.20 sets out all claims made by the Seller under any policy of insurance during the past two years with respect to the Assets.

3.1.21. Real Property.

(a) Owned Real Property. Schedule 3.1.21(a) contains the address and owner of each parcel of Owned Real Property. Seller owns fee simple title to the Owned Real Property and, except as set forth on Schedule 3.1.11, free and clear of all Liens other than Permitted Liens. There are no outstanding options or rights of first refusal to purchase the Owned Real Property, or any portion thereof or interest therein. The Owned Real Property constitutes all the fee and leasehold interests in real property held for use in connection with the Pet Treat Business and the Assets

(b) [Reserved]

(c) No Proceedings. There is no eminent domain or other similar proceedings pending or threatened in writing affecting any portion of the Owned Real Property. There is no writ, injunction, decree, order or judgment outstanding, nor any action, claim, suit or proceeding, pending or threatened, relating to the ownership, lease, use, occupancy or operation by any Person of any Owned Real Property.

(d) Current Use. The use and operation of the Owned Real Property does not violate any instrument of record or agreement affecting the Owned Real Property. There is no violation of any covenant, condition, restriction, easement or order of any Governmental Authority having jurisdiction over such property or of any other Person entitled to enforce the same affecting the Owned Real Property or the use or occupancy thereof. No damage or destruction has occurred with respect

to any of the Owned Real Property since January 1, 2009, except as set forth in Schedule 3.1.20.

(e) Compliance with Real Property Laws. The Owned Real Property is in compliance with all applicable building, zoning, subdivision and other land use and similar Applicable Laws affecting the Owned Real Property (collectively, the “Real Property Laws”), and Seller has not received any written notice of violation or claimed violation of any Real Property Law. To the Knowledge of Seller, there is no pending or anticipated change in any Real Property Law that will have or result in a Material Adverse Effect upon the ownership, alteration, use, occupancy or operation of the Owned Real Property or any portion thereof. To Seller’s Knowledge, no current use by Seller of the Owned Real Property is dependent on a nonconforming use or other Governmental Approval the absence of which would materially limit the use of all or any portion of the Assets.

(f) Real Property Taxes. Except as set forth on Schedule 3.1.21(f), each parcel included in the Owned Real Property is assessed for real property tax purposes as a wholly independent tax lot, separate from adjoining land or improvements not constituting a part of that parcel.

3.1.22. Environmental Matters.

(a) Permits. All Environmental Permits are identified in Schedule 3.1.22(a), and the Seller currently hold, and at all times has held, all such Environmental Permits necessary to the operation of the Assets and the Pet Treat Business. Seller has not been notified in writing by any

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relevant Governmental Authority that any Environmental Permit will be modified, suspended, canceled or revoked, or cannot be renewed in the ordinary course of business.

(b) No Violations. The Seller and their respective Affiliates have complied and are in compliance in all material respects with all Environmental Permits and all applicable Environmental Laws pertaining to the Owned Real Property (and the use, ownership or transferability thereof) and the Pet Treat Business. No Person has alleged in writing of any violation by Seller of any Environmental Permits or any applicable Environmental Law relating to the conduct of the Pet Treat Business or the use, ownership or transferability of the Owned Real Property.

(c) No Actions. Except as set forth in Schedule 3.1.22(c), the Seller has not caused or taken any action that has resulted or may result in, or has been or is subject to, any liability or obligation relating to (i) the environmental conditions on, under, or about the Owned Real Property or other properties or assets owned, leased or used by the Seller held for use in connection with, necessary for the conduct of, or otherwise material to, the Pet Treat Business, or (ii) the past or present use, management, handling, transport, treatment, generation, storage or Release of any Hazardous Substances on the Owned Real Property other than in accordance with Applicable Law.

(d) Other. Except as set forth in Schedule 3.1.22(d):

(i) To Seller’s Knowledge, none of current or past operations, or any by-product thereof, and none of the currently or formerly owned property or assets of Seller used in the Pet Treat Business or any assets which is part of the Assets defined herein, is related to or subject to any investigation or evaluation by any Governmental Authority, as to whether any Remedial Action is needed to respond to a Release or threatened Release of any Hazardous Substances.

(ii) Seller is not subject to any outstanding order, judgment, injunction, decree or writ from, or contractual or other obligation to or with, any Governmental Authority or other Person in respect of any Release or threatened Release of a Hazardous Substance.

(iii) The Owned Real Property is not listed or proposed for listing under CERCLA, or on any similar state list, or the subject of federal, state or local enforcement actions or investigations or Remedial Action.

(iv) No work, repair, construction or capital expenditure is required or planned in respect of the Assets pursuant to or to comply with any Environmental Law, nor has the Seller received any written notice of any such requirement.

(e) Full Disclosure. The Seller has disclosed and made available to the Buyer all information, including without limitation all studies, analyses and test results, in the possession, custody or control of Seller and its Affiliates relating to (i) the environmental conditions on, under or about the Owned Real Property, and (ii) Hazardous Substances used, managed, handled, transported, treated, generated, stored or Released by Seller or any other Person at any time on the Owned Real Property, or otherwise in connection with the use or operation of the properties or assets used in or held for use in connection with the Pet Treat Business; *provided*, that Seller does not warrant the completeness, accuracy or continuing validity of any such reports or materials.

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3.1.23. [Reserved].

3.1.24. Confidentiality. Except as set forth on Schedule 3.1.24, the Seller has taken all steps necessary to preserve the confidential nature of all material confidential information (including, without limitation, any proprietary information) with respect to the Pet Treat Business, including but not limited to the manufacturing or marketing of any of the Pet Treat Business products or services.

3.1.25. No Guarantees. There are no outstanding letters of credit, surety bonds or similar instruments of Seller or any of its Affiliates in connection with the Pet Treat Business or the Assets.

3.1.26. [Reserved]

3.1.27. Brokers, Finders, etc. All negotiations relating to this Agreement, the Collateral Agreements, and the transactions contemplated thereby, have been carried on without the participation of any Person acting on behalf of a Seller in such manner as to give rise to any valid claim against the Buyer or any of its subsidiaries for any brokerage or finder’s commission, fee or similar compensation, or for any bonus payable to any officer, director, employee, agent or sales representative of or consultant to Seller upon consummation of the transactions contemplated hereby or thereby.

3.1.28. Disclosure. No representation or warranty by Seller contained in this Agreement nor any statement or certificate furnished or to be furnished by or on behalf of Seller to the Buyer or its representatives in connection herewith or pursuant hereto” contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact required to make the statements contained herein or therein not misleading. There is no fact (other than matters of a general economic or political nature which do not affect the Pet Treat Business uniquely) known to Seller that has not been disclosed by Seller to the Buyer that might reasonably be expected to have or result in a Material Adverse Effect.

3.2. Representations and Warranties of the Buyer. As of the date hereof and as of the Closing Date, the Buyer represents and warrants to Seller as follows:

3.2.1. Corporate Status; Authorization, etc. Each Buyer Party is a corporation duly organized, validly existing and, in the case of the Buyer, in good standing, under the laws of the jurisdiction of its incorporation with full corporate power and authority to execute and deliver its respective Acquisition Agreement and the Collateral Agreements to which it is a party, to perform its obligations thereunder and to consummate the transactions contemplated thereby. The execution and delivery by the Buyer of this Agreement, and the consummation of the transactions contemplated hereby, have been, and on the Closing Date the execution and delivery by each Buyer Party of the Collateral Agreements to which it is a party will have been, duly authorized by all requisite corporate action of such Buyer Party. The Buyer has duly executed and delivered this Agreement and on the Closing Date and each Buyer Party will have duly executed and delivered the Collateral Agreements to which it is a party. This Agreement is, and on the Closing Date each of the Collateral Agreements to which the Buyer is a party will be, valid and legally binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms. On the Closing Date and each of the Collateral Agreements to which each of the Buyer Parties is a party will be legal, valid and binding obligations of such Buyer Party, enforceable against it in accordance with their respective terms.

3.2.2. No Conflicts, etc. The execution, delivery and performance by each Buyer Party of its respective Acquisition Agreement and each of the Collateral Agreements to which it is a party, and the consummation of the transactions contemplated thereby, do not and will not conflict with or result in a

violation of or under (with or without the giving of notice or the lapse of time, or both) (i) the certificate of incorporation or by-laws or other organizational documents of such Buyer Party, (ii) any Applicable Law applicable to such Buyer Party or any of its Affiliates or any of its or their properties or assets or (iii) any contract, agreement or other instrument applicable to such Buyer Party or any of its Affiliates or any of its or their properties or assets, except, in the case of clause (iii), for violations and defaults that, individually and in the aggregate, have not and will not materially impair the ability of such Buyer Party to perform its obligations under its respective Acquisition Agreement or under any of the Collateral Agreements to which it is a party.

3.2.3. Brokers, Finders, etc. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the participation of any Person acting on behalf of the Buyer Parties in such manner as to give rise to any valid claim against Seller for any brokerage or finder's commission, fee or similar compensation, except the buyer's premium, if any, due from Buyer to Snyder Equipment with respect to the equipment used in the Pet Treat Business.

ARTICLE IV COVENANTS

4.1. Covenants of Seller.

4.1.1. Conduct of Pet Treat Business. From the date hereof to the Closing Date, except as expressly permitted or required by this Agreement or as otherwise consented to by the Buyer in writing, Seller will:

- (a) carry on the Pet Treat Business in, and only in, the ordinary course, in substantially the same manner as heretofore conducted, and use all reasonable efforts to preserve intact its present Pet Treat Business organization, maintain its properties in good operating condition and repair and preserve its relationship with customers, suppliers and others having Pet Treat Business dealings with it, to the end that its goodwill and ongoing business shall be in all material respects unimpaired following the Closing;
- (b) pay accounts payable and other obligations of the Pet Treat Business when they become due and payable in the ordinary course of business consistent with prior practice;
- (c) perform in all material respects all of its obligations under all Contracts and other agreements and instruments relating to or affecting the Pet Treat Business or the Assets, and comply in all material respects with all Applicable Laws applicable to it, the Assets or the Pet Treat Business;
- (d) not enter into or assume any material agreement, contract or instrument relating to the Assets, or enter into or permit any material amendment, supplement, waiver or other modification in respect thereof; and
- (e) not take any action or omit to take any action, which action or omission would result in a breach of any of the representations and warranties set forth in Section 3.1.7.

4.1.2. No Solicitation. During the term of this Agreement, neither the Seller, nor any of their Affiliates or any Person acting on their behalf shall (i) solicit or encourage any inquiries or proposals for, or enter into any discussions with respect to, the Assets or (ii) furnish or cause to be furnished any non-public information concerning the Assets to any Person (other than the Buyer and its agents and

representatives). Seller shall not sell, transfer or otherwise dispose of, grant any option or proxy to any Person with respect to, create any Lien upon, or transfer any interest in, any Asset.

4.1.3. Access and Information.

(a) So long as this Agreement remains in effect, Seller will (and will cause each of their Affiliates and their Affiliates' respective accountants, counsel, consultants, employees and agents to) give the Buyer, the Buyer's prospective lenders, and their respective accountants, counsel, consultants, employees and agents, full access during normal business hours to, and furnish them with all documents, records, work papers and information with respect to, all of such Person's properties, assets, books, contracts, commitments, reports and records relating to the Assets, as the Buyer shall from time to time reasonably request. In addition, the Seller will permit the Buyer, the Buyer's prospective lenders, and their respective accountants, counsel, consultants, employees and agents, reasonable access to such personnel of the Seller during normal business hours as may be necessary or useful to the Buyer in its review of the properties, assets and business affairs of the Pet Treat Business. The Seller will keep the Buyer generally informed as to the affairs of the Pet Treat Business.

(b) Seller will retain all books and records relating to the Assets in accordance with Seller's record retention policies as presently in effect. During the seven-year period beginning on the Closing Date, Seller shall not dispose of or permit the disposal of any such books and records not required to be retained under such policies without first giving 60 days' prior written notice to the Buyer offering to surrender the same to the Buyer at the Buyer's expense.

4.1.4. Financial Statements. Until the Closing, on or before the 21st day of each month, the Seller shall deliver to the Buyer unaudited profit and loss statements of the Pet Treat Business as at and for the monthly period ending the last day of the preceding month (the "Subsequent Monthly Financial Statements"). At the time that the Subsequent Monthly Financial Statements are delivered to the Buyer, the Seller shall by such delivery be deemed to have made the representations and warranties to the Buyer with respect to such Subsequent Monthly Financial Statements set forth in Section 3.1.4.

4.1.5 Reserved

4.1.6. Further Actions.

- (a) Seller shall use all reasonable good faith efforts to take all actions and to do all things necessary, proper or advisable to consummate the transactions contemplated hereby by the expected Closing Date.
- (b) Seller will, as promptly as practicable, file or supply, or cause to be filed or supplied, all applications, notifications and information required to be filed or supplied by any of them pursuant to Applicable Law in connection with this Agreement, the Collateral Agreements, the sale and transfer of the Assets pursuant to this Agreement and the consummation of the other transactions contemplated thereby.
- (c) Seller, as promptly as practicable, will use all reasonable efforts to obtain, or cause to be obtained, all Consents (including, without limitation, all Governmental Approvals and any Consents required under any Assumed Contract) necessary to be obtained in order to consummate the sale and transfer of the Assets pursuant to this Agreement and the consummation of the other transactions contemplated thereby.

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- (d) At all times prior to the Closing, Seller shall promptly notify Buyer in writing of any fact, condition, event or occurrence that will or may result in the failure of any of the conditions contained in Sections 5.1 and 5.2 to be satisfied, promptly upon Seller becoming aware of the same.

4.1.7. Further Assurances. Following the Closing, Seller shall, and shall cause each of its Affiliates to, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by the Buyer, to confirm and assure the rights and obligations provided for in this Agreement and in the Collateral Agreements and render effective the consummation of the transactions contemplated thereby.

4.1.8. Liability for Transfer Taxes. The Seller shall be responsible for the timely payment of, and shall indemnify and hold harmless the Buyer against, all sales, use, value added, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, license and other similar Taxes and fees ("Transfer Taxes"), arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement and the Collateral Agreements. The Seller shall prepare and timely file all Tax Returns required to be filed in respect of Transfer Taxes (including, without limitation, all notices required to be given with respect to bulk sales taxes), *provided* that the Buyer shall be permitted to prepare any such Tax Returns that are the primary responsibility of the Buyer under Applicable Law. The Buyer's preparation of any such Tax Returns shall be subject to Seller's approval, which approval shall not be withheld unreasonably.

4.1.9. [Reserved]

4.1.10. Environmental Assessment. Seller shall allow Buyer, without charge, the use of the Phase 1 Environmental assessment prepared for Seller for the Real Property. In addition Seller has permitted environmental consultants and attorneys satisfactory to the Buyer to conduct an environmental assessment of the Owned Real Property, which assessment has been provided to Buyer and which assessment recommends that there is no further assessment in the vicinity of the three identified areas of concern.

4.2. Covenants of the Buyer.

4.2.1. Public Announcements. Except as required by Applicable Law, the Buyer shall not, and shall not permit its Affiliates to, make any public announcement in respect of this Agreement or the transactions contemplated hereby without the prior written consent of Seller.

4.2.2. Further Actions.

- (a) The Buyer agrees to use all reasonable good faith efforts to take all actions and to do all things necessary, proper or advisable to consummate the transactions contemplated hereby by the expected Closing Date.
- (b) The Buyer will, as promptly as practicable, file or supply, or cause to be filed or supplied, all applications, notifications and information required to be filed or supplied by the Buyer Parties pursuant to Applicable Law in connection with this Agreement, the Collateral Agreements, the Buyer Parties' acquisition of the Assets pursuant to this Agreement, and the consummation of the other transactions contemplated thereby.
- (c) Buyer, as promptly as practicable, will cooperate with Seller in Seller's efforts to obtain Consents required by an Assumed Contract; provided, however the obligation to obtain

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such consent shall remain with Seller and Buyer will use all reasonable efforts to obtain any Governmental Approvals, needed by Buyer for the operation of the Pet Treat Business.

- (d) At all times prior to the Closing, the Buyer shall promptly notify Seller in writing of any fact, condition, event or occurrence that will or may result in the failure of any of the conditions contained in Sections 5.1 and 5.3 to be satisfied, promptly upon becoming aware of the same.

4.2.3. Further Assurances. Following the Closing, the Buyer shall, and shall cause its Affiliates to, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by the Seller, to confirm and assure the rights and obligations provided for in this Agreement and in the Collateral Agreements and render effective the consummation of the transactions contemplated thereby.

4.2.4. Use of Pet Treat Business Names by Buyer. To the extent the trademarks, service marks, brand names or trade, corporate or Pet Treat Business names of Seller or of any of Seller's Affiliates or are used by the Pet Treat Business or in connection with the Assets on stationery, signage, invoices, receipts, forms, packaging, advertising and promotional materials, product, training and service literature and materials, computer programs or like materials ("Marked Materials") or appear on Inventory at the Closing, the Buyer may use such Marked Materials or sell such Inventory after the Closing Date for a period of 90 days without altering or modifying such Marked Materials or Inventory, or removing such trademarks, service marks, brand names, or trade, corporate or Pet Treat Business names. Nothing in this Section shall permit Buyer to use the name "MGP Ingredients" or derivatives thereof, and Seller shall remove its corporate signage from the Manufacturing Location within 30 days after the Closing Date.

4.2.5. No Breach. Buyer shall disclose to Seller any breach of a representation by Seller of any provision of this Agreement or the Collateral Agreement if Robert Scharf or Joseph Connealy had specific, actual and conclusive knowledge of such breach of a representation at least three days prior to the Closing Date. This paragraph shall not impose any duty of inquiry upon Buyer, Robert Scharf or Joseph Connealy and they shall only be deemed to have knowledge of a breach of a representation by Seller if they have incontrovertible evidence of such breach at least three days prior to the Closing. Buyer shall have no obligation to deliver any notice to Seller if Seller is aware of the breach of representation.

4.3. Certain Post-Closing Covenants.

4.3.1. Access for Research and Development. From time to time, Seller may notify Buyer that it requests assistance with the development of a new product or an improvement to one or more of the Seller's existing products. Seller shall be responsible for defining the new product or improvement and providing the specifications therefore. Unless otherwise expressly agreed by the parties in writing, the services to be performed by Buyer shall consist solely of providing operators to run the equipment at the Manufacturing Location and cleaning up following the completion of the project, and shall not include assistance in development or in debugging. The parties will complete a project engagement form for each such project, substantially in the form agreed by the parties, and in connection with each such project, Seller shall be invoiced an agreed per day fee as set forth in the table below, to include the time for set-up, clean up, any overtime costs in labor and equipment maintenance. If Seller and Buyer jointly agree in advance that Buyer shall assist in the development or debugging of the new product or improvement, then immediately after the project is completed, Buyer shall provide Seller with a written summary of the information and instructions that it contributed to the project. Seller shall then provide feedback as necessary and the parties shall finalize the written summary. The parties will execute any and all additional documents that may be reasonably necessary to effectuate the intentions of the parties under this Section 4.3.1.

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Equipment Used to Perform		
Project	Services Provided By Buyer	Cost
Toshiba Test Injection Molding Machine	None	Seller and Buyer shall maintain a hour log of the use of such machine and shall allocate annually all maintenance costs for the machine based on proportionate use of the machine by Seller and Buyer
TX-57	An operator provided by Buyer will operate the TX-57 and perform preparation and cleanup services consistent with those engaged in during the ordinary course of operating the TX-57; An additional fee will be due from Seller for additional services, including extraordinary preparation and cleanup	\$2,000.00
One or more TX-85's	An operator provided by Buyer will operate the TX-85's and perform preparation and cleanup services consistent with those engaged in during the ordinary course of operating the TX-85's; An additional fee will be due from Seller for additional services, including extraordinary preparation and cleanup	\$2,500

4.3.2 Minnesota License. At the request of Buyer, and with the concurrence of the University of Minnesota, Seller shall i) grant Buyer an exclusive sublicense to manufacture, sell and distribute pet products under the Exclusive Patent License Agreement dated October 27, 2003 from the University of Minnesota related which are covered by US Patent #5,321,064 (the "Minnesota License"), which sublicense shall be in a form mutually agreeable to Buyer and Seller, or ii) relinquish, in a mutually agreeable form, all of Seller's rights under the Minnesota License with respect to pet products. Seller shall not grant any sublicenses or assignments or voluntarily relinquish any rights specifically with respect to pet products under the Minnesota License without the consent of Buyer. For the avoidance of doubt, nothing in this Section 4.3.2 shall limit in any manner Seller's rights with respect to any other field of use under the Minnesota License nor shall it limit the ability of Seller to completely terminate or relinquish its entire rights under the Minnesota License; *provided, however*, Seller shall give Buyer prior written notice of such termination..

ARTICLE V CONDITIONS PRECEDENT

5.1. Conditions to Obligations of Each Party. The obligations of the parties to consummate the transactions contemplated hereby shall be subject to the fulfillment on or prior to the Closing Date of the following conditions:

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5.1.1. No Injunction, etc. Consummation of the transactions contemplated hereby shall not have been restrained, enjoined or otherwise prohibited by any Applicable Law, including any order, injunction, decree or judgment of any court or other Governmental Authority. No court or other Governmental Authority shall have determined any Applicable Law to make illegal the consummation of the transactions contemplated hereby or the Collateral Agreements, and no proceeding with respect to the application of any such Applicable Law to such effect shall be pending.

5.2. Conditions to Obligations of the Buyer. The obligations of the Buyer to consummate the transactions contemplated hereby shall be subject to the fulfillment (or waiver by the Buyer) on or prior to the Closing Date of the following additional conditions, which Seller agrees to use reasonable good faith efforts to cause to be fulfilled:

5.2.1. Representations, Performance. The representations and warranties of the Seller contained in this Agreement shall be true and correct in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respects (in the case of any representation or warranty without any materiality qualification) on and as of the Closing Date with the same effect as though made on and as of the Closing Date. Seller shall have duly performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date. Seller shall have delivered to the Buyer a certificate, dated the Closing Date and signed by its duly authorized officers, to the foregoing effect.

5.2.2. [Reserved]

5.2.3. Consents. Seller shall have obtained and shall have delivered to the Buyer copies of (i) all Governmental Approvals required to be obtained by Seller in connection with the execution and delivery of this Agreement and the Collateral Agreements and the consummation of the transactions contemplated hereby or thereby and (ii) all Consents (including, without limitation, all Consents required under any Assumed Contract) necessary to be obtained in order to consummate the sale and transfer of the Assets pursuant to this Agreement and the consummation of the transactions contemplated thereby and by the Collateral Agreements. In addition, Buyer shall have obtained all Government Approvals necessary for Buyer to operate the Pet Treat Business; *provided*, that Buyer acknowledges that it will not have received its wastewater permit from the Unified Government of Wyandotte County/Kansas City, Kansas and may operate under Seller's permit for up to 60 days after Closing.

5.2.4. No Material Adverse Effect. Except as set forth in Schedule 3.1.8, no event, occurrence, fact, condition, change, development or effect shall have occurred, exist or come to exist since January 1, 2009 that, individually or in the aggregate, has constituted or resulted in, or could reasonably be expected to constitute or result in, a Material Adverse Effect, including but not limited to any reasonable possibility that Buyer may be forced to honor Seller's existing wage scale under its collective bargaining agreement.

5.2.5. Collateral Agreements. Seller or one of its Affiliates, as the case may be, shall have entered into each of the following agreements with the Buyer:

(a) a Supply Agreement, in the form attached hereto as Exhibit B, pursuant to which Seller will purchase Wheatex® from a subsidiary of the Buyer, for a period of three years following the Closing Date;

(b) a Lease Agreement (the "Lease Agreement"), in the form attached hereto as Exhibit C, pursuant to which Buyer will lease to Seller a portion of the Manufacturing Location during the term of the Supply Agreement; and

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(c) a Joint Ownership Agreement in the form attached hereto as Exhibit D as to the "152" patent.

(d) an Access Easement Agreement mutually agreeable to the parties burdening the Owned Real Property and benefiting the adjacent tract retained by Seller as referenced in Section 1.2(g).

5.2.6. Subsequent Monthly Financial Statements. The Buyer shall have received the Subsequent Monthly Financial Statements and the Subsequent Monthly Financial Statements shall confirm and be consistent in all material respects with the information concerning the Pet Treat Business (including the projected results of operations) previously provided to the Buyer by the Seller prior to the date hereof.

5.2.7. Opinion of Counsel. The Buyer shall have received an opinion, addressed to it and dated the Closing Date, from counsel to Seller, in substance and form reasonably satisfactory to the Buyer.

5.2.8. Corporate Proceedings. All corporate and other proceedings of the Seller in connection with this Agreements and the Collateral Agreements and the transactions contemplated thereby, and all documents and instruments incident thereto, shall be reasonably satisfactory in substance and form to the Buyer and its counsel, and the Buyer and its counsel shall have received all such documents and instruments, or copies thereof, certified if requested, as may be reasonably requested.

5.2.9. Transfer Documents. Seller shall have delivered to the Buyer at the Closing all documents, certificates and agreements necessary to transfer to the Buyer good and marketable title to the Assets, free and clear of any and all Liens thereon, other than Permitted Liens, including without limitation:

(a) a bill of sale, assignment and general conveyance, in form attached hereto as Exhibit E, dated the Closing Date, with respect to the Assets;

(b) assignment agreements of the Assumed Contract, the Intellectual Property and any other agreements and instruments constituting Assets, dated the Closing Date, assigning to the Buyer all of Seller's right, title and interest therein and thereto;

(c) a special warranty deed, dated as of the Closing Date, with respect to the Owned Real Property in the form attached as Exhibit F, together with any necessary transfer declarations or other filings;

(d) a confidential document which contains a complete and accurate list of all formulas for the pet treats manufactured by Seller as a part of the Pet Treat Business); and

(e). an Indemnification Agreement as to certain real estate issues involving the Owned Real Property..

5.2.10. Environmental Assessment. The Buyer shall have completed its environmental assessment, which shall be in form and substance reasonably satisfactory to the Buyer and each of the financial institutions and investors providing financing to the Buyer in connection with the acquisition of the Assets and the consummation of the other transactions contemplated by this Agreement.

5.2.11. Title Policies. The Buyer shall have received from a nationally recognized title insurance company (the "Title Company") satisfactory to the Buyer a fee owner's title insurance policy issued to the

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Buyer, and a mortgagee's policy issued to one or more lenders designated by the Buyer, with respect to the Owned Real Property, in form and substance reasonably satisfactory to the Buyer and the Buyer's lenders, together with endorsements reasonably requested by the Buyer, including, without limitation, access, zoning, comprehensive, non-imputation and contiguity endorsements, in an amount determined by the Buyer, insuring the Buyer and the Buyer's lenders and issued as of the Closing Date by the Title Company, showing the Buyer or one of the other Buyer Parties to have a fee simple title to the Owned Real Property subject only to Permitted Liens. Seller shall have delivered to the Title Company any affidavits or indemnities reasonably and customarily required by the Title Company in connection with the delivery of the owner's title policies and any mortgagee title policies issued to the Buyer's lenders.

5.2.12. Surveys. The Buyer shall have received a survey of the Owned Real Property, dated within 30 days of the Closing Date, prepared by a certified or registered surveyor reasonably acceptable to the Buyer and the Title Company and certified to the Buyer, the Title Company and the Buyer's lenders, in form and substance reasonably satisfactory to the Buyer, the Title Company and the Buyer's lenders, complying with the current Minimum Detail Requirements for ALTA/ACSM Land Title Surveys and (a) setting forth an accurate description of such parcel, (b) locating all improvements, Liens (setting forth the recording information of any recorded instruments), setback lines, alleys, streets and roads, (c) showing any encroachments upon or by any improvements on the Owned Real Property, and (d) showing all dedicated public streets providing access to the Property and the municipal address of any improvements located on the Owned Real Property.

5.2.13. [Reserved].

5.2.14. FIRPTA Certificate. The Buyer shall have received a certificate of Seller, dated the Closing Date and sworn to under penalty of perjury, setting forth the name, address and federal tax identification number of Seller and stating that Seller is not a "foreign person" within the meaning of Section 1445 of the Code, such certificate to be in the form set forth in the Treasury Regulations thereunder.

5.3. Conditions to Obligations of Seller. The obligation of Seller to consummate the transactions contemplated hereby shall be subject to the fulfillment (or waiver by Seller), on or prior to the Closing Date, of the following additional conditions, which the Buyer agrees to use reasonable good faith efforts to cause to be fulfilled:

5.3.1. Representations, Performance, etc. The representations and warranties of the Buyer Parties contained in this Agreement shall be true and correct in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respects (in the case of any representation or warranty without any materiality qualification) on and as of the Closing Date with the same effect as though made at and as of such time. Each Buyer Party shall have duly performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date. Each Buyer Party shall have delivered to Seller a certificate, dated the Closing Date and signed by its duly authorized officer, to the foregoing effect.

5.3.2. [Reserved]

5.3.3. Opinion of Counsel. Seller shall have received an opinion, addressed to it and dated the Closing Date, of Steven E. Smathers, special counsel for the Buyer, in form and substance reasonably satisfactory to Seller.

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5.3.4. Corporate Proceedings. All corporate proceedings of each Buyer Party in connection with this Agreement and the Collateral Agreements and the transactions contemplated thereby, and all documents and instruments incident thereto, shall be reasonably satisfactory in substance and form to Seller, and its counsel, and Seller and its counsel shall have received all such documents and instruments, or copies thereof, certified if requested, as may be reasonably requested.

5.3.5. Consents and Approvals. The Seller shall have obtained all Consents and Governmental Approvals necessary to consummate the transactions contemplated hereby.

5.3.6. Collateral Agreements. The Buyer shall have entered into each of the Collateral Agreements to which it is a party.

ARTICLE VI EMPLOYEES AND EMPLOYEE BENEFIT PLANS

6.1. Employment of Seller's Employees.

(a) Seller shall pay all amounts due to any Employee or any representative of any Employee working at the Manufacturing Location, including but not limited to any amount arising out of or in connection with the sale of the Assets to Buyer. Seller specifically agrees to indemnify and hold Buyer harmless by and from any claim, obligation, and liability to any Employee or any representative of any Employee. Neither the Buyer nor any of its Affiliates shall have any liability with respect to any Employee or to any benefit plan for any Employee. From and after the Closing, the Seller shall remain solely responsible for any and all obligations to Employees, including but not limited to all benefit liabilities in respect of the Employees and their beneficiaries and dependents.

(b) Buyer specifically reserves the right to establish the terms and conditions of employment for its employees and to hire such persons as its employees as it chooses in its sole discretion.

6.2. Workers Compensation. From and after the Closing Date, the Seller shall remain solely responsible for any and all claims for workers' compensation benefits arising in connection with any occupational injury or disease occurring or existing on or prior to the Closing Date.

ARTICLE VII TERMINATION

7.1. Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by the written agreement of the Buyer and Seller;

(b) by either Seller or the Buyer by written notice to the other party if the transactions contemplated hereby shall not have been consummated pursuant hereto by 5:00 p.m. Central Standard Time on August 21, 2009, unless such date shall be extended by the mutual written consent of Seller and the Buyer;

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(c) by the Buyer by written notice to Seller if any of the conditions set forth in Section 5.1 or 5.2 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by 5:00 p.m. of the Closing Date, unless such failure shall be due to the failure of the Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(d) by Seller by written notice to the Buyer if any of the conditions set forth in Section 5.1 or 5.3 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by 5:00 p.m. of the Closing Date, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

7.2. Effect of Termination. In the event of the termination of this Agreement pursuant to the provisions of Section 7.1, this Agreement shall become void and have no effect, without any liability to any Person in respect hereof or of the transactions contemplated hereby on the part of any party hereto, or any of its directors, officers, employees, agents, consultants, representatives, advisers, stockholders or Affiliates, except for any liability resulting from such party's breach of this Agreement.

ARTICLE VIII DEFINITIONS, MISCELLANEOUS

8.1. Definition of Certain Terms. The terms defined in this Section 8.1, whenever used in this Agreement (including in the Schedules), shall have the respective meanings indicated below for all purposes of this Agreement. All references herein to a Section, Article or Schedule are to a Section, Article or Schedule of or to this Agreement, unless otherwise indicated.

Affiliate: of a Person means a Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first Person. "Control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

Agreement: this Asset Purchase Agreement, including the Schedules hereto.

Applicable Law: all applicable provisions of all (i) constitutions, treaties, statutes, laws (including the common law), rules, regulations, ordinances, codes or orders of any Governmental Authority, (ii) Governmental Approvals and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority to which the Seller is named as a party affecting the Assets.

Assets: as defined in Section 1.1.

Assumed Liabilities: as defined in Section 2.4.

Assumption Agreement: as defined in Section 2.4.

Business Day: shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Nebraska are authorized or required to close.

Buyer: as defined in the first paragraph of this Agreement.

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Buyer Indemnitees: as defined in Section 8.2(a).

Buyer Party: the Buyer and each of its direct or indirect subsidiaries that execute a joinder to this Agreement and purchase all or a portion of the Assets.

CERCLA: the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. § 9601 *et seq.*

Closing: as defined in Section 2.1.

Closing Date: as defined in Section 2.1.

Code: the Internal Revenue Code of 1986, as amended.

Collateral Agreements: the agreements and other documents and instruments described in Sections 5.2.5 and 5.2.9.

Consent: any consent, approval, authorization or waiver, of any Person (other than the parties and their Affiliates), including but not limited to any Governmental Authority, required in connection with the transactions contemplated by this Agreement or the operation of the Business.

Contract: as defined in Section 3.1.12(a).

Employees: as defined in Section 3.1.23.

Environmental Laws: all Applicable Laws relating to the protection of the environment, to human health and safety, or to any emission, discharge, generation, processing, storage, holding, abatement, existence, Release, threatened Release or transportation of any Hazardous Substances, including, without limitation, (i) CERCLA, the Resource Conservation and Recovery Act, and the Occupational Safety and Health Act, (ii) all other requirements pertaining to reporting, licensing, permitting, investigation or remediation of emissions, discharges, releases or threatened releases of Hazardous Materials into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport or handling of Hazardous Substances, and (iii) all other requirements pertaining to the protection of the health and safety of employees or the public.

Environmental Liabilities and Costs: all Losses, whether direct or indirect, known or unknown, current or potential, past, present or future, imposed by, under or pursuant to Environmental Laws, including, without limitation, all Losses related to Remedial Actions, and all fees, disbursements and expenses of counsel, experts, personnel and consultants based on, arising out of or otherwise in respect of: (i) the ownership or operation of the Assets; (ii) the environmental conditions existing on the Closing Date on, under, above, or about the Owned Real Property or any other real properties, assets, equipment or facilities currently or previously owned, leased or operated by Seller, or any of their predecessors or Affiliates in connection with the Pet Treat Business; (iii) expenditures necessary to cause the Pet Treat Business to be in compliance with any and all requirements of Environmental Laws as of the Closing Date, including, without limitation, all Environmental Permits issued under or pursuant to such Environmental Laws, as such Environmental Permits and Environmental Laws exist at the time of Closing, and reasonably necessary to make full use of the Owned Real Property as used as of the Closing and (iv) expenditures necessary to remedy the specific issues raised in the Limited Phase II Subsurface Investigation environmental report of URS Corporation to Seller dated July 2009, if such issues are ever raised by the State of Kansas Department of Health and Environment.

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Environmental Permits: any federal, state and local permit, license, registration, consent, order, administrative consent order, certificate, approval or other authorization with respect to Seller necessary for the conduct of the Pet Treat Business or the operation of the Assets as currently conducted or previously conducted under any Environmental Law.

ERISA: the Employee Retirement Income Security Act of 1974, as amended.

Excluded Assets: as defined in Section 1.2.

Excluded Liabilities: as defined in Section 2.5.

Financial Statements: each of the financial statements required to be provided by Section 3.1.4.

GAAP: generally accepted accounting principles as in effect in the United States.

Governmental Approval: any Consent of, with or to any Governmental Authority.

Governmental Authority: any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States or any political subdivision thereof, and any tribunal or arbitrators) of competent jurisdiction, and any self-regulatory organization.

Hazardous Substances: any substance that: (i) is or contains asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum or petroleum-derived substances or wastes, radon gas or related materials (ii) requires investigation, removal or remediation under any Environmental Law, or is defined, listed or identified as a "hazardous waste" or "hazardous substance" thereunder, or (iii) is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is regulated by any Governmental Authority or Environmental Law.

Indemnified Party: as defined in Section 8.2(c).

Indemnifying Party: as defined in Section 8.2(c).

Intellectual Property: any and all United States and foreign: (a) patents (including design patents, industrial designs and utility models) and patent applications (including docketed patent disclosures awaiting filing, reissues, continuations-in-part and extensions), patent disclosures awaiting filing determination, inventions and improvements thereto"; (b) trademarks, service marks, trade names, trade dress, logos, business and product names, slogans, and registrations and applications for registration thereof; (c) copyrights (including software) and registrations thereof; (d) inventions, processes, designs, formulae, trade secrets, know-how, industrial models, confidential and technical information, manufacturing, engineering and technical drawings, product specifications and confidential business information; (e) intellectual property rights similar

to any of the foregoing; (f) copies and tangible embodiments thereof (in whatever form or medium, including electronic media).

Intellectual Property Assets: as defined in Section 1.1(f).

IRS: the Internal Revenue Service.

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Knowledge with respect to Seller, means the actual knowledge of Tim Newkirk, Scott Phillips and the manager of the Pet Treat Business and the Owned Real Property.

Leases: means the real property or equipment leases, subleases, licenses and occupancy agreements pursuant to which the Seller is the lessee, sublessee, licensee or occupant of any of the Assets.

Lease Agreement as defined in Section 5.2.5.

Lien: any mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, lease, sublease, license, occupancy agreement, adverse claim or interest, easement, covenant, encroachment, burden, title defect, title retention agreement, voting trust agreement, interest, equity, option, lien, right of first refusal, charge or other restrictions or limitations of any nature whatsoever, including but not limited to such as may arise under any Contracts.

Losses: as defined in Section 8.2(a).

Manufacturing Location: as defined in the WHEREAS clause of this Agreement.

Material Adverse Effect: any event, occurrence, fact, condition, change or effect that is materially adverse to the Owned Real Estate, the Pet Treat Business, operations, prospects, results of operations, condition (financial or otherwise), properties (including intangible properties), assets (including intangible assets) or liabilities of the Pet Treat Business; *provided, however*, that in determining whether there has been a Material Adverse Effect, any adverse effect directly attributable to any of the following shall be disregarded: (i) any adverse change, event, development or effect arising from or relating to (A) general economic conditions, (B) economic and regulatory conditions relating to the pet treat industry, (C) regional, national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon anywhere in the world, and (D) financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index); except, in the case of clauses (A), (B), (C) and (D) above, to the extent any such adverse effect or change disproportionately affects the Pet Treat Business as compared to other pet treat manufacturers; (ii) the taking of any action specifically required by this Agreement; and (iii) any event, circumstance, change or effect that is demonstrated to have resulted from the announcement of the Buyer's acquisition of Pet Treat Business pursuant to this Agreement.

Operations: each portion of the Pet Treat Business conducted by Seller.

Owned Intellectual Property: as defined in Section 3.1.19(a).

Owned Real Property: the real property which is a part of the Assets, together with all other structures, facilities, improvements, fixtures, systems and similar items presently or hereafter located thereon attached or appurtenant thereto.

Permitted Liens: any of the following Liens: (i) Liens for Taxes not yet due and payable or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of any Seller in accordance with GAAP; (ii) covenants, restrictions, agreements, rights, easements, rights of way, and similar encumbrances affecting the Real Property and minor irregularities in title all to the extent shown in the title commitment and survey for the Owned Real Property provided by Seller under this Agreement; (iii) Liens arising out of deposits in connection with workers' compensation, unemployment insurance, old age pensions or other social security or retirement benefits legislation; (iv) Liens imposed by law, such as mechanics', workers', materialmen's, carriers' or

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other like Liens arising in the ordinary course of a Seller'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 and disclosed in this Agreement; (v) zoning restrictions and reservations of mineral rights affecting the Real Property which do not materially interfere with the use of such property, to the extent identified in the title commitment and survey for the Owned Real Estate, and (vi) any easement reserved in writing to Seller for access to the vacant land located north of the Owned Real Property.

Person: any natural person, firm, partnership, association, corporation, company, trust, Pet Treat Business trust, Governmental Authority or other entity.

Pet Treat Business: as defined in the WHEREAS clause of this Agreement.

Pet Treat Income: the net income, as computed in accordance with GAAP, of Buyer from the sale of pet treat products produced by Seller prior to Closing to purchasers, who were customers of Seller prior to the Closing, during the periods set forth in Section 2.2(b).

Purchase Price: as defined in Section 2.2.

Real Property: the Owned Real Property.

Real Property Laws: as defined in Section 3.1.21(e).

Release: any releasing, disposing, discharging, injecting, spilling, leaking, leaching, pumping, dumping, emitting, escaping, emptying, seeping, dispersal, migration, transporting, placing and the like, including without limitation, the moving of any materials through, into or upon, any land, soil, surface water, ground water or air, or otherwise entering into the environment.

Remedial Action: all actions required to (i) clean up, remove, treat or in any other way remediate any Hazardous Substances; (ii) prevent the release of Hazardous Substances so that they do not migrate or endanger or threaten to endanger public health or welfare or the environment; or (iii) perform studies, investigations and care related to any such Hazardous Substances.

Seller: as defined in the first paragraph of this Agreement.

Subsequent Monthly Financial Statements: as defined in Section 4.1.4.

Subsidiaries: each corporation or other Person in which a Person owns or controls, directly or indirectly, capital stock or other equity interests representing more than 50% of the outstanding voting stock or other equity interests.

Tax: any federal, state, provincial, local, foreign or other income, alternative, minimum, accumulated earnings, personal holding company, franchise, capital stock, net worth, capital, profits, windfall profits, gross receipts, value added, sales, use, goods and services, excise, customs duties, transfer, conveyance, mortgage, registration, stamp, documentary, recording, premium, severance, environmental (including taxes under Section 59A of the Code), real property, personal property, ad valorem, intangibles, rent, occupancy, license, occupational, employment, unemployment insurance, social security, disability, workers' compensation, payroll, health care, withholding, estimated or other similar tax, duty or other governmental charge or assessment or deficiencies thereof (including all interest and penalties thereon and additions thereto whether disputed or not).

Tax Return: any return, report, declaration, form, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Title Company: as defined in Section 5.2.11.

Transaction Expenses: as defined in Section 8.4.

Treasury Regulations: the regulations prescribed pursuant to the Code.

Withholding Taxes: as defined in Section 3.1.6.(a).

8.2. Indemnification.

(a) By Seller. Seller covenants and agrees to defend, indemnify and hold harmless the Buyer, its officers, directors, employees, agents, advisers, representatives and Affiliates (collectively, the "Buyer Indemnitees") from and against, and pay or reimburse the Buyer Indemnitees for, any and all claims, liabilities, obligations, losses, fines, costs, royalties, proceedings, deficiencies or damages (whether absolute, accrued, conditional or otherwise and whether or not resulting from third party claims), including out-of-pocket expenses and reasonable attorneys' and accountants' fees incurred in the investigation or defense of any of the same or in asserting any of their respective rights hereunder (collectively, "Losses"), resulting from or arising out of:

- (i) any inaccuracy of any representation or warranty when made or deemed made by Seller in this Agreement or any Collateral Agreement;
- (ii) any failure of Seller to perform any covenant or agreement in this Agreement or any Collateral Agreement;
- (iii) any Excluded Liabilities or Excluded Assets ;
- (iv) any and all Taxes of any Seller and all Affiliates thereof;
- (v) any and all liabilities in respect of Employees, including but not limited to any benefit liabilities;
- (vi) all Environmental Liabilities and Costs arising out of the Operations of the Assets prior to the Closing Date or relating to the Excluded Assets; and
- (vii) any product liability claim with respect to products manufactured or sold or events occurring prior to the Closing.

(b) By the Buyer. The Buyer covenants and agrees to defend, indemnify and hold harmless Seller and its officers, directors, employees, agents, advisers, representatives and Affiliates (collectively, the "Seller Indemnitees") from and against any and all Losses resulting from or arising out of:

- (i) any inaccuracy in any representation or warranty by Buyer when made or when deemed made in this Agreement or any Collateral Agreement; or

- (ii) any failure of any Buyer Party to perform any covenant or agreement in this Agreement or any Collateral Agreement;
- (iii) the Assumed Liabilities; and
- (iv) the operation of the Pet Treat Business by the Buyer or the Buyer's ownership, operation or use of the Assets following the Closing Date,

except, in the case of clauses (iii) and (iv), to the extent such Losses result from or arise out of the Excluded Liabilities or constitute Losses for which the Seller are required to indemnify the Buyer Indemnities under Section 8.2(a).

(c) Indemnification Procedures. In the case of a lawsuit initiated by a third party against a party entitled to indemnification under this Agreement (the "Indemnified"), notice shall be given by the Indemnified Party to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and the Indemnified Party shall permit the Indemnifying Party (at the expense of such Indemnifying Party) to assume the defense of any lawsuit, provided that (i) the counsel for the Indemnifying Party who shall conduct the defense of such claim or litigation shall be reasonably satisfactory to the Indemnified Party, (ii) the Indemnified Party may participate in such defense at such Indemnified Party's expense, and (iii) the omission by an Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except to the extent that such omission results in a failure of actual notice to the Indemnifying Party and such Indemnifying Party is materially and irreparably damaged as a result of such failure to give notice. Except with the prior written consent of the Indemnified Party, no Indemnifying Party, in the defense of any such claim or litigation, shall consent to entry of any judgment or enter into any settlement that provides for injunctive or other non-monetary relief affecting the Indemnified Party or that does not include as an unconditional term thereof the giving by each claimant or plaintiff to such Indemnified Party of a release from all liability with respect to such claim or litigation. In the event that the Indemnified Party shall in good faith determine that the conduct of the defense of any claim subject to indemnification hereunder or any proposed settlement of any such claim by the Indemnifying Party might be expected to affect adversely the Indemnified Party's Tax liability or the ability of the Buyer to conduct its business, or that the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more of those that may be available to the Indemnifying Party in respect of such claim or any litigation relating thereto, the Indemnified Party shall have the right at all times to take over and assume control over the defense, settlement, negotiations or litigation relating to any such claim at the sole cost of the Indemnifying Party, provided that if the Indemnified Party does so take over and assume control, the Indemnified Party shall not settle such claim or litigation without

the written consent of the Indemnifying Party, such consent not to be unreasonably withheld. In the event that the Indemnifying Party does not accept the defense of any matter as above provided, the Indemnified Party shall have the full right to defend against any such claim or demand and shall be entitled to settle or agree to pay such claim or demand. In any event, the Indemnifying Party and the Indemnified Party shall cooperate in the defense of any claim or litigation subject to this Section 8.2 and the records of each shall be available to the other with respect to such defense. No investigation by either party shall diminish or obviate any of the representations and warranties made by either party under this Agreement.

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(d) Time Limitation. All claims for indemnification under clause (i) of the first sentence of Section 8.2(a) or clause (i) of the first sentence of Section 8.2(b) must be asserted within 30 days of the termination of the respective survival periods set forth in Section 8.3.

(e) Other Limitations: Notwithstanding anything else in this Agreement:

(i) The right to indemnification under Section 8.2 is the sole and exclusive remedy for the Indemnified Parties for any contract claim, including a contract claim for breach of any representation, warranty, covenant, agreement or duty of the applicable Indemnifying Parties. The parties specifically retain the right to pursue actions against the other for tort claims, including but not limited to fraud, intentional breaches, willful misconduct and gross negligence.

(ii) Sellers will have no liability with respect to the claims of Buyer Indemnified Parties for indemnification under Section 8.2(a)(i) until the total of all Losses with respect to such matters exceeds \$35,000, in which case Buyer will then be entitled to indemnification for all such Losses; *provided*, that the foregoing limitation will not apply to Losses arising under Sections 3.1.1, 3.1.2 and 3.1.3 ("Fundamental Losses").

(iii) The aggregate liability of Seller with respect to the claims of Buyer Indemnified Parties for indemnification shall be limited to: 3,585,110 with respect to all Losses, other than intentional misrepresentation, gross negligence or fraud. There shall be no limitation on claims for intentional misrepresentation, gross negligence or fraud and such claims may be brought as tort claims or as contracts claims outside of this Agreement.

(iv) The amount of any Loss for which indemnification is provided under this Section 8. shall be net of any amounts actually recovered by the Indemnified Party under insurance policies with respect to such Loss. The Indemnified Party shall use commercially reasonable efforts to collect any available insurance but shall have no obligation to pursue litigation with respect to an insurance claim; *provided*, that in such event, the Indemnified Party shall subrogate the Indemnifying Party with respect to any available insurance claims.

(v) No Indemnified Party shall be indemnified pursuant to this Agreement to the extent that such Indemnified Party's Losses are increased or extended by the willful misconduct, gross negligence, fraud, violation of Applicable Law or bad faith of such Indemnified Party.

8.3. Survival of Representations and Warranties, etc. The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement, any examination by or on behalf of the parties hereto and the completion of the transactions contemplated herein, but only to the extent specified below:

(a) except as set forth in clauses (b) and (c) below, the representations and warranties contained in Section 3.1 and Section 3.2 shall survive for a period of eighteen (18) months following the Closing Date.

(b) the representations and warranties contained in Sections 3.1.1, 3.1.2, 3.1.3, 3.2.1 and 3.2.2 shall survive without limitation; and

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(c) the representations and warranties of Seller contained in Sections 3.1.6, 3.1.22, and 3.1.24 shall survive for the shorter of (i) the applicable statute of limitations or (ii) seven years following the Closing Date.

8.4. Expenses. Except as provided in Section 4.1.8, Seller, on the one hand, and the Buyer, on the other hand, shall bear their respective expenses, costs and fees (including attorneys', auditors' and financing commitment fees) in connection with the transactions contemplated hereby, including the preparation, execution and delivery of this Agreement and compliance herewith (the "Transaction Expenses"), whether or not the transactions contemplated hereby shall be consummated.

8.5. Severability. If any provision of this Agreement, including any phrase, sentence, clause, Section or subsection is inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

8.6. Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or (c) sent by next-day or overnight mail or delivery or (d) sent by telecopy or telegram.

(i) if to the Buyer: Sergeant's Pet Care Products, Inc.
2625 South 158th Plaza, Suite 100
Omaha, NE 68130-1703

with a copy to: Steven E. Smathers, Esq.
1601 Elm St, Suite 300
Dallas, Texas 75201

(ii) if to Seller: MGP Ingredients, Inc.
Cray Business Plaza
100 Commercial St., P.O. Box 130
Atchison, Kansas 66002-0130
Attn: Tim Newkirk

with a copy to: Carl Struby, Esq.
Lathrop & Gage LLP
2345 Grand Blvd., Suite 2200
Kansas City, Missouri 64108

or, in each case, at such other address as may be specified in writing to the other parties hereto.

All such notices, requests, demands, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the day after such delivery, (x) if by certified or registered mail, on the seventh business day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered, (z) if by telecopy or telegram, on the next day following the day on which such telecopy or telegram was sent, provided that a copy is also sent by certified or registered mail.

8.7. Miscellaneous.

8.7.1. Headings; Certain Terms. The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement. The words "includes" and "including" are used as words of illustration and not limitation.

8.7.2. Entire Agreement. This Agreement (including the Schedules hereto) and the Collateral Agreements (when executed and delivered) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

8.7.3. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.

8.7.4. Governing Law, etc. This Agreement shall be governed in all respects, including as to validity, interpretation and effect, by the internal laws of the State of Kansas without giving effect to the conflict of laws rules thereof to the extent that the application of the law of another jurisdiction would be required thereby. The Buyer and Seller hereby irrevocably submit to the jurisdiction of the courts of (i) the State of Nebraska and the Federal courts of the United States of America located in the State, City and County of Douglas and (ii) the State of Kansas and the Federal courts of the United States of America for or located in the State, City and County of Atchison solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any of such document may not be enforced in or by said courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Nebraska or Kansas State or Federal court. The Buyer and Seller hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of any such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 8.6, or in such other manner as may be permitted by law, shall be valid and sufficient service thereof.

8.7.5. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

8.7.6. Assignment. This Agreement shall not be assignable or otherwise transferable by any party hereto without the prior written consent of the other party hereto, *provided* that the Buyer may assign this Agreement to any Subsidiary of the Buyer or to any lender to the Buyer or any Subsidiary or Affiliate thereof as security for obligations to such lender in respect of the financing arrangements entered into in connection with the transactions contemplated hereby and any refinancings, extensions, refundings or renewals thereof, and Seller may assign this Agreement to any lender to Seller or any Subsidiary or Affiliate thereof as security for obligations to such lender, *provided, further*, that no assignment shall in any way affect the Buyer's or Seller's obligations or liabilities under this Agreement.

8.7.7. No Third Party Beneficiaries. Except as provided in Section 8.2 with respect to indemnification of Indemnified Parties hereunder, nothing in this Agreement shall confer any rights upon any person or entity other than the parties hereto and their respective heirs, successors and permitted assigns.

8.7.8. Amendment; Waivers, etc. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge or waiver is sought. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. Neither the waiver by any of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure by any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The representations and warranties of Seller shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Buyer (including but not limited to by any of its advisors, consultants or representatives) or by reason of the fact that the Buyer or any of such advisors, consultants or representatives knew or should have known that any such representation or warranty is or might be inaccurate.

[Signature page follows]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

Sergeant's Pet Care Products, Inc.

By: /s/ Robert Scharf

Name: Robert Scharf

Title: President

SELLER:

MGP Ingredients, Inc.

By: /s/ Timothy W. Newkirk

Name: Timothy W. Newkirk

Title: President



CREDIT AND SECURITY AGREEMENT

BY AND BETWEEN

MGP INGREDIENTS, INC.,
a Kansas corporation

AND

WELLS FARGO BANK, NATIONAL ASSOCIATION

Acting through its Wells Fargo Business Credit operating division

July 21, 2009

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CREDIT AND SECURITY AGREEMENT

Dated July 21, 2009

MGP INGREDIENTS, INC., a Kansas corporation (the “Borrower”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (as more fully defined in Article I herein, the “Lender”) acting through its Wells Fargo Business Credit operating division, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Except as otherwise expressly provided in this Agreement, the following terms shall have the meanings given them in this Section:

“Account Funds” is defined in Section 2.9(a).

“Accounts” shall have the meaning given it under the UCC.

“Accounts Advance Rate” means up to eighty-five percent (85%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time; provided that, as of any date of determination, the Accounts Advance Rate shall be reduced by one (1) percentage point for each percentage by which Dilution is in excess of three percent (3.0%).

“Advance” means a Revolving Advance .

“Affiliate” or “Affiliates” means Firebird Acquisitions, LLC, a Delaware limited liability company, D.M. Ingredients GmbH, Midwest Grain Pipeline, Inc. and any other Person controlled by, controlling or under common control with the Borrower, including any Subsidiary of the Borrower. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Aggregate Face Amount” means the aggregate amount that may then be drawn under each outstanding Letter of Credit, assuming compliance with all conditions for drawing.

“Agreement” means this Credit and Security Agreement.

“Authenticated” means (a) to have signed; or (b) to have executed or to have otherwise adopted a symbol, or have encrypted or similarly processed a Record in whole or in part, with the present intent of the authenticating Person to identify the Person and adopt or accept a Record.

“Availability” means the amount, if any, by which the Borrowing Base exceeds the sum of (i) the outstanding principal balance of the Revolving Note and (ii) the L/C Amount.

“Average Excess Availability” means, as of any date of determination by Lender, the average of Borrower’s Availability assuming, for purposes of calculation, that all accounts payable which remain unpaid more than sixty (60) days after the invoice date thereof as the close of business on such date are treated as additional Advances outstanding on such date.

“Borrowing Base” means at any time the lesser of:

- (a) The Maximum Line Amount; or
- (b) Subject to change from time to time in the Lender’s sole but reasonable discretion, the sum of:
 - (i) The product of the Accounts Advance Rate times Eligible Accounts; plus
 - (ii) The lesser of (A) the sum of (without duplication) (1) the product of the Eligible Starch Inventory Advance Rate times Eligible Starch Inventory *plus* (2) the product of the Eligible Protein Inventory Advance Rate times Eligible Protein Inventory, *plus* (3) the product of the Eligible Flour Inventory Advance Rate times Eligible Flour Inventory, *plus* (4) the product of the Eligible Corn Inventory Advance Rate times Eligible Corn Inventory, *plus* (5) the product of the Eligible Food Grade Alcohol Inventory Advance Rate times Eligible Food Grade Alcohol Inventory *plus* (6) the product of the Eligible Fuel Grade Alcohol Inventory Advance Rate times Eligible Fuel Grade Alcohol Inventory *plus* (7) product of the Eligible Finished Goods Inventory Advance Rate times Eligible Finished Goods Inventory or (B) \$10,000,000, **provided** Eligible Inventory which is Rail Inventory shall not exceed more than \$1,800,000 at any time; less
 - (iii) The Borrowing Base Reserve, less
 - (iv) The Distilled Spirits Tax Reserve, less
 - (v) The Rail Reserve, less
 - (vi) Indebtedness that the Borrower owes to the Lender that has not yet been advanced on the Revolving Note, and an amount that the Lender in its reasonable discretion finds on the date of determination to be equal to the Borrower’s credit exposure with respect to any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement offered to Borrower by Lender that is not described in Article II of this Agreement.

“Borrowing Base Reserve” means, as of any date of determination, such amounts (expressed as either a specified amount or as a percentage of a specified category or item) as the Lender, in its sole but reasonable discretion may from time to time establish and adjust in reducing Availability (a) to reflect events, conditions, contingencies or risks which, as determined by the Lender, do or may affect (i) the Collateral or its value, (ii) the assets, business or prospects of the Borrower, or (iii) the security interests and other rights of the Lender in the Collateral (including the enforceability, perfection and priority thereof), or (b) to reflect the Lender’s judgment that any collateral report or financial information furnished by or on behalf of

the Borrower to the Lender is or may have been incomplete, inaccurate or misleading in any material respect, or (c) in respect of any state of facts that the Lender determines constitutes a Default or an Event of Default.

“Business Day” means a day on which the Federal Reserve Bank of New York is open for business.

“Capital Expenditures” means for a period, any expenditure of money during such period for the lease, purchase or other acquisition of any capital asset, or for the lease of any other asset whether payable currently or in the future.

“Collateral” means all of the Borrower’s Accounts, chattel paper and electronic chattel paper, deposit accounts, documents, Equipment, General Intangibles, goods, instruments, Inventory, Investment Property, letter-of-credit rights, letters of credit, all sums on deposit in any Collection Account, and any items in any Lockbox; together with (i) all substitutions and replacements for and products of any of the foregoing; (ii) in the case of all goods, all accessions; (iii) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed to or used in connection with any goods; (iv) all warehouse receipts, bills of lading and other documents of title now or hereafter covering such goods; (v) all collateral subject to the Lien of any Security Document; (vi) any money, or other assets of the Borrower that now or hereafter come into the possession, custody, or control of the Lender; (vii) all sums on deposit in the Special Account; (viii) proceeds of any and all of the foregoing; (ix) books and records of the Borrower, including all mail or electronic mail addressed to the Borrower; and (x) all of the foregoing, whether now owned or existing or hereafter acquired or arising or in which the Borrower now has or hereafter acquires any rights. Notwithstanding the foregoing, “Collateral” shall not include any Excluded Assets.

“Collection Account” means “Collection Account” as defined in the Master Agreement for Treasury Management Services and related Lockbox and Collection Account Service Description or Collection Account Service Description, whichever is applicable.

“Commercial Letter of Credit Agreement” means an agreement governing the issuance of documentary letters of credit by the Lender, entered into between the Borrower as applicant and the Lender as issuer.

“Commitment” means the Lender’s commitment to make Advances to, and to issue Letters of Credit for the account of, the Borrower.

“Constituent Documents” means with respect to any Person, as applicable, such Person’s certificate of incorporation, articles of incorporation, by-laws, certificate of formation, articles of organization, limited liability company agreement, management agreement, operating agreement, shareholder agreement, partnership agreement or similar document or agreement governing such Person’s existence, organization or management or concerning disposition of ownership interests of such Person or voting rights among such Person’s owners.

“Credit Facility” means the credit facility under which Revolving Advances and Letters of Credit may be made available to the Borrower by the Lender under Article II.

“Current Maturities of Long Term Debt” means during a period beginning and ending on designated dates, the amount of the Borrower’s long-term debt and capitalized leases which become due during that period.

“Cut-off Time” means 11:59 a.m. Central Time.

“Daily Three Month LIBOR” means, for any day, the rate of interest equal to LIBOR then in effect for delivery for a three (3) month period. When interest is determined in relation to Daily Three Month LIBOR, each change in the interest rate shall become effective each Business Day that Lender determines that Daily Three Month LIBOR has changed.

“Debt” means of a Person as of a given date, all items of indebtedness or liability which in accordance with GAAP would be included in determining total liabilities as shown on the liabilities side of a balance sheet for such Person and shall also include the aggregate payments required to be made by such Person at any time under any lease that is considered a capitalized lease under GAAP.

“Debt Service Coverage Ratio” means (a) the sum of (i) Funds from Operations and (ii) Interest Expense minus (iii) Unfinanced Capital Expenditures minus (iv) dividends and distributions paid by Borrower during the current test period divided by (b) the sum of (i) Current Maturities of Long Term Debt and (ii) Interest Expense.

“Default” means an event that, with giving of notice or passage of time or both, would constitute an Event of Default.

“Default Period” means any period of time beginning on the day a Default or Event of Default occurs and ending on the date identified by the Lender in writing as the date that such Default or Event of Default has been cured or waived.

“Default Rate” means an annual interest rate in effect during a Default Period or following the Termination Date, which interest rate shall be equal to three percent (3%) over the applicable Floating Rate, as such rate may change from time to time.

“Dilution” means, as of any date of determination, a percentage, based upon the experience of the trailing six-month period ending on the date of determination, which is the result of dividing (a) actual bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to the Accounts as determined by Lender in its sole but reasonable discretion during such period, by (b) the Borrower’s net sales during such period (excluding extraordinary items) plus the amount of clause (a).

“Director” means a director of the Borrower..

“Distilled Spirits Tax Reserve” means an amount determined by Lender in good faith to reasonably approximate the amount of taxes which are due and unpaid in respect of Borrower’s Inventory pursuant to 26 U.S.C. 5001 *et seq.* (and any actual or effective substitutions or replacements thereof).

“Eligible Accounts” means all unpaid Accounts of the Borrower arising from the sale or lease of goods or the performance of services, net of any credits, but excluding any such Accounts having any of the following characteristics:

- (i) That portion of Accounts unpaid 90 days or more after the invoice date;

- (ii) That portion of Accounts related to goods or services with respect to which the Borrower has received notice of a claim or dispute, which are subject to a claim of offset or a contra account, or which reflect a reasonable reserve for warranty claims or returns;
- (iii) That portion of Accounts not yet earned by the final delivery of goods or that portion of Accounts not yet earned by the final rendition of services by the Borrower to the account debtor, including with respect to both goods and services, progress billings, and that portion of Accounts for which an invoice has not been sent to the applicable account debtor;
- (iv) Accounts constituting (i) proceeds of copyrightable material unless such copyrightable material shall have been registered with the United States Copyright Office, or (ii) proceeds of patentable inventions unless such patentable inventions have been registered with the United States Patent and Trademark Office;
- (v) Accounts owed by any unit of government, whether foreign or domestic ~~except~~ that there shall be included in Eligible Accounts that portion of Accounts owed by such units of government for which the Borrower has provided evidence satisfactory to the Lender that (A) the Lender has a first priority perfected security interest and (B) such Accounts may be enforced by the Lender directly against such unit of government under all applicable laws;
- (vi) Accounts denominated in any currency other than United States dollars;
- (vii) Accounts owed by an account debtor located outside the United States or Canada which are not (A) backed by a bank letter of credit naming the Lender as beneficiary or assigned to the Lender, in the Lender's possession or control, and with respect to which a control agreement concerning the letter-of-credit rights is in effect, and acceptable to the Lender in all respects, in its sole but reasonable discretion, or (B) covered by a foreign receivables insurance policy acceptable to the Lender in its sole but reasonable discretion;
- (viii) Accounts owed by an account debtor that is insolvent, the subject of bankruptcy proceedings or has gone out of business;
- (ix) Accounts owed by an Owner, Subsidiary, Affiliate, Officer or employee of the Borrower;
- (x) Accounts not subject to a duly perfected security interest in the Lender's favor or which are subject to any Lien in favor of any Person other than the Lender;

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- (xi) That portion of Accounts that has been restructured, extended, amended or modified;
- (xii) That portion of Accounts that constitutes advertising, finance charges, service charges or sales or excise taxes;
- (xiii) Accounts owed by an account debtor, regardless of whether otherwise eligible, to the extent that the aggregate balance of such Accounts exceeds fifteen percent (15%) of the aggregate amount of all Accounts;
- (xiv) Accounts owed by an account debtor, regardless of whether otherwise eligible, if twenty five percent (25%) or more of the total amount of Accounts due from such debtor is ineligible under clauses (i), (ii), or (xi) above;
- (xv) That portion of Accounts that constitutes COD or credit card sales; and
- (xvi) Accounts, or portions thereof, otherwise deemed ineligible by the Lender in its sole but reasonable discretion.

"Eligible Food Grade Alcohol Inventory" means all Inventory owned by Borrower consisting of food grade alcohol which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes and (b) Eligible Inventory in all respects.

"Eligible Food Grade Alcohol Inventory Advance Rate" means up to eighty percent (80%) until August 31, 2009 and thereafter a percentage which shall automatically decline by one percent (1%) at the end of each fourteen (14) day period until such advance rate reaches seventy percent (70%) on January 11, 2010, and seventy percent (70%) thereafter, or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.

"Eligible Fuel Grade Alcohol Inventory" means all Inventory owned by Borrower consisting of fuel grade alcohol which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes and (b) Eligible Inventory in all respects.

"Eligible Fuel Grade Alcohol Inventory Advance Rate" means up to seventy percent (70%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.

"Eligible Corn Inventory" means all Inventory owned by Borrower consisting of corn which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes, (b) Eligible Inventory in all respects and (c) Raw Materials Inventory.

"Eligible Corn Inventory Advance Rate" means up to seventy five percent (75%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.

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"Eligible Finished Goods Inventory" means all Inventory owned by Borrower consisting of a finished product (which finished product is to be held by Borrower for sale, lease or furnishing under a contract for service in the ordinary course of Borrower's business) which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes and (b) Eligible Inventory in all respects (other than Eligible Food Grade Alcohol Inventory, Eligible Fuel Grade Alcohol Inventory, Eligible Protein Inventory and Eligible Starch Inventory).

"Eligible Finished Goods Inventory Advance Rate" means up to sixty percent (60%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.

"Eligible Flour Inventory" means all Inventory owned by Borrower consisting of flour which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes, (b) Eligible Inventory in all respects and (c) Raw Materials Inventory.

"Eligible Flour Inventory Advance Rate" means up to sixty five percent (65%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.

“Eligible Inventory” means all Inventory of the Borrower, valued at the lower of cost or market in accordance with GAAP; but excluding any Inventory having any of the following characteristics:

- (i) Inventory that is: in-transit; located at any warehouse, job site or other premises not approved by the Lender in writing (and for which Lender has received an acceptable lien waiver); not subject to a duly perfected first priority security interest in the Lender’s favor (other than Liens on Inventory consisting of distilled spirits arising under 26 USC 5004 which have reduced the Borrowing Base in accordance with its terms); subject to any lien or encumbrance that is subordinate to the Lender’s first priority security interest; covered by any negotiable or non-negotiable warehouse receipt, bill of lading or other document of title; on consignment from any Person; on consignment to any Person or subject to any bailment unless such consignee or bailee has executed an agreement with the Lender;
- (ii) Supplies, packaging, maintenance parts or sample Inventory, fabricated parts Inventory, or customer supplied parts or Inventory;
- (iii) Work-in-process Inventory;
- (iv) Inventory that is damaged, contaminated, discontinued, rejected, defective, obsolete, slow moving or not currently saleable in the normal course of the Borrower’s operations, or the amount of such Inventory that has been reduced by shrinkage;
- (v) Inventory that the Borrower has returned, has attempted to return, is in the process of returning or intends to return to the vendor thereof;
- (vi) Inventory that is live;

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- (vii) Inventory manufactured by the Borrower pursuant to a license unless the applicable licensor has agreed in writing to permit the Lender to exercise its rights and remedies against such Inventory;
- (viii) Inventory that is subject to a Lien in favor of any Person other than the Lender (other than Liens on Inventory consisting of distilled spirits arising under 26 USC 5004 which have reduced the Borrowing Base in accordance with its terms);
- (ix) Inventory stored at (a) locations holding less than ten (10%) of the aggregate value of the Borrower’s Inventory, (b) the Pekin Plant, (c) the Flour Mill or (d) the KCK Facility; and
- (x) Inventory otherwise deemed ineligible by the Lender in its sole but reasonable discretion.

Notwithstanding anything contained herein to the contrary, for purposes of Eligible Inventory, “in-transit” shall not be deemed to include Rail Inventory located at the Rail Staging Area.

“Eligible Protein Inventory” means all Inventory owned by Borrower consisting of protein which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes and (b) Eligible Inventory in all respects.

“Eligible Protein Inventory Advance Rate” means up to sixty five percent (65%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.

“Eligible Starch Inventory” means all Inventory owned by Borrower consisting of starch which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes and (b) Eligible Inventory in all respects.

“Eligible Starch Inventory Advance Rate” means up to sixty percent (60%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.

“Environmental Law” means any federal, state, local or other governmental statute, regulation, law or ordinance dealing with the protection of human health and the environment.

“Equipment” shall have the meaning given it under the UCC.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is a member of a group which includes the Borrower and which is treated as a single employer under Section 414 of the IRC.

“Event of Default” is defined in Section 7.1.

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“Excluded Assets” means (a) the KCK Equipment, (b) Pet Business IP and (c) the Borrower’s equity interest in D.M. Ingredients GmbH, as such definition may be amended pursuant to Section 6.31.

“Financial Covenants” means the covenants set forth in Section 6.2.

“Floating Rate” means an interest rate equal to the sum of (i) Daily Three Month LIBOR, which interest rate shall change whenever Daily Three Month LIBOR changes, plus (ii) five percent (5.0%), subject to a minimum interest rate of five and one half of one percent (5.5%), which will apply regardless of fluctuations in Daily Three Month LIBOR that would otherwise cause the interest rate of the Revolving Note to be less than this minimum interest rate floor.

“Floating Rate Advance” means an Advance bearing interest at the Floating Rate.

“Flour Mill” means those Premises of Borrower located at 1100 Main Street in Atchison, Kansas.

“Funding Date” is defined in Section 2.1.

“Funds from Operations” means for a given period, the sum of (i) Net Income, (ii) depreciation and amortization, (iii) any increase (or decrease) in deferred income taxes, (iv) any increase (or decrease) in life reserves, and (v) other non-cash items, each as determined for such period in accordance with GAAP.

“GAAP” means generally accepted accounting principles, applied on a basis consistent with the accounting practices applied in the financial statements described in Section 5.6.

“General Intangibles” shall have the meaning given it under the UCC.

“Guarantor” means every Person now or in the future who agrees to guaranty the Indebtedness.

“Guaranty” means each unconditional continuing guaranty executed by a Guarantor in favor of the Lender.

“Hazardous Substances” means pollutants, contaminants, hazardous substances, hazardous wastes, petroleum and fractions thereof, and all other chemicals, wastes, substances and materials listed in, regulated by or identified in any Environmental Law.

“Indebtedness” is used herein in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of the Borrower to the Lender, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement at any time entered into by the Borrower with the Lender, and whether the Borrower may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

“Indemnified Liabilities” is defined in Section 8.6

“Indemnities” is defined in Section 8.6.

“IRC” means the Internal Revenue Code of 1986, as amended from time to time.

“Infringement” or “Infringing” when used with respect to Intellectual Property Rights means any infringement or other violation of Intellectual Property Rights.

“Intellectual Property Rights” means all actual or prospective rights arising in connection with any intellectual property or other proprietary rights, including all rights arising in connection with copyrights, patents, service marks, trade dress, trade secrets, trademarks, trade names or mask works.

“Interest Expense” means for a fiscal year-to-date period, the Borrower’s total gross interest expense during such period (excluding interest income), and shall in any event include (i) interest expensed (whether or not paid) on all Debt and (ii) the portion of any capitalized lease obligation allocable to interest expense.

“Interest Payment Date” is defined in Section 2.8(a).

“Inventory” shall have the meaning given it under the UCC.

“Investment Property” shall have the meaning given it under the UCC.

“KCK Equipment” means Equipment owned by Borrower which is (a) listed on Exhibit D attached hereto and (b) actually located at the KCK Facility.

“KCK Facility” means Borrower’s Premises located at 16 Kansas Avenue in Kansas City, Kansas.

“L/C Amount” means the sum of (i) the Aggregate Face Amount of any outstanding Letters of Credit, plus (ii) the amount of each Obligation of Reimbursement that either remains unreimbursed or has not been paid through a Revolving Advance on the Credit Facility.

“L/C Application” means an application for the issuance of standby or documentary letters of credit pursuant to the terms of a Standby Letter of Credit Agreement or a Commercial Letter of Credit Agreement in form acceptable to the Lender.

“Lender” means Wells Fargo Bank, National Association in its broadest and most comprehensive sense as a legal entity, and is not limited in its meaning to Lender’s Wells Fargo Business Credit operating division, or to any other operating division of Lender.

“Letter of Credit” is defined in Section 2.4(a).

“LIBOR” means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8th of one percent (1%)) determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(a) “Base LIBOR” means the rate per annum for United States dollar deposits quoted by Lender for the purpose of calculating the effective Floating Rate for loans that reference Daily Three Month LIBOR as the Inter-Bank Market Offered Rate in effect from time to time for three (3) month delivery of funds in amounts approximately equal to the principal amount of such loans. Borrower understands and agrees that Lender may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Lender in its discretion deems appropriate, including but not limited to the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(b) “LIBOR Reserve Percentage” means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for “Eurocurrency Liabilities” (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Lender for expected changes in such reserve percentage during the applicable term of the Revolving Note.

“Licensed Intellectual Property” is defined in Section 5.11(c).

“Lien” means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or subsequently acquired and whether arising by agreement or operation of law.

“Loan Documents” means this Agreement, the Revolving Note, each Guaranty, each Subordination Agreement, each L/C Application, each Standby Letter of Credit Agreement and each Commercial Letter of Credit Agreement and the Security Documents, together with every other agreement, note, document, contract or instrument to

which the Borrower now or in the future may be a party and which is required by the Lender.

“Loan Year” is defined in Section 2.6(c).

“Loan Manager” means the treasury management service defined in the Master Agreement for Treasury Management Services and related Loan Manager Service Description.

“Lockbox” means “Lockbox” as defined in the Master Agreement for Treasury Management Services and related Lockbox and Collection Account Service Description.

“Master Agreement for Treasury Management Services” means the Master Agreement for Treasury Management Services, the related Acceptance of Services, and the Service Description governing each treasury management service used by Company.

“Maturity Date” means July 20, 2012.

“Maximum Line Amount” means \$25,000,000 unless this amount is reduced pursuant to Section 2.10, in which event it means such lower amount.

“Minimum Interest Charge” is defined in Section 2.6(c).

“Multiemployer Plan” means a multiemployer plan (as defined in Section 4001(a)(3) of ERISA) to which the Borrower or any ERISA Affiliate contributes or is obligated to contribute.

“Net Income” means fiscal year-to-date after-tax net income from continuing operations, including extraordinary losses but excluding extraordinary gains, all as determined in accordance with GAAP. For the Borrower’s fiscal year ended June 30, 2010, gain or loss from the sale of capital assets shall not be included in Net Income.

“Obligation of Reimbursement” means the obligation of the Borrower to reimburse the Lender pursuant to the terms of the Standby Letter of Credit Agreement and the Commercial Letter of Credit Agreement and any applicable L/C Application.

“Officer” means with respect to the Borrower, an officer if the Borrower is a corporation, a manager if the Borrower is a limited liability company, or a partner if the Borrower is a partnership.

“OFAC” is defined in Section 6.12(c).

“Operating Account” is defined in Section 2.2(a), and maintained in accordance with the terms of Lender’s Commercial Account Agreement in effect for demand deposit accounts.

“Overadvance” means the amount, if any, by which the outstanding principal balance of the Revolving Note, plus the L/C Amount, is in excess of the then-existing Borrowing Base.

“Owned Intellectual Property” is defined in Section 5.11(a).

“Owner” means with respect to the Borrower, each Person having legal or beneficial title to five percent (5%) or more of the ownership interest in the Borrower or a right to acquire such an interest.

“Patent and Trademark Security Agreement” means each Patent and Trademark Security Agreement now or hereafter executed by the Borrower in favor of the Lender, which includes the Pet Business IP Agreement.

“Pet Business” is defined in Section 6.31.

“Pet Business Sale” is defined in Section 6.31.

“Pet Business IP” means the Intellectual Property Rights relating to the Pet Business set forth on Exhibit E attached hereto.

“Pet Business IP Agreement” means a Trademark and Patent Security Agreement covering the Pet Business IP.

“Pekin Plant” means those Premises of Borrower located at 1301 South Front Street in Pekin, Illinois.

“Pension Plan” means a pension plan (as defined in Section 3(2) of ERISA) maintained for employees of the Borrower or any ERISA Affiliate and covered by Title IV of ERISA.

“Permitted Lien” and “Permitted Liens” are defined in Section 6.3(a).

“Person” means any individual, corporation, partnership, joint venture, limited liability company, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Plan” means an employee benefit plan (as defined in Section 3(3) of ERISA) maintained for employees of the Borrower or any ERISA Affiliate.

“Premises” means all locations where the Borrower conducts its business or has any rights of possession, including the locations legally described in Exhibit C attached hereto.

“Rail Inventory” means Eligible Food Grade Alcohol Inventory or Eligible Fuel Grade Alcohol Inventory which is located in rail cars at locations acceptable to Lender in its sole but reasonable discretion.

“Rail Reserve” means \$175,000 or such other amount as the Lender may from time to time establish in its sole but reasonable discretion as an amount sufficient offset certain costs of exercising rights and remedies in respect of Inventory of the Borrower located or anticipated to be located on or in railcars from time to time.

“Rail Staging Area” means (i) that certain CSX Corporation rail siding located adjacent to the premises of Reckitt Benckiser at 799 Route 206, Belle Meade, NJ 08502, (ii) that certain CSX Corporation rail siding located adjacent to the premises of Dundee Foods, LLC at 74 Seneca Street, Dundee, NY 14837 and (iii) that certain CSX Corporation rail siding located adjacent to the premises of Cone Solvents at 6185 Cockrill Bend Circle, Nashville, TN 37209.

“Raw Materials Inventory” shall mean raw materials held for the purpose of production into a finished product (which finished product is to be held by Borrower for sale, lease or furnishing under a contract for service in the ordinary course of Borrower’s business), but which have not yet been subject to the commencement of such production, and which are new and unused and free from defects which would, in Lender’s sole determination determined in good faith, affect their market value.

“Real Estate Collateral” means all real estate owned by Borrower, except the KCK Facility.

“Reportable Event” means a reportable event (as defined in Section 4043 of ERISA), other than an event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the Pension Benefit Guaranty Corporation.

“Revolving Advance” is defined in Section 2.1.

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“Revolving Note” means the Borrower’s revolving promissory note, payable to the order of the Lender in substantially the form of Exhibit A hereto, as same may be renewed and amended from time to time, and all replacements thereto.

“Security Documents” means this Agreement, the Wholesale Lockbox and Collection Account Agreement, the Patent and Trademark Security Agreement and any other document delivered to the Lender from time to time to secure the Indebtedness.

“Security Interest” is defined in Section 3.1.

“Special Account” means a specified cash collateral account maintained with Lender or another financial institution acceptable to the Lender in connection with Letters of Credit, as contemplated by Section 2.5.

“Standby Letter of Credit Agreement” means an agreement governing the issuance of standby letters of credit by Lender entered into between the Borrower as applicant and Lender as issuer.

“Subordinated Creditors” means the Cloud Clay, Jr. Trust, the Union Pacific Railroad, Ameren, and every other Person now or in the future who agrees to subordinate indebtedness of the Borrower held by that Person to the payment of the Indebtedness.

“Subordinated Debt” means indebtedness due to Company that has been subordinated to Lender by a Subordinated Creditor pursuant to a Subordination Agreement.

“Subordination Agreement” means a subordination agreement executed by a Subordinated Creditor in favor of the Lender and acknowledged by the Borrower.

“Subsidiary” means any Person of which more than fifty percent (50%) of the outstanding ownership interests having general voting power under ordinary circumstances to elect a majority of the board of directors or the equivalent of such Person, regardless of whether or not at the time ownership interests of any other class or classes shall have or might have voting power by reason of the happening of any contingency, is at the time directly or indirectly owned by the Borrower, by the Borrower and one or more other Subsidiaries, or by one or more other Subsidiaries.

“Swap Contract” means: (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement; and (b) any and all transactions of any kind, and the related confirmations, that are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange

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Master Agreement, or any other master agreement including any such obligations or liabilities under any such master agreement (in each case, together with any related schedules).

“Termination Date” means the earliest of (i) the Maturity Date, (ii) the date the Borrower terminates the Credit Facility, or (iii) the date the Lender demands payment of the Indebtedness, following an Event of Default, pursuant to Section 7.2.

“UCC” means the Uniform Commercial Code in effect in the state designated in this Agreement as the state whose laws shall govern this Agreement, or in any other state whose laws are held to govern this Agreement or any portion of this Agreement.

“Unfinanced Capital Expenditures” means for a period, any expenditure of money during such period for the purchase or construction of assets, or for improvements or additions to such assets, which are not financed with borrowed funds and are capitalized on Company’s balance sheet.

“Unused Amount” is defined in Section 2.7(b).

“Wholesale Lockbox and Collection Account Agreement” means the Wholesale Lockbox and Collection Account Agreement by and between the Borrower and the Lender.

Section 1.2 Other Definitional Terms; Rules of Interpretation. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP. All terms defined in the UCC and not otherwise defined herein have the meanings assigned to them in the UCC. References to Articles, Sections, subsections, Exhibits, Schedules and the like, are to Articles, Sections and subsections of, or Exhibits or Schedules attached to, this Agreement unless otherwise expressly provided. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. Unless the context in which used herein otherwise clearly requires, “or” has the inclusive meaning represented by the phrase “and/or”. Defined terms include in the singular number the plural and in the plural number the singular. Reference to any agreement (including the Loan Documents), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof (and, if applicable, in accordance with the terms hereof and the other Loan Documents), except where otherwise explicitly provided, and reference to any promissory note includes any promissory note which is an extension or renewal thereof or a substitute or replacement therefor. Reference to any law, rule, regulation, order, decree, requirement, policy, guideline, directive or interpretation means as amended,

ARTICLE II

AMOUNT AND TERMS OF THE CREDIT FACILITY

Section 2.1 Revolving Advances. The Lender agrees, subject to the terms and conditions of this Agreement, to make advances ("Revolving Advances") to the Borrower from time to time from the date that all of the conditions set forth in 4.1 are satisfied (the "Funding Date") to and until (but not including) the Termination Date in an amount not in excess of the Maximum Line Amount. The Lender shall have no obligation to make a Revolving Advance to the extent that the amount of the requested Revolving Advance exceeds Availability. The Borrower's obligation to pay the Revolving Advances shall be evidenced by the Revolving Note and shall be secured by the Collateral. Within the limits set forth in this Section 2.1, the Borrower may borrow, prepay pursuant to Section 2.10, and reborrow.

Section 2.2 Procedures for Requesting Advances.

(a) Advances Credited to Operating Account. All Advances, shall be credited to Borrower's demand deposit account maintained with Lender (the "Operating Account"), unless the parties agree in an Authenticated Record to disburse to another account.

(b) Advances upon Borrower's Request. Borrower may request one or more Advances on any Business Day. No request for an Advance will be deemed received until Lender acknowledges receipt, and Borrower, if requested by Lender, confirms the request in an Authenticated Record. Borrower shall repay all Advances, even if the Person requesting the Advance on behalf of Borrower lacked authorization. Borrower may request an Advance at the Floating Rate no later than the Cut-off Time on the Business Day on which Borrower wants the Floating Rate Advance to be funded.

(c) Advances through Loan Manager. If Lender and Borrower have separately agreed that Borrower will use the Lender Loan Manager service ("Loan Manager"), Advances will be initiated by Lender and credited to the Operating Account as Floating Rate Advances as of the end of each Business Day in an amount sufficient to maintain an agreed upon ledger balance in the Operating Account, subject only to Availability. If Lender terminates Borrower's access to Loan Manager, Borrower may continue to request Advances as provided in Section 2.2(b). Lender shall have no obligation to make an Advance through Loan Manager during a Default Period, or in an amount in excess of Availability, and may terminate Loan Manager at any time in its sole but reasonable discretion. Advances through Loan Manager shall not be made as Fixed Rate Advances.

(d) Protective Advances: Advances to Pay Indebtedness Due. Lender may initiate an Advance in its sole but reasonable discretion for any reason at any time, without Borrower's compliance with any of the conditions of this Agreement, and (i) disburse the proceeds directly to third Persons in order to protect Lender's interest in Collateral or to perform any of Borrower's obligations under this Agreement, or (ii) apply the proceeds to the amount of any Indebtedness then due and payable to Lender.

Section 2.3 Reserved.

Section 2.4 Letters of Credit.

(a) The Lender agrees, subject to the terms and conditions of this Agreement, to issue, at any time after the Funding Date and prior to the Termination Date, one or more irrevocable standby or documentary letters of credit (each, a "Letter of Credit") for the Borrower's account. The Lender will not issue any Letter of Credit if the face amount of the Letter of Credit to be issued would exceed the lesser of:

- (i) \$5,000,000 less the L/C Amount, or
- (ii) Availability.

Each Letter of Credit, if any, shall be issued pursuant to a separate L/C Application made by the Borrower. The terms and conditions set forth in each such L/C Application shall supplement the terms and conditions of the Standby Letter of Credit Agreement or the Commercial Letter of Credit Agreement, as applicable.

(b) No Letter of Credit shall be issued with an expiry date later than one (1) year from the date of issuance or the Maturity Date in effect as of the date of issuance, whichever is earlier.

(c) Any request for issuance of a Letter of Credit shall be deemed to be a representation by the Borrower that the conditions set forth in Section 4.2 have been satisfied as of the date of the request.

(d) If a draft is submitted under a Letter of Credit when the Borrower is unable, because a Default Period exists or for any other reason, to obtain a Revolving Advance to pay the Obligation of Reimbursement, the Borrower shall pay to the Lender on demand and in immediately available funds, the amount of the Obligation of Reimbursement together with interest, accrued from the date of the draft until payment in full at the Default Rate. Notwithstanding the Borrower's inability to obtain a Revolving Advance for any reason, the Lender may, in its sole but reasonable discretion, make a Revolving Advance in an amount sufficient to discharge any outstanding Obligation of Reimbursement and any accrued but unpaid interest and fees payable with respect to same.

Section 2.5 Special Account. If the Credit Facility is terminated for any reason while any Letter of Credit is outstanding, the Borrower shall thereupon pay the Lender in immediately available funds for deposit in the Special Account an amount equal to the L/C Amount plus any anticipated fees and costs. If the Borrower fails to promptly make any such payment in the amount required hereunder, then the Lender may make a Revolving Advance against the Credit Facility in an amount sufficient to fulfill this obligation and deposit the proceeds to the Special Account. The Special Account shall be an interest bearing account either maintained with the Lender or with a financial institution acceptable to the Lender. Any interest earned on amounts deposited in the Special Account shall be credited to the Special Account. The Lender may apply amounts on deposit in the Special Account at any time or from time to time to the Indebtedness in the Lender's sole but reasonable discretion. The Borrower may not withdraw any amounts on deposit in the Special Account as long as the Lender maintains a security interest therein. The Lender agrees to transfer any balance in the Special Account to the Borrower when the Lender is required to release its security interest in the Special Account under applicable law.

Section 2.6 Interest; Minimum Interest Charge; Default Interest Rate; Participations; Usury.

(a) **Interest.** Except as provided in Section 2.6(d) and Section 2.6(g), the principal amount of each Advance shall bear interest as a Floating Rate Advance.

(b) **Reserved.**

(c) **Minimum Interest Charge.** Notwithstanding any other terms of this Agreement to the contrary, the Borrower shall pay to the Lender interest of not less than \$500,000 per Loan Year (the "Minimum Interest Charge") during the term of this Agreement, and the Borrower shall pay any deficiency between the Minimum Interest Charge and the amount of interest otherwise calculated under Section 2.6(a) on each anniversary of the Funding Date and on the Termination Date. When calculating this deficiency, the Default Rate, if applicable, shall be disregarded, and any interest that accrues on a payment following its receipt on those days specified in Section 2.9(c) shall be excluded in determining the total amount of interest otherwise calculated under Section 2.6(a). As used in this subsection (c), "Loan Year" means each one-year period ending on an anniversary of the Funding Date.

(d) **Default Interest Rate.** At any time during any Default Period or following the Termination Date, in the Lender's sole but reasonable discretion and without waiving any of its other rights or remedies, the principal of the Revolving Note shall bear interest at the Default Rate or such lesser rate as the Lender may determine, effective as of the first day of the fiscal month in which any Default Period begins through the last day of such Default Period, or any shorter time period that the Lender may determine. The decision of the Lender to impose a rate that is less than the Default Rate or to not impose the Default Rate for the entire duration of the Default Period shall be made by the Lender in its sole but reasonable discretion and shall not be a waiver of any of its other rights and remedies, including its right to retroactively impose the full Default Rate for the entirety of any such Default Period or following the Termination Date.

(e) **Reserved.**

(f) **Participations.** If any Person shall acquire a participation in the Advances or the Obligation of Reimbursement, the Borrower shall be obligated to the Lender to pay the full amount of all interest calculated under this Section 2.6, along with all other fees, charges and other amounts due under this Agreement, regardless if such Person elects to accept interest with respect to its participation at a lower rate than that calculated under this Section 2.6, or otherwise elects to accept less than its prorata share of such fees, charges and other amounts due under this Agreement.

(g) **Usury.** In any event no rate change shall be put into effect which would result in a rate greater than the highest rate permitted by law. Notwithstanding anything to the contrary contained in any Loan Document, all agreements which either now are or which shall become agreements between the Borrower and the Lender are hereby limited so that in no contingency or event whatsoever shall the total liability for payments in the nature of interest, additional interest and other charges exceed the applicable limits imposed by any applicable usury laws. If any payments in the nature of interest, additional interest and other charges made under any Loan

Document are held to be in excess of the limits imposed by any applicable usury laws, it is agreed that any such amount held to be in excess shall be considered payment of principal hereunder, and the indebtedness evidenced hereby shall be reduced by such amount so that the total liability for payments in the nature of interest, additional interest and other charges shall not exceed the applicable limits imposed by any applicable usury laws, in compliance with the desires of the Borrower and the Lender. This provision shall never be superseded or waived and shall control every other provision of the Loan Documents and all agreements between the Borrower and the Lender, or their successors and assigns.

Section 2.7 Fees.

(a) **Origination Fee.** The Borrower shall pay the Lender a fully earned and non-refundable origination fee of \$250,000, due and payable upon the execution of this Agreement. The Lender has received \$75,000 toward payment of this fee and the fees, costs and expenses described in Section 2.7, Section 8.5, and Section 8.6.

(b) **Unused Line Fee.** For the purposes of this Section 2.7(b), "Unused Amount" means the Maximum Line Amount reduced by outstanding Revolving Advances and the L/C Amount. The Borrower agrees to pay to the Lender an unused line fee at the rate of one half of one percent (0.50%) per annum on the average daily Unused Amount from the date of this Agreement to and including the Termination Date, due and payable monthly in arrears on the first day of the month and on the Termination Date.

(c) **Reserved.**

(d) **Collateral Exam Fees.** The Borrower shall pay the Lender fees in connection with any collateral exams, audits or inspections conducted by or on behalf of the Lender of any Collateral or the Borrower's operations or business at the rates established from time to time by the Lender (which fees are currently \$125 per hour per collateral examiner), together with any related out-of-pocket costs and expenses incurred by the Lender.

(e) **Reserved.**

(f) **Letter of Credit Fees.** The Borrower shall pay to the Lender a fee with respect to each Letter of Credit that has been issued which shall be calculated on a per diem basis at an annual rate equal to three percent (3.0%) of the Aggregate Face Amount, from and including the date of issuance of the Letter of Credit until the date that the Letter of Credit terminates or is returned to the Lender, which fee shall be due and payable monthly in arrears on the first day of each month and on the date that the Letter of Credit terminates or is returned to the Lender; provided, however, effective as of the first day of the fiscal month in which any Default Period begins through the last day of such Default Period, or any shorter time period that the Lender may determine, in the Lender's sole but reasonable discretion and without waiving any of its other rights and remedies, such fee shall increase to six percent (6.0%) of the Aggregate Face Amount. The foregoing fee shall be in addition to any other fees, commissions and charges imposed by Lender with respect to such Letter of Credit.

(g) **Letter of Credit Administrative Fees.** The Borrower shall pay all administrative fees charged by Lender in connection with the honoring of drafts under any Letter

of Credit, amendments thereto, transfers thereof and all other activity with respect to the Letters of Credit at the then — current rates published by Lender for such services rendered on behalf of customers of Lender generally.

(h) **Termination and Line Reduction Fees.** If (i) the Lender terminates the Credit Facility during a Default Period, or if (ii) the Borrower terminates or reduces the Credit Facility on a date prior to the Maturity Date, then the Borrower shall pay the Lender as liquidated damages and not as a penalty a termination fee in an amount equal to a percentage of the Maximum Line Amount (or the reduction of the Maximum Line Amount, as the case may be) calculated as follows: (A) three percent (3.0%) if the termination or reduction occurs on or before the first anniversary of the Funding Date; (B) two percent (2.0%) if the termination or reduction occurs after the first anniversary of the Funding Date, but on or before the second anniversary of the Funding Date; and (C) one percent (1.0%) if the termination or reduction occurs after the second anniversary of the Funding Date; *provided* commencing on the date which is eighteen (18) months from the date hereof, if the Borrower refinances the Credit Facility, in its entirety, with an operating division of the Lender other than Wells Fargo Business Credit, such refinance shall not be deemed a termination or prepayment requiring the payment of termination and/or prepayment fees.

(i) **Reserved.**

(j) **Reserved.**

(k) **Overadvance Fees.** The Borrower shall pay an Overadvance fee in the amount of \$500.00 for each day or portion thereof during which an Overadvance exists, regardless of how the Overadvance arises or whether or not the Overadvance has been agreed to in advance by the Lender. The acceptance of payment of an Overadvance fee by the Lender shall not be deemed to constitute either consent to the Overadvance or a waiver of the resulting Event of Default, unless the Lender specifically consents to the Overadvance in writing and waives the Event of Default on whatever conditions the Lender deems appropriate.

(l) **Other Fees and Charges.** The Lender may from time to time impose additional fees and charges as consideration for Advances made in excess of Availability or for other events that constitute an Event of Default or a Default hereunder, including fees and charges for the administration of Collateral by the Lender, and fees and charges for the late delivery of reports, which may be assessed in the Lender's sole but reasonable discretion on either an hourly, periodic, or flat fee basis, and in lieu of or in addition to imposing interest at the Default Rate.

(m) **Treasury Management Fees.** The Borrower will pay service fees to the Lender for treasury management services provided to it by the Lender pursuant to the Master Agreement for Treasury Management Services entered into between the Borrower and the Lender, or, if a Master Agreement for Treasury Management Services has not been entered into, the Borrower will pay services fees for its use of the Loan Manager service, the Ready Remit service, or any other service that the Lender may provide to the Borrower under this Agreement or any other agreement entered into by the parties, in the amount prescribed in the Lender's current service fee schedule.

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Section 2.8 Time for Interest Payments; Payment on Non-Business Days; Computation of Interest and Fees

(a) **Time For Interest Payments.** Accrued and unpaid interest shall be due and payable on the first day of each month and on the Termination Date (each an "Interest Payment Date"), or if any such day is not a Business Day, on the next succeeding Business Day. Interest will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of advance to the Interest Payment Date. If an Interest Payment Date is not a Business Day, payment shall be made on the next succeeding Business Day.

(b) **Payment on Non-Business Days.** Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest on the Advances or the fees hereunder, as the case may be.

(c) **Computation of Interest and Fees.** Interest accruing on the outstanding principal balance of the Advances and fees hereunder outstanding from time to time shall be computed on the basis of actual number of days elapsed in a year of 360 days.

Section 2.9 Collection of Accounts; Application to the Borrower's Indebtedness

(a) **The Collection Account.** Borrower has granted a security interest to Lender in the Collateral, including without limitation, all Accounts. Except as otherwise agreed by both parties in an Authenticated Record, all Proceeds of Accounts and other Collateral, upon receipt or collection, shall be deposited each Business Day into the Collection Account. Funds so deposited ("Account Funds") are the property of Lender, and may only be withdrawn from the Collection Account by Lender.

(b) **Payment of Accounts by Borrower's Account Debtors.** Borrower shall instruct all account debtors to make payments either directly to the Lockbox for deposit by Lender directly to the Collection Account, or instruct them to deliver such payments to Lender by wire transfer, ACH, or other means as Lender may direct for deposit to the Collection Account or for direct application to the Revolving Note. If Borrower receives a payment or the Proceeds of Collateral directly, Borrower will promptly deposit the payment or Proceeds into the Collection Account. Until deposited, it will hold all such payments and Proceeds in trust for Lender without commingling with other funds or property. All deposits held in the Collection Account shall constitute Proceeds of Collateral and shall not constitute the payment of Indebtedness.

(c) **Application of Payments to Revolving Note.** Lender will withdraw Account Funds deposited to the Collection Account and pay down borrowings on the Revolving Note by applying them to the Revolving Note on the first Business Day following the Business Day of deposit to the Collection Account, or, if payments are received by Lender that are not first deposited to the Collection Account pursuant to any treasury management service provided to Borrower by Lender, such payments shall be applied to the Revolving Note as provided in the Master Agreement for Treasury Management Services and the relevant service description.

Section 2.10 Voluntary Prepayment; Reduction of the Maximum Line Amount; Termination of the Credit Facility by the Borrower Except as otherwise provided herein, the

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Borrower may prepay the Advances in whole at any time or from time to time in part. The Borrower may terminate the Credit Facility or reduce the Maximum Line Amount at any time if it (i) gives the Lender at least 90 days advance written notice prior to the proposed Termination Date, and (ii) pays the Lender applicable termination, prepayment and Maximum Line Amount reduction fees in accordance with the terms of this Agreement. Any reduction in the Maximum Line Amount shall be in multiples of \$100,000, and with a minimum reduction of at least \$500,000. If the Borrower terminates the Credit Facility or reduces the Maximum Line Amount to zero, all Indebtedness shall be immediately due and payable, and if the Borrower gives the Lender less than the required 90 days advance written notice, then the interest rate applicable to borrowings evidenced by Revolving Note shall be the Default Rate for the period of time commencing 90 days prior to the proposed Termination Date through the date that the Lender actually receives such written notice. If the Borrower does not wish the Lender to consider renewal of the Credit Facility on the next Maturity Date, then the Borrower shall give the Lender at least 90 days written notice prior to the Maturity Date that it will not be requesting renewal. If the Borrower fails to give the Lender such timely notice, then the interest rate applicable to borrowings evidenced by the Revolving Note shall be the Default Rate for the period of time commencing 90 days prior to the Maturity Date through the date that the Lender actually receives such written notice.

Section 2.11 Mandatory Prepayment. Without notice or demand, unless the Lender shall otherwise consent in a written agreement that sets forth the terms and conditions which the Lender in its discretion may deem appropriate, including without limitation the payment of an Overadvance fee, if an Overadvance shall at any time exist with respect to the Credit Facility, then the Borrower shall (i) first, immediately prepay the Revolving Advances to the extent necessary to eliminate such excess; and (ii) if prepayment in full of the Revolving Advances is insufficient to eliminate such excess (due, for example, to the L/C Amount), pay to the Lender in immediately available funds for deposit in the Special Account an amount equal to the remaining excess. Any voluntary or mandatory prepayment received by the Lender may be applied to the Indebtedness, in such order and in such amounts as the Lender in its sole but reasonable discretion may determine from time to time.

Section 2.12 Revolving Advances to Pay Indebtedness Notwithstanding the terms of Section 2.1, the Lender may, in its discretion at any time or from time to time, without the Borrower's request and even if the conditions set forth in Section 4.2 would not be satisfied, make a Revolving Advance in an amount equal to the portion of the Indebtedness from time to time due and payable.

Section 2.13 Use of Proceeds. The Borrower shall use the proceeds of Advances and each Letter of Credit to pay off its existing Lender, support Letters of Credit and for ordinary working capital purposes.

Section 2.14 Liability Records. The Lender may maintain from time to time, at its discretion, records as to the Indebtedness. All entries made on any such record shall be presumed correct until the Borrower establishes the contrary. Upon the Lender's demand, the Borrower will admit and certify in writing the exact principal balance of the Indebtedness that the Borrower then asserts to be outstanding. Any billing statement or accounting rendered by the

Lender shall be conclusive and fully binding on the Borrower unless the Borrower gives the Lender specific written notice of exception within 30 days after receipt.

ARTICLE III

SECURITY INTEREST; OCCUPANCY; SETOFF

Section 3.1 Grant of Security Interest. The Borrower hereby pledges, assigns and grants to the Lender, a lien and security interest (collectively referred to as the "Security Interest") in the Collateral, as security for the payment and performance of: (a) all present and future Indebtedness of the Borrower to the Lender; (b) all obligations of the Borrower and rights of the Lender under this Agreement; and (c) all present and future obligations of the Borrower to the Lender of other kinds. Upon request by the Lender, the Borrower will grant to the Lender a security interest in all commercial tort claims that the Borrower may have against any Person.

Section 3.2 Notification of Account Debtors and Other Obligors. The Lender may at any time (from and after the occurrence of a Default or Event of Default) notify any account debtor or other Person obligated to pay the amount due that such right to payment has been assigned or transferred to the Lender for security and shall be paid directly to the Lender. The Borrower will join in giving such notice if the Lender so requests. At any time after the Borrower or the Lender gives such notice to an account debtor or other obligor, the Lender may, but need not, in the Lender's name or in the Borrower's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any such right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any such account debtor or other obligor. From and after the occurrence of a Default or Event of Default, the Lender may, in the Lender's name or in the Borrower's name, as the Borrower's agent and attorney-in-fact, notify the United States Postal Service to change the address for delivery of the Borrower's mail to any address designated by the Lender, otherwise intercept the Borrower's mail, and receive, open and dispose of the Borrower's mail, applying all Collateral as permitted under this Agreement and holding all other mail for the Borrower's account or forwarding such mail to the Borrower's last known address.

Section 3.3 Assignment of Insurance. As additional security for the payment and performance of the Indebtedness, the Borrower hereby assigns to the Lender any and all monies (including proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of the Borrower with respect to, any and all policies of insurance now or at any time hereafter covering the Collateral or any evidence thereof or any business records or valuable papers pertaining thereto, and the Borrower hereby directs the issuer of any such policy to pay all such monies directly to the Lender. At any time, whether or not a Default Period then exists, the Lender may (but need not), in the Lender's name or in the Borrower's name, execute and deliver proof of claim, receive all such monies, endorse checks and other instruments representing payment of such monies, and adjust, litigate, compromise or release any claim against the issuer of any such policy. Any monies received as payment for any loss under any insurance policy mentioned above (other than liability insurance policies) or as payment of any award or compensation for condemnation or taking by eminent domain, shall be paid over to the Lender to be applied, at the option of the Lender, either to the prepayment of the

Indebtedness or shall be disbursed to the Borrower under staged payment terms reasonably satisfactory to the Lender for application to the cost of repairs, replacements, or restorations. Any such repairs, replacements, or restorations shall be effected with reasonable promptness and shall be of a value at least equal to the value of the items or property destroyed prior to such damage or destruction.

Section 3.4 Occupancy.

(a) The Borrower hereby irrevocably grants to the Lender the right to take exclusive possession of the Premises at any time during a Default Period without notice or consent.

(b) The Lender may, during a Default Period, use the Premises only to hold, process, manufacture, sell, use, store, liquidate, realize upon or otherwise dispose of items that are Collateral and for other purposes that the Lender may in good faith deem to be related or incidental purposes.

(c) The Lender's right to hold the Premises shall cease and terminate upon the earlier of (i) payment in full and discharge of all Indebtedness and termination of the Credit Facility, and (ii) final sale or disposition of all items constituting Collateral and delivery of all such items to purchasers.

(d) The Lender shall not be obligated to pay or account for any rent or other compensation for the possession, occupancy or use of any of the Premises; provided, however, that if the Lender does pay or account for any rent or other compensation for the possession, occupancy or use of any of the Premises, the Borrower shall reimburse the Lender promptly for the full amount thereof. In addition, the Borrower will pay, or reimburse the Lender for, all taxes, fees, duties, imposts, charges and expenses at any time incurred by or imposed upon the Lender by reason of the execution, delivery, existence, recordation, performance or enforcement of this Agreement or the provisions of this Section 3.4.

Section 3.5 License. Without limiting the generality of any other Security Document, the Borrower hereby grants to the Lender a non-exclusive, worldwide and royalty-free license to use or otherwise exploit all Intellectual Property Rights of the Borrower for the purpose of: (a) completing the manufacture of any in-process materials during any Default Period so that such materials become saleable Inventory, all in accordance with the same quality standards previously adopted by the Borrower for its own manufacturing and subject to the Borrower's reasonable exercise of quality control; and (b) selling, leasing or otherwise disposing of any or all Collateral during any Default Period.

Section 3.6 Financing Statement. The Borrower authorizes the Lender to file from time to time, such financing statements against collateral described as "all personal property" or "all assets" or describing specific items of collateral including commercial tort claims as the Lender deems necessary or useful to perfect the Security Interest, provided such filings omit the Excluded Assets. All financing statements filed before the date hereof to perfect the Security Interest were authorized by the Borrower and are hereby re-authorized. A carbon, photographic or other reproduction of this Agreement or of any financing statements signed by the Borrower is sufficient as a financing statement and may be filed as a financing statement in any state to

perfect the security interests granted hereby. For this purpose, the Borrower represents and warrants that the following information is true and correct:

Name and address of Debtor:

MGP Ingredients, Inc.
100 Commercial Street
Atchison, KS 66002
Federal Employer Identification No. 48-0531200
Organizational Identification No. 0083220

Name and address of Secured Party:

Wells Fargo Bank, National Association
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attn: Becky A. Koehler
Federal Employer Identification No. 41-1237652

Section 3.7 Setoff. The Lender may at any time or from time to time, at its sole but reasonable discretion and without demand and without notice to anyone, setoff any liability owed to the Borrower by the Lender, whether or not due, against any Indebtedness, whether or not due. In addition, each other Person holding a participating interest in any Indebtedness shall have the right to appropriate or setoff any deposit or other liability then owed by such Person to the Borrower, whether or not due, and apply the same to the payment of said participating interest, as fully as if such Person had lent directly to the Borrower the amount of such participating interest.

Section 3.8 Collateral. This Agreement does not contemplate a sale of accounts, contract rights or chattel paper, and, as provided by law, the Borrower is entitled to any surplus and shall remain liable for any deficiency. The Lender's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if it exercises reasonable care in physically keeping such Collateral, or in the case of Collateral in the custody or possession of a bailee or other third Person, exercises reasonable care in the selection of the bailee or other third Person, and the Lender need not otherwise preserve, protect, insure or care for any Collateral. The Lender shall not be obligated to preserve any rights the Borrower may have against prior parties, to realize on the Collateral at all or in any particular manner or order or to apply any cash proceeds of the Collateral in any particular order of application. The Lender has no obligation to clean-up or otherwise prepare the Collateral for sale. The Borrower waives any right it may have to require the Lender to pursue any third Person for any of the Indebtedness.

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ARTICLE IV

CONDITIONS OF LENDING

Section 4.1 Conditions Precedent to the Initial Advances and Letter of Credit. The Lender's obligation to make the initial Advances or to cause any Letters of Credit to be issued shall be subject to the condition precedent that the Lender shall have received all of the following, each properly executed by the appropriate party and in form and substance satisfactory to the Lender:

- (a) This Agreement.
- (b) The Revolving Note.
- (c) A Standby Letter of Credit Agreement and a Commercial Letter of Credit Agreement, and L/C Application for each Letter of Credit that the Borrower wishes to have issued thereunder.
- (d) A true and correct copy of any and all leases pursuant to which the Borrower is leasing the Premises, together with a landlord's disclaimer and consent with respect to each such lease.
- (e) A true and correct copy of any and all mortgages pursuant to which the Borrower has mortgaged the Premises, together with a mortgagee's disclaimer and consent with respect to each such mortgage.
- (f) A true and correct copy of any and all agreements pursuant to which the Borrower's property is in the possession of any Person other than the Borrower, together with, in the case of any goods held by such Person for resale, (i) a consignee's acknowledgment and waiver of Liens, (ii) UCC financing statements sufficient to protect the Borrower's and the Lender's interests in such goods, and (iii) UCC searches showing that no other secured party has filed a financing statement against such Person and covering property similar to the Borrower's other than the Borrower, or if there exists any such secured party, evidence that each such secured party has received notice from the Borrower and the Lender sufficient to protect the Borrower's and the Lender's interests in the Borrower's goods from any claim by such secured party.
- (g) An acknowledgment and waiver of Liens from each warehouse in which the Borrower is storing Inventory.
- (h) A true and correct copy of any and all agreements pursuant to which the Borrower's property is in the possession of any Person other than the Borrower, together with, (i) an acknowledgment and waiver of Liens from each subcontractor who has possession of the Borrower's goods from time to time, (ii) UCC financing statements sufficient to protect the Borrower's and the Lender's interests in such goods, and (iii) UCC searches showing that no other secured party has filed a financing statement covering such Person's property other than the Borrower, or if there exists any such secured party, evidence that each such secured party has

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received notice from the Borrower and the Lender sufficient to protect the Borrower's and the Lender's interests in the Borrower's goods from any claim by such secured party.

- (i) An acknowledgment and agreement from each licensor in favor of the Lender, together with a true, correct and complete copy of all license agreements.
- (j) The Wholesale Lockbox and Collection Account Agreement.
- (k) The Master Agreement for Treasury Management Services.
- (l) Blocked account and control agreements with each bank at which the Borrower maintains deposit accounts.

(m) A Patent and Trademark Security Agreement.

(n) The Pet Business IP Agreement.

(o) The Subordination Agreements.

(p) Current searches of appropriate filing offices showing that (i) no Liens have been filed and remain in effect against the Borrower except Permitted Liens or Liens held by Persons who have agreed in writing that upon receipt of proceeds of the initial Advances, they will satisfy, release or terminate such Liens in a manner satisfactory to the Lender, and (ii) the Lender has duly filed all financing statements necessary to perfect the Security Interest, to the extent the Security Interest is capable of being perfected by filing.

(q) A certificate of the Borrower's Secretary or Assistant Secretary certifying that attached to such certificate are (i) the resolutions of the Borrower's Directors and, if required, Owners, authorizing the execution, delivery and performance of the Loan Documents, (ii) true, correct and complete copies of the Borrower's Constituent Documents, and (iii) examples of the signatures of the Borrower's Officers or agents authorized to execute and deliver the Loan Documents and other instruments, agreements and certificates, including Advance requests, on the Borrower's behalf.

(r) A current certificate issued by the Secretary of State of Kansas, certifying that the Borrower is in compliance with all applicable organizational requirements of the State of Kansas.

(s) Evidence that the Borrower is duly licensed or qualified to transact business in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary.

(t) A certificate of an Officer of the Borrower confirming, in his or her capacity as an Officer, the representations and warranties set forth in Article V.

(u) Certificates of the insurance required hereunder, with all hazard insurance containing a lender's loss payable endorsement in the Lender's favor and with all liability insurance naming the Lender as an additional insured.

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(v) Payment of all fees due under the terms of this Agreement through the date of the initial Advance or the issuance of any Letter of Credit hereunder, and payment of all expenses incurred by the Lender through such date and that are required to be paid by the Borrower under this Agreement.

(w) Evidence that after making the initial Revolving Advance, satisfying all obligations owed to the Borrower's prior lender, satisfying all trade payables older than 30 days from due date (or otherwise restructured in a form and substance acceptable to Lender), book overdrafts and closing costs, Availability shall be not less than \$3,000,000.

(x) Borrower's projected balance sheets, income statements, statements of cash flow and projected Availability for each month of the succeeding twelve (12) month period from the Closing Date, each in reasonable detail.

(y) Review of the projections in the immediately preceding sentence and an operating plan by an external consultant acceptable to Lender.

(z) Agriculture industries review by appropriate personnel of the Lender.

(aa) A Letter from Deloitte outlining their opinion on the tax return of Borrower expected to be filed by Borrower in September 2009 for approximately \$5,500,000.

(bb) A Customer Identification Information form and such other forms and verification as the Lender may need to comply with the U.S.A. Patriot Act.

(cc) Such other documents as the Lender in its sole but reasonable discretion may require.

Section 4.2 Conditions Precedent to All Advances and Letters of Credit The Lender's obligation to make each Advance or to cause the issuance of a Letter of Credit shall be subject to the further conditions precedent that:

(a) the representations and warranties contained in Article V are correct on and as of the date of such Advance or issuance of a Letter of Credit as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date; and

(b) no event has occurred and is continuing, or would result from such Advance or issuance of a Letter of Credit which constitutes a Default or an Event of Default.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender as follows:

Section 5.1 Existence and Power; Name; Chief Executive Office; Inventory and Equipment Locations; Federal Employer Identification Number and Organizational Identification Number. The Borrower is a corporation, duly organized, validly existing and in good standing

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under the laws of the State of Kansas and is duly licensed or qualified to transact business in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary. The Borrower has all requisite power and authority to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under, the Loan Documents. For the five (5) year period prior to the Funding Date, the Borrower has done business solely under the names set forth in Schedule 5.1. The Borrower's chief executive office and principal place of business is located at the address set forth in Schedule 5.1, and all of the Borrower's records relating to its business or the Collateral are kept at that location. All Inventory and Equipment is located at that location or at one of the other locations listed in Schedule 5.1. The Borrower's federal employer identification number and organization identification number are correctly set forth in Section 3.6.

Section 5.2 Capitalization. Schedule 5.2 constitutes a correct and complete list of (a) all ownership interests of the Borrower equal to or greater than five

percent (5%) of the aggregate ownership interests in Borrower, and (b) all rights (other than the public market) to acquire ownership interests equal to or greater than five percent (5%). Schedule 5.2 will include the record holder, number of interests and percentage interests on a fully diluted basis with respect to each of (a) and (b) above, and will include an organizational chart showing the ownership structure of all Subsidiaries of the Borrower.

Section 5.3 Authorization of Borrowing; No Conflict as to Law or Agreements. The execution, delivery and performance by the Borrower of the Loan Documents and the borrowings from time to time hereunder have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of the Borrower's Owners; (ii) require any authorization, consent or approval by, or registration, declaration or filing with, or notice to, any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any third party (other than consents required by the holders of Permitted Indebtedness for Lender to take a Lien in the Real Estate Collateral, which consents Borrower shall not be required to obtain until the date which is thirty (30) days past the Funding Date), except such authorization, consent, approval, registration, declaration, filing or notice as has been obtained, accomplished or given prior to the date hereof; (iii) violate any provision of any law, rule or regulation (including Regulation X of the Board of Governors of the Federal Reserve System) or of any order, writ, injunction or decree presently in effect having applicability to the Borrower or of the Borrower's Constituent Documents; (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected; or (v) result in, or require, the creation or imposition of any Lien (other than the Security Interest) upon or with respect to any of the properties now owned or hereafter acquired by the Borrower.

Section 5.4 Legal Agreements. This Agreement constitutes and, upon due execution by the Borrower, the other Loan Documents will constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

Section 5.5 Subsidiaries. Except as set forth in Schedule 5.5 hereto, the Borrower has no Subsidiaries.

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Section 5.6 Financial Condition; No Adverse Change. The Borrower has furnished to the Lender its audited financial statements for its fiscal year ended June 30, 2008 and unaudited financial statements for the fiscal-year-to-date period ended May 31, 2009 and those statements fairly present the Borrower's financial condition on the dates thereof and the results of its operations and cash flows for the periods then ended and were prepared in accordance with GAAP. Since the date of the most recent financial statements, there has been no material adverse change in the Borrower's business, properties or condition (financial or otherwise).

Section 5.7 Litigation. There are no actions, suits or proceedings pending or, to the Borrower's knowledge, threatened against or affecting the Borrower or any of its Affiliates or the properties of the Borrower or any of its Affiliates before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely to the Borrower or any of its Affiliates, would result in a final judgment or judgments against the Borrower or any of its Affiliates in an amount in excess of \$100,000, apart from those matters specifically listed in Schedule 5.7 as of the Funding Date or after the Funding Date, which have not been disclosed to Lender in writing.

Section 5.8 Regulation U. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

Section 5.9 Taxes. The Borrower and its Affiliates have paid or caused to be paid to the proper authorities when due all federal, state and local taxes (including without limitation, taxes pursuant to 26 U.S.C. 5001 *et seq.* and any actual or effective substitutions or replacements thereof) required to be paid and have withheld or caused to be withheld all federal, state and local taxes (including without limitation, taxes pursuant to 26 U.S.C. 5001 *et seq.* and any actual or effective substitutions or replacements thereof) required to be withheld by each of them. The Borrower and its Affiliates have filed all federal, state and local tax returns which to the knowledge of the Officers of the Borrower or any Affiliate, as the case may be, are required to be filed, and the Borrower and its Affiliates have paid or caused to be paid to the respective taxing authorities all taxes as shown on said returns or on any assessment received by any of them to the extent such taxes have become due.

Section 5.10 Titles and Liens. The Borrower has good and absolute title to all Collateral free and clear of all Liens other than Permitted Liens. No financing statement naming the Borrower as debtor is on file in any office except to perfect only Permitted Liens.

Section 5.11 Intellectual Property Rights.

(a) **Owned Intellectual Property.** Schedule 5.11 is a complete list of all patents, applications for patents, trademarks, applications to register trademarks, service marks, applications to register service marks, mask works, trade dress and copyrights for which the Borrower is the owner of record (the "Owned Intellectual Property"). Except as disclosed on Schedule 5.11, (i) the Borrower owns the Owned Intellectual Property free and clear of all restrictions (including covenants not to sue a third party), court orders, injunctions, decrees, writs

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or Liens, whether by written agreement or otherwise, (ii) no Person other than the Borrower owns or has been granted any right in the Owned Intellectual Property, (iii) all Owned Intellectual Property is valid, subsisting and enforceable and (iv) the Borrower has taken all commercially reasonable action necessary to maintain and protect the Owned Intellectual Property.

(b) **Agreements with Employees and Contractors.** The Borrower has entered into a legally enforceable agreement with each of its employees and subcontractors obligating each such Person to assign to the Borrower, without any additional compensation, any Intellectual Property Rights created, discovered or invented by such Person in the course of such Person's employment or engagement with the Borrower (except to the extent prohibited by law), and further requiring such Person to cooperate with the Borrower, without any additional compensation, in connection with securing and enforcing any Intellectual Property Rights therein; provided, however, that the foregoing shall not apply with respect to employees and subcontractors whose job descriptions are of the type such that no such assignments are reasonably foreseeable.

(c) **Intellectual Property Rights Licensed from Others.** Schedule 5.11 is a complete list of all agreements under which the Borrower has licensed Intellectual Property Rights from another Person ("Licensed Intellectual Property") other than readily available, non-negotiated licenses of computer software and other intellectual property used solely for performing accounting, word processing and similar administrative tasks ("Off-the-shelf Software") and a summary of any ongoing payments the Borrower is obligated to make with respect thereto. Except as disclosed on Schedule 5.11 and in written agreements, copies of which have been given to the Lender, the Borrower's licenses to use the Licensed Intellectual Property are free and clear of all restrictions, Liens, court orders, injunctions, decrees, or writs, whether by written agreement or otherwise. Except as disclosed on Schedule 5.11, the Borrower is not obligated or under any liability whatsoever to make any payments of a material nature by way of royalties, fees or otherwise to any owner of, licensor of, or other claimant to, any Intellectual Property Rights.

(d) **Other Intellectual Property Needed for Business.** Except for Off-the-shelf Software and as disclosed on Schedule 5.11, the Owned Intellectual Property and the Licensed Intellectual Property constitute all Intellectual Property Rights used or necessary to conduct the Borrower's business as it is presently conducted or as the Borrower reasonably foresees conducting it.

(e) **Infringement.** Except as disclosed on Schedule 5.11, the Borrower has no knowledge of, and has not received any written claim or notice alleging, any Infringement of another Person's Intellectual Property Rights (including any written claim that the Borrower must license or refrain from using the Intellectual Property Rights of any third party) nor, to the Borrower's knowledge, is there any threatened claim or any reasonable basis for any such claim.

Section 5.12 **Plans.** Except as disclosed to the Lender in writing prior to the date hereof, neither the Borrower nor any ERISA Affiliate (a) maintains or has maintained any Pension Plan, (b) contributes or has contributed to any Multiemployer Plan or (c) provides or has provided post-retirement medical or insurance benefits with respect to employees or former

employees (other than benefits required under Section 601 of ERISA, Section 4980B of the IRC or applicable state law). Neither the Borrower nor any ERISA Affiliate has received any notice or has any knowledge to the effect that it is not in full compliance with any of the requirements of ERISA, the IRC or applicable state law with respect to any Plan. No Reportable Event exists in connection with any Pension Plan. Each Plan which is intended to qualify under the IRC is so qualified, and no fact or circumstance exists which may have an adverse effect on the Plan's tax qualified status. Neither the Borrower nor any ERISA Affiliate has (i) any accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the IRC) under any Plan, whether or not waived, (ii) any liability under Section 4201 or 4243 of ERISA for any withdrawal, partial withdrawal, reorganization or other event under any Multiemployer Plan or (iii) any liability or knowledge of any facts or circumstances which could result in any liability to the Pension Benefit Guaranty Corporation, the Internal Revenue Service, the Department of Labor or any participant in connection with any Plan (other than routine claims for benefits under the Plan).

Section 5.13 **Default.** The Borrower is in compliance with all provisions of all agreements, instruments, decrees and orders to which it is a party or by which it or its property is bound or affected, the breach or default of which could have a material adverse effect on the Borrower's financial condition, properties or operations.

Section 5.14 **Environmental Matters.**

(a) Except as disclosed on Schedule 5.14, there are not present in, on or under the Premises any Hazardous Substances in such form or quantity as to create any material liability or obligation for either the Borrower or the Lender under the common law of any jurisdiction or under any Environmental Law, and no Hazardous Substances have ever been stored, buried, spilled, leaked, discharged, emitted or released in, on or under the Premises in such a way as to create any such material liability.

(b) Except as disclosed on Schedule 5.14, the Borrower has not disposed of Hazardous Substances in such a manner as to create any material liability under any Environmental Law.

(c) Except as disclosed on Schedule 5.14, there have not existed in the past, nor are there any threatened or impending requests, claims, notices, investigations, demands, administrative proceedings, hearings or litigation relating in any way to the Premises or the Borrower, alleging material liability under, violation of, or noncompliance with any Environmental Law or any license, permit or other authorization issued pursuant thereto.

(d) Except as disclosed on Schedule 5.14, the Borrower's businesses are and have in the past always been conducted in accordance with all Environmental Laws and all licenses, permits and other authorizations required pursuant to any Environmental Law and necessary for the lawful and efficient operation of such businesses are in the Borrower's possession and are in full force and effect, nor has the Borrower been denied insurance on grounds related to potential environmental liability. No permit required under any Environmental Law is scheduled to expire within 12 months (excepting permits that renew annually in accordance with their terms, each of

which is disclosed on Schedule 5.14) and there is no threat that any such permit will be withdrawn, terminated, limited or materially changed.

(e) Except as disclosed on Schedule 5.14, the Premises are not and never have been listed on the National Priorities List, the Comprehensive Environmental Response, Compensation and Liability Information System or any similar federal, state or local list, schedule, log, inventory or database.

(f) The Borrower has delivered to the Lender all environmental assessments, audits, reports, permits, licenses and other documents describing or relating in any way to the Premises or the Borrower's businesses.

Section 5.15 **Submissions to Lender.** All financial and other information provided to the Lender by or on behalf of the Borrower in connection with the Borrower's request for the credit facilities contemplated hereby (i) is true and correct in all material respects (or if such financial and other information was true and correct in all material respects when submitted, but such information has since changed, Borrower has delivered to Lender such information required to make such previously submitted information true and correct in all material respects), (ii) does not omit any material fact necessary to make such information not misleading and, (iii) as to projections, valuations or proforma financial statements, presents a good faith opinion as to such projections, valuations and proforma condition and results.

Section 5.16 **Financing Statements.** The Borrower has authorized the filing of financing statements sufficient when filed to perfect the Security Interest and the other security interests created by the Security Documents to the extent such Security Interests are capable of being perfected by filing financing statements. When such financing statements are filed in the offices noted therein, the Lender will have a valid and perfected security interest in all Collateral which is capable of being perfected by filing financing statements. None of the Collateral is or will become a fixture on real estate, unless a sufficient fixture filing is in effect with respect thereto.

Section 5.17 **Rights to Payment.** Each right to payment and each instrument, document, chattel paper and other agreement constituting or evidencing Collateral is (or, in the case of all future Collateral, will be when arising or issued) the valid, genuine and legally enforceable obligation, subject to no defense, setoff or counterclaim, of the account debtor or other obligor named therein or in the Borrower's records pertaining thereto as being obligated to pay such obligation.

Section 5.18 **Financial Solvency.** Both before and after giving effect to the Loans and all of the transactions contemplated in the Loan Documents, none of the Borrower or its Affiliates:

(a) Was or will be "insolvent", as that term is used and defined in Section 101(32) of the United States Bankruptcy Code and Section 2 of the Uniform Fraudulent Transfer Act;

(b) Has unreasonably small capital or is engaged or about to engage in a business or a transaction for which any remaining assets of the Borrower or such Affiliate are unreasonably small;

(c) By executing, delivering or performing its obligations under the Loan Documents or other documents to which it is a party or by taking any action with

respect thereto, intends to, nor believes that it will, incur debts beyond its ability to pay them as they mature;

(d) By executing, delivering or performing its obligations under the Loan Documents or other documents to which it is a party or by taking any action with respect thereto, intends to hinder, delay or defraud either its present or future creditors; and

(e) At this time contemplates filing a petition in bankruptcy or for an arrangement or reorganization or similar proceeding under any law of any jurisdiction, nor, to the best knowledge of the Borrower, is the subject of any actual, pending or threatened bankruptcy, insolvency or similar proceedings under any law of any jurisdiction.

Section 5.19 IWGA License. The Borrower no longer uses the Field Limited Sub-License Agreement dated as of May 1, 1998, by and between the Borrower and IWGA Marketing, Corp. or any Intellectual Property Rights described therein.

ARTICLE VI

COVENANTS

So long as the Indebtedness shall remain unpaid, or the Credit Facility shall remain outstanding, the Borrower will comply with the following requirements, unless the Lender shall otherwise consent in writing:

Section 6.1 Reporting Requirements. The Borrower will deliver, or cause to be delivered, to the Lender each of the following, which shall be in form and detail acceptable to the Lender:

(a) **Annual Financial Statements.** As soon as available, and in any event within 120 days after the end of each fiscal year of the Borrower, the Borrower's audited financial statements with the unqualified opinion of independent certified public accountants selected by the Borrower and acceptable to the Lender, which annual financial statements shall include the Borrower's balance sheet as at the end of such fiscal year and the related statements of the Borrower's income, retained earnings and cash flows for the fiscal year then ended, prepared, if the Lender so requests, on a consolidated basis to include any Subsidiaries, all in reasonable detail and prepared in accordance with GAAP, together with (i) copies of all management letters prepared by such accountants; (ii) a report signed by such accountants stating that in making the investigations necessary for said opinion they obtained no knowledge, except as specifically stated, of any Default or Event of Default and all relevant facts in reasonable detail to evidence, and the computations as to, whether or not the Borrower is in compliance with the Financial Covenants; and (iii) a certificate of the Borrower's chief financial officer stating that such financial statements have been prepared in accordance with GAAP, fairly represent the Borrower's financial position and the results of its operations, and whether or not such Officer has knowledge of the occurrence of any Default or Event of Default and, if so, stating in reasonable detail the facts with respect thereto.

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(b) **Monthly Financial Statements.** As soon as available and in any event within 20 days after the end of each month, the unaudited/internal balance sheet and statements of income and retained earnings of the Borrower as at the end of and for such month and for the year to date period then ended, prepared, if the Lender so requests, on a consolidated basis to include any Subsidiaries, in reasonable detail and stating in comparative form the figures for the corresponding date and periods in the previous year, all prepared in accordance with GAAP, subject to year-end audit adjustments and which fairly represent the Borrower's financial position and the results of its operations; and accompanied by a certificate of the Borrower's chief financial officer, substantially in the form of Exhibit B hereto stating (i) that such financial statements have been prepared in accordance with GAAP, subject to year-end audit adjustments, and fairly represent the Borrower's financial position and the results of its operations, (ii) whether or not such Officer has knowledge of the occurrence of any Default or Event of Default not theretofore reported and remedied and, if so, stating in reasonable detail the facts with respect thereto, and (iii) all relevant facts in reasonable detail to evidence, and the computations as to, whether or not the Borrower is in compliance with the Financial Covenants.

(c) **Collateral Reports.** No later than 15 days after each month end (or more frequently if Lender shall request it), detailed agings and certification of Borrower's accounts receivable and accounts payable, a detailed inventory report (by category and location), an inventory certification report, and a calculation of Borrower's Accounts, Eligible Accounts, Inventory and Eligible Inventory as of the end of that month or shorter time period requested by Lender. All information required under this subsection 6.1(c) shall be submitted by Borrower through Lender's CEO portal.

(d) **Projections.** No later than 30 days prior to each fiscal year end, the Borrower's projected balance sheets, income statements, statements of cash flow and projected Availability for each month of the succeeding fiscal year, each in reasonable detail. Such items will be certified by the Officer who is the Borrower's chief financial officer as being the most accurate projections available and identical to the projections used by the Borrower for internal planning purposes and be delivered with a statement of underlying assumptions and such supporting schedules and information as the Lender may in its discretion require.

(e) **Supplemental Reports.** Weekly, or more frequently if the Lender so requires, the Borrower's "daily collateral reports," receivables schedules, collection reports, and if the Lender so requires, copies of individual invoices to account debtors, signed and dated shipment documents and delivery receipts for goods sold to said account debtors.

(f) **Litigation.** Immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting the Borrower (i) of the type described in Section 5.14(c) or (ii) which seek a monetary recovery against the Borrower in excess of \$100,000.

(g) **Defaults.** When any Officer of the Borrower becomes aware of the probable occurrence of any Default or Event of Default, and no later than 3 days after such Officer becomes aware of such Default or Event of Default, notice of such occurrence, together with a detailed statement by a responsible Officer of the Borrower of the steps being taken by the Borrower to cure the effect thereof.

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(h) **Plans.** As soon as possible, and in any event within 30 days after the Borrower knows or has reason to know that any Reportable Event with respect to any Pension Plan has occurred, a statement signed by the Officer who is the Borrower's chief financial officer setting forth details as to such Reportable Event and the action which the Borrower proposes to take with respect thereto, together with a copy of the notice of such Reportable Event to the Pension Benefit Guaranty Corporation. As soon as possible, and in any event within 10 days after the Borrower fails to make any quarterly contribution required with respect to any Pension Plan under Section 412(m) of the IRC, the Borrower will deliver to the Lender a statement signed by the Officer who is the Borrower's chief financial officer setting forth details as to such failure and the action which the Borrower proposes to take with respect thereto, together with a copy of any notice of such failure required to be provided to the Pension Benefit Guaranty Corporation. As soon as possible, and in any event within ten days after the Borrower knows or has reason to know that it has or is reasonably expected to have any liability under Sections 4201 or 4243 of ERISA for any withdrawal, partial withdrawal, reorganization or other event under any Multiemployer Plan, the Borrower will deliver to the Lender a statement of the Borrower's chief financial officer setting forth details as to such liability and the action which the Borrower proposes to take with respect thereto.

(i) **Disputes.** Promptly upon knowledge thereof, notice of (i) any disputes or claims by the Borrower's customers exceeding \$100,000 individually or \$500,000 in the aggregate during any fiscal year; (ii) credit memos; and (iii) any goods returned to or recovered by the Borrower.

- (j) **Officers and Directors.** Promptly upon knowledge thereof, notice of any change in the persons constituting the Borrower's Officers and Directors.
- (k) **Collateral.** Promptly upon knowledge thereof, notice of any loss of or material damage to any Collateral or of any substantial adverse change in any Collateral or the prospect of payment thereof.
- (l) **Commercial Tort Claims.** Promptly upon knowledge thereof, notice of any commercial tort claims it may bring against any Person seeking damages or other monies in excess of \$100,000, including the name and address of each defendant, a summary of the facts, an estimate of the Borrower's damages, copies of any complaint or demand letter submitted by the Borrower, and such other information as the Lender may request.
- (m) **Intellectual Property.**
- (i) 30 days prior written notice of Borrower's intent to acquire material Intellectual Property Rights; except for transfers permitted under Section 6.18, the Borrower will give the Lender 30 days prior written notice of its intent to dispose of material Intellectual Property Rights and upon request shall provide the Lender with copies of all proposed documents and agreements concerning such rights.
- (ii) Promptly upon knowledge thereof, notice of (A) any Infringement of its Intellectual Property Rights by others, (B) claims that the Borrower is Infringing another

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Person's Intellectual Property Rights and (C) any threatened cancellation, termination or material limitation of its Intellectual Property Rights.

- (iii) Promptly upon receipt, copies of all registrations and filings with respect to its Intellectual Property Rights.
- (n) **Reports to Owners.** Promptly upon their distribution, copies of all financial statements, reports and proxy statements which the Borrower shall have sent to its Owners.
- (o) **SEC Filings.** Promptly after the sending or filing thereof, copies of all regular and periodic reports which the Borrower shall file with the Securities and Exchange Commission or any national securities exchange.
- (p) **US Treasury Filings.** Promptly after the sending or filing thereof, copies of all regular and periodic reports which the Borrower shall file with the United States Department of the Treasury or such other governmental authority relating to Borrower's production of Inventory consisting of food and fuel grade alcohol.
- (q) **Reports Regarding Taxes on Distilled Spirits.** Without limiting any of the other delivery requirements hereunder, Borrower will provide Lender within one (1) Business Day after such report is required by the applicable government authority or the same day if the next calendar day is not a Business Day, with a report, in a reasonably form acceptable to Lender, setting forth Borrower's then current tax liability pursuant to 26 U.S.C. 5001 *et seq.* (and any actual or effective substitutions or replacements thereof) with respect to Borrower's Inventory. The foregoing report will provide the Borrower's applicable tax liability and the methods utilized by Borrower to determine such tax liability.
- (r) **Violations of Law.** Promptly upon knowledge thereof, notice of the Borrower's violation of any law, rule or regulation, the non-compliance with which could materially and adversely affect the financial condition, properties or operations of the Borrower.
- (s) **Hedging Positions.** Weekly, or more frequently if the Lender so requires, a current report of Borrower's open hedging positions in a form an substance acceptable to Lender in its sole but reasonable discretion, and if the Lender so requires, copies of statements of all hedging and commodities accounts of Borrower.
- (t) **Other Reports.** From time to time, with reasonable promptness, any and all receivables schedules, inventory reports, collection reports, deposit records, equipment schedules, copies of invoices to account debtors, shipment documents and delivery receipts for goods sold, and such other material, reports, records or information as the Lender may request.

Section 6.2 Financial Covenants.

- (a) **Minimum Net Income.** The Borrower will achieve for each period described below, Net Income of not less than the amount set forth for each such period (numbers appearing between "<" ">" are negative):

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Period	Minimum Net Income
7/1/2009 Through 7/31/2009	\$ 200,000
7/1/2009 Through 8/31/2009	\$ 700,000
7/1/2009 Through 9/30/2009	\$ 1,000,000
7/1/2009 Through 10/31/2009	\$ 1,250,000
7/1/2009 Through 11/30/2009	\$ 1,350,000
7/1/2009 Through 12/31/2009	\$ 1,500,000
7/1/2009 Through 1/31/2010	\$ 1,800,000
7/1/2009 Through 2/28/2010	\$ 2,200,000
7/1/2009 Through 3/31/2010	\$ 2,575,000
7/1/2009 Through 4/30/2010	\$ 3,000,000
7/1/2009 Through 5/31/2010	\$ 3,250,000
7/1/2009 Through 6/30/2010	\$ 3,500,000
7/1/2010 Through 7/31/2010	\$ 200,000
7/1/2010 Through 8/31/2010	\$ 700,000
7/1/2010 Through 9/30/2010	\$ 1,000,000

- (b) **Minimum Debt Service Coverage Ratio.** The Borrower will maintain, as of each fiscal year end, a Debt Service Coverage Ratio of not less than 1.15 to 1.0.
- (c) **Capital Expenditures.** The Borrower will not incur or contract to incur Capital Expenditures of more than \$4,500,000 in the aggregate during any fiscal

year.

Section 6.3 Permitted Liens; Financing Statements.

(a) The Borrower will not create, incur or suffer to exist any Lien upon or of any of its assets, now owned or hereafter acquired, to secure any indebtedness; excluding, however, from the operation of the foregoing, the following (each a "Permitted Lien"; collectively, "Permitted Liens"):

- (i) In the case of any of the Borrower's property which is not Collateral, covenants, restrictions, rights, easements and minor irregularities in title which do not materially interfere with the Borrower's business or operations as presently conducted;
- (ii) Liens in existence on the date hereof and listed in Schedule 6.3 hereto, securing indebtedness for borrowed money permitted under this Agreement;
- (iii) The Security Interest and Liens created by the Security Documents;
- (iv) Purchase money Liens relating to the acquisition of machinery and equipment of the Borrower not exceeding the lesser of cost or fair market value thereof and so long as no Default Period is then in existence and none would exist immediately after such acquisition;
- (v) Liens for taxes, assessments or governmental charges (including without limitation, liens on Borrower's Inventory for taxes arising under to 26 U.S.C. 5001 *et seq.* and any actual or effective substitutions or replacements thereof) not delinquent or

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being contested in good faith and by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP and are held by Lender;

- (vi) Liens arising out of deposits in connection with workers' compensation, unemployment insurance, old age pensions or other social security or retirement benefits legislation;
 - (vii) rights of way, zoning restrictions, easements and similar encumbrances affecting real property which do not materially interfere with the use of such property; and
 - (viii) 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 (A) which are not more than 30 days past due (and if such Liens permitted under this Section 6.3(a)(viii) effect Collateral included in the Borrowing Base, reserves have been established by Lender) or (B) which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP and are held by Lender;
- (b) The Borrower will not amend any financing statements in favor of the Lender except as permitted by law.

Section 6.4 Indebtedness. The Borrower will not incur, create, assume or permit to exist any indebtedness or liability on account of deposits or advances or any indebtedness for borrowed money or letters of credit issued on the Borrower's behalf, or any other indebtedness or liability evidenced by notes, bonds, debentures or similar obligations, except:

- (a) Any existing or future Indebtedness or any other obligations of the Borrower to the Lender;
 - (b) Any indebtedness of the Borrower in existence on the date hereof and listed in Schedule 6.4 hereto; and
 - (c) Any indebtedness relating to Permitted Liens.
- (d) Swap Contracts solely to the extent such Swap Contracts: (i) are (or were) entered into by Borrower in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by Borrower, and not for purposes of speculation or taking a "market view"; and (ii) do not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party.

Section 6.5 Guaranties. The Borrower will not assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligations of any other Person, except:

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- (a) The endorsement of negotiable instruments by the Borrower for deposit or collection or similar transactions in the ordinary course of business; and
- (b) Guaranties, endorsements and other direct or contingent liabilities in connection with the obligations of other Persons, in existence on the date hereof and listed in Schedule 6.4 hereto.

Section 6.6 Investments and Subsidiaries. The Borrower will not make or permit to exist any loans or advances to, or make any investment or acquire any interest whatsoever in, any other Person or Affiliate, including any partnership or joint venture, nor purchase or hold beneficially any stock or other securities or evidence of indebtedness of any other Person or Affiliate, except:

- (a) Investments in direct obligations of the United States of America or any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America having a maturity of one year or less, commercial paper issued by U.S. corporations rated "A-1" or "A-2" by Standard & Poor's Ratings Services or "P-1" or "P-2" by Moody's Investors Service or certificates of deposit or bankers' acceptances having a maturity of one year or less issued by members of the Federal Reserve System having deposits in excess of \$100,000,000 (which certificates of deposit or bankers' acceptances are fully insured by the Federal Deposit Insurance Corporation);
- (b) Travel advances or loans to the Borrower's Officers and employees not exceeding at any one time an aggregate of \$200,000;
- (c) Prepaid rent not exceeding one month or security deposits; and
- (d) Current investments in the Subsidiaries and/or Affiliates in existence on the date hereof, which are detailed on Schedule 5.5 hereto;
- (e) Hedging programs to the extent permitted by Section 6.4(d); and

(f) Investments in D.M. Ingredients GmbH, provided that the amount of such investments does not exceed \$365,000 on the Closing Date. In addition Borrower shall be permitted to make an additional Investment of 175,000 Euros in D.M. Ingredients GmbH provided no Default or Event of Default exists.

Section 6.7 Dividends and Distributions. The Borrower will not declare or pay any dividends (other than dividends payable solely in stock of the Borrower) on any class of its stock, or make any payment on account of the purchase, redemption or other retirement of any shares of such stock, or other securities or evidence of its indebtedness or make any distribution in respect thereof, either directly or indirectly, *provided* Borrower may otherwise declare and pay dividends if (A) no Borrower Default has occurred or would occur as a result of any such dividend, (B) Borrower shall have had Average Excess Availability of not less than \$10,000,000 for the 60 day period prior to such dividend, (iii) on the date of such dividend and after giving effect to such dividend, Borrower shall have Average Excess Availability of not less than \$5,000,000 and (iv) on the date of such dividend, Borrower shall have paid all accounts payable which remain unpaid more than thirty (30) days after the invoice date.

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Section 6.8 Salaries; Stock Incentive Compensation. The Borrower will not pay excessive or unreasonable salaries, bonuses, commissions, consultant fees or other compensation; or increase the salary, bonus, commissions, consultant fees or other compensation of any Director, Officer or consultant, or any member of their families, except in accordance with Schedule 6.8 or 6.8A, or pay any such increase from any source other than profits earned in the year of payment. The Borrower may make awards of stock in the Borrower to its Officers and Directors as compensation in accordance with Schedule 6.8 or 6.8B provided no Borrower Default has occurred or would occur as a result of any such issuances.

Section 6.9 Reserved.

Section 6.10 Books and Records; Collateral Examination, Inspection and Appraisals

(a) The Borrower will keep accurate books of record and account for itself pertaining to the Collateral and pertaining to the Borrower's business and financial condition and such other matters as the Lender may from time to time request in which true and complete entries will be made in accordance with GAAP and, upon the Lender's request, will permit any officer, employee, attorney, accountant or other agent of the Lender to audit, review, make extracts from or copy any and all company and financial books and records of the Borrower at all times during ordinary business hours, to send and discuss with account debtors and other obligors requests for verification of amounts owed to the Borrower, and to discuss the Borrower's affairs with any of its Directors, Officers, employees or agents.

(b) The Borrower hereby irrevocably authorizes all accountants and third parties to disclose and deliver to the Lender or its designated agent, at the Borrower's expense, all financial information, books and records, work papers, management reports and other information in their possession regarding the Borrower.

(c) The Borrower will permit the Lender or its employees, accountants, attorneys or agents, to examine and inspect any Collateral or any other property of the Borrower at any time during ordinary business hours.

(d) The Lender may also, from time to time, obtain at the Borrower's expense an appraisal of Collateral by an appraiser acceptable to the Lender in its sole but reasonable discretion.

Section 6.11 Account Verification.

(a) The Lender or its agent may at any time and from time to time send or require the Borrower to send requests for verification of accounts or notices of assignment to account debtors and other obligors. The Lender or its agent may also at any time and from time to time telephone account debtors and other obligors to verify accounts.

(b) The Borrower shall pay when due each account payable due to a Person holding a Permitted Lien (as a result of such payable) on any Collateral.

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Section 6.12 Compliance with Laws.

(a) The Borrower shall (i) comply, and cause each Subsidiary to comply, with the requirements of applicable laws and regulations, the non compliance with which would materially and adversely affect its business or its financial condition and (ii) use and keep the Collateral, and require that others use and keep the Collateral, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance.

(b) Without limiting the foregoing undertakings, the Borrower specifically agrees that it will comply, and cause each Subsidiary to comply, with all applicable Environmental Laws and obtain and comply with all permits, licenses and similar approvals required by any Environmental Laws, and will not generate, use, transport, treat, store or dispose of any Hazardous Substances in such a manner as to create any material liability or obligation under the common law of any jurisdiction or any Environmental Law.

(c) The Borrower shall (i) ensure, and cause each Subsidiary to ensure, that no Owner shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, (ii) not use or permit the use of the proceeds of the Credit Facility or any other financial accommodation from the Lender to violate any of the foreign asset control regulations of OFAC or other applicable law, (iii) comply, and cause each Subsidiary to comply, with all applicable Bank Secrecy Act laws and regulations, as amended from time to time, and (iv) otherwise comply with the USA Patriot Act as required by federal law and the Lender's policies and practices.

Section 6.13 Payment of Taxes and Other Claims. The Borrower will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, upon any properties belonging to it (including the Collateral) or upon or against the creation, perfection or continuance of the Security Interest, prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon any properties of the Borrower; provided, that the Borrower shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which proper reserves have been made.

Section 6.14 Maintenance of Properties.

(a) The Borrower will keep and maintain the Collateral and all of its other properties necessary or useful in its business in good condition, repair and working order (normal wear and tear excepted) and will from time to time replace or repair any worn, defective or broken parts; provided, however, that nothing in this covenant shall prevent the Borrower from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the Borrower's judgment, desirable in the conduct of the Borrower's business and not disadvantageous in any material respect to the Lender. The Borrower will take all commercially reasonable steps necessary to protect and maintain its Intellectual Property Rights.

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(b) The Borrower will defend the Collateral against all Liens, claims or demands of all Persons (other than the Lender) claiming the Collateral or any interest therein (other than Permitted Liens). The Borrower will keep all Collateral free and clear of all Liens except Permitted Liens. The Borrower will take all commercially reasonable steps necessary to prosecute any Person Infringing its Intellectual Property Rights and to defend itself against any Person accusing it of Infringing any Person's Intellectual Property Rights.

Section 6.15 Insurance. The Borrower shall at all times maintain insurance with insurers acceptable to Lender, in such amounts and on such terms (including deductibles) as Lender in its sole but reasonable discretion may require and including, as applicable and without limitation, business interruption insurance (including force majeure coverage), hazard coverage on an "all risks" basis for all tangible Collateral, and theft and physical damage coverage for Collateral consisting of motor vehicles. All insurance policies must contain an appropriate lender's interest endorsement or clause, and name Lender as an additional insured.

Section 6.16 Preservation of Existence. The Borrower will preserve and maintain its existence and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business and shall conduct its business in an orderly, efficient and regular manner.

Section 6.17 Delivery of Instruments, etc. Upon request by the Lender, the Borrower will promptly deliver to the Lender in pledge all instruments, documents and chattel paper constituting Collateral, duly endorsed or assigned by the Borrower.

Section 6.18 Sale or Transfer of Assets; Suspension of Business Operations. The Borrower will not sell, lease, assign, transfer or otherwise dispose of (i) the stock of any Subsidiary, (ii) all or a substantial part of its assets, or (iii) any Collateral or any interest therein (whether in one transaction or in a series of transactions) to any other Person other than the sale of Inventory in the ordinary course of business and will not liquidate, dissolve or suspend business operations. The Borrower will not transfer any part of its ownership interest in any Intellectual Property Rights and will not permit any agreement under which it has licensed Licensed Intellectual Property to lapse, except that the Borrower may transfer such rights or permit such agreements to lapse if it shall have reasonably determined that the applicable Intellectual Property Rights are no longer useful in its business. If the Borrower transfers any Intellectual Property Rights for value, the Borrower will pay over the proceeds to the Lender for application to the Indebtedness. The Borrower will not license any other Person to use any of the Borrower's Intellectual Property Rights, except that the Borrower may grant licenses in the ordinary course of its business in connection with sales of Inventory or provision of services to its customers.

Section 6.19 Consolidation and Merger; Asset Acquisitions. The Borrower will not consolidate with or merge into any Person, or permit any other Person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all the assets of any other Person.

Section 6.20 Sale and Leaseback. The Borrower will not enter into any arrangement, directly or indirectly, with any other Person whereby the Borrower shall sell or transfer any real or personal property, whether now owned or hereafter acquired, and then or thereafter rent or

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lease as lessee such property or any part thereof or any other property which the Borrower intends to use for substantially the same purpose or purposes as the property being sold or transferred.

Section 6.21 Restrictions on Nature of Business. The Borrower will not engage in any line of business materially different from that presently engaged in by the Borrower and will not purchase, lease or otherwise acquire assets not related to its business.

Section 6.22 Accounting. The Borrower will not adopt any material change in accounting principles other than as required by GAAP. The Borrower will not adopt, permit or consent to any change in its fiscal year.

Section 6.23 Discounts, etc. After notice from the Lender, the Borrower will not grant any discount, credit or allowance to any customer of the Borrower or accept any return of goods sold. The Borrower will not at any time modify, amend, subordinate, cancel or terminate the obligation of any account debtor or other obligor of the Borrower.

Section 6.24 Plans. Except as disclosed to the Lender in writing prior to the date hereof, neither the Borrower nor any ERISA Affiliate will (i) adopt, create, assume or become a party to any Pension Plan, (ii) incur any obligation to contribute to any Multiemployer Plan, (iii) incur any obligation to provide post-retirement medical or insurance benefits with respect to employees or former employees (other than benefits required by law) or (iv) amend any Plan in a manner that would materially increase its funding obligations.

Section 6.25 Place of Business; Name. The Borrower will not transfer its chief executive office or principal place of business, or move, relocate, close or sell any business location. The Borrower will not permit any tangible Collateral or any records pertaining to the Collateral to be located in any state or area in which, in the event of such location, a financing statement covering such Collateral would be required to be, but has not in fact been, filed in order to perfect the Security Interest. The Borrower will not change its name or jurisdiction of organization.

Section 6.26 Constituent Documents; S Corporation Status. The Borrower will not amend its Constituent Documents. The Borrower will not become an S Corporation.

Section 6.27 Performance by the Lender. If the Borrower at any time fails to perform or observe any of the foregoing covenants contained in this Article VI or elsewhere herein, and if such failure shall continue for a period of ten calendar days after the Lender gives the Borrower written notice thereof (or in the case of the agreements contained in Section 6.13 and Section 6.15, immediately upon the occurrence of such failure, without notice or lapse of time), the Lender may, but need not, perform or observe such covenant on behalf and in the name, place and stead of the Borrower (or, at the Lender's option, in the Lender's name) and may, but need not, take any and all other actions which the Lender may reasonably deem necessary to cure or correct such failure (including the payment of taxes, the satisfaction of Liens, the performance of obligations owed to account debtors or other obligors, the procurement and maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments); and the Borrower shall thereupon pay to the Lender on demand the

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amount of all monies expended and all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Lender in connection with or as a result of the performance or observance of such agreements or the taking of such action by the Lender, together with interest thereon from the date expended or incurred at the Default Rate. To facilitate the Lender's performance or observance of such covenants of the Borrower, the Borrower hereby irrevocably appoints the Lender, or the Lender's delegate, acting alone, as the Borrower's attorney in fact (which appointment is coupled with an interest) with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of the Borrower any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements required to be obtained, executed, delivered or endorsed by the Borrower hereunder.

Section 6.28 Bank Accounts. On or before the date which is thirty (30) days from the date of this Agreement, Borrower will deliver to Lender evidence that

Borrower has closed any and all deposit accounts maintained by Borrower with Commerce Bank or any financial institution other than Lender.

Section 6.29 Payments to Railroads and Railcar Owners. Borrower shall cause all amounts due to each railroad owner or operator or to each lessor of railcars which are used by Borrower for the shipping of Borrower's Inventory to be paid as and when due (the "**Rail Invoices**"). Borrower shall certify in each Compliance Certificate delivered in accordance with Section 6.1 that all such Rail Invoices that are due have been paid and deliver evidence satisfactory to Lender in its sole but reasonable discretion that such Rail Invoices have been paid.

Section 6.30 Non-Operation at Certain Locations. Borrower has advised Lender that it no longer plans to operate the Pekin Plant or the Flour Mill. Borrower shall not commence operations at the Pekin Plant or Flour Mill or cause Inventory to be located at such locations.

Section 6.31 Non-Sale of Pet Business. Borrower has represented to Lender that prior to August 15, 2009, Borrower intends to sell certain assets related to its pet business located at the KCK Facility ("**Pet Business**"). Borrower has entered into that certain Letter of Intent for the proposed sale of the Pet Business, including the KCK Facility, KCK Equipment and Pet Business IP, with Sergeant's Pet Care Products, Inc. (the "**Pet Business Sale**"). Based upon Borrower's representations to Lender regarding the Pet Business Sale, Lender has consented to certain Pet Business Assets to be Excluded Collateral. Borrower shall complete the Pet Business Sale on or before September 30, 2009, on terms acceptable to Lender in its sole but reasonable discretion. In addition to any Event of Default caused thereby, if the Pet Business Sale is not completed by Borrower on or before September 30, 2009 as set forth herein:

(a) The Lender shall be authorized to record the Pet Business IP Agreement with the United States Patent and Trademark office. Notwithstanding anything contained in the Loan Documents to the contrary, the Lender agrees that the Pet Business IP Agreement shall not be effective, and Borrower shall not be deemed to have granted to Lender a security interest in the Pet Business IP, unless and until the Borrower fails to complete the Pet Business Sale as set forth herein on or before September 30, 2009.

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(b) The definition of Excluded Assets shall immediately be deemed to be amended, without further action of Borrower or Lender to read as follows:

"Excluded Assets" means (i) the KCK Equipment and (ii) the Borrower's equity interest in D.M. Ingredients GmbH.

(c) The Borrower shall deliver to Lender a mortgagee disclaimer and consent from GE Capital Public Finance, Inc. in a form and substance acceptable to Lender in its sole but reasonable discretion.

Section 6.32 Grant of Mortgage Lien on Real Estate Collateral. On or before the date which is thirty (30) days after the Funding Date, the Borrower shall have delivered to Lender, each in a form and substance acceptable to Lender in its sole but reasonable discretion:

(a) Executed mortgages covering the Real Estate Collateral and evidence that counterparts of such mortgages have been recorded in all places necessary or desirable, in the judgment of the Lender, to create an enforceable Lien, on each parcel of the Real Estate Collateral, which is not subordinate to any Lien except Permitted Liens, in favor of the Lender.

(b) An executed environmental indemnity agreement covering the Real Estate Collateral;

(c) An American Land Title Association title commitment for the Real Estate Collateral;

(d) A copy any existing survey of the Real Estate Collateral in possession of Borrower;

(e) A flood hazard determination form, confirming whether or not such parcel is in a flood hazard area and whether or not flood insurance must be obtained, and, if the any portion of the Real Estate Collateral is located in a flood hazard area; and

(f) Such other documents or agreements as the Lender in its sole but reasonable discretion may require.

Section 6.33 Delivery of Licensor Agreements. On or before the date which is thirty (30) days after the Funding Date, the Borrower shall have delivered to Lender, each in a form and substance acceptable to Lender in its sole but reasonable discretion, Licensor Agreements relating to certain Licensed Intellectual Property from each of (i) Kansas State University Research Foundation and (ii) Regents of the University of Minnesota a constitutional corporation under the laws of the State of Minnesota.

Section 6.34 Landlord Waiver. On or before the date which is thirty (30) days after the Funding Date, Borrower shall deliver to Lender a landlord waiver from the City of Atchison and Commerce Bank as trustee, for Borrower's Premises located at 100 and 200 Commercial Street in Atchison, Kansas 66002, which waiver, shall, among other things, waive the lien of such landlord in the Collateral and otherwise be in a form and substance acceptable to Lender in its sole but reasonable discretion.

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Section 6.35 ADM Control Agreement. On or before the date which is three (3) days after the Funding Date, Borrower shall deliver to Lender a account control from ADM Investor Services, Inc. in a form and substance acceptable to Lender in its sole but reasonable discretion.

ARTICLE VII

EVENTS OF DEFAULT, RIGHTS AND REMEDIES

Section 7.1 Events of Default. "Event of Default", wherever used herein, means any one of the following events:

(a) Default in the payment of the Revolving Note, any Obligation of Reimbursement, or any default with respect to any other Indebtedness due from Borrower to Lender as such Indebtedness becomes due and payable;

(b) Default in the performance, or breach, of any covenant or agreement of the Borrower contained in this Agreement;

(c) An Overadvance arises as the result of any reduction in the Borrowing Base, or arises in any manner on terms not otherwise approved of in advance by the Lender in writing;

(d) At any time during any twenty-four month period, individuals who at the beginning of such period constituted the board of Directors of the Borrower (together with any new Directors whose election to such board of Directors, or whose nomination for election was approved by a vote of two thirds of the Directors then still in office who were either Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of Directors of the Borrower then in office;

(e) Any Financial Covenant shall become inapplicable due to the lapse of time and the failure of the Lender and the Borrower to come to any agreement to amend any such covenant to cover future periods that is acceptable to the Lender in the Lender's sole but reasonable discretion;

(f) The Borrower or any Guarantor shall be or become insolvent, or admit in writing its or his inability to pay its or his debts as they mature, or make an assignment for the benefit of creditors; or the Borrower or any Guarantor shall apply for or consent to the appointment of any receiver, trustee, or similar officer for it or him or for all or any substantial part of its or his property; or such receiver, trustee or similar officer shall be appointed without the application or consent of the Borrower or such Guarantor, as the case may be; or the Borrower or any Guarantor shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it or him under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against the Borrower or any such Guarantor; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower or any Guarantor;

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(g) A petition shall be filed by or against the Borrower or any Guarantor under the United States Bankruptcy Code or the laws of any other jurisdiction naming the Borrower or such Guarantor as debtor;

(h) The failure of Borrower to pay on or before when due, declared due or demanded by any municipal, state or federal agency any taxes, payments, fees or other amounts including but not limited to all taxes due pursuant to 26 U.S.C. 5001 *et seq.* (and any actual or effective substitutions or replacements thereof).

(i) Any representation or warranty made by the Borrower in this Agreement, by any Guarantor in any Guaranty delivered to the Lender, or by the Borrower (or any of its Officers) or any Guarantor in any agreement, certificate, instrument or financial statement or other statement contemplated by or made or delivered pursuant to or in connection with this Agreement or any such Guaranty shall be incorrect in any material respect, provided notwithstanding anything contained herein to the contrary, Borrower shall have thirty (30) days from the occurrence of any event required to be disclosed by Schedule 5.2, 5.11 or 5.14 to provide such updated disclosures to Lender;

(j) The rendering against the Borrower of an arbitration award, a final judgment, decree or order for the payment of money in excess of \$50,000 and the continuance of such arbitration award, judgment, decree or order unsatisfied and in effect for any period of 30 consecutive days without a stay of execution;

(k) A default under any bond, debenture, note or other evidence of material indebtedness of the Borrower owed to any Person other than the Lender, or under any indenture or other instrument under which any such evidence of indebtedness has been issued or by which it is governed, or under any material lease or other contract, and the expiration of the applicable period of grace, if any, specified in such evidence of indebtedness, indenture, other instrument, lease or contract;

(l) Any Reportable Event, which the Lender determines in good faith might constitute grounds for the termination of any Pension Plan or for the appointment by the appropriate United States District Court of a trustee to administer any Pension Plan, shall have occurred and be continuing 30 days after written notice to such effect shall have been given to the Borrower by the Lender; or a trustee shall have been appointed by an appropriate United States District Court to administer any Pension Plan; or the Pension Benefit Guaranty Corporation shall have instituted proceedings to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan; or the Borrower or any ERISA Affiliate shall have filed for a distress termination of any Pension Plan under Title IV of ERISA; or the Borrower or any ERISA Affiliate shall have failed to make any quarterly contribution required with respect to any Pension Plan under Section 412(m) of the IRC, which the Lender determines in good faith may by itself, or in combination with any such failures that the Lender may determine are likely to occur in the future, result in the imposition of a Lien on the Borrower's assets in favor of the Pension Plan; or any withdrawal, partial withdrawal, reorganization or other event occurs with respect to a Multiemployer Plan which results or could reasonably be expected to result in a material liability of the Borrower to the Multiemployer Plan under Title IV of ERISA;

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(m) An event of default shall occur under any Security Document;

(n) Default in the payment of any amount owed by the Borrower to the Lender other than any Indebtedness arising hereunder;

(o) Any Guarantor shall repudiate, purport to revoke or fail to perform any obligation under such Guaranty in favor of the Lender, any individual Guarantor shall die or any other Guarantor shall cease to exist;

(p) The Borrower shall take or participate in any action which would be prohibited under the provisions of any Subordination Agreement or make any payment with respect to indebtedness that has been subordinated pursuant to any Subordination Agreement;

(q) The Lender believes in good faith that the prospect of payment in full of any part of the Indebtedness, or that full performance by the Borrower under the Loan Documents, is impaired, or that there has occurred any material adverse change in the business or financial condition of the Borrower;

(r) There has occurred any breach, default or event of default by or attributable to, any Affiliate under any agreement between the Affiliate and the Lender; or

(s) The indictment of any Director, Officer, Guarantor, or any Owner of the Borrower for a felony offence under state or federal law; or

(t) Tim Newkirk (i) shall cease to be actively engaged in the Borrower's day-to-day business activities for the period ending one (1) year from the Funding Date or (ii) shall cease to be actively engaged in the Borrower's day-to-day business activities and Borrower fails to hire a successor acceptable to Lender in its sole but reasonable discretion within ninety (90) days.

Section 7.2 Rights and Remedies. During any Default Period, the Lender may exercise any or all of the following rights and remedies:

(a) The Lender may, by notice to the Borrower, declare the Commitment to be terminated, whereupon the same shall forthwith terminate;

(b) The Lender may, by notice to the Borrower, declare the Indebtedness to be forthwith due and payable, whereupon all Indebtedness shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which the Borrower hereby expressly waives;

(c) The Lender may, without notice to the Borrower and without further action, apply any and all money owing by the Lender to the Borrower to the payment of the Indebtedness;

(d) The Lender may exercise and enforce any and all rights and remedies available upon default to a secured party under the UCC, including the right to take possession of Collateral, or any evidence thereof, proceeding without judicial process or by judicial process (without a prior hearing or notice thereof, which the Borrower hereby expressly waives) and the right to sell, lease or otherwise dispose of any or all of the Collateral (with or without giving any

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warranties as to the Collateral, title to the Collateral or similar warranties), and, in connection therewith, the Borrower will on demand assemble the Collateral and make it available to the Lender at a place to be designated by the Lender which is reasonably convenient to both parties;

(e) The Lender may make demand upon the Borrower and, forthwith upon such demand, the Borrower will pay to the Lender in immediately available funds for deposit in the Special Account pursuant to Section 2.5 an amount equal to the aggregate maximum amount available to be drawn under all Letters of Credit then outstanding, assuming compliance with all conditions for drawing thereunder;

(f) The Lender may exercise and enforce its rights and remedies under the Loan Documents;

(g) The Lender may without regard to any waste, adequacy of the security or solvency of the Borrower, apply for the appointment of a receiver of the Collateral, to which appointment the Borrower hereby consents, whether or not foreclosure proceedings have been commenced under the Security Documents and whether or not a foreclosure sale has occurred; and

(h) The Lender may exercise any other rights and remedies available to it by law or agreement.

Notwithstanding the foregoing, upon the occurrence of an Event of Default described in Section 7.1(f) or (g), the Indebtedness shall be immediately due and payable automatically without presentment, demand, protest or notice of any kind. If the Lender sells any of the Collateral on credit, the Indebtedness will be reduced only to the extent of payments actually received. If the purchaser fails to pay for the Collateral, the Lender may resell the Collateral and shall apply any proceeds actually received to the Indebtedness.

Section 7.3 Certain Notices. If notice to the Borrower of any intended disposition of Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in Section 8.3) at least ten calendar days before the date of intended disposition or other action.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 No Waiver; Cumulative Remedies; Compliance with Laws. No failure or delay by the Lender in exercising any right, power or remedy under the Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy under the Loan Documents. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law. The Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

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Section 8.2 Amendments, Etc. No amendment, modification, termination or waiver of any provision of any Loan Document or consent to any departure by the Borrower therefrom or any release of a Security Interest shall be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

Section 8.3 Notices, Requests, and Communications; Confidentiality. Except as otherwise expressly provided in this Agreement:

(a) **Delivery of Notices, Requests and Communications.** Any notice, request, demand, or other communication by either party that is required under the Loan Documents, or any other document or agreement described in or related to this Agreement, to be in the form of a Record (but excluding any Record containing information Borrower must report to Lender under Section 6.1) may be delivered (i) in person, (ii) by first class U.S. mail, (iii) by overnight courier of national reputation, or (iv) by fax, or the Record may be sent as an Electronic Record and delivered (v) by an encrypted e-mail, or (vi) through Lender's *Commercial Electronic Office®* ("CEO®") portal or other secure electronic channel to which the parties have agreed.

(b) **Addresses for Delivery.** Delivery of any Record under this Section 7.4 shall be made to the appropriate address set forth on the last page of this Agreement (which either party may modify by a Record sent to the other party), or through Lender's CEO portal or other secure electronic channel to which the parties have agreed.

(c) **Date of Receipt.** Each Record sent pursuant to the terms of this Section 8.3 will be deemed to have been received on (i) the date of delivery if delivered in person, (ii) the date deposited in the mail if sent by mail, (iii) the date delivered to the courier if sent by overnight courier, (iv) the date of transmission if sent by fax, or (v) the date of transmission, if sent as an Electronic Record by electronic mail or through Lender's CEO portal or similar secure electronic channel to which the parties have agreed; except that any request for an Advance or any other notice, request, demand or other communication from Borrower required under Section 1, and any request for an accounting under Section 9-210 of the UCC, will not be deemed to have been received until actual receipt by Lender on a Business Day by an authorized employee of Lender.

(d) **Confidentiality of Unencrypted E-mail.** Borrower acknowledges that if it sends an Electronic Record to Lender without encryption by e-mail or as an e-mail file attachment, there is a risk that the Electronic Record may be received by unauthorized Persons, and that by so doing it will be deemed to have accepted this risk and the consequences of any such unauthorized disclosure.

Section 8.4 Borrower Information Reporting; Confidentiality. Except as otherwise expressly provided in this Agreement:

(b) **Delivery of Borrower Information Records.** Any information that Borrower is required to deliver under Section 6.1 in the form of a Record may be delivered to Lender (i) in person, or by (ii) first class U.S. mail, (iii) overnight courier of national reputation, or (iv) fax, or

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the Record may be sent as an Electronic Record (v) by encrypted e-mail, or (vi) through the file upload service of Lender's CEO portal or other secure electronic channel to which the parties have agreed.

(c) **Addresses for Delivery.** Delivery of any Record to Lender under this Section 8.4 shall be made to the appropriate address set forth on the last page of this Agreement (which Lender may modify by a Record sent to Borrower), or through Lender's CEO portal or other secure electronic channel to which the parties have agreed.

(d) **Date of Receipt.** Each Record sent pursuant to this section will be deemed to have been received on (i) the date of delivery to an authorized employee of Lender, if delivered in person, or by U.S. mail, overnight courier, fax, or e-mail; or (ii) the date of transmission, if sent as an Electronic Record through Lender's CEO portal

or similar secure electronic channel to which the parties have agreed.

(e) **Authentication of Borrower Information Records.** Borrower shall Authenticate any Record delivered (i) in person, or by U.S. mail, overnight courier, or fax, by the signature of the Officer or employee of Borrower who prepared the Record; (ii) as an Electronic Record sent via encrypted e-mail, by the signature of the Officer or employee of Borrower who prepared the Record by any file format signature that is acceptable to Lender, or by a separate certification signed and sent by fax; or (iii) as an Electronic Record via the file upload service of Lender's *CEO* portal or similar secure electronic channel to which the parties have agreed, through such credentialing process as Lender and Borrower may agree to under the *CEO* agreement.

(f) **Certification of Borrower Information Records.** Any Record (including without limitation any Electronic Record) Authenticated and delivered to Lender under this Section 8.4 will be deemed to have been certified as materially true, correct, and complete by Borrower and each Officer or employee of Borrower who prepared and Authenticated the Record on behalf of Borrower, and may be legally relied upon by Lender without regard to method of delivery or transmission.

(g) **Confidentiality of Borrower Information Records Sent by Unencrypted E-mail.** Borrower acknowledges that if it sends an Electronic Record to Lender without encryption by e-mail or as an e-mail file attachment, there is a risk that the Electronic Record may be received by unauthorized Persons, and that by so doing it will be deemed to have accepted this risk and the consequences of any such unauthorized disclosure. Borrower acknowledges that it may deliver Electronic Records containing Borrower information to Lender by e-mail pursuant to any encryption tool acceptable to Lender and Borrower, or through Lender's *CEO* portal file upload service without risk of unauthorized disclosure.

Section 8.5 **Costs and Expenses.** The Borrower shall pay on demand all costs and expenses, including reasonable attorneys' fees, incurred by the Lender in connection with the Indebtedness, this Agreement, the Loan Documents, any Letter of Credit and any other document or agreement related hereto or thereto, and the transactions contemplated hereby, including all such costs, expenses and fees incurred in connection with the negotiation, preparation, execution, amendment, administration, performance, collection and enforcement of the Indebtedness and all

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such documents and agreements and the creation, perfection, protection, satisfaction, foreclosure or enforcement of the Security Interest.

Section 8.6 **Indemnity.** In addition to the payment of expenses pursuant to Section 8.5, the Borrower shall indemnify, defend and hold harmless the Lender, and any of its participants, parent corporations, subsidiary corporations, affiliated corporations, successor corporations, and all present and future officers, directors, employees, attorneys and agents of the foregoing (the "Indemnitees") from and against any of the following (collectively, "Indemnified Liabilities"):

- (i) Any and all transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of the Loan Documents or the making of the Advances;
- (ii) Any claims, loss or damage to which any Indemnitee may be subjected if any representation or warranty contained in Section 5.14 proves to be incorrect in any respect or as a result of any violation of the covenant contained in Section 6.12(b); and
- (iii) Any and all other liabilities, losses, damages, penalties, judgments, suits, claims, costs and expenses of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel) in connection with the foregoing and any other investigative, administrative or judicial proceedings, whether or not such Indemnitee shall be designated a party thereto, which may be imposed on, incurred by or asserted against any such Indemnitee, in any manner related to or arising out of or in connection with the making of the Advances and the Loan Documents or the use or intended use of the proceeds of the Advances. Notwithstanding the foregoing, the Borrower shall not be obligated to indemnify any Indemnitee for any Indemnified Liability caused by the gross negligence or willful misconduct of such Indemnitee.

If any investigative, judicial or administrative proceeding arising from any of the foregoing is brought against any Indemnitee, upon such Indemnitee's request, the Borrower, or counsel designated by the Borrower and satisfactory to the Indemnitee, will resist and defend such action, suit or proceeding to the extent and in the manner directed by the Indemnitee, at the Borrower's sole costs and expense. Each Indemnitee will use its best efforts to cooperate in the defense of any such action, suit or proceeding. If the foregoing undertaking to indemnify, defend and hold harmless may be held to be unenforceable because it violates any law or public policy, the Borrower shall nevertheless make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The Borrower's obligations under this Section 8.6 shall survive the termination of this Agreement and the discharge of the Borrower's other obligations hereunder.

Section 8.7 **Participants.** The Lender and its participants, if any, are not partners or joint venturers, and the Lender shall not have any liability or responsibility for any obligation, act or omission of any of its participants. All rights and powers specifically conferred upon the Lender may be transferred or delegated to any of the Lender's participants, successors or assigns.

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Section 8.8 **Execution in Counterparts: Telefacsimile Execution.** This Agreement and other Loan Documents may be executed in any number of 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. Delivery of an executed counterpart of this Agreement or any other Loan Document by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement or such other Loan Document. Any party delivering an executed counterpart of this Agreement or any other Loan Document by telefacsimile also shall deliver an original executed counterpart of this Agreement or such other Loan Document but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement or such other Loan Document.

Section 8.9 **Retention of Borrower's Records.** The Lender shall have no obligation to maintain any electronic records or any documents, schedules, invoices, agings, or other papers delivered to the Lender by the Borrower or in connection with the Loan Documents for more than 30 days after receipt by the Lender. If there is a special need to retain specific records, the Borrower must inform the Lender of its need to retain those records with particularity, which must be delivered in accordance with the notice provisions of Section 8.3 within 30 days of the Lender taking control of same.

Section 8.10 **Binding Effect; Assignment; Complete Agreement; Sharing Information.** The Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights thereunder or any interest therein without the Lender's prior written consent. To the extent permitted by law, the Borrower waives and will not assert against any assignee any claims, defenses or set-offs which the Borrower could assert against the Lender. This Agreement shall also bind all Persons who become a party to this Agreement as a borrower. This Agreement, together with the Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. To the extent that any provision of this Agreement contradicts other provisions of the Loan Documents, this Agreement shall control. Without limiting the Lender's right to share information regarding the Borrower and its Affiliates with the Lender's participants, accountants, lawyers and other advisors, the Lender and each direct and indirect subsidiary of Wells Fargo & Company may share with each other any information that they may have in their possession regarding the Borrower and its Affiliates, and the Borrower waives any right of confidentiality it may have with respect to all such sharing of information.

Section 8.11 **Severability of Provisions.** Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such

prohibition or unenforceability without invalidating the remaining provisions hereof.

Section 8.12 Headings. Article, Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 8.13 Governing Law; Jurisdiction, Venue; Waiver of Jury Trial. The Loan Documents shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Minnesota. The parties hereto hereby (i) consent to the

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personal jurisdiction of the state and federal courts located in the State of Minnesota in connection with any controversy related to this Agreement; (ii) waive any argument that venue in any such forum is not convenient; (iii) agree that any litigation initiated by the Lender or the Borrower in connection with this Agreement or the other Loan Documents may be venued in either the state or federal courts located in the City of Minneapolis, County of Hennepin, Minnesota; and (iv) agree that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 8.14 Further Documents. The Borrower will from time to time execute, deliver, endorse and authorize the filing of any and all instruments, documents, conveyances, assignments, security agreements, financing statements, control agreements and other agreements and writings that the Lender may reasonably request in order to secure, protect, perfect or enforce the Security Interest or the Lender's rights under the Loan Documents (but any failure to request or assure that the Borrower executes, delivers, endorses or authorizes the filing of any such item shall not affect or impair the validity, sufficiency or enforceability of the Loan Documents and the Security Interest, regardless of whether any such item was or was not executed, delivered or endorsed in a similar context or on a prior occasion).

Section 8.15 Entire Agreement. The following notice is included in compliance with K.S.A. 16-117 and K.S.A. 16-118:

"THIS WRITTEN AGREEMENT IS THE FINAL EXPRESSION OF THE CREDIT AGREEMENT BETWEEN THE PARTIES HERETO AS THE SAME EXISTS TODAY AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR OR CONTEMPORANEOUS ORAL AGREEMENT BETWEEN THE PARTIES HERETO. THE FOLLOWING SPACE (WHICH THE PARTIES HERETO AGREE IS SUFFICIENT SPACE) IS PROVIDED FOR THE PLACEMENT OF NONSTANDARD TERMS, IF ANY (IF THERE ARE NO NONSTANDARD TERMS TO BE ADDED, STATE "NONE"):

NONE

BY SIGNING BELOW, THE PARTIES HERETO HEREBY AFFIRM THAT THERE IS NO UNWRITTEN ORAL CREDIT AGREEMENT BETWEEN THEMSELVES WITH RESPECT TO THE SUBJECT MATTER OF THIS WRITTEN CREDIT AGREEMENT.

[Signature Page Follows]

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THE BORROWER AND THE LENDER WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION AT LAW OR IN EQUITY OR IN ANY OTHER PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date set forth in the initial caption of this Agreement.

100 Commercial Street
Atchison, KS 66002
Telecopier: (913) 360-5661

Attention: Dick Larson
e-mail: dick.larson@mgpingredients.com

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President

Wells Fargo Bank, National Association
Wells Fargo Business Credit
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Telecopier: (612) 341-2472
Attention: Becky A. Koehler
e-mail: becky.a.koehler@wellsfargo.com

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Becky A. Koehler
Name: Becky A. Koehler
Its: Vice President

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Table of Exhibits and Schedules

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Schedule 5.2	Capitalization and Organizational Chart
Schedule 5.5	Subsidiaries
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Exhibit A to Credit and Security Agreement

REVOLVING NOTE

\$25,000,000

July 21, 2009

For value received, the undersigned, MGP INGREDIENTS, INC., a Kansas corporation (the “Borrower”), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (the “Lender”), acting through its Wells Fargo Business Credit operating division, on the Termination Date referenced in the Credit and Security Agreement dated the same date as this Revolving Note that was entered into by the Lender and the Borrower (as amended from time to time, the “Credit Agreement”), at Lender’s office located at MAC N9312-040, 109 South 7th Street, 4th Floor, Minneapolis, MN 55402 , or at any other place designated at any time by the holder hereof, in lawful money of the United States of America and in immediately available funds, the principal sum of TWENTY FIVE MILLION AND NO/100 DOLLARS (\$25,000,000) or the aggregate unpaid principal amount of all Revolving Advances made by the Lender to the Borrower under the Credit Agreement, together with interest on the principal amount hereunder remaining unpaid from time to time, computed on the basis of the actual number of days elapsed and a 360-day year, from the date hereof until this Revolving Note is fully paid at the rate from time to time in effect under the Credit Agreement.

This Revolving Note is the Revolving Note referenced in the Credit Agreement, and is subject to the terms of the Credit Agreement, which provides, among other things, for acceleration hereof. Principal and interest due hereunder shall be payable as provided in the Credit Agreement, and this Revolving Note may be prepaid only in accordance with the terms of the Credit Agreement. This Revolving Note is secured, among other things, pursuant to the Credit Agreement and the Security Documents as therein defined, and may now or hereafter be secured by one or more other security agreements, mortgages, deeds of trust, assignments or other instruments or agreements.

The Borrower shall pay all costs of collection, including reasonable attorneys’ fees and legal expenses if this Revolving Note is not paid when due, whether or not legal proceedings are commenced.

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President

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Exhibit B to Credit and Security Agreement

COMPLIANCE CERTIFICATE

To: Wells Fargo Bank, National Association
Date: [, 20]
Subject: Financial Statements

In accordance with our Credit and Security Agreement dated , 2009(as amended from time to time, the “Credit Agreement”), attached are the financial statements of MGP INGREDIENTS, INC., a Kansas corporation (the “Borrower”) dated [, 20] (the “Reporting Date”) and the year-to-date period then ended (the “Current Financials”). All terms used in this certificate have the meanings given in the Credit Agreement.

A. Preparation and Accuracy of Financial Statements. I certify that the Current Financials have been prepared in accordance with GAAP, subject to year-end audit adjustments, and fairly present the Borrower’s financial condition as of the Reporting Date.

B. Name of Borrower; Merger and Consolidation Related Issues I certify that:

(Check one)

- ☐ The Borrower has not, since the date of the Credit Agreement, changed its name or jurisdiction of organization, nor has it consolidated or merged with another Person.
- ☐ The Borrower has, since the date of the Credit Agreement, either changed its name or jurisdiction of organization, or both, or has consolidated or merged with another Person, which change, consolidation or merger: ☐ was consented to in advance by Lender in writing, and/or ☐ is more fully described in the statement of facts attached to this Certificate.

C. Events of Default. I certify that:

(Check one)

- ☐ I have no knowledge of the occurrence of a Default or an Event of Default under the Credit Agreement, except as previously reported to the Lender in writing.
- ☐ I have knowledge of a Default or an Event of Default under the Credit Agreement not previously reported to the Lender in writing, as more fully described in the statement of facts attached to this Certificate, and further, I acknowledge that the Lender may under the terms of the Credit Agreement impose the Default Rate at any time during the resulting Default Period.

D. Litigation Matters. I certify that:

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(Check one)

- ☐ I have no knowledge of any material adverse change to the litigation exposure of the Borrower or any of its Affiliates or of any Guarantor.
- ☐ I have knowledge of material adverse changes to the litigation exposure of the Borrower or any of its Affiliates or of any Guarantor not previously disclosed in Schedule 5.7, as more fully described in the statement of facts attached to this Certificate.

E. Financial Covenants. I further certify that:

(Check and complete each of the following)

1. **Minimum Net Income.** Pursuant to Section 6.2(b) of the Credit Agreement, as of the Reporting Date, the Borrower's Net Income was [\$], which ☐ satisfies ☐ does not satisfy the requirement that Net Income be not less than the amount set forth in the table below (numbers appearing between "<" ">" are negative) on the Reporting Date:

Period	Minimum Net Income
7/1/2009 Through 7/31/2009	\$ 200,000
7/1/2009 Through 8/31/2009	\$ 700,000
7/1/2009 Through 9/30/2009	\$ 1,000,000
7/1/2009 Through 10/31/2009	\$ 1,250,000
7/1/2009 Through 11/30/2009	\$ 1,350,000
7/1/2009 Through 12/31/2009	\$ 1,500,000
7/1/2009 Through 1/31/2010	\$ 1,800,000
7/1/2009 Through 2/28/2010	\$ 2,200,000
7/1/2009 Through 3/31/2010	\$ 2,575,000
7/1/2009 Through 4/30/2010	\$ 3,000,000
7/1/2009 Through 5/31/2010	\$ 3,250,000
7/1/2009 Through 6/30/2010	\$ 3,500,000
7/1/2010 Through 7/31/2010	\$ 200,000
7/1/2010 Through 8/31/2010	\$ 700,000
7/1/2010 Through 9/30/2010	\$ 1,000,000

2. **Minimum Debt Service Coverage Ratio.** Pursuant to Section 6.2(b) of the Credit Agreement, as of the Reporting Date, the Borrower's Debt Service Coverage Ratio was [] to 1.00, which ☐ satisfies ☐ does not satisfy the requirement that such ratio be not less than 1.15 to 1.00 on the Reporting Date.

3. **Capital Expenditures.** Pursuant to Section 6.2(c) of the Credit Agreement, for the year-to-date period ending on the Reporting Date, the Borrower has expended or contracted to expend during the fiscal year ended [], 20 , for Capital Expenditures, [\$] in the aggregate, which ☐ satisfies ☐ does not satisfy the

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requirement that such expenditures not exceed \$4,500,000 in the aggregate during any fiscal year.

4. **Salaries.** The Borrower has not paid excessive or unreasonable salaries, bonuses, commissions, consultant fees or other compensation, or increased the salary, bonus, commissions, consultant fees or other compensation of any Director, Officer or consultant, or any member of their families, by more than ten percent (10%) as of the Reporting Date over the amount paid in the Borrower's previous fiscal year, either individually or for all such persons in the aggregate, and has not paid any increase from any source other than profits earned in the year of payment, and as a consequence Borrower ☐ is ☐ is not in compliance with Section 6.8 of the Credit Agreement.

5. **Rail Invoices.** The Borrower has paid all Rail Invoices as such Rail Invoices became due. Attached hereto are copies of all unpaid Rail Invoices and evidence of payment of all Rail Invoices which became due since the delivery of the last Compliance Certificate.

6. **Tax Due on Alcohol Inventory.** During the one month period ending on the Reporting Date, Borrower has produced [] proof gallons of food and fuel grade alcohol. The Borrower has paid all taxes arising from the Borrower's production or possession of Inventory which consists of food and fuel grade alcohol except for taxes in the amount of [\$] which are set forth in detail on a schedule attached hereto.

Attached are statements of all relevant facts and computations in reasonable detail sufficient to evidence Borrower's compliance with the financial covenants referred

to above, which computations were made in accordance with GAAP.

MGP INGREDIENTS, INC.
a Kansas corporation

By: _____
Its Chief Financial Officer

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PATENT AND TRADEMARK SECURITY AGREEMENT

This Agreement, dated as of July 21, 2009, is made by and between MGP INGREDIENTS, INC., a Kansas corporation having a business location at the address set forth below next to its signature (the “**Debtor**”), and Wells Fargo Bank, National Association (the “**Wells Fargo**”), and having a business location at the address set forth below next to its signature.

Recitals

Company and Wells Fargo are parties to a Credit and Security Agreement of even date herewith (as the same may hereafter be amended, supplemented or restated from time to time, the “Credit Agreement”) setting forth the terms on which Wells Fargo may now or hereafter extend credit to or for the account of Company.

As a condition to extending credit to or for the account of Company, Wells Fargo has required the execution and delivery of this Agreement by Company.

ACCORDINGLY, in consideration of the mutual covenants contained in the Loan Documents and herein, the parties hereby agree as follows:

1. **Definitions.** All terms defined in the Recitals hereto or in the Credit Agreement that are not otherwise defined herein shall have the meanings given to them therein. In addition, the following terms have the meanings set forth below:

“**Patents**” means all of Company’s right, title and interest in and to patents or applications for patents, fees or royalties with respect to each, and including without limitation the right to sue for past infringement and damages therefor, and licenses thereunder, all as presently existing or hereafter arising or acquired, including without limitation the patents listed on Exhibit A.

“**Security Interest**” has the meaning given in Section 2.

“**Trademarks**” means all of Company’s right, title and interest in and to: (i) trademarks, service marks, collective membership marks, registrations and applications for registration for each, and the respective goodwill associated with each, (ii) licenses, fees or royalties with respect to each, (iii) the right to sue for past, present and future infringement, dilution and damages therefor, and (iv) licenses thereunder, all as presently existing or hereafter arising or acquired, including, without limitation, the marks listed on Exhibit B.

2. **Security Interest.** Company hereby irrevocably pledges and assigns to, and grants Wells Fargo a security interest (the “Security Interest”) with power of sale to the extent permitted by law, in the Patents and in the Trademarks to secure payment of the Indebtedness. As set forth in the Credit Agreement, the Security Interest is coupled with a security interest in substantially all of the personal property of Company. This Agreement grants only the Security

Interest herein described, is not intended to and does not affect any present transfer of title of any trademark registration or application and makes no assignment and grants no right to assign or perform any other action with respect to any intent to use trademark application, unless such action is permitted under 15 U.S.C. § 1060.

3. **Representations, Warranties and Agreements.** Company represents, warrants and agrees as follows:

(a) **Existence; Authority.** Company is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and this Agreement has been duly and validly authorized by all necessary corporate action on the part of Company.

(b) **Patents.** Exhibit A accurately lists all Patents owned or controlled by Company as of the date hereof, or to which Company has a right as of the date hereof to have assigned to it, and accurately reflects the existence and status of applications and letters patent pertaining to the Patents as of the date hereof. If after the date hereof, Company owns, controls or has a right to have assigned to it any Patents not listed on Exhibit A, or if Exhibit A ceases to accurately reflect the existence and status of applications and letters patent pertaining to the Patents, then Company shall within 60 days provide written notice to Wells Fargo with a replacement Exhibit A, which upon acceptance by Wells Fargo shall become part of this Agreement.

(c) **Trademarks.** Exhibit B accurately lists all Trademarks owned or controlled by Company as of the date hereof and accurately reflects the existence and status of Trademarks and all applications and registrations pertaining thereto as of the date hereof; provided, however, that Exhibit B need not list common law marks (i.e., Trademarks for which there are no applications or registrations) which are not material to Company’s or any Affiliate’s business(es). If after the date hereof, Company owns or controls any Trademarks not listed on Exhibit B (other than common law marks which are not material to Company’s or any Affiliate’s business(es)), or if Exhibit B ceases to accurately reflect the existence and status of applications and registrations pertaining to the Trademarks, then Company shall promptly provide written notice to Wells Fargo with a replacement Exhibit B, which upon acceptance by Wells Fargo shall become part of this Agreement.

(d) **Affiliates.** As of the date hereof, no Affiliate (other than D.M. Ingredients GmbH, to the extent set forth in Schedule 5.11 to the Credit Agreement) owns, controls, or has a right to have assigned to it any items that would, if such item were owned by Company, constitute Patents or Trademarks. If after the date hereof any Affiliate owns, controls, or has a right to have assigned to it any such items, then Company shall promptly either: (i) cause such Affiliate (other than D.M. Ingredients GmbH) to assign all of its rights in such item(s) to Company; or (ii) notify Wells Fargo of such item(s) and cause such Affiliate to execute and deliver to Wells Fargo a patent and trademark security agreement substantially in the form of this Agreement.

(e) **Title.** Except as set forth in Schedule 5.11 to the Credit Agreement, Company has absolute title to each Patent and each Trademark listed on Exhibits A and B, free and clear of all Liens except Permitted Liens. Company (i) will have, at the time Company acquires any rights in Patents or Trademarks hereafter arising, absolute title to each such Patent or Trademark free and clear of all Liens except Permitted Liens, and (ii) will keep all Patents and Trademarks free and clear of all Liens except Permitted Liens.

(f) **No Sale.** Except as permitted in the Credit Agreement, Company will not assign, transfer, encumber or otherwise dispose of the Patents or Trademarks, or any interest therein, without Wells Fargo’s prior written consent.

(g) **Defense.** Company will at its own expense and using commercially reasonable efforts, protect and defend the Patents and Trademarks against all claims or demands of all Persons other than those holding Permitted Liens.

(h) **Maintenance.** Company will at its own expense maintain the Patents and the Trademarks to the extent reasonably advisable in its business including, but not limited to, filing all applications to obtain letters patent or trademark registrations and all affidavits, maintenance fees, annuities, and renewals possible with respect to letters patent, trademark registrations and applications therefor. Company covenants that it will not abandon nor fail to pay any maintenance fee or annuity due and payable on any Patent or Trademark, nor fail to file any required affidavit or renewal in support thereof, without first providing Wells Fargo:

(i) sufficient written notice, of at least 30 days, to allow Wells Fargo to timely pay any such maintenance fees or annuities which may become due on any Patents or Trademarks, or to file any affidavit or renewal with respect thereto, and (ii) a separate written power of attorney or other authorization to pay such maintenance fees or annuities, or to file such affidavit or renewal, should such be necessary or desirable.

(i) **Wells Fargo's Right to Take Action.** If Company fails to perform or observe any of its covenants or agreements set forth in this Section 3, and if such failure continues for a period of ten (10) calendar days after Wells Fargo gives Company written notice thereof (or, in the case of the agreements contained in subsection (h), immediately upon the occurrence of such failure, without notice or lapse of time), or if Company notifies Wells Fargo that it intends to abandon a Patent or Trademark, Wells Fargo may (but need not) perform or observe such covenant or agreement or take steps to prevent such intended abandonment on behalf and in the name, place and stead of Company (or, at Wells Fargo's option, in Wells Fargo's own name) and may (but need not) take any and all other actions which Wells Fargo may reasonably deem necessary to cure or correct such failure or prevent such intended abandonment.

(j) **Costs and Expenses.** Except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, Company shall pay Wells Fargo on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and

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disbursements) incurred by Wells Fargo in connection with or as a result of Wells Fargo's taking action under subsection (i) or exercising its rights under Section 6, together with interest thereon from the date expended or incurred by Wells Fargo at the Default Rate.

(k) **Power of Attorney.** To facilitate Wells Fargo's taking action under subsection (i) and exercising its rights under Section 6, Company hereby irrevocably appoints (which appointment is coupled with an interest) Wells Fargo, or its delegate, as the attorney-in-fact of Company with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Company, any and all instruments, documents, applications, financing statements, and other agreements and writings required to be obtained, executed, delivered or endorsed by Company under this Section 3, or, necessary for Wells Fargo, after an Event of Default, to enforce or use the Patents or Trademarks or to grant or issue any exclusive or non-exclusive license under the Patents or Trademarks to any third party, or to sell, assign, transfer, pledge, encumber or otherwise transfer title in or dispose of the Patents or Trademarks to any third party. Company hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. The power of attorney granted herein shall terminate upon the termination of the Credit Agreement as provided therein and the payment and performance of all Indebtedness.

4. **Debtor's Use of the Patents and Trademarks.** Company shall be permitted to control and manage the Patents and Trademarks, including the right to exclude others from making, using or selling items covered by the Patents and Trademarks and any licenses thereunder, in the same manner and with the same effect as if this Agreement had not been entered into, so long as no Event of Default occurs and remains uncured.

5. **Events of Default.** Each of the following occurrences shall constitute an event of default under this Agreement (herein called "**Event of Default**"): (a) an Event of Default, as defined in the Credit Agreement, shall occur; or (b) Company shall fail promptly to observe or perform any covenant or agreement herein binding on it; or (c) any of the representations or warranties contained in Section 3 shall prove to have been incorrect in any material respect when made.

6. **Remedies.** Upon the occurrence of an Event of Default and at any time thereafter, Wells Fargo may, at its option, take any or all of the following actions:

(a) Wells Fargo may exercise any or all remedies available under the Credit Agreement.

(b) Wells Fargo may sell, assign, transfer, pledge, encumber or otherwise dispose of the Patents and Trademarks.

(c) Wells Fargo may enforce the Patents and Trademarks and any licenses thereunder, and if Wells Fargo shall commence any suit for such enforcement, Company shall, at the request of Wells Fargo, do any and all lawful acts and execute any and all proper documents required by Wells Fargo in aid of such enforcement.

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7. **Miscellaneous.** This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by Wells Fargo. A waiver signed by Wells Fargo shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Wells Fargo's rights or remedies. All rights and remedies of Wells Fargo shall be cumulative and may be exercised singularly or concurrently, at Wells Fargo's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Debtor under this Agreement shall be given in the manner and with the effect provided in the Credit Agreement. Wells Fargo shall not be obligated to preserve any rights Company may have against prior parties, to realize on the Patents and Trademarks at all or in any particular manner or order, or to apply any cash proceeds of Patents and Trademarks in any particular order of application. This Agreement shall be binding upon and inure to the benefit of Company and Wells Fargo and their respective participants, successors and assigns and shall take effect when signed by Company and delivered to Wells Fargo, and Company waives notice of Wells Fargo's acceptance hereof. Wells Fargo may execute this Agreement if appropriate for the purpose of filing, but the failure of Wells Fargo to execute this Agreement shall not affect or impair the validity or effectiveness of this Agreement. A carbon, photographic or other reproduction of this Agreement or of any financing statement signed by Company shall have the same force and effect as the original for all purposes of a financing statement. This Agreement shall be governed by the internal law of Minnesota without regard to conflicts of law provisions. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Indebtedness.

[Signatures follow]

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THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Patent and Trademark Security Agreement as of the date written above.

Telecopier: (913) 360-5661

Attention: Dick Larson
e-mail: dick.larson@mgpingredients.com

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its President

STATE OF MISSOURI)
)
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 21 day of July, 2009, by Timothy W. Newkirk, the President of MGP Ingredients, Inc., a Kansas corporation, on behalf of the corporation.

/s/ Martisua Ann Lager

Notary Public

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Wells Fargo Bank, National Association
Wells Fargo Business Credit
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Telecopier: (612) 341-2472
Attention: Becky A. Koehler
e-mail: becky.a.koehler@wellsfargo.com

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Becky A. Koehler
Becky A. Koehler, Vice President

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 21 day of July, 2009, by Becky A. Koehler, a Vice President of Wells Fargo Bank, National Association, on behalf of the national association.

/s/ Constance Nesbitt

Notary Public

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EXHIBIT A

UNITED STATES ISSUED PATENTS

Title	Patent Number	Issue Date
1. Alcohol-Free Wet Extraction of Gluten Dough Into Gliadin and Glutenin	5610277	03/11/1997
2. Modified Wheat Glutens and Use Thereof In Fabrication of Films	5747648	05/05/1998
3. Modified Wheat Glutens and Use Thereof in Fabrication of Films	5965708	10/12/1999
4. Modified Wheat Glutens and Use Thereof in Fabrication of Films	5977312	11/02/1999
5. Gliadin-Containing Hairspray	5780013	07/14/1998
6. Gliadin-Containing Cosmetic Formulations	5945086	08/31/1999
7. Protein/Starch Paper Coating Compositions and Method of Use Thereof	6517625	02/11/2003
8. Protein/Starch Paper Coating Compositions and Method of Use Thereof	6605367	08/12/2003
9. Microwaveable Bread Products	6482454	11/19/2002
10. Hydrolyzed Jojoba Protein	6552171	04/22/2003
11. Method of Preparing Hydrolyzed Jojoba Protein	6716599	04/06/2004
12. Hydrolyzed Jojoba Protein	6800736	10/05/2004
13. Method of Preparing Hydrolyzed Jojoba Protein	6821525	11/23/2004
14. Formulations Including Hydrolyzed Jojoba Protein	6649177	11/18/2003
15. Liquid Foam Builder Containing Hydrolyzed Grain Protein	6749842	06/15/2004

16.	Unhydrolyzed Jojoba Protein Products Having High Simmondsin Concentration	6982164	01/03/2006
17.	Unhydrolyzed Jojoba Protein Products Having High Simmondsin Concentration and Methods of Producing the Same	6955913	10/18/2005
18.	Method of Hydrolyzing Jojoba Protein	7238516	07/03/2007
19.	Cosmetic Formulation Containing Unhydrolyzed Jojoba Protein	7070794	07/04/2006
20.	Process for Preparing Hybrid Proteins	7534459	05/19/2009
21.	Emulsion Stabilizing Starch Products	6809197	10/26/2004
22.	Polyvalent Metal-Substituted Starch Products	7166305	01/23/2007

UNITED STATES PATENT APPLICATIONS

<u>Title</u>	<u>Serial Number</u>	<u>Filing Date</u>
1. High-Protein, Low-Carbohydrate Bakery Products	11/830,507	6/30/2007
2. Process for Preparing Hybrid Proteins	11/459,198	6/21/2006
3. Process for Preparing Hybrid Proteins	11/777,176	6/12/2007
4. Resistant Starch-Hydrocolloid Blends and Uses Thereof	11/689,620	3/22/2007
5. Thermotolerant Starch-Polyester Composites and Methods of Making Same	11/585,369	10/24/2006
6. Starch-Plastic Composite Resins and Profiles Made by Extrusion	11/339,367	1/25/2006
7. Pregelatinized Chemically Modified Resistant Starch Products and Uses Thereof	11/294,314	12/5/2005
8. Mineral-Bound Starch Compositions and Methods of Making the Same	11/146,623	6/7/2005

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9. Expanded Products with High Protein Content	11/115,441	4/27/2005
10. Reversibly Swellable Granular Starch-Lipid Composites and Methods of Making the Same	11/146,671	6/7/2005
11. Wheat Protein Isolates and their Modified Forms and Methods of Making	11/059,166	2/16/2005
12. High-Protein, Reduced Carbohydrate Dessert and Other Food Products	10/851,896	5/21/2004
13. High-Protein, Reduced Carbohydrate Bread and Other Food Products	10/851/899	5/21/2004
14. High-protein, reduced-carbohydrated flat bakery and other food products	10/851,887	5/21/2004
15. High-Protein, Reduced-Carbohydrate Bakery and Other Food Products	10/851,847	5/21/2004
16. Composition and Method for Making High-Protein and Low-Carbohydrate Food Products	10/983,506	11/5/2004

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EXHIBIT B

UNITED STATES ISSUED TRADEMARKS, SERVICE MARKS

AND COLLECTIVE MEMBERSHIP MARKS

REGISTRATIONS

<u>Mark</u>	<u>Registration Number</u>	<u>Registration Date</u>
1. ARISE	2681958	01/28/2003
2. COSMOGEL	2795149	12/16/2003
3. FIBERRITE	3259490	07/03/2007
4. FIBERSYM	3143069	09/12/2006
5. FIBERSYM and Design (highly stylized S)	3086500	04/25/2006
6. FOAM PRO	2083385	07/29/1997

7.	MGP INGREDIENTS	3032619	12/20/2005
8.	MGP INGREDIENTS, INC. and Design	3020190	11/29/2005
9.	MIDWEST GRAIN PRODUCTS	2926087	02/08/2005
10.	OMNI-SMOOTH	2891247	10/05/2004
11.	PASTA POWER	2243169	05/04/1999
12.	POLYTRITICUM	2355989	06/06/2000
13.	TERRATEK	3265875	07/17/2007
14.	WHEATEX	2076023	07/01/1997
15.	WHEATEX	3450542	06/17/2008
16.	GELBIND	2135094	07/15/1997
17.	CURE PRO	2143582	03/10/1998

APPLICATIONS

COLLECTIVE MEMBERSHIP MARKS

UNREGISTERED MARKS

ASSIGNMENT OF MEMBERSHIP INTERESTS (SECURITY AGREEMENT)

This ASSIGNMENT OF MEMBERSHIP INTERESTS (SECURITY AGREEMENT) is made as of the 21 day of July, 2009 by MGP INGREDIENTS, INC., a Kansas corporation (the “**Grantor**”) to and in favor of WELLS FARGO BANK, NATIONAL, acting through its Wells Fargo Business Credit operating division (hereinafter, together with its successors and assigns, referred to as “**Lender**”).

RECITALS

A. Grantor is the sole member of Firebird Acquisitions, LLC, a Delaware limited liability company (“**Issuer**”). Lender is contemporaneously with the execution of this Assignment and/or may in the future make loans (the “**Loans**”) to Grantor pursuant to a Credit and Security Agreement dated as of even date herewith (as the same may be amended or otherwise modified from time to time, the “**Credit Agreement**”).

B. As a condition precedent to Lender making the Loans, Lender has further required that Grantor execute and deliver this Assignment to Lender to secure the prompt and complete performance all of the obligations and payment of all of the indebtedness under the Credit Agreement (all such obligations and indebtedness are hereinafter referred to collectively as the “**Liabilities**”).

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. As used in this Assignment, the following terms shall have the following meanings:

“**Assignment**” shall mean this Assignment of Membership Interests (Security Agreement), as the same may from time to time be amended or supplemented.

“**Code**” shall mean the Uniform Commercial Code as the same may from time to time be in effect in the State of Minnesota.

“**Loan Documents**” shall have the meaning specified in the Credit Agreement.

“**Operating Agreement**” shall mean that certain Operating Agreement dated as of April 1, 2008, pursuant to which Issuer was formed, as each may be hereafter amended from time to time in accordance with the terms of this Assignment.

“**Proceeds**” shall mean “proceeds”, as such term is defined in the Code and, in any event, shall include, but not be limited to, (i) any and all payments (in any form whatsoever) made or due and payable to Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the “Pledged Collateral” (as hereinafter defined) by any governmental body, authority, bureau or agency (or any person acting under color of governmental authority), (ii) any and all amounts paid or payable to

Grantor for or in connection with any sale or other disposition of Grantor’s interests in any Issuer and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Pledged Collateral.

“**Security Interest**” shall mean the security interest granted pursuant to Section 2 hereof.

2. Grant of Security Interest. As security for the prompt and complete payment and performance when due of the Liabilities, Grantor hereby grants to Lender a security interest in and pledges to Lender all of the following (all of which being herein collectively called the “**Pledged Collateral**”):

(a) all of Grantor’s right, title and interest as a member in Issuer, including without limitation, all of Grantor’s right to receive distributions at any time or from time to time of cash and other property, real, personal or mixed, from Issuer upon complete or partial liquidation or otherwise;

(b) all of Grantor’s right, title, and interest in specific property of Issuer;

(c) all of Grantor’s right, title and interest, if any, to participate in the management and voting of Issuer;

(d) all of Grantor’s right, title and interest in and to:

(i) all rights, privileges, authority and power of Grantor as owner and holder of the items specified in (a), (b), and (c) above, including but not limited to, all contract rights related thereto;

(ii) all options and other agreements for the purchase or acquisition of any interests in Issuer; and

(iii) any document or certificate representing or evidencing Grantor’s rights and interests in Issuer; and

(iv) to the extent not otherwise included, all Proceeds and products of any of the foregoing.

3. Representations and Warranties. Grantor represents and warrants that:

(a) Grantor is the sole owner of each item of the Pledged Collateral, free and clear of any and all liens and claims whatsoever except for the security interest granted to Lender pursuant to this Assignment.

(b) Grantor’s interests in Issuer consist of a one hundred percent (100%) membership interest, including the same percentage interests in all distributions by Issuer to its members of cash or other property, whether in complete or partial liquidation or otherwise.

(c) Grantor has all power, statutory and otherwise, to execute and deliver this Assignment, to perform Grantor’s obligations hereunder and to subject the Pledged Collateral to

(d) No amendments or supplements have been made to Issuer's Operating Agreement since it was originally entered into; the Operating Agreement remains in effect; and no party to the Operating Agreement is presently in default thereunder.

(e) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for Grantor's granting of a security interest in the Pledged Collateral pursuant to this Assignment for the execution, delivery or performance of this Assignment by Grantor or (ii) for the exercise by Lender of the rights provided for in this Assignment or the remedies in respect of the Pledged Collateral pursuant to this Assignment (except as may be required in connection with such disposition by laws affecting the offering and sale of securities generally).

(f) Upon the transfer of the Pledged Collateral, or any portion thereof, to any party pursuant to Section 10 below, Issuer shall continue in existence and Issuer's Operating Agreement provides for such continuation.

4. Covenants. Grantor covenants and agrees that from and after the date of this Assignment and until the Liabilities are fully satisfied:

(a) Further Documentation; Pledge of Instruments. At any time and from time to time, upon the written request of Lender, and at the sole expense of Grantor, Grantor will promptly and duly execute and deliver any and all such further instruments and documents and take such further actions as Lender may reasonably deem desirable to obtain the full benefits of this Assignment and of the rights and powers herein granted, including, without limitation, the execution and filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the security interest granted hereby and, if otherwise required hereunder, transferring Pledged Collateral to the possession of Lender (if a security interest in such Pledged Collateral can be perfected by possession) or causing Issuer to agree (in writing) that it will only comply with instructions originated by the Lender without further consent by the Grantor. Grantor also hereby authorizes Lender to file any such financing or continuation statement without the signature of Grantor to the extent otherwise permitted by applicable law. If any amount payable under or in connection with any of the Pledged Collateral shall be or become evidenced by any promissory note or other instrument (other than an instrument which constitutes chattel paper under the Code), such note or instrument shall be immediately pledged hereunder and a security interest therein hereby granted to Lender and shall be duly endorsed without recourse or warranty in a manner satisfactory to Lender and delivered to Lender. If at any time Grantor's right or interest in any of the Pledged Collateral becomes an interest in real property, Grantor immediately shall execute, acknowledge and deliver to Lender such further documents as Lender deems necessary or advisable to create a first priority perfected mortgage lien in favor of Lender in such real property interest.

(b) Priority of Liens. Grantor will defend the right, title and interest hereunder of Lender, as a first priority security interest in the Pledged Collateral, against the claims and demands of all persons whomsoever.

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(c) Continuous Perfection. Grantor will not change Grantor's name in any manner which might make any financing or continuation statement filed hereunder seriously misleading within the meaning of Section 9-507 of the Code (or any other then-applicable provision of the Code), unless Grantor shall have given Lender at least thirty (30) days prior written notice thereof and shall have taken all action (or made arrangements to take such action substantially simultaneously with such change if it is impossible to take such action in advance) necessary or reasonably requested by Lender to amend such financing statement or continuation statement so that it is not seriously misleading. Grantor will not sign or authorize the signing on Grantor's behalf of any financing statement naming Grantor as debtor covering all or any portion of the Pledged Collateral, except financing statements naming Lender as secured party.

(d) Transfer of Assets. Grantor will not directly or indirectly sell, pledge, mortgage, assign, transfer, or otherwise dispose of or create or suffer to be created any lien, security interest, charging order, or encumbrance on any of the Pledged Collateral or the assets of Issuer other than (i) the liens relating to the Loans and (ii) the lien of Commerce Bank, N.A. in certain aircraft of Issuer which exists on the date hereof.

(e) Performance of Obligations. Grantor will perform all of Grantor's obligations under the Operating Agreement prior to the time that any interest or penalty would attach against Grantor or any of the Pledged Collateral as a result of Grantor's failure to perform any of such obligations, and Grantor will do all things necessary to maintain Issuer as a limited liability company under the laws of the jurisdiction of organization and to maintain Grantor's interest as a member in Issuer in full force and effect without diminution.

(f) Operating Agreement. Grantor will not (x) suffer or permit any amendment or modification of the Operating Agreement without the prior written consent of Lender, or (y) waive, release, or compromise any rights or claims Grantor may have against any other party which arise under the Operating Agreement. Grantor will not vote under the Operating Agreement to cause Issuer to dissolve, liquidate, merge or consolidate with any other entity or take any other action under the Operating Agreement that would adversely affect the Security Interest, including, without limitation, the value or priority thereof. Grantor will not permit, suffer or otherwise consent to the issuance of any new or additional membership interests or options or other agreements granting any right to receive membership interests in Issuer.

(g) Securities. Grantor shall, or shall permit Lender to, promptly take all action necessary or appropriate to cause Lender to have sole and exclusive "control" over the Pledged Collateral, as such term is defined in Article 9 of the UCC. At all times Grantor shall take, or shall permit Lender to take, all action necessary or appropriate to create, perfect and maintain a first perfected priority security interest in the Pledged Collateral in favor of Lender. Without limiting the foregoing, Grantor shall deliver any and all certificates that evidence the Pledged Collateral together with assignments separate from certificate executed in blank relating thereto.

5. Grantor's Powers.

(a) So long as an "Event of Default" (as hereinafter defined) shall not then exist, Grantor shall be the sole party entitled (1) to exercise for any purpose any and all (i) voting rights and (ii) powers, and (2) to receive any and all distributions, in each case arising from or relating to the Pledged Collateral; provided, however, that Grantor shall not exercise such rights or

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powers, or consent to any action of either Issuer that would be in contravention of the provisions of, or constitute an Event of Default under, this Assignment or any of the Loan Documents.

(b) Upon the occurrence of an Event of Default, unless Lender designates in writing to Grantor to the contrary, all rights of Grantor provided in Section 5(a) hereof shall cease, and all voting rights and powers and rights to distributions included in the Pledged Collateral or otherwise described in such Section 5(a) shall thereupon become vested in Lender, and Lender shall thereafter have the sole and exclusive right and authority to exercise such voting rights and powers. Grantor shall execute such documents and instruments, including but not limited to, statements that Grantor no longer has the right to act as a member or otherwise relating to such change as Lender may request. Grantor agrees that Issuer may rely conclusively upon any notice from Lender that Lender has the right and authority to exercise all rights and powers of Grantor as a member under the Operating Agreement. Grantor irrevocably waives any claim or cause of action against Issuer who deals directly with Lender following receipt of such notice from Lender.

6. Lender's Appointment as Attorney-in-Fact.

(a) Grantor hereby irrevocably constitutes and appoints Lender and each officer or agent of Lender with full power of substitution, as Grantor's true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or in such attorney-in-fact's own name, from time to time in the discretion of each such attorney-in-fact following the occurrence of an Event of Default, for the purpose of carrying out the terms of this Assignment, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Assignment and, without limiting the generality of the foregoing, hereby gives each such attorney-in-fact the power and right, from and after an Event of Default, on behalf of Grantor, without notice to or assent by Grantor, to do the following:

(i) to collect and otherwise take possession of and title to any and all distributions of cash or other property due or distributable at any time after the date hereof to Grantor as a member from Issuer, whether in complete or partial liquidation or otherwise, and to prosecute or defend any action or proceeding in any court of law or equity or otherwise deemed appropriate by such attorney-in-fact for the purpose hereof;

(ii) to ask, demand, collect, receive and give acceptances and receipts for any and all moneys due and to become due under any Pledged Collateral and, in the name of Grantor or such attorney-in-fact's own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Pledged Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by such attorney-in-fact for the purpose of collecting any and all such moneys due under any Pledged Collateral whenever payable;

(iii) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Pledged Collateral, to

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effect any repairs or any insurance called for with respect to any of the Pledged Collateral by the terms of this Assignment and to pay all or any part of the premiums therefor and the costs thereof; and

(iv) (A) to direct any party liable for any payment under any of the Pledged Collateral to make payment of any and all moneys due and to become due thereunder directly to Lender or as such attorney-in-fact shall direct; (B) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Pledged Collateral; (C) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Pledged Collateral or any portion thereof and to enforce any other right in respect of any Pledged Collateral; (D) to defend any suit, action or proceeding brought against Grantor with respect to any Pledged Collateral; (E) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as such attorney-in-fact may deem appropriate; and (F) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Pledged Collateral as fully and completely as though such attorney-in-fact were the absolute owner thereof for all purposes, and to do, at the option of such attorney-in-fact at Grantor's expense, at any time, or from time to time, all acts and things which such attorney-in-fact reasonably deems necessary to protect, preserve or realize upon the Pledged Collateral and the security interest of Lender therein, in order to effect the intent of this Assignment, all as fully and effectively as Grantor might do.

Grantor hereby ratifies, to the extent permitted by law, all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) The powers conferred on each attorney-in-fact hereunder are solely to protect the interest in the Pledged Collateral of Lender and shall not impose any duty upon any such attorney-in-fact to exercise any such powers. Each such attorney-in-fact shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, managers, employees or agents shall be responsible to Grantor for any act or failure to act unless such action or failure to act constitutes gross negligence.

(c) Grantor also authorizes Lender and each officer or agent of Lender at any time and from time to time upon the occurrence of any Event of Default, to execute, in connection with the sale provided for in Section 10 of this Assignment, any endorsements, assignments or other instruments of conveyance or transfer with respect to any of the Pledged Collateral.

7. Distributions. In the event Grantor receives any distributions in respect of the Pledged Collateral that are made in violation of the Credit Agreement, Grantor will hold the same in trust for Lender and promptly transfer the property that was so distributed in the form that it was received.

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8. Performance by Lender of Grantor's Obligations. If Grantor fails to perform or comply with any of Grantor's agreements contained herein and Lender as provided for by the terms of this Assignment shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of Lender incurred in connection with such performance or compliance, together with interest thereon at the rate following a default specified in the Credit Agreement in effect from time to time shall be payable by Grantor to Lender on demand and shall constitute Liabilities secured hereby.

9. Default. Any of the following shall constitute an "Event of Default" hereunder:

(a) A failure by any Grantor to observe or perform any obligation, covenant, condition, or agreement hereof to be performed by Grantor which involves the payment of money;

(b) A failure by any Grantor to observe or perform any nonmonetary obligation, covenant, condition, or agreement hereof to be performed by Grantor;

(c) Any representation or warranty made by Grantor in this Assignment is not true and correct in any material respect; or

(d) The occurrence of any "Event of Default" under the Credit Agreement.

10. Remedies, Rights Upon Default

(a) Upon the occurrence of any Event of Default, Lender or Lender's designee may, at Lender's option, elect to become the substituted member in each or either Issuer with respect to the Pledged Collateral and Grantor shall execute or cause to be executed all documents necessary to evidence Lender so becoming substituted member. If any Event of Default shall occur, Lender or Lender's designee may exercise in addition to all other rights and remedies granted to them in this Assignment and in any other instrument or agreement securing, evidencing or relating to the Liabilities, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, Grantor expressly agrees that in any such event Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon Grantor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Pledged Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or sell or otherwise dispose of and deliver said Pledged Collateral (or contract to do so), or any part thereof, in one or more parcels at public or private sale or sales, at any exchange or broker's board or at any of Lender's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without the assumption of any credit risk. Grantor expressly acknowledges that private sales may be less favorable to a seller than public sales but that private sales shall nevertheless be deemed commercially reasonable and otherwise permitted hereunder. In view of the fact that federal and state securities laws and/or other applicable laws

may impose certain restrictions on the method by which a sale of the Pledged Collateral may be effected, Grantor agrees that upon the occurrence of an Event of Default, Lender may, from time to time, attempt to sell all or any part of the Pledged Collateral by means

of a private placement, restricting the prospective purchasers to those who will represent and agree that they are purchasing for investment only and not for distribution. In so doing, Lender may solicit offers to buy the Pledged Collateral, or any part thereof, for cash, from a limited number of investors deemed by Lender in its judgment, to be financially responsible parties who might be interested in purchasing the Pledged Collateral, and if Lender solicits such offers, then the acceptance by Lender of the highest offer obtained therefrom shall be deemed to be a commercially reasonable method of disposing of the Pledged Collateral.

Lender or Lender's designee shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of said Pledged Collateral so sold, free of any right or equity of redemption, which equity of redemption Grantor hereby releases. Grantor further agrees, at the request of Lender, to assemble the Pledged Collateral and make it available to Lender at places which Lender shall reasonably select, whether at Grantor's premises or elsewhere. Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale as provided in Section 10(d) of this Assignment. Only after so paying over such net proceeds and after the payment by Lender of any other amount required by any provision of law, including Section 9-608(1)(C) of the Code, need Lender account for the surplus, if any, to Grantor. To the extent permitted by applicable law, Grantor waives all claims, damages, and demands against Lender arising out of the repossession, retention or sale of the Pledged Collateral except in each case such as arise out of the gross negligence or willful misconduct of Lender. Any notification of intended disposition of any of the Pledged Collateral required by law will be deemed to be a reasonable authenticated notification of disposition if given at least ten (10) days prior to such disposition and such notice shall (i) describe Lender and Grantor, (ii) describe the Pledged Collateral that is the subject of the intended disposition, (iii) state the method of the intended disposition, (iv) state that Grantor is entitled to an accounting of the Liabilities and state the charge, if any, for an accounting and (v) state the time and place of any public disposition or the time after which any private sale is to be made. Lender may disclaim any warranties that might arise in connection with the sale, lease or other disposition of the Pledged Collateral and has no obligation to provide any warranties at such time.

(b) Grantor also agrees to pay all costs of Lender, including reasonable attorneys' fees and expenses, incurred with respect to the collection of any of the Liabilities or the enforcement of any of Lender's rights hereunder.

(c) Grantor hereby waives presentment, demand, or protest (to the extent permitted by applicable law) of any kind in connection with this Assignment or any Pledged Collateral. Except for notices provided for herein, Grantor hereby waives notice (to the extent permitted by applicable law) of any kind in connection with this Assignment.

(d) The proceeds of any sale, disposition or other realization upon all or any part of the Pledged Collateral shall be distributed by Lender in the following order of priorities:

first, to Lender in an amount sufficient to pay in full the expenses of Lender in connection with such sale, disposition or other realization, including all expenses, liabilities and advances incurred or made by Lender in connection therewith, including reasonable attorneys' fees and expenses;

second, to Lender until the other Liabilities are paid in full; and

finally, upon payment in full of all of the Liabilities, to Grantor, or its representative or as a court of competent jurisdiction or Grantor may direct.

Grantor agrees to indemnify and hold harmless Lender, its directors, managers, officers, employees, agents and parent, and subsidiary corporations, and each of them, from and against any and all liabilities, obligations, claims, damages, or expenses incurred by any of them arising out of or by reason of entering into this Assignment or the consummation of the transactions contemplated by this Assignment and to pay or reimburse Lender for the fees and disbursements of counsel incurred in connection with any investigation, litigation or other proceedings (whether or not Lender is a party thereto) arising out of or by reason of any of the aforesaid. Lender will promptly give Grantor written notice of the assertion of any claim which it believes is subject to the indemnity set forth in this Section 10 and will upon the request of Grantor promptly furnish Grantor with all material in its possession relating to such claim or the defense thereof to the extent that Lender may do so without breach of duty to others. Any amounts properly due under this Section 10 shall be payable to Lender immediately upon demand.

11. Limitation on Lender's Duty in Respect of Pledged Collateral Except as expressly provided in the Code, Lender shall have no duty as to any Pledged Collateral in its possession or control or in the possession or control of any agent or nominee of Lender or as to any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

12. Notices. Any notice or other communication required or permitted to be given shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier or U.S. Mail and shall be deemed given: (a) if served in person, when served; (b) if telecopied, on the date of transmission if before 3:00 p.m. (Chicago time) on a business day; provided, that a hard copy of such notice is also sent pursuant to clause (c) or (d) below; (c) if by overnight courier, on the first business day after delivery to the courier; or (d) if by U.S. Mail, on the fourth (4th) day after deposit in the mail, postage prepaid, certified mail, return receipt requested.

Notices to Grantor: MGP Ingredients, Inc.
100 Commercial Street
Atchison, KS 66002
Attention: Dick Larson
Telecopier: (913) 360-5661

Notices to Lender: Wells Fargo Bank, National Association
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attention: Becky A. Koehler
Telecopier: (612) 341-2472

13. Severability. Any provision of this Assignment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14. No Waiver; Cumulative Remedies. Lender shall not, by any act, delay, omission or otherwise, be deemed to have waived any of its rights or remedies hereunder. No waiver hereunder shall be valid except to the extent therein set forth. A waiver of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Lender would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Lender any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. Except to the extent that Lender has specifically and expressly waived such remedies in this Assignment or otherwise, the rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. Lender may resort to and realize on the Pledged Collateral simultaneously with any acts or proceedings initiated by Lender in its sole and conclusive discretion to resort to or realize upon any other sources of repayment of the Liabilities, including, but not limited to, collateral granted by other security agreements and the personal liability of Grantor and any person or corporation which has guaranteed repayment of the Liabilities. None of the terms or provisions of this Assignment may be waived, altered, modified or amended except by an instrument in writing, duly executed by Grantor and Lender.

15. Successors and Assigns; Governing Law. This Assignment and all obligations of Grantor hereunder shall be binding upon the successors and assigns of Grantor, except that Grantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Lender and shall, together with the rights and remedies of Lender hereunder, inure to the benefit of Lender and its respective successors and assigns. Neither this Assignment nor anything set forth herein is intended to, nor shall it, confer any rights on any person or entity other than the parties hereto and all third party rights are expressly negated.

16. Termination. This Assignment, and the assignments, pledges and security interests created or granted hereby, shall terminate when the Liabilities shall have been fully paid and satisfied, at which time Lender shall release and reassign (without recourse upon, or any warranty whatsoever by, Lender), and deliver to Grantor all Pledged Collateral and related documents then in the custody or possession of Lender, including termination statements under the Code, all without recourse upon, or warranty whatsoever, by Lender and at the cost and expense of Grantor.

17. Injunctive Relief. Grantor recognizes that in the event Grantor fails to perform, observe or discharge any of Grantor's obligations hereunder, no remedy of law will

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provide adequate relief to Lender, and agrees that Lender shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

18. Waiver of Subrogation. Grantor shall have no rights of subrogation as to any of the Pledged Collateral until full and complete performance and payment of the Liabilities.

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

20. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Assignment shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without regard to principles of conflicts of law. Grantor irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of Minnesota sitting in Hennepin County, Minnesota and of the United States District Court for the District of Minnesota, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Assignment or any other Loan Document to which each is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such state courts or, to the fullest extent permitted by applicable Law, in such Federal courts. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Nothing in this Assignment or in any other Loan Document shall affect any right that Lender may otherwise have to bring any action or proceeding relating to this Assignment or any other Loan Document against any Loan Party or any of its properties in the courts of any other jurisdiction.

(b) Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Assignment or the other Loan Documents in any court referred to in paragraph (1) of this section. The parties hereto hereby irrevocably waive, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Grantor irrevocably consents to service of process in the manner provided for notices in the Credit Agreement. Nothing in this Assignment will affect the right of any party hereto to serve process in any other manner permitted by applicable Law.

21. **WAIVER OF JURY TRIAL; OTHER WAIVER**. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO HEREBY WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM. THE PARTIES HERETO REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH

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KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS ASSIGNMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS ASSIGNMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[signature page to follow]

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IN WITNESS WHEREOF, Grantor has executed this Assignment or has caused the same to be executed by Grantor's duly authorized representative(s) as of the date first above written.

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its President

Signature Page Assignment of Membership Interests

ACKNOWLEDGEMENT

The undersigned hereby (a) acknowledges receipt of a copy of the foregoing Assignment of Membership Interests (Security Agreement), (b) waives any rights or requirement at any time hereafter to receive a copy of such Assignment of Membership Interests (Security Agreement) in connection with the registration of any Pledged Collateral (as defined therein) in the name of Wells Fargo Bank, National Association or its nominee or the exercise of voting rights by Wells Fargo Bank, National Association, and (c) agrees promptly to note on its books and records the transfer of the security interest in the membership interests of the undersigned as provided in such Assignment of Membership Interests (Security Agreement), including the following legend:

PURSUANT TO THAT CERTAIN ASSIGNMENT OF MEMBERSHIP INTERESTS (SECURITY AGREEMENT) DATED AS OF JULY , 2009 (AS FROM TIME TO TIME AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED), GRANTOR HAS UNDER THE CIRCUMSTANCES SPECIFIED IN SUCH ASSIGNMENT AGREEMENT EMPOWERED WELLS FARGO BANK, NATIONAL ASSOCIATION TO VOTE THE MEMBERSHIP INTERESTS AND EXERCISE ANY OTHER RIGHTS WITH RESPECT TO THE MEMBERSHIP INTERESTS OWNED BY GRANTOR PURSUANT TO SUCH ASSIGNMENT OF MEMBERSHIP INTERESTS (SECURITY AGREEMENT) WITHOUT FURTHER CONSENT BY GRANTOR.

Dated: July 21, 2009

FIREBIRD ACQUISITIONS, LLC
a Delaware limited liability company

By /s/ Timothy W. Newkirk
Name Timothy W. Newkirk
Its President & CEO

Acknowledgment Assignment of Membership Interests

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT ("**Agreement**") is made as of this 21 day of July, 2009, by MGP INGREDIENTS, INC., a Kansas corporation (hereinafter referred to as a "**Pledgor**"), to WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Wells Fargo**").

PRELIMINARY STATEMENTS:

(1) Pledgor is the owner of the number of shares in Midwest Grain Pipeline, Inc., a Kansas corporation ("**Company**"), set forth on the attached Schedule 1 (the "**Shares**"). Wells Fargo is contemporaneously with the execution of this Agreement and/or may in the future make loans to Pledgor pursuant to a Credit Agreement dated as of even date herewith (as the same may be amended or otherwise modified from time to time, the "**Credit Agreement**") between Pledgor and Wells Fargo. Capitalized terms used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Credit Agreement.

(2) The extension and/or continued extension of credit, as aforesaid, by Wells Fargo is necessary and desirable to the conduct and operation of the business of Pledgor.

(3) It is a condition precedent to the Credit Agreement that Pledgor shall make the pledge contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce Wells Fargo to enter into the Credit Agreement, Pledgor hereby covenants to Wells Fargo as follows:

SECTION 1. Pledge. Pledgor hereby pledges to Wells Fargo and grants to Wells Fargo a security interest in all of Pledgor's now owned or hereinafter acquired right, title and interest in and to the following (the "**Pledged Collateral**"):

(a) the Shares described in Schedule 1 hereto;

(b) the proceeds, if and when received, of the Shares and other instruments and documents representing the Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Shares;

(c) the proceeds, if and when received, of all additional shares of stock of Company from time to time acquired by Pledgor in any manner, the certificates and other instruments and documents representing such additional shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares;

(d) the proceeds, if and when received, of all shares of stock from time to time received or acquired by Pledgor in any manner resulting from the acquisition or formation by the issuer of the Shares of a subsidiary, the certificates and other instruments and documents representing such shares and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares; and

(e) all other property hereafter delivered to Wells Fargo in substitution for or in addition to any of the foregoing, all certificates, certificates of deposit, notes, instruments and documents representing or evidencing such property, and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof.

SECTION 2. Security for Obligations. This Agreement secures the payment and performance of all of the "Indebtedness" under the Credit Agreement (which shall be deemed to include for all purposes, any guaranty of the Obligations executed, if at all, by Pledgor in favor of Wells Fargo) (the "**Obligations**"). For the purposes of this Agreement, the term "Event of Default" is defined to mean:

A. A failure by any Pledgor to observe or perform any obligation, covenant, condition, or agreement hereof to be performed by Pledgor which involves the payment of money;

B. A failure by any Pledgor to observe or perform any nonmonetary obligation, covenant, condition, or agreement hereof to be performed by Pledgor;

C. Any representation or warranty made by Pledgor in this Assignment is not true and correct in any material respect; or

D. The occurrence of any "Event of Default" under the Credit Agreement.

SECTION 3. Delivery of Pledged Collateral. All share certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by Wells Fargo pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Wells Fargo. Wells Fargo shall have the right, at any time after the occurrence of an Event of Default, in its discretion, to transfer to or to register in the name of Wells Fargo or any of its nominees any or all of the Pledged Collateral.

SECTION 4. Representations and Warranties. Pledgor represents and warrants as follows:

(a) The Shares have been duly authorized and validly issued and are fully paid and non-assessable.

(b) Pledgor is and will be at all times the legal and beneficial owner of the Shares and the Pledged Collateral free and clear of any lien, security interest, option or other charge or encumbrance, except for security interests created in favor of Wells Fargo or as otherwise permitted pursuant to the terms of the Loan Documents.

(c) The pledge pursuant to this Agreement of any Pledged Collateral coupled with the execution of blank stock powers and Wells Fargo's possession of all original shares, creates or will create a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Obligations.

(d) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by Pledgor or (ii) for the exercise by Wells Fargo of the rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement (except as may be required in connection with such disposition by laws affecting the foreclosure of security interests generally).

(e) The certificate numbers and other information concerning the Shares are contained in Schedule 1 attached hereto and incorporated herein.

SECTION 5. Further Assurances. Pledgor agrees that at any time and from time to time, at the expense of Pledgor, Pledgor will promptly execute and deliver all further instruments, certificates and documents and take all further action that may be reasonably necessary or desirable or that Wells Fargo may reasonably request in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Wells Fargo to exercise and enforce its rights and remedies hereunder and under the Credit Agreement, the other Loan Documents and any guaranty executed by Pledgor in favor of Wells Fargo with respect to the Obligations.

SECTION 6. Pledgor's Rights; Dividends; Etc. (a) So long as no Event of Default shall have occurred and be continuing:

(i) Pledgor shall be entitled to exercise any rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement including the right to vote the Shares for any purpose allowed under Company's Certificate of Incorporation, Bylaws or applicable law; provided, however, that Pledgor shall not exercise or refrain from exercising any such right if such action would create any lien in favor of any person in respect of the Pledged Shares except as permitted herein or restrict the ability of Wells Fargo to transfer the Pledged Collateral or any proceeds thereof.

(ii) Pledgor shall be entitled to receive and retain any and all interest, dividends and distributions in respect of the Pledged Collateral; provided, however, that any and all:

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(A) proceeds, distributions and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral;

(B) proceeds and distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus; and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for any Pledged Collateral,

shall be, and shall be forthwith delivered to Wells Fargo to hold as, Pledged Collateral and shall, if and when received by Pledgor, be received in trust for the benefit of Wells Fargo, be segregated from the other property or funds of Pledgor, and be forthwith delivered to Wells Fargo as Pledged Collateral in the same form as so received (with any necessary endorsement).

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of Pledgor to receive the interest, dividends and distributions on the Pledged Collateral which Pledgor would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall cease, and all such rights shall thereupon become vested in Wells Fargo which shall thereupon have the sole right to receive and hold as Pledged Collateral such dividends, interest, distributions and payments.

(ii) All interest, dividends, distributions and payments which are received by Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of Wells Fargo, shall be segregated from other funds of Pledgor and shall be forthwith paid over to Wells Fargo as Pledged Collateral in the same form as so received (with any necessary endorsement).

SECTION 7. Transfers and Other Liens; Notice to Prior Secured Party. Pledgor agrees Pledgor will not create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement and except as otherwise permitted under the Credit Agreement.

SECTION 8. Wells Fargo Appointed Attorney-in-Fact. Upon the occurrence of an Event of Default, Pledgor hereby irrevocably appoints Wells Fargo Pledgor's attorney-in-fact, with full authority in the place and stead of Pledgor and in the name of Pledgor or otherwise, from time to time in Wells Fargo's discretion, to take any action and to execute any instrument which Wells Fargo may in its sole but reasonable discretion deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to demand, receive, endorse, hold and collect all instruments made payable to Pledgor representing any dividend or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same.

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SECTION 9. Wells Fargo May Perform. If Pledgor fails to perform any agreement contained herein, Wells Fargo may itself perform, or cause performance of, such agreement, and the reasonable expenses of Wells Fargo incurred in connection therewith shall be payable by Pledgor in accordance with Section 13.

SECTION 10. Reasonable Care. Wells Fargo shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which Wells Fargo accords its own property, it being understood that Wells Fargo shall have no responsibility for (a) ascertaining or taking action with respect to maturities, tenders or other matters relative to any Pledged Collateral, whether or not Wells Fargo has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

SECTION 11. Remedies. If any Event of Default shall have occurred and be continuing:

(a) Wells Fargo may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein and as otherwise available to it at law or in equity, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of Minnesota at that time, and Wells Fargo may also, without notice as specified below, execute upon and apply (for itself or any designee it elects) the Pledged Collateral directly toward the payment of the Obligations, and sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of Wells Fargo's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as Wells Fargo may deem commercially reasonable. Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to Pledgor of the time and place of any public sale and one publication in a local newspaper, or at least ten (10) days' notice of the time after which any private sale is to be made, shall constitute reasonable notification. Wells Fargo shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. Wells Fargo may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by Wells Fargo as Pledged Collateral and all cash proceeds received by Wells Fargo in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of Wells Fargo, be held by Wells Fargo as collateral for, and then or at any time thereafter applied (after payment of any amounts payable to Wells Fargo pursuant to Section 13) in whole or in part by Wells Fargo against, all or any part of the Obligations in such order as Wells Fargo shall elect. Any surplus of such cash or cash proceeds held by Wells Fargo and remaining after payment in full of all the Obligations shall be paid over to Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

SECTION 12. Indemnification. Neither Wells Fargo nor any of its directors, officers, agents or employees, shall be liable for any action taken or omitted to be taken by it

hereunder or in connection therewith, except for its own gross negligence or willful misconduct. Pledgor hereby agrees to indemnify and hold harmless Wells Fargo and any such agents of Wells Fargo from and against any and all liability incurred by Wells Fargo hereunder or in connection herewith, unless such liability shall be due to the gross negligence or willful misconduct on the part of Wells Fargo.

SECTION 13. Expenses. Pledgor will upon demand pay to Wells Fargo the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which Wells Fargo may incur in connection with (a) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (b) the exercise or enforcement of any of the rights of Wells Fargo hereunder, or (c) the failure by Pledgor to perform or observe any of the provisions hereof.

SECTION 14. Security Interest Absolute. (a) All rights of Wells Fargo and security interests hereunder, and all obligations of Pledgor hereunder, shall be absolute and unconditional irrespective of:

- (i) any lack of validity or enforceability of the Credit Agreement, Loan Documents, any guaranty executed by Pledgor in favor of Wells Fargo or any other agreement or instrument relating to any of the foregoing;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, Loan Documents, or any guaranty executed by Pledgor in favor of Wells Fargo;
- (iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; or
- (iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, Pledgor or any guarantor or co-maker in respect of the Obligations or Pledgor in respect of this Agreement.

(b) Wells Fargo may, furthermore, from time to time, whether before or after any of the Obligations shall become due and payable, without notice to Pledgor, take all or any of the following actions: (i) retain or obtain a security interest in any property, in addition to the Pledged Collateral, to secure any of the Obligations, (ii) retain or obtain the primary or secondary liability of any party or parties with respect to any of the Obligations, (iii) extend or renew for any period (whether or not longer than the original period) or exchange any of the Obligations or release or compromise any obligation of any nature of any party with respect thereto, (iv) surrender, release or exchange all or any part of any property, in addition to the Pledged Collateral, securing any of the Obligations, or compromise or extend or renew for any period (whether or not longer than the original period) any obligations of any nature of any party with respect to any such property, and (v) resort to the Pledged Collateral for payment of any of the

Obligations whether or not it shall have resorted to any other property securing the Obligations or shall have proceeded against any party primarily or secondarily liable on any of the Obligations.

SECTION 15. Amendments; Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by Pledgor herefrom shall in any event be effective unless the same shall be in writing and signed by Wells Fargo, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 16. Addresses for Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows: (i) if to Pledgor, to it c/o Company as provided in the Credit Agreement, and (ii) if to Wells Fargo as provided in the Credit Agreement. All notices and other communications given to any party hereto in accordance with the provisions hereof shall be deemed to have been given on the date of receipt.

SECTION 17. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until payment in full of the Obligations and the termination of any commitment by Wells Fargo with respect thereto, (b) be binding upon Pledgor, Pledgor's successors, transferees and assigns, and (c) inure, together with the rights and remedies of Wells Fargo hereunder, to the benefit of Wells Fargo and its successors, transferees and assigns.

SECTION 18. Governing Law; Jurisdiction; Consent to Service of Process.

1. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without regard to principles of conflicts of law. Pledgor irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of Minnesota sitting in Hennepin County, Minnesota and of the United States District Court for the District of Minnesota, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document to which each is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such state courts or, to the fullest extent permitted by applicable Law, in such Federal courts. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Nothing in this Agreement or in any other Loan Document shall affect any right that Wells Fargo may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or any of its properties in the courts of any other jurisdiction.

2. Pledgor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any court referred to in paragraph (1) of

this section. The parties hereto hereby irrevocably waive, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

3. Pledgor irrevocably consents to service of process in the manner provided for notices in the Credit Agreement. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable Law.

SECTION 19. **WAIVER OF JURY TRIAL; OTHER WAIVER.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO HEREBY WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM. THE PARTIES HERETO REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[Signature page follows]

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IN WITNESS WHEREOF, Pledgor has executed this Agreement as of the date first written above.

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its President

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SCHEDULE 1

Issuer	Registered Owner	Percent Ownership	Pledged Shares
Midwest Grain Pipeline, Inc., a Kansas corporation	MGP Ingredients, Inc., a Kansas corporation	100%	5,000

STOCK POWER

FOR VALUE RECEIVED, hereby sells, assigns and transfers unto () Shares of the common stock of Midwest Grain Pipeline, Inc., a Kansas corporation, standing in its name on the books of said corporation represented by Certificate No. herewith and does hereby irrevocably constitute and appoint attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated ,

MGP INGREDIENTS, INC.
a Kansas corporation

By: _____
Name: Timothy W. Newkirk
Its President

In Presence of:

Witness

Account No. 234-34802
 234-34803
 234-34804
 234-34805
 234-34806
 234-34807
 234-34808

CONTROL AGREEMENT AND ASSIGNMENT OF HEDGING ACCOUNT

WHEREAS, the undersigned, MGP INGREDIENTS, INC., a Kansas corporation (hereinafter called the "Debtor"), whose address is, 100 Commercial Street, Atchison, KS 66002 carries certain hedging accounts, including without limitation Hedging Accounts (No. 234-34802, 234-34803, 234-34804, 234-34805, 234-34806, 234-34807, 234-34808) (collectively, the "Account") with the firm of ADM INVESTOR SERVICES, INC., as brokers (hereinafter called the "Broker"), whose address is Suite 1600A, 141 W. Jackson Blvd., Chicago, Illinois 60604, for hedging transactions in commodities futures contracts; and Debtor is or will be indebted to WELLS FARGO BANK, NATIONAL ASSOCIATION, acting through its Wells Fargo Business Credit operating division, whose address is MAC N9312-040, 109 South 7th Street, 4th Floor, Minneapolis, MN 55402 (hereinafter called the "Secured Party"), pursuant to the terms of that certain Credit and Security Agreement dated as of July , 2009, by and between Debtor and the Secured Party (as the same may be amended, modified, supplement, or restated from time to time, the "Credit Agreement").

WHEREAS, pursuant to the terms of the Credit Agreement, the Debtor has granted a security interest in certain assets of the Debtor, including without limitation, the Account with Broker and each item of property (whether "investment property", as defined in Section 9-102(a)(49) of the Uniform Commercial Code in effect in the State of Minnesota, a security, a security entitlement, a commodity contract, an instrument, cash or otherwise), including all replacements or substitutions for, and proceeds of the sale or other disposition of, any of the foregoing, including without limitation, cash proceeds (i) that is or may in the future be standing to the credit of the Account, (ii) that has been received and accepted, or may in the future be received and accepted, by the Broker for credit to the Account or (iii) as to which the Broker is or may in the future become obligated by law, regulation, rule or agreement to credit to the Account (collectively, the "Account Property").

NOW, THEREFORE, it is hereby agreed by and between the parties hereto as follows:

1. The security interest of Secured Party against the Account and the Account Property is subject to the prior payment of all indebtedness of the Debtor to the Broker, as such may exist from time to time, including fees and commissions, which may have been incurred in connection with Debtor's transactions with Broker, and to Broker's lien, and the right of foreclosure thereof in connection with any indebtedness of Debtor to Broker (including any right of Broker to close out open positions without prior demand for additional margin and without prior notice); provided, however, that (a) the term "indebtedness" as used in this Section 1 shall not include any loans, advances or other extensions of credit from Broker to Debtor and (b) Broker shall have no right of set-off in connection with any such loans, advances or extensions of credit from Broker to Debtor.
2. The broker is hereby authorized and directed to pay to the Secured Party upon its demand all funds that may hereafter be withdrawable or payable out of the Account of the Debtor with the Broker, and the Debtor agrees that it will not withdraw or attempt to withdraw any Account Property from the Account except as permitted by this Control Agreement and Assignment of Hedging Account (the "Agreement"). The Secured Party is hereby authorized and fully empowered without further authority from the Debtor to request Broker to remit to the Secured Party any funds that may be due to the Debtor or to direct the transfer, liquidation, or redemption of any of the Account Property, and the Broker is hereby authorized and directed to pay to the Secured Party such sums as it shall so request or demand or to comply with such request to transfer, liquidate or redeem any of the Account Property, all without the consent of or notice to the Debtor.
3. The Debtor hereby constitutes and appoints the Secured Party its true lawful and irrevocable attorney to demand, receive, and enforce payments and to give receipts, releases, satisfactions for, and to sue for all monies

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payable to the Debtor and this may be done in the name of the Secured Party with the same force and effect as the Debtor could do had this Agreement not been made. Any and all monies or payments which may be received by the Debtor, to which the Secured Party is entitled under and by reason of this Agreement, will be received by the Debtor as trustee for the Secured Party, and will be immediately delivered in kind to the Secured Party without commingling.

4. Nothing herein contained shall be construed so as to prevent the Debtor from remaining the owner, subject to the interest of the Secured Party as it may appear, of the Account with the Broker. Until the Secured Party elects to the contrary and delivers notice of such election in writing to the Broker, the Debtor may make such additional hedging transactions in the Account with the Broker as the Broker shall be willing to accept for execution. In the event the Secured Party does make such election and does deliver such notice to the Broker, the Debtor shall not thereafter execute any transactions in the Account and the Broker shall not accept for execution any such transactions without the concurrence of the Secured Party, except transactions in liquidation of any then outstanding commodity or commodity futures positions.
5. Whenever the Secured Party deems it necessary for its protection, it shall be entitled, without the consent or concurrence of, or prior notice to the Debtor, to direct the Broker to liquidate any or all then outstanding open positions in the Debtor's Account and to direct the said Broker to pay to it, the Secured Party, the credit balance as shall exist in the Account after such liquidation and after the payment to the Broker of all the indebtedness of the Debtor to the Broker in connection with transactions in the Account; provided, however that (a) the term "indebtedness" as used in this Section 5 shall not include any loans, advances or other extensions of credit from Broker to Debtor and (b) Broker shall have no right of set-off in connection with any such loans, advances or other extensions of credit from Broker to Debtor.
6. Broker is authorized by Debtor and agrees to comply with all entitlement orders originated by Secured Party with respect to the Account, and all other requests or instructions from Secured Party regarding disposition and/or delivery of the Account Property, without further consent or direction from Debtor or any other party. Subject to Broker's rights in Section 1, upon receipt of either written or oral notice from Secured Party: (i) Broker shall promptly cease complying with entitlement orders and other instructions concerning the Account Property, including the Account, from all parties other than Secured Party; and (ii) Broker shall not make any further distributions of any Account Property to any party other than Secured Party, nor permit any further voluntary changes in the financial assets.
7. Any sum paid by the Broker from the Account of the Debtor to the Secured Party under this Agreement shall be applied by the Secured Party to the Obligations (as defined in the Credit Agreement) in such order and manner as the Secured Party may elect in its sole discretion. The receipt or receipts of the Secured Party for such funds so paid to it by the Broker shall as to the Broker operate as the receipt of the Debtor as fully and as completely as if funds had been paid to the Debtor in person and receipted for by the Debtor.
8. If at any time during the continuances of any contract or contracts, Broker may require additional margin in order to protect such contract or contracts, then Broker shall, if required by the terms of Broker's contract with Debtor, issue a margin call to Debtor. Upon notification by Broker or Debtor, the Secured Party may, in its sole discretion, advance to said Broker on behalf of the Debtor such amounts as may be required to protect such contracts, provided, however, that the Debtor shall in all respects remain liable to the Secured Party for any amounts so advanced pursuant to the terms of the Credit Agreement or any other agreement entered into between the Secured Party and the Debtor in connection with the transactions covered by this Agreement.
9. Upon written demand, the Secured Party is hereby authorized and empowered to receive from the Broker, and the Broker is authorized and directed to deliver to the

Secured Party, copies of confirmation on all contracts executed for the account of the Debtor, copies of the monthly positions and ledger account of the Debtor, and copies of any and all matters pertaining to the Account of the Debtor with the Broker.

10. In consideration for Broker's participation in the acceptance of this Agreement, the Debtor hereby agrees to indemnify and hold Broker harmless from and against any and all liabilities, claims, damages, or judgments, including court costs and reasonable attorney's fees, incurred by Broker as a result of its acceptance of this Agreement.

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11. As between the Debtor and the Secured Party, this Agreement shall remain in full force and effect until cancelled in writing by the Secured Party, or by the Debtor when and if the Debtor no longer are indebted to the Secured Party. Any cancellation of this instrument shall be without effect as to the Broker until the Broker is notified in writing by the Secured Party.

12. The Debtor hereby represents and warrants to the Secured Party that the account or accounts above assigned have not heretofore been alienated or assigned.

13. This Agreement shall be governed by the laws of the State of Illinois. This Agreement shall be binding upon the Debtor, and upon his executors, administrators or assigns, and it shall be binding upon and inure to the benefit of any successors of the Secured Party and the Broker.

[Signatures Follow]

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Dated this day of July, 2009.

SECURED PARTY:

**WELLS FARGO BANK,
NATIONAL ASSOCIATION**

By: /s/ Becky A. Koehler

Name: Becky A. Koehler

Title: Vice President

To: MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402

DEBTOR:

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk

Name: Timothy W. Newkirk

Title: President & CEO

To: 100 Commercial Street
Atchison, KS 66002

The undersigned, ADM Investor Services, Inc., whose address is Suite 1600A, 141 W. Jackson Blvd., Chicago, Illinois 60604, hereby acknowledges receipt of a copy of the above-mentioned Control Agreement and Assignment of Hedging Account, and agrees to abide by the provisions thereof, including without limitation, complying with the requests of Secured Party pursuant to Sections 2, 4, 5, 6 and 9. No previous assignment or claims against the above-described account or accounts have been received by the undersigned.

This copy received July 22, 2009.

ADM INVESTOR SERVICES, INC.

By: /s/ Marisol Paredes

Name: Marisol Paredes

Title: Compliance Supervisor

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Recording Requested By,
 And After Recording, Return To:
 WELLS FARGO BANK,
 NATIONAL ASSOCIATION
 MAC N9312-040
 109 South 7th Street, 4th Floor
 Minneapolis, MN 55402
Telecopier: (612) 341-2472
Attention: Becky A. Koehler

THE TOTAL AMOUNT OF PRINCIPAL INDEBTEDNESS SECURED BY THIS MORTGAGE SHALL NOT EXCEED, AT ANY ONE TIME, THE SUM OF \$15,000,000 AS TO THE PROPERTY LOCATED IN THE STATE OF KANSAS, INCLUDING WITHOUT LIMITATION THE COUNTIES OF ATCHISON, POTTAWATOMIE AND WYANDOTTE.

AMENDED AND RESTATED MORTGAGE, ASSIGNMENT OF RENTS AND LEASES,
 SECURITY AGREEMENT AND FIXTURE FILING

THIS AMENDED AND RESTATED MORTGAGE, ASSIGNMENT OF RENTS AND LEASES, SECURITY AGREEMENT AND FIXTURE FILING (this "**Mortgage**") is made effective as of August 31, 2009, by MGP INGREDIENTS, INC., a Kansas corporation ("**Mortgagor**"), to WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Mortgagee**").

PRELIMINARY STATEMENTS

- A. Mortgagor executed that certain Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated August 19, 2009 which was recorded on August 26, 2009, in Book 577, Page 39 in the office of the Register of Deeds of Atchison County, Kansas (the "**Original Mortgage**").
- B. Mortgagor and Mortgagee desire to amend and restate the Original Mortgage in its entirety with the terms and conditions as set forth herein.
- C. The principal indebtedness of \$15,000,000.00 stated in this Mortgage and secured by the lien of this Mortgage is the same principal indebtedness covered by the Original Mortgage and secured by the lien of the Original Mortgage, which secured an original principal indebtedness of \$15,000,000.00.
- D. Mortgagor paid the mortgage registration fee due upon the recording of the Original Mortgage with respect to the amount of the lien of such mortgage and because the amount of the lien of this amended Mortgage is equal to the amount of the lien of the Original Mortgage, no additional mortgage registration fee is due and owing upon the recording of this amended Mortgage.
- E. The preliminary statements set forth above are accurate, represent the intent of the parties hereto and are incorporated herein by reference.

ARTICLE I. MORTGAGE

1.1 Grant. For the purposes and upon the terms and conditions in this Mortgage, Mortgagor irrevocably mortgages, warrants, grants, conveys and assigns to Mortgagee, with the right of entry and possession, Mortgagor's interest in: (a) all real property located in Atchison, Pottawatomie and Wyandotte County, Kansas, and described on Exhibit A attached hereto; (b) all easements, rights-of-way and rights used in connection with or as a means of access to any portion of said real property; (c) all tenements,

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hereditaments and appurtenances thereof and thereto; (d) all right, title and interest of Mortgagor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining said real property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with said real property; (e) all buildings, improvements and landscaping now or hereafter erected or located on said real property; (f) all development rights, governmental or quasi-governmental licenses, permits or approvals, zoning rights and other similar rights or interests which relate to the development, use or operation of, or that benefit or are appurtenant to, said real property; (g) all mineral rights, oil and gas rights, air rights, water or water rights owned by Mortgagor, including without limitation, all wells, canals, ditches and reservoirs of any nature and all rights thereto, appurtenant to or associated with said real property, whether decreed or undecreed, tributary or non-tributary, surface or underground, appropriated or unappropriated, and all shares of stock in any water, canal, ditch or reservoir company, and all well permits, water service contracts, drainage rights and other evidences of any such rights; (h) all, fixtures (including, without limitation, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and (i) all interest or estate which Mortgagor now has or may hereafter acquire in said real property and all additions and accretions thereto, and all awards or payments made for the taking of all or any portion of said real property by eminent domain or any proceeding or purchase in lieu thereof, or any damage to any portion of said real property (collectively, the "**Subject Property**"). The listing of specific rights or property shall not be interpreted as a limitation of general terms.

1.2 Grant of Security Interest; Security Agreement. This Mortgage is intended to be a security agreement pursuant to the Kansas Uniform Commercial Code ("**UCC**") for any items of personal property specified above as part of the Subject Property which, under applicable law, may be subject to a security interest pursuant to the Kansas Uniform Commercial Code and which are not herein effectively made part of the real property, and Mortgagor hereby grants Mortgagee a security interest in said personal property, and in all additions thereto, substitutions therefor and proceeds thereof, for the purpose of securing all indebtedness and other obligations of Mortgagor now or hereafter secured by this Mortgage, all of which shall be deemed part of the Subject Property. Mortgagor authorizes the filing of financing and continuation statements covering said personal property from time to time and in such form as Mortgagee may require to perfect and continue the perfection of Mortgagee's lien or security interest with respect to said personal property and all the Subject Property. Mortgagor shall pay all costs of filing such statements and renewals and releases thereof and shall pay all reasonable costs and expenses of any record searches for financing statements Mortgagee may reasonably require. Without the prior written consent of Mortgagee, Mortgagor shall not create or suffer to be created any other security interest in any part of said Subject Property, including replacements and additions thereto. Upon the occurrence of any default of Mortgagor hereunder, Mortgagee shall have the rights and remedies of a secured party under the UCC as well as all other rights and remedies available at law or in equity, and, at Mortgagee's option, Mortgagee may also invoke the remedies provided in Article V of this Mortgage as to such personal property and all the portions of the Subject Property which are personal property.

1.3 Fixture Filing. Certain of the Subject Property is or will become "fixtures" (as that term is defined in the UCC) on the Subject Property. Upon recording this Security Instrument in the real property records, this Security Instrument shall be effective as a financing statement filed as a fixture filing. In addition, a carbon, photographic or other reproduction of this Security Instrument and/or any financing statement relating hereto shall be sufficient for filing and/or recording as a financing statement. The filing of any other financing statement relating to any personal property rights or interests described herein shall not be construed to diminish any right or priority hereunder.

1.4 Address. The address of the Subject Property (if known) is:

Atchison County:

1101 Commercial, 1100 Main, 1200 Main and 1300 Main, Atchison, Kansas 66002

Pottawatomie County: 210 South Leonard Street, Onaga, Kansas 66521-9796

Wyandotte County: 16 Kansas Avenue, Kansas City, Kansas 66105-1429.

Neither the failure to designate an address nor any inaccuracy in the address designated shall affect the validity or priority of the lien of this Mortgage on the Subject Property as described on Exhibit A. In the event of any conflict between the provisions of Exhibit A and said address, Exhibit A shall control.

ARTICLE II. OBLIGATIONS SECURED

2.1 Obligations Secured. Mortgagor makes this grant and assignment for the purpose of securing the following obligations (each, a “**Secured Obligation**” and collectively, the “**Secured Obligations**”):

(a) payment to Mortgagee of all sums at any time owing and performance of all other obligations arising under or in connection with that certain promissory note (“**Note**”) dated as of July 21, 2009, in the principal amount of Twenty Five Million and N0/100 Dollars (\$25,000,000), with interest as provided therein, executed by Mortgagor and payable to Mortgagee or its order, together with the payment and performance of any other indebtedness or obligations incurred in connection with the credit accommodation evidenced by the Note, whether or not specifically referenced therein; and

(b) payment and performance of all obligations of Mortgagor under this Mortgage, together with all advances, payments or other expenditures made by Mortgagee as or for the payment or performance of any such obligations of Mortgagor; and

(c) payment and performance of all obligations, if any, and the contracts under which they arise, which any rider attached to and recorded with this Mortgage recites are secured hereby; and

(d) payment to Mortgagee of all liability, whether liquidated or unliquidated, defined, contingent, conditional or of any other nature whatsoever, and performance of all other obligations, arising under any swap, derivative, foreign exchange or hedge transaction or arrangement (or other similar transaction or arrangement howsoever described or defined) at any time entered into with Mortgagee in connection with any Secured Obligation; and

(e) payment and performance of all future advances and other obligations that the then record owner of the Subject Property may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Mortgagee, when any such advance or other obligation is evidenced by a writing which recites that it is secured by this Mortgage; and

(f) all modifications, extensions and renewals of any of the Secured Obligations (including without limitation, (i) modifications, extensions or renewals at a different rate of interest, or (ii) deferrals or accelerations of the required principal payment dates or interest payment dates or both, in whole or in part), however evidenced, whether or not any such modification, extension or renewal is evidenced by a new or additional promissory note or notes.

2.2 Obligations. The term “obligations” is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, joint or several, including

without limitation, all principal, interest, charges, including prepayment charges and late charges, and loan fees at any time accruing or assessed on any Secured Obligation.

2.3 Incorporation. All terms of the Secured Obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Subject Property are hereby deemed to have notice of the terms of the Secured Obligations and to have notice, if provided therein, that: (a) the Note or any other Secured Obligation may permit borrowing, repayment and reborrowing; and (b) the rate of interest on one or more of the Secured Obligations may vary from time to time.

2.4 Future Advances. This Mortgage secures all future advances and obligations under the Secured Obligations up to the maximum principal sum of \$15,000,000 (the “**Maximum Sum**”) for the subject property located in the State of Kansas pursuant to K.S.A. 58-2236. The total amount of obligations and advances secured hereby may decrease or increase from time to time, provided that the amount of the lien shall not at any time exceed the Maximum Sum, all accrued interest thereon, and all amounts (other than principal) payable by any obligor under the Secured Obligations, including, without limitation, all taxes and insurance premiums paid or advanced by Mortgagee with respect to the Subject Property, all costs of enforcing and foreclosing on the lien of this Mortgage, and all sums expended or incurred for the protection of the security interest hereby created in the Subject Property, regardless whether the foregoing was advanced, paid, incurred or expended prior to the date hereof or at any future time or times.

ARTICLE III. ASSIGNMENT OF RENTS

3.1 Assignment. For the purposes and upon the terms and conditions set forth herein, Mortgagor irrevocably assigns to Mortgagee all of Mortgagor’s right, title and interest in, to and under all leases, licenses, rental agreements and other agreements of any kind relating to the use or occupancy of any of the Subject Property, whether existing as of the date hereof or at any time hereafter entered into, together with all guarantees of and security for any tenant’s or lessee’s performance thereunder, and all amendments, extensions, renewals and modifications thereto (each, a “Lease” and collectively, the “Leases”), together with any and all other rents, issues and profits of the Subject Property (collectively, “Rents”). This assignment shall not impose upon Mortgagee any duty to produce Rents from the Subject Property, nor cause Mortgagee to be: (a) a “mortgagee in possession” for any purpose; (b) responsible for performing any of the obligations of the lessor or landlord under any Lease; or (c) responsible for any waste committed by any person or entity at any time in possession of the Subject Property or any part thereof, or for any dangerous or defective condition of the Subject Property, or for any negligence in the management, upkeep, repair or control of the Subject Property. This is an absolute assignment, not an assignment for security only, and Mortgagee’s right to Rents is not contingent upon and may be exercised without taking possession of the Subject Property. Mortgagor agrees to execute and deliver to Mortgagee, within five (5) days of Mortgagee’s written request, such additional documents as Mortgagee may reasonably request to further evidence the assignment to Mortgagee of any and all Leases and Rents. Mortgagee, at Mortgagee’s option and without notice, may notify any lessee or tenant of this assignment of the Leases and Rents.

3.2 Protection of Security. To protect the security of this assignment, Mortgagor agrees:

(a) At Mortgagor’s sole cost and expense: (i) to perform each obligation to be performed by the lessor or landlord under each Lease and to enforce or secure the performance of each obligation to be performed by the lessee or tenant under each Lease; (ii) not to modify any Lease in any material respect, i.e. affecting the rent or other payments, length of term, identity of tenant, or substantially affect the landlord’s or tenant’s obligations thereunder; nor accept surrender under or terminate the term of any Lease; (iii) not to anticipate the Rents under any Lease; and (iv) not to waive or release any lessee or tenant of or from any Lease obligations. Mortgagor assigns to Mortgagee all of Mortgagor’s right and

power to modify the terms of any Lease (except for nonmaterial modifications as described above), to accept a surrender under or terminate the term of or anticipate the Rents under any Lease, and to waive or release any lessee or tenant of or from any Lease obligations, and any attempt on the part of Mortgagor to exercise any such rights or powers without Mortgagee's prior written consent shall be a breach of the terms hereof.

(b) At Mortgagor's sole cost and expense, to defend any action in any manner connected with any Lease or the obligations thereunder, and to pay all costs of Mortgagee, including reasonable attorneys' fees, in any such action in which Mortgagee may appear.

(c) That, should Mortgagor fail to do any act required to be done by Mortgagor under a Lease, then Mortgagee, but without obligation to do so and without notice to Mortgagor and without releasing Mortgagor from any obligation hereunder, may make or do the same in such manner and to such extent as Mortgagee deems necessary to protect the security hereof, and, in exercising such powers, Mortgagee may employ attorneys and other agents, and Mortgagor shall pay necessary costs and reasonable attorneys' fees incurred by Mortgagee, or its agents, in the exercise of the powers granted herein. Mortgagor shall give prompt notice to Mortgagee of any material default by any lessee or tenant under any Lease which continues beyond a reasonable cure period, and of any notice of default on the part of Mortgagor under any Lease received from a lessee or tenant thereunder, which continues beyond a reasonable cure period, together with an accurate and complete copy thereof.

(d) To pay to Mortgagee immediately upon demand all sums expended under the authority hereof, including reasonable attorneys' fees, together with interest thereon at the highest rate per annum payable under any Secured Obligation, and the same, at Mortgagee's option, may be added to any Secured Obligation and shall be secured hereby.

3.3 License. Mortgagee confers upon Mortgagor a license ("License") to collect and retain the Rents as, but not before, they come due and payable, until the occurrence of any Default. Upon the occurrence of any Default, the License shall be automatically revoked, and Mortgagee may, at Mortgagee's option and without notice, either in person or by agent, with or without bringing any action, or by a receiver to be appointed by a court: (a) enter, take possession of, manage and operate the Subject Property or any part thereof; (b) make, cancel, enforce or modify any Lease; (c) obtain and evict tenants, fix or modify Rents, and do any acts which Mortgagee deems proper to protect the security hereof; and (d) either with or without taking possession of the Subject Property, in its own name, sue for or otherwise collect and receive all Rents, including those past due and unpaid, and apply the same in accordance with the provisions of this Mortgage. The entering and taking possession of the Subject Property, the collection of Rents and the application thereof as aforesaid, shall not cure or waive any Default, nor waive, modify or affect any notice of default hereunder, nor invalidate any act done pursuant to any such notice. The License shall not grant to Mortgagee the right to possession, except as provided in this Mortgage. Any indemnifications of Mortgagor in favor of Mortgagee hereunder shall not extend to actions taken by Mortgagee with respect to the Subject Property or the tenants or lessees after Mortgagee's revocation of the License contained herein.

ARTICLE IV. RIGHTS AND DUTIES OF THE PARTIES

4.1 Title. Mortgagor warrants that, except as disclosed to Mortgagee prior to the date hereof in a writing which refers to this warranty, Mortgagor lawfully possesses and holds fee simple title to, or if permitted by Mortgagee in writing, a leasehold interest in, the Subject Property without limitation on the right to encumber, as herein provided, and that this Mortgage is a valid lien on the Subject Property and all of Mortgagor's interest therein.

4.2 Taxes and Assessments. Subject to the right, if any, of Mortgagor to contest payment of the following pursuant to any other agreement between Mortgagor and Mortgagee, Mortgagor shall pay prior to delinquency all taxes, assessments, levies and charges imposed: (a) by any public or quasi-public authority or utility company which are or which may become a lien upon or cause a loss in value of the Subject Property or any interest therein; or (b) by any public authority upon Mortgagee by reason of its interest in any Secured Obligation or in the Subject Property, or by reason of any payment made to Mortgagee pursuant to any Secured Obligation; provided however, that Mortgagor shall have no obligation to pay any income taxes of Mortgagee. Promptly upon request by Mortgagee, Mortgagor shall furnish to Mortgagee satisfactory evidence of the payment of all of the foregoing. Mortgagee is hereby authorized to request and receive from the responsible governmental and non-governmental personnel written statements with respect to the accrual and payment of any of the foregoing.

4.3 Performance of Secured Obligations. Mortgagor shall promptly pay and perform each Secured Obligation when due.

4.4 Liens, Encumbrances and Charges. Mortgagor shall immediately discharge any lien on the Subject Property not approved by Mortgagee in writing. The preceding sentence does not apply to liens which are exceptions to the title of the Subject Property and which are actually set forth in (i) Title Commitment No. NCS-406260 dated July 29, 2009, issued by First American Title Insurance Company as to the Subject Property located in Atchison County, Kansas, (ii) Title Commitment No. NCS-406315 dated July 27, 2009, issued by First American Title Insurance Company as to the Subject Property located in Potawatomie County, Kansas or (iii) Title Commitment No. NCS-406269 dated July 23, 2009, issued by First American Title Insurance Company as to the Subject Property located in Wyandotte County, Kansas, nor liens arising hereafter for ordinary real estate taxes and assessments. Except as otherwise provided in any Secured Obligation or other agreement with Mortgagee, Mortgagor shall pay when due all obligations secured by or reducible to liens and encumbrances which shall now or hereafter encumber the Subject Property, whether senior or subordinate hereto, including without limitation, any mechanics' liens, although if Mortgagor feels that any mechanic's lien is filed in excess of the true amount owing to the mechanic's lien claimant, Mortgagor may (so long as Mortgagor has not committed any Default hereunder) upon depositing with Mortgagee an amount equal to such claim, contest the amount and validity of such mechanic's lien, and during the entire period of such contest shall defend and indemnify Mortgagee against any loss, cost or expense incurred by Mortgagee thereby, and Mortgagor shall in any event pay the full amount of any final and nonappealable judgment resulting from such mechanic's lien at least thirty (30) days before any sale or other execution resulting from such judgment is scheduled to take place.

4.5 Insurance. Mortgagor shall insure the Subject Property against loss or damage by fire and such other risks as Mortgagee shall from time to time require. Mortgagor shall carry public liability insurance, flood insurance as may be required by applicable law and such other insurance as Mortgagee may reasonably require and which is typical for commercial properties in the vicinity of and of similar nature to the Property, including without limitation, business interruption insurance or loss of rental value insurance. Mortgagor shall maintain all required insurance at Mortgagor's expense, under policies issued by companies and in form and substance reasonably satisfactory to Mortgagee (Mortgagee hereby agrees that mortgagor's current insurers, of which Mortgagee has been advised, are satisfactory). Mortgagee, by reason of accepting, rejecting, approving or obtaining insurance, shall not incur any liability for: (a) the existence, nonexistence, form or legal sufficiency thereof; (b) the solvency of any insurer; or (c) the payment of losses. All policies and certificates of insurance shall name Mortgagee as an additional loss payee, and shall provide that the insurance cannot be terminated as to Mortgagee except upon a minimum of ten (10) days' prior written notice to Mortgagee. Immediately upon any request by Mortgagee, Mortgagor shall deliver to Mortgagee duplicates of the original copies of all such policies or certificates, with receipts evidencing annual prepayment of the premiums.

4.6 Tax and Insurance Impounds. In the event any Default occurs hereunder, and provided that a tax and insurance impound is not then being implemented by the holder of a mortgage on the Subject Property which is senior to the lien of this Mortgage, then at any time thereafter upon written notice from Mortgagee to Mortgagor, Mortgagor shall, until all Secured Obligations have been paid in full, pay to Mortgagee monthly, annually or as otherwise directed by Mortgagee an amount estimated by

Mortgagee to be equal to: (a) all taxes, assessments, levies and charges imposed by any public or quasi-public authority or utility company which are or may become a lien upon the Subject Property and will become due for the tax year during which such payment is so directed; and (b) premiums for fire, other hazard and mortgage insurance next due. If Mortgagee determines that amounts paid by Mortgagor are insufficient for the payment in full of such taxes, assessments, levies and/or insurance premiums, Mortgagee shall notify Mortgagor of the increased amount required for the payment thereof when due, and Mortgagor shall pay to Mortgagee such additional amount within thirty (30) days after notice from Mortgagee. All amounts so paid shall not bear interest, except to the extent and in the amount required by law. So long as there is no Default, Mortgagee shall apply said amounts to the payment of, or at Mortgagee's sole option release said funds to Mortgagor for application to and payment of, such taxes, assessments, levies, charges and insurance premiums. If a Default exists, Mortgagee at its sole option may apply all or any part of said amounts to any Secured Obligation and/or to cure such Default, in which event Mortgagor shall be required to restore all amounts so applied, as well as to cure any Default not cured by such application. Mortgagor hereby grants and transfers to Mortgagee a security interest in all amounts so paid and held in Mortgagee's possession, and all proceeds thereof, to secure the payment and performance of each Secured Obligation. Upon assignment of this Mortgage, Mortgagee shall have the right to assign all amounts collected and in its possession to its assignee, whereupon Mortgagee shall be released from all liability with respect thereto. The existence of said impounds shall not limit Mortgagee's rights under any other provision of this Mortgage or any other agreement, statute or rule of law. Within ninety-five (95) days following full repayment of all Secured Obligations (other than as a consequence of a foreclosure or conveyance in lieu of foreclosure of the liens and security interests securing any Secured Obligation), or at such earlier time as Mortgagee in its discretion may elect, the balance of all amounts collected and in Mortgagee's possession shall be paid to Mortgagor, and no other party shall have any right of claim thereto.

4.7 Damages; Insurance and Condemnation Proceeds.

(a) (i) All awards of damages and all other compensation payable directly or indirectly by reason of a condemnation or proposed condemnation (or transfer in lieu thereof) for public or private use affecting the Subject Property; (ii) all other claims and awards for damages to or decrease in value of the Subject Property; (iii) all proceeds of any insurance policies payable by reason of loss sustained to the Subject Property; and (iv) all interest which may accrue on any of the foregoing, are all (to the extent that such amounts are not being required to be paid to the holder of a mortgage on the Subject Property which is senior to the lien of this Mortgage) absolutely and irrevocably assigned to and shall be paid to Mortgagee. In such event, at the absolute discretion of Mortgagee, whether or not its security is or may be impaired, but subject to applicable law if any, and without regard to any requirement contained in any other Section hereof, Mortgagee may apply all or any of the proceeds it receives to its expenses in settling, prosecuting or defending any such claim and apply the balance to the Secured Obligations in any order, and release all or any part of the proceeds to Mortgagor upon any conditions Mortgagee may impose. In such event, Mortgagee may commence, appear in, defend or prosecute any assigned claim or action, and may adjust, compromise, settle and collect all claims and awards assigned to Mortgagee; provided however, that in no event shall Mortgagee be responsible for any failure to collect any claim or award, regardless of the cause of the failure.

(b) At its sole option, Mortgagee may permit insurance or condemnation proceeds held by Mortgagee to be used for repair or restoration but may impose any conditions on such use as Mortgagee deems necessary.

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4.8 Maintenance and Preservation of Subject Property. Subject to the provisions of any Secured Obligation, Mortgagor covenants:

(a) to keep the Subject Property in good condition and repair;

(b) except with Mortgagee's prior written consent, not to remove or demolish the Subject Property, nor alter, restore or add to the Subject Property (except for the replacement of equipment or fixtures with like items of similar or greater value), nor initiate or acquiesce in any change in any zoning or other land classification which affects the Subject Property;

(c) to restore promptly and in good workmanlike manner any portion of the Subject Property which may be damaged or destroyed, unless Mortgagee requires that all of the insurance proceeds be used to reduce the Secured Obligations as provided in the Section hereof entitled Damages; Insurance and Condemnation Proceeds;

(d) to comply with and not to suffer violation of any or all of the following which govern acts or conditions on, or otherwise affect the Subject Property: (i) laws, ordinances, regulations, standards and judicial and administrative rules and orders; (ii) covenants, conditions, restrictions and equitable servitudes, whether public or private; and (iii) requirements of insurance companies and any bureau or agency which establishes standards of insurability;

(e) not to commit or permit waste of the Subject Property; and

(f) to do all other acts which from the character or use of the Subject Property may be reasonably necessary to maintain and preserve its value.

4.9 Hazardous Substances; Environmental Provisions. Mortgagor represents and warrants to Mortgagee to its actual knowledge as follows:

(a) Except as disclosed to Mortgagee in writing prior to the date hereof, the Subject Property is not and has not been a site for the use, generation, manufacture, storage, treatment, disposal, release or threatened release, transportation or presence of any substances which are "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under the Hazardous Materials Laws, as defined below, and/or other applicable environmental laws, ordinances and regulations (collectively, the "Hazardous Materials").

(b) Except as disclosed to Mortgagee in Schedule 5.11 to the Credit and Security Agreement entered into between the Mortgagor and the Mortgagee dated July 21, 2009 (as same may be amended or replaced from time to time, the "**Credit Agreement**"), the Subject Property is in compliance with all laws, ordinances and regulations relating to Hazardous Materials (collectively, the "Hazardous Materials Laws"), including without limitation, the Clean Air Act, the Federal Water Pollution Control Act, the Federal Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Toxic Substances Control Act and the Occupational Safety and Health Act, as any of the same may be amended, modified or supplemented from time to time, and any other applicable federal, state or local environmental laws, and any rules or regulations adopted pursuant to any of the foregoing.

(c) Except as disclosed to Mortgagee in Schedule 5.11 to the Credit Agreement, there are no claims or actions pending or threatened against Mortgagor or the Subject Property by any governmental entity or agency, or any other person or entity, relating to any Hazardous Materials or pursuant to any Hazardous Materials Laws.

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(d) Mortgagor hereby agrees to defend, indemnify and hold harmless Mortgagee, its directors, officers, employees, agents, successors and assigns, from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including without limitation, attorneys' fees and expenses) which Mortgagee may incur as a direct or indirect consequence of the use, generation, manufacture, storage, treatment, disposal, release or threatened release, transportation or presence of Hazardous Materials in, on, under or about the Subject Property. Mortgagor shall pay to Mortgagee immediately upon demand any amounts owing under this indemnity, together with interest from the date of demand until paid in full at the highest rate of interest applicable to any Secured Obligation. MORTGAGOR'S DUTY AND OBLIGATION TO DEFEND, INDEMNIFY AND HOLD HARMLESS MORTGAGEE SHALL SURVIVE THE CANCELLATION OF THE SECURED OBLIGATIONS AND THE RELEASE OR PARTIAL RELEASE OF THIS MORTGAGE.

(c) Mortgagor shall immediately advise Mortgagee in writing upon Mortgagor's discovery of any occurrence or condition on the Subject Property, or on any real property adjoining or in the vicinity of the Subject Property, that does or could cause all or any part of the Subject Property to be contaminated with any Hazardous Materials or otherwise be in violation of any Hazardous Materials Laws, or cause the Subject Property to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Hazardous Materials Laws.

4.10 Protection of Security. Mortgagor shall, at Mortgagor's sole expense: (a) protect, preserve and defend the Subject Property and Mortgagor's title and right to possession of the Subject Property against all adverse claims; (b) if Mortgagor's interest in the Subject Property is a leasehold interest or estate, pay and perform in a timely manner all obligations to be paid and/or performed by the lessee or tenant under the lease or other agreement creating such leasehold interest or estate; and (c) protect, preserve and defend the security of this Mortgage and the rights and powers of Mortgagee under this Mortgage against all adverse claims. Mortgagor shall give Mortgagee prompt notice in writing of the assertion of any claim, the filing of any action or proceeding, or the occurrence of any damage, condemnation offer or other action relating to or affecting the Subject Property and, if Mortgagor's interest in the Subject Property is a leasehold interest or estate, of any notice of default or demand for performance under the lease or other agreement pursuant to which such leasehold interest or estate was created or exists.

4.11 Powers and Duties of Mortgagee. Mortgagee may, upon written request, without obligation to do so or liability therefor and without notice: (a) release all or any part of the Subject Property from the lien of this Mortgage; (b) consent to the making of any map or plat of the Subject Property; and (c) join in any grant of easement or declaration of covenants and restrictions with respect to the Subject Property, or any extension agreement or any agreement subordinating the lien or charge of this Mortgage. Mortgagee may from time to time apply to any court of competent jurisdiction for aid and direction in the exercise or enforcement of its rights and remedies available under this Mortgage, and may obtain orders or decrees directing, confirming or approving acts in the exercise or enforcement of said rights and remedies. Mortgagee has no obligation to notify any party of any pending sale or any action or proceeding (including, but not limited to, actions in which Mortgagor or Mortgagee shall be a party) unless held or commenced and maintained by Mortgagee under this Mortgage.

4.12 Compensation; Exculpation; Indemnification.

(a) Mortgagor shall pay Mortgagee reasonable compensation for services rendered concerning this Mortgage, including without limitation, the providing of any statement of amounts owing under any Secured Obligation. Mortgagee shall not directly or indirectly be liable to Mortgagor or any other person as a consequence of: (i) the exercise of any rights, remedies or powers granted to Mortgagee in this Mortgage; (ii) the failure or refusal of Mortgagee to perform or discharge any obligation or liability of

Mortgagor under this Mortgage or any Lease or other agreement related to the Subject Property; or (iii) any loss sustained by Mortgagor or any third party as a result of Mortgagee's failure to lease the Subject Property after any Default or from any other act or omission of Mortgagee in managing the Subject Property after any Default unless such loss is caused by the willful misconduct or gross negligence of Mortgagee; and no such liability shall be asserted or enforced against Mortgagee, and all such liability is hereby expressly waived and released by Mortgagor.

(b) Mortgagor shall indemnify Mortgagee against, and hold Mortgagee harmless from, any and all losses, damages, liabilities, claims, causes of action, judgments, court costs, attorneys' fees and other legal expenses, costs of evidence of title, costs of evidence of value, and other expenses which Mortgagee may suffer or incur: (i) by reason of this Mortgage; (ii) by reason of the performance of any act required or permitted hereunder or by law; (iii) as a result of any failure of Mortgagor to perform Mortgagor's obligations; or (iv) by reason of any alleged obligation or undertaking of Mortgagee to perform or discharge any of the representations, warranties, conditions, covenants or other obligations contained in any other document related to the Subject Property, including without limitation, the payment of any taxes, assessments, rents or other lease obligations, liens, encumbrances or other obligations of Mortgagor under this Mortgage. Mortgagor's duty to indemnify Mortgagee shall survive the payment, discharge or cancellation of the Secured Obligations and the release or satisfaction, in whole or in part, of this Mortgage.

(c) Mortgagor shall pay all indebtedness arising under this Section immediately upon demand by Mortgagee, together with interest thereon from the date of demand until paid in full at the highest rate per annum payable under any Secured Obligation. Mortgagee may, at its option, add any such indebtedness to any Secured Obligation.

4.13 Due on Sale or Encumbrance. Except as permitted by the provisions of any Secured Obligation or applicable law, if the Subject Property or any interest therein shall be sold, transferred, mortgaged, assigned, encumbered or leased, whether voluntarily, involuntarily or by operation of law (each of which actions and events is called a "Transfer"), without Mortgagee's prior written consent, THEN Mortgagee may, at its sole option, declare all Secured Obligations immediately due and payable in full. Mortgagor shall notify Mortgagee in writing of each Transfer within ten (10) business days of the date thereof.

4.14 Releases, Extensions, Modifications and Additional Security. Without notice to or the consent, approval or agreement of any persons or entities having any interest at any time in the Subject Property or in any manner obligated under any Secured Obligation (each, an "Interested Party"), Mortgagee may, from time to time, release any Interested Party from liability for the payment of any Secured Obligation, take any action or make any agreement extending the maturity or otherwise altering the terms or increasing the amount of any Secured Obligation, accept additional security, and enforce, waive, subordinate or release all or a portion of the Subject Property or any other security for any Secured Obligation. None of the foregoing actions shall release or reduce the personal liability of any Interested Party, nor release or impair the priority of the lien of this Mortgage upon the Subject Property.

4.15 Release of Mortgage. Upon satisfaction in full of the Secured Obligations, Mortgagee, without warranty, shall deliver for recording in the appropriate real property records a satisfaction or release of Mortgage for the Subject Property, or that portion thereof then covered hereby, from the lien of this Mortgage.

4.16 Subrogation. Mortgagee shall be subrogated to the lien of all encumbrances, whether or not released of record, paid in whole or in part by Mortgagee pursuant to this Mortgage or by the proceeds of any Secured Obligation.

4.17 Mortgagor Different From Obligor ("Third Party Mortgagor"). As used in this Section, the term "Obligor" shall mean each person or entity obligated in any manner under any of the Secured Obligations; and the term "Third Party Mortgagor" shall mean (1) each person or entity included in the definition of Mortgagor herein and which is not an Obligor under all of the Secured Obligations, and (2) each person or entity included in the definition of Mortgagor herein if any Obligor is not included in said definition.

(a) Representations and Warranties. Each Third Party Mortgagor represents and warrants to Mortgagee that: (i) this Mortgage is executed at an Obligor's request; (ii) this Mortgage complies with all agreements between each Third Party Mortgagor and any Obligor regarding such Third Party Mortgagor's execution hereof; (iii) Mortgagee has made no representation to any Third Party Mortgagor as to the creditworthiness of any Obligor; and (iv) each Third Party Mortgagor has established adequate means of obtaining from each Obligor on a continuing basis financial and other information pertaining to such Obligor's financial condition. Each Third Party Mortgagor agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect such Third Party Mortgagor's risks hereunder. Each Third Party Mortgagor further agrees that Mortgagee shall have no obligation to disclose to any Third Party Mortgagor any information or material about any Obligor which is acquired by Mortgagee in any manner. The liability of each Third Party Mortgagor hereunder shall be reinstated and revived, and the rights of Mortgagee shall continue if and to the extent that for any reason any amount at any time paid on account of any Secured Obligation is rescinded or must otherwise be restored

by Mortgagee, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Mortgagee in its sole discretion; provided however, that if Mortgagee chooses to contest any such matter at the request of any Third Party Mortgagor, each Third Party Mortgagor agrees to indemnify and hold Mortgagee harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Mortgagee in connection therewith, including without limitation, in any litigation with respect thereto.

(b) Waivers.

(i) Each Third Party Mortgagor waives any right to require Mortgagee to: (A) proceed against any Obligor or any other person; (B) marshal assets or proceed against or exhaust any security held from any Obligor or any other person; (C) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from any Obligor or any other person; (D) take any other action or pursue any other remedy in Mortgagee's power; or (E) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any obligations or evidences of indebtedness held by Mortgagee as security for or which constitute in whole or in part the Secured Obligations, or in connection with the creation of new or additional obligations.

(ii) Each Third Party Mortgagor waives any defense to its obligations hereunder based upon or arising by reason of: (A) any disability or other defense of any Obligor or any other person; (B) the cessation or limitation from any cause whatsoever, other than payment in full, of any Secured Obligation; (C) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of any Obligor which is a corporation, partnership or other type of entity, or any defect in the formation of any such Obligor; (D) the application by any Obligor of the proceeds of any Secured Obligation for purposes other than the purposes represented by any Obligor to, or intended or understood by, Mortgagee or any Third Party Mortgagor; (E) any act or omission by Mortgagee which directly or indirectly results in or aids the discharge of any Obligor or any portion of any Secured Obligation by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Mortgagee against any Obligor; (F) any impairment of the value of any interest in any security for the Secured Obligations or any portion thereof, including without limitation, the failure to

obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (G) any modification of any Secured Obligation, in any form whatsoever, including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, any Secured Obligation or any portion thereof, including increase or decrease of the rate of interest thereon; or (H) any requirement that Mortgagee give any notice of acceptance of this Mortgage. Until all Secured Obligations shall have been paid in full, no Third Party Mortgagor shall have any right of subrogation, and each Third Party Mortgagor waives any right to enforce any remedy which Mortgagee now has or may hereafter have against any Obligor or any other person, and waives any benefit of, or any right to participate in, any security now or hereafter held by Mortgagee. Each Third Party Mortgagor further waives all rights and defenses it may have arising out of: (1) any election of remedies by Mortgagee, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Secured Obligations, destroys such Third Party Mortgagor's rights of subrogation or such Third Party Mortgagor's rights to proceed against any Obligor for reimbursement; or (2) any loss of rights any Third Party Mortgagor may suffer by reason of any rights, powers or remedies of any Obligor in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging any Obligor's obligations.

(iii) If any of said waivers is determined to be contrary to any applicable law or public policy, such waiver shall be effective to the extent permitted by applicable law or public policy.

ARTICLE V. DEFAULT PROVISIONS

5.1 Default. The occurrence of any of the following shall constitute a "Default" under this Mortgage: (a) Mortgagor shall fail to observe or perform any obligation or agreement contained herein; (b) any representation or warranty of Mortgagor herein shall prove to be incorrect, false or misleading in any material respect when made; or (c) any material default in the payment or performance of any obligation, or any defined event of default, under any provisions of the Note or any other contract, instrument or document executed in connection with, or with respect to, any Secured Obligation, which continues after the expiration of any applicable notice and right to cure provisions contained in the relevant document describing such event of default.

5.2 Rights and Remedies. Upon the occurrence of any Default, and at any time thereafter, Mortgagee shall have all the following rights and remedies:

(a) With or without notice, to declare all Secured Obligations immediately due and payable in full.

(b) With or without notice, without releasing Mortgagor from any Secured Obligation and without becoming a mortgagee in possession, to cure any Default of Mortgagor and, in connection therewith: (i) to enter upon the Subject Property and to do such acts and things as Mortgagee deems necessary or desirable to protect the security of this Mortgage, including without limitation, to appear in and defend any action or proceeding purporting to affect the security of this Mortgage or the rights or powers of Mortgagee hereunder; (ii) to pay, purchase, contest or compromise any encumbrance, charge, lien or claim of lien which, in the judgment of Mortgagee, is senior in priority to this Mortgage, the judgment of Mortgagee being conclusive as between the parties hereto; (iii) to obtain, and to pay any premiums or charges with respect to, any insurance required to be carried hereunder; and (iv) to employ counsel, accountants, contractors and other appropriate persons to assist Mortgagee.

(c) To commence and maintain an action or actions in any court of competent jurisdiction to foreclose this Mortgage or to obtain specific enforcement of the covenants of Mortgagor under this Mortgage, and Mortgagor agrees that such covenants shall be specifically enforceable by injunction or

any other appropriate equitable remedy. For the purposes of any suit brought under this subsection, Mortgagor waives the defenses of laches and any applicable statute of limitations.

(d) To apply to a court of competent jurisdiction for and obtain appointment of a receiver of the Subject Property as a matter of strict right and without regard to: (i) the adequacy of the security for the repayment of the Secured Obligations; (ii) the existence of a declaration that the Secured Obligations are immediately due and payable; or (iii) the filing of a notice of default; and Mortgagor consents to such appointment.

(e) To take and possess all documents, books, records, papers and accounts of Mortgagor or the then owner of the Subject Property; to make or modify Leases of, and other agreements with respect to, the Subject Property upon such terms and conditions as Mortgagee deems proper; and to make repairs, alterations and improvements to the Subject Property deemed necessary, in Mortgagee's judgment, to protect or enhance the security hereof.

(f) Subject to the Kansas one-action rule, to resort to and realize upon the security hereunder and any other security now or later held by Mortgagee concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both, and to apply the proceeds received in accordance with the Section hereof entitled Application of Foreclosure Sale Proceeds all in such order and manner as Mortgagee shall determine in its sole discretion.

(g) Upon sale of the Subject Property at any judicial foreclosure, Mortgagee may credit bid (as determined by Mortgagee in its sole discretion) all or any portion of

the Secured Obligations. In determining such credit bid, Mortgagee may, but is not obligated to, take into account all or any of the following: (i) appraisals of the Subject Property as such appraisals may be discounted or adjusted by Mortgagee in its sole underwriting discretion; (ii) expenses and costs incurred by Mortgagee with respect to the Subject Property prior to foreclosure; (iii) expenses and costs which Mortgagee anticipates will be incurred with respect to the Subject Property after foreclosure, but prior to resale, including without limitation, costs of structural reports and other due diligence, costs to carry the Subject Property prior to resale, costs of resale (e.g., commissions, attorneys' fees, and taxes), Hazardous Materials clean-up and monitoring, deferred maintenance, repair, refurbishment and retrofit, and costs of defending or settling litigation affecting the Subject Property; (iv) declining trends in real property values generally and with respect to properties similar to the Subject Property; (v) anticipated discounts upon resale of the Subject Property as a distressed or foreclosed property; (vi) the existence of additional collateral, if any, for the Secured Obligations; and (vii) such other factors or matters that Mortgagee deems appropriate. Mortgagor acknowledges and agrees that: (A) Mortgagee is not required to use any or all of the foregoing factors to determine the amount of its credit bid; (B) this Section does not impose upon Mortgagee any additional obligations that are not imposed by law at the time the credit bid is made; (C) the amount of Mortgagee's credit bid need not have any relation to any loan-to-value ratios specified in any agreement between Mortgagor and Mortgagee or previously discussed by Mortgagor and Mortgagee; and (D) Mortgagee's credit bid may be, at Mortgagee's sole discretion, higher or lower than any appraised value of the Subject Property.

5.3 Application of Foreclosure Sale Proceeds. After deducting all costs, fees and expenses of sale, including costs of evidence of title and attorneys' fees in connection with a sale, all proceeds of any foreclosure sale shall be applied first, to payment of all Secured Obligations (including without limitation, all sums expended by Mortgagee under the terms hereof and not then repaid, with accrued interest at the highest rate per annum payable under any Secured Obligation), in such order and amounts as Mortgagee in its sole discretion shall determine; and the remainder, if any, to the person or persons legally entitled thereto.

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5.4 Application of Other Sums. All Rents or other sums received by Mortgagee or any agent or receiver hereunder, less all costs and expenses incurred by Mortgagee or such agent or receiver, including reasonable attorneys' fees, shall be applied to payment of the Secured Obligations in such order as Mortgagee shall determine in its sole discretion; provided however, that Mortgagee shall have no liability for funds not actually received by Mortgagee.

5.5 No Cure or Waiver. Neither Mortgagee's or any receiver's entry upon and taking possession of the Subject Property, nor any collection of Rents, insurance proceeds, condemnation proceeds or damages, other security or proceeds of other security, or other sums, nor the application of any collected sum to any Secured Obligation, nor the exercise of any other right or remedy by Mortgagee or any receiver shall impair the status of the security of this Mortgage, or cure or waive any breach, Default or notice of default under this Mortgage, or nullify the effect of any notice of default or sale (unless all Secured Obligations and any other sums then due hereunder have been paid in full and Mortgagor has cured all other Defaults), or prejudice Mortgagee in the exercise of any right or remedy, or be construed as an affirmation by Mortgagee of any tenancy, lease or option of the Subject Property or a subordination of the lien of this Mortgage.

5.6 Costs, Expenses and Attorneys' Fees. Mortgagor agrees to pay to Mortgagee immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including court costs and reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Mortgagee's in-house counsel), expended or incurred by Mortgagee pursuant to this Article V, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Mortgagee or any other person) relating to Mortgagor or in any way affecting any of the Subject Property or Mortgagee's ability to exercise any of its rights or remedies with respect thereto. All of the foregoing shall be paid by Mortgagor with interest from the date of demand until paid in full at the highest rate per annum payable under any Secured Obligation.

5.7 Power to File Notices and Cure Defaults. Mortgagor hereby irrevocably appoints Mortgagee and its successors and assigns as Mortgagor's true attorney-in-fact to perform any of the following powers, which agency is coupled with an interest: (a) to execute and/or record any notices of completion, cessation of labor, or any other notices that Mortgagee deems appropriate to protect Mortgagee's interest; and (b) upon the occurrence of any event, act or omission which with the giving of notice or the passage of time, or both, would constitute a Default, to perform any obligation of Mortgagor hereunder; provided however, that Mortgagee, as such attorney-in-fact, shall only be accountable for such funds as are actually received by Mortgagee, and Mortgagee shall not be liable to Mortgagor or any other person or entity for any failure to act under this Section.

5.8 Remedies Cumulative; No Waiver. All rights, powers and remedies of Mortgagee hereunder are cumulative and are in addition to all rights, powers and remedies provided by law or in any other agreements between Mortgagor and Mortgagee. No delay, failure or discontinuance of Mortgagee in exercising any right, power or remedy hereunder shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy.

5.9 Waiver of Rights of Redemption. Mortgagor hereby expressly waives and releases all statutory and equitable rights of redemption with respect to any foreclosure hereunder to which Mortgagor would otherwise be entitled under Kansas law, if any.

ARTICLE VI. MISCELLANEOUS PROVISIONS

6.1 No Merger. No merger shall occur as a result of Mortgagee's acquiring any other estate in, or any other lien on, the Subject Property unless Mortgagee specifically consents to a merger in writing.

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6.2 Execution of Documents. Mortgagor agrees, upon demand by Mortgagee, to execute any and all documents and instruments required to effectuate the provisions hereof.

6.3 Right of Inspection. Mortgagee or its agents or employees may enter onto the Subject Property at any reasonable time for the purpose of inspecting the Subject Property and ascertaining Mortgagor's compliance with the terms hereof.

6.4 Notices. All notices, requests and demands which Mortgagor or Mortgagee is required or may desire to give to the other party must be in writing, delivered to Mortgagee at the following address:

WELLS FARGO BANK, NATIONAL ASSOCIATION
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attention: Becky A. Koehler

and to Mortgagor at its address set forth at the signature lines below, or at such other address as either party shall designate by written notice to the other party in accordance with the provisions hereof.

6.5 Successors; Assignment. This Mortgage shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto; provided however, that this Section does not waive the provisions of the Section hereof entitled Due on Sale or Encumbrance. Mortgagee

reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Mortgagee's rights and benefits under the Note, any and all other Secured Obligations and this Mortgage. In connection therewith, Mortgagee may disclose all documents and information which Mortgagee now has or hereafter acquires relating to the Subject Property, all or any of the Secured Obligations and/or Mortgagor and, as applicable, any partners, joint venturers or members of Mortgagor, whether furnished by any Mortgagor or otherwise.

6.6 Rules of Construction. (a) When appropriate based on the identity of the parties or other circumstances, the masculine gender includes the feminine or neuter or both, and the singular number includes the plural; (b) the term "Subject Property" means all and any part of or interest in the Subject Property; (c) all Section headings herein are for convenience of reference only, are not a part of this Mortgage, and shall be disregarded in the interpretation of any portion of this Mortgage; (d) if more than one person or entity has executed this Mortgage as "Mortgagor," the obligations of all such Mortgagors hereunder shall be joint and several; and (e) all terms of Exhibit A, and each other exhibit and/or rider attached hereto and recorded herewith, are hereby incorporated into this Mortgage by this reference.

6.7 Severability of Provisions. If any provision of this Mortgage shall be held to 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 any remaining provisions of this Mortgage.

6.8 Governing Law. This Mortgage shall be governed by and construed in accordance with the laws of the State of Kansas.

6.9 Waiver of Jury Trial.

THE MORTGAGOR AND THE MORTGAGEE WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION AT LAW OR IN EQUITY OR IN ANY OTHER PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

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IN WITNESS WHEREOF, Mortgagor has executed this Mortgage as of the date first set forth above.

Mortgagor:

MGP INGREDIENTS, INC.
a Kansas corporation

Address

100 Commercial Street
Atchison, KS 66002

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President

STATE OF Kansas)
) SS.

COUNTY OF Atchison The foregoing instrument was acknowledged before me this 21st day of August, 2009, by Timothy W. Newkirk, the President of MGP Ingredients, Inc., a Kansas corporation.

/s/Marta L. Myers

Printed Name:Marta L. Myers

Notary Public in and for said County and State

My Commission Expires:01/03/2010

[SEAL]

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EXHIBIT A
(Description of Property)

Exhibit A to Mortgage and Assignment of Rents and Leases executed by MGP Ingredients, Inc., a Kansas corporation, as Mortgagor, to WELLS FARGO BANK, NATIONAL ASSOCIATION, as Mortgagee.

THE LAND REFERRED TO HEREIN IS SITUATED IN THE STATE OF KANSAS, COUNTIES OF ATCHISON, POTTAWATOMIE AND WYANDOTTE, DESCRIBED AS FOLLOWS:

Description of Property located in Atchison County, Kansas

Customer Care Center (Parcel 34)
Flour Mill Parcel (Parcel 35)
Atchison Plant (All Other Parcels)

The land referred to herein is situated in the State of Kansas, County of Atchison, described as follows:

PARCEL 3:

WEST THIRTY-FIVE FEET (35') OF LOT THREE (3), BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 4:

THE WEST HALF OF LOT TWO (2), IN BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 5:

LOT ONE (1) AND THE EAST HALF OF LOT TWO (2), IN BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 6:

THE EAST THIRTY-EIGHT AND THREE-FOURTHS FEET (38.75') OF LOT THREE (3), BLOCK TWENTY AND ONE HALF (20½), IN THAT PART OF THE CITY OF ATCHISON KNOWN AND DESIGNATED AS WEST ATCHISON.

PARCEL 7:

THE EAST ONE-HALF (E½) OF LOT FOUR (4), BLOCK TWENTY AND ONE-HALF (20½) IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 8:

THE WEST ONE-HALF (W½) OF LOT FOUR (4), BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

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PARCEL 9:

LOT FIVE (5) IN BLOCK TWENTY AND ONE-HALF (20½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 10:

THE SOUTH THIRTY FEET (30') OF LOT SIX (6), BLOCK TWENTY, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 11:

THE NORTH NINETY FEET OF LOT SIX, IN BLOCK TWENTY IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, TOGETHER WITH THE WEST VACATED THIRTY FEET OF ROBERTS STREET, WHICH ABUT ON THE EAST OF SAID NORTH NINETY FEET OF LOT SIX.

PARCEL 12:

THE EAST (E) FORTY (40) FEET OF LOT SEVEN (LT 7), IN BLOCK TWENTY (BLK 20), IN WEST ATCHISON (WA), AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 13:

THE WEST THIRTY-THREE AND THREE-FOURTHS FEET (33¾) OF LOT SEVEN (7), THE EAST ELEVEN AND ONE-FOURTH FEET (11¼') OF LOT EIGHT (8), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 14:

THE EAST THIRTY FEET (30') OF THE WEST SIXTY-TWO AND ONE-HALF FEET (62½') OF LOT EIGHT (8), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 15:

ALL OF THE WEST THIRTY-TWO AND ONE-HALF FEET (32½') OF LOT EIGHT (8), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 16:

THE EAST FORTY-SEVEN FEET (47') OF LOT TEN (10), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 17:

NORTH THIRTY FEET (30') OF THE SOUTH SIXTY FEET (60') OF LOT SIX (6), BLOCK TWENTY (20), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

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PARCEL 18:

THE EAST FIFTY-EIGHT FEET (E 58') OF LOT EIGHT (8), BLOCK TWENTY AND ONE-HALF (20½), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 19:

THE EAST (E) SEVENTY-THREE AND ONE-THIRD (73 1/3RD) FEET OF LOT SEVEN (LT 7), AND THE WEST (W) FIFTY-TWO (52) FEET OF LOT EIGHT (LT 8), BLOCK TWENTY AND ONE-HALF (BLK 20 ½) IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 20:

THE EAST THREE FEET (E 3') AND NINE INCHES (9") OF LOT SIX (6) AND THE WEST THIRTY-SIX FEET (W 36') AND EIGHT INCHES (8") OF LOT SEVEN (7), ALL IN BLOCK TWENTY AND ONE-HALF (20 ½) IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 21:

THE WEST EIGHTY-FIVE FEET (W 85') OF LOT SIX (LT 6), IN BLOCK TWENTY AND ONE-HALF (BLK 20 ½), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 22:

LOT ELEVEN (LT 11) AND THE WEST (W) THIRTY (30) FEET OF VACATED ROBERTS STREET, ALL IN BLOCK TWENTY (BLK 20), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS.

PARCEL 23:

TRACT NO. 1

LOTS 1 TO 16, BOTH INCLUSIVE, BLOCK 21½, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING SAID LOTS HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 2:

LOTS 9, 10 AND 11, BLOCK 21, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, AND THE WEST 30 FEET OF VACATED ROBERTS STREET EAST OF AND ADJOINING SAID LOT 11, EXCEPT THE FOLLOWING DESCRIBED TRACT: BEGINNING AT A POINT 14 FEET EAST OF THE SOUTHEAST CORNER OF SAID LOT 11; THENCE EAST 16 FEET TO THE CENTER LINE OF ROBERTS STREET (NOW VACATED); THENCE NORTH ALONG SAID CENTER LINE 30 FEET; THENCE SOUTHWESTERLY 34 FEET TO THE POINT OF BEGINNING, TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING THE TRACT ABOVE DESCRIBED HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 3:

LOT 6, BLOCK 21, WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, AND THE WEST 30 FEET OF VACATED ROBERTS STREET EAST OF AND ADJOINING SAID LOT, EXCEPT THE FOLLOWING DESCRIBED TRACT:

BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 6; THENCE EAST ALONG THE NORTH LINE OF SAID LOT AND THE EASTERLY CONTINUATION THEREOF 100 FEET; THENCE SOUTH 100 FEET; THENCE WEST 100 FEET TO A POINT ON THE WEST LINE OF SAID LOT 6; THENCE NORTH 100 FEET TO THE POINT OF BEGINNING, TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING THE TRACT ABOVE DESCRIBED HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 4:

LOTS 1 TO 8, BOTH INCLUSIVE, BLOCK 50, L.C. CHALLISS ADDITION, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, TOGETHER WITH ALL ADJACENT TRACTS OUT OF THE STREETS AND ALLEYS ADJOINING SAID LOTS HERETOFORE ACQUIRED, BY REVERSION, UPON THE VACATION OF SAID STREETS AND ALLEYS.

TRACT NO. 5:

ALL THAT PART OF BLOCK 28, JOHN ROBERTS' THIRD ADDITION, NOW VACATED, TOGETHER WITH A PORTION OF UTAH AVENUE ADJACENT THERETO, NOW VACATED, IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT ON THE SOUTH LINE OF UTAH AVENUE (NOW VACATED) APPROXIMATELY 165 FEET WEST OF THE NORTHEAST CORNER OF SAID BLOCK 28, MEASURED ALONG THE NORTH LINE OF SAID BLOCK (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF THE MISSOURI PACIFIC RAILROAD CO. TRACK NO. 17-137); THENCE SOUTHWESTERLY ALONG A LINE MAKING A SOUTHWEST ANGLE OF 54°14' WITH SAID NORTH LINE OF SAID BLOCK 28 A DISTANCE OF 70 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK 17-137); THENCE NORTHWESTERLY AT RIGHT ANGLES TO THE LAST DESCRIBED COURSE 10 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF THE MISSOURI PACIFIC RAILROAD CO. TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 82°53' TO THE LEFT OF THE LAST DESCRIBED COURSE 80 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 10°03' TO THE RIGHT OF THE LAST DESCRIBED COURSE 67.5 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 9°32' TO THE RIGHT OF THE LAST DESCRIBED COURSE 67.5 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 5°32' TO THE RIGHT OF THE LAST DESCRIBED COURSE 67.5 FEET TO A POINT (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 5° TO THE RIGHT OF THE LAST DESCRIBED COURSE 136 FEET, MORE OR LESS, TO A POINT ON THE WEST LINE OF SAID BLOCK 28 (SAID POINT BEING 9 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES TO, THE CENTER LINE OF SAID TRACK NO. 17-138); THENCE NORTHWESTERLY ALONG THE WEST LINE OF SAID BLOCK 28 AND THE EXTENSION THEREOF 285 FEET, MORE OR LESS, TO THE CENTER LINE OF VACATED UTAH AVENUE; THENCE EAST ALONG THE CENTER LINE OF VACATED UTAH AVENUE 445 FEET, THENCE SOUTHWESTERLY ALONG A LINE TURNING AN ANGLE OF 114°18' TO THE RIGHT OF THE LAST DESCRIBED COURSE 44.6 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

PARCEL 24:

LOT 8, IN BLOCK 21, AND THAT PART OF THE CITY OF ATCHISON USUALLY KNOWN AND DESIGNATED AS WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON, KANSAS, ATCHISON COUNTY, KANSAS.

PARCEL 25:

THE NORTH ONE HUNDRED FEET (N 100') OF LOT SEVEN (7), IN BLOCK TWENTY-ONE (21), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 26:

THE SOUTH (S) FIFTY (50) FEET OF LOT SEVEN (LT 7), BLOCK TWENTY-ONE (BLK 21), IN WEST ATCHISON (WA), AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, ACCORDING TO THE RECORDED PLAT THEREOF.

PARCEL 27:

THE EAST FIFTY-SIX FEET (56') OF LOT TWENTY (20), IN BLOCK TWENTY-TWO (22), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 28:

EAST TWENTY-SIX FEET TEN INCHES (26'10") OF LOT SEVENTEEN (17), BLOCK TWENTY-TWO (22), WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 29:

THE NORTH EIGHTY-SEVEN AND ONE-HALF FEET (N 87½') OF LOTS ONE (1) AND TWO (2), IN BLOCK TWENTY-TWO (22), IN WEST ATCHISON.

PARCEL 30:

THE SOUTH SIXTY-TWO AND ONE-HALF FEET (62½') OF LOT ONE (1) AND THE SOUTH SIXTY-TWO AND ONE-HALF FEET (62½') OF LOT TWO (2), EXCEPT THE WEST TWENTY-FIVE FEET (25') OF SAID LOT TWO (2), ALL IN BLOCK TWENTY-TWO (22), IN WEST ATCHISON, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 33:

THE NORTH SEVENTY-FOUR FEET (N 74') OF LOTS ONE (1), TWO (2), ALL OF LOTS THREE THROUGH FOURTEEN, INCLUSIVE, (3-14) IN BLOCK FORTY (40).

PARCEL 34:

THE SOUTH FIFTY FEET (S. 50') OF LOTS THIRTY-SIX (36), THIRTY-SEVEN (37), THIRTY-EIGHT (38) AND THIRTY-NINE (39), IN BLOCK THIRTY-NINE (39), IN L.C. CHALLISS, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 35:

TRACT NO. 1:

THE NORTH ONE HUNDRED TEN (110) FEET OF LOTS ELEVEN (11) TO TWENTY-ONE (21) INCLUSIVE, IN BLOCK THIRTY-TWO (32), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, ACCORDING TO THE PLAT THEREOF ON FILE AND OF RECORD IN THE OFFICE OF THE REGISTER OF DEEDS OF SAID ATCHISON COUNTY, INCLUDING THE FOLLOWING PORTIONS OF VACATED STREETS ADJACENT THERETO, VIZ.: THE VACATED SOUTH ELEVEN AND ONE HALF (11 ½) FEET OF MAIN STREET FROM THE CENTER OF 11TH STREET TO THE EAST LINE OF LOT ELEVEN (11) IN SAID BLOCK AND THE VACATED PORTION OF 11TH STREET FROM MAIN STREET TO THE SOUTH LINE OF SAID 110-FOOT STRIP.

TRACT NO. 2:

THE NORTH ONE HUNDRED TEN (110) FEET OF LOTS ONE (1) TO TWENTY-FOUR (24), INCLUSIVE, IN BLOCK FORTY-ONE (41), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, ACCORDING TO THE PLAT THEREOF ON FILE AND OF RECORD IN THE OFFICE OF THE REGISTER OF DEEDS OF SAID ATCHISON COUNTY, INCLUDING THE FOLLOWING PORTIONS OF VACATED STREETS AND ALLEYS ADJACENT THERETO, VIZ: THE VACATED ALLEY FROM MAIN STREET TO THE SOUTH LINE OF SAID 110-FOOT STRIP BETWEEN LOTS NINETEEN (19) AND TWENTY (20) IN SAID BLOCK FORTY-ONE (41) THE VACATED SOUTH ELEVEN AND ONE-HALF (11 ½) FEET OF MAIN STREET FROM THE CENTER OF 11TH STREET TO THE CENTER OF 12TH STREET, THE VACATED WEST HALF OF 11TH STREET FROM MAIN STREET TO THE SOUTH LINE OF SAID 110 FOOT STRIP AND THE VACATED EAST HALF OF 12TH STREET FROM MAIN STREET TO THE SOUTH LINE OF SAID 110-FOOT STRIP.

TRACT NO. 3:

THE EAST ONE HUNDRED FEET (E 100') OF THE NORTH HALF (N ½) OF BLOCK FIFTY (50), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, EXCEPTING THEREFROM A TRACT OF LAND DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE EAST LINE OF SAID BLOCK NO. FIFTY (50) WHICH IS 76.4 FEET SOUTH OF THE NORTHEAST CORNER OF SAID BLOCK, RUNNING THENCE IN A SOUTHWESTERLY DIRECTION 114.6 FEET TO A POINT WHICH IS 97 FEET WEST OF THE EAST LINE OF SAID BLOCK NO. FIFTY (50), THENCE RUNNING EAST 28.1 FEET, THENCE RUNNING IN A NORTHEASTERLY DIRECTION 84.1 FEET TO A POINT WHICH IS 94.1 FEET SOUTH OF THE NORTHEAST CORNER OF SAID BLOCK NO. FIFTY (50), THENCE RUNNING NORTH 17.7 FEET TO THE POINT OF BEGINNING; AND ALSO EXCEPT BEGINNING AT POINT IN THE EAST LINE OF LOT ONE (1), BLOCK FIFTY (50), IN L.C. CHALLISS ADDITION, 127.5 FEET SOUTH OF THE NORTH LINE OF SAID BLOCK FIFTY (50); THENCE SOUTH 10 FEET MORE OR LESS TO THE NORTHERLY RIGHT OF WAY LINE OF THE MISSOURI PACIFIC RAILROAD COMPANY; THENCE EASTERLY ALONG SAID NORTHERLY RIGHT OF WAY LINE 3 FEET MORE OR LESS TO SAID RAILROAD COMPANY'S NORTHWESTERLY RIGHT OF WAY LINE; THENCE NORTHEASTERLY ALONG SAID NORTHWESTERLY RIGHT OF WAY LINE 70 FEET; THENCE SOUTHWESTERLY 68 FEET MORE OR LESS, TO THE POINT OF BEGINNING. ALSO EXCEPTING THEREFROM: COMMENCING AT A POINT ON THE CENTER LINE OF 12TH STREET, 1/3 FEET SOUTH OF THE SOUTH LINE OF MAIN STREET, THENCE SOUTH ALONG THE CENTER LINE OF 12TH STREET, 66 FEET, THENCE WEST ON A LINE AT RIGHT ANGLES TO THE CENTER LINE OF 12TH STREET 111.6 FEET, THENCE IN A NORTHEASTERLY DIRECTION TO THE POINT OF BEGINNING, AND THAT PART OF VACATED 12TH STREET ADJACENT THERETO.

TRACT NO. 4:

ALL OF LOTS TWENTY-FIVE (25) AND TWENTY-SIX (26) AND THE WEST 0.50 FEET OF LOT TWENTY-SEVEN (27), IN BLOCK FORTY (40), IN L.C. CHALLISS ADDITION, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 36:

THE SOUTH 76 FEET OF LOTS ONE (1) AND TWO (2), IN BLOCK FORTY (40), L.C. CHALLIS ADDITION, AN ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 37:

LOTS FIFTEEN (15) AND SIXTEEN (16), IN BLOCK FORTY (40), L.C. CHALLISS ADDITION, AN ADDITION TO THE CITY OF ATCHISON.

PARCEL 38:

LOT SEVENTEEN (17), AND THE EAST TEN (10) FEET OF LOT EIGHTEEN (18), BLOCK FORTY (40) IN THE L.C. CHALLIS ADDITION TO THE CITY OF ATCHISON.

PARCEL 39:

LOT NINETEEN (19) AND THE WEST FIFTEEN FEET (W. 15') OF LOT EIGHTEEN (18), IN BLOCK FORTY (40), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 40:

ALL OF LOTS 35 TO 38 INCLUSIVE, IN BLOCK 40, L.C. CHALLIS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, EXCEPT THAT PART OF THE SAME THAT IS SOUTH OF THE MOST NORTHWESTERLY RIGHT OF WAY LINE OF THE MISSOURI PACIFIC RAILROAD CO. AND RUNNING THROUGH SAID LOTS IN BLOCK 40, L.C. CHALLIS ADDITION.

PARCEL 42:

ALL OF LOTS 39 AND 40 OF BLOCK 40 OF THE L. C. CHALLIS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS, AND ALL THOSE PORTIONS OF LOTS 31, 32, 33, 34, 36, 35, 36, 37 AND 38 OF SAID BLOCK 40 THAT LIE SOUTHEASTERLY AND EASTERLY OF THE SOUTHEASTERLY LINE OF THAT CERTAIN STRIP OF LAND DESCRIBED IN GENERAL WARRANTY DEED DATED OCTOBER 14, 1929, FROM MISSOURI PACIFIC RAILROAD COMPANY TO PILLSBURY FLOUR MILLS COMPANY, IDENTIFIED IN THE MISSOURI PACIFIC RAILROAD DEED RECORDS AS DOCUMENT NO. 1600306#3-2. ALSO THE NORTH 30 FEET OF LOT 42 OF BLOCK 40 OF THE L.C. CHALLIS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 43:

LOTS FIVE, SIX, SEVEN, EIGHT, NINE AND TEN (5, 6, 7, 8, 9 AND 10), BLOCK FORTY-THREE (43), IN L. C. CHALLISS ADDITION TO THE CITY OF ATCHISON, EXCEPT THAT PART HEREOF

DESCRIBED AS FOLLOWS; COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT TEN (10), BLOCK FORTY-THREE (43), L.C. CHALLISS ADDITION, THENCE EAST ALONG THE SOUTH LINE OF LOTS TEN (10) TO FIVE (5), INCLUSIVE TO THE SOUTHEAST CORNER OF SAID LOT FIVE (5), BLOCK FORTY-THREE (43), L.C. CHALLISS ADDITION, THENCE NORTH ALONG THE EAST LINE OF SAID LOT FIVE (5), A DISTANCE OF SEVENTY-FIVE AND SIX-TENTHS (75.6) FEET, THENCE SOUTHWEST TO THE PLACE OF BEGINNING. AND ALL OF LOTS ELEVEN, TWELVE, THIRTEEN, FOURTEEN AND FIFTEEN (11, 12, 13, 14 AND 15), BLOCK FORTY-THREE (43), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 44:

LOTS ONE (1) THROUGH SIXTEEN (16), INCLUSIVE, AND LOT TWENTY-TWO (22), IN BLOCK FORTY-EIGHT (48), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS; AND A TRACT IN THE SOUTHEAST QUARTER (SE ¼) OF THE NORTHWEST QUARTER (NW ¼) OF THE SECTION ONE (1), TOWNSHIP SIX (6), RANGE TWENTY (20), DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE WEST LINE OF THIRTEENTH STREET IN THE CITY OF ATCHISON, 320 FEET NORTHWARDLY FROM THE INTERSECTION OF SAID WEST LINE WITH THE EAST AND WEST CENTER LINE OF SAID SECTION 1, THENCE SOUTHWARDLY ALONG SAID WEST LINE 15 FEET MORE OR LESS TO A POINT IN THE NORTHWESTERLY LINE OF A TRACT OF LAND CONDEMNED BY THE CITY OF ATCHISON PURSUANT TO ORDINANCE NO. 3966, REPORT OF CONDEMNATION BEING RECORDED IN BOOK 234, PAGE 523, OF THE REGISTER OF DEEDS' OFFICE FOR ATCHISON COUNTY, THENCE SOUTHWESTWARDLY ALONG SAID NORTHWESTERLY LINE TO A POINT IN THE PROLONGATION SOUTHERLY OF THE EAST LINE OF FOURTEENTH STREET, THENCE NORTHWARDLY ALONG SAID PROLONGATION 390' MORE OR LESS TO AN INTERSECTION WITH THE SOUTHEASTERLY LINE OF PROPERTY OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, THENCE NORTHEASTWARDLY ALONG SAID SOUTHEASTERLY LINE 610 FEET MORE OR LESS TO A POINT IN THE WEST LINE OF THIRTEENTH STREET VACATED UNDER ORDINANCE NO. 3192 DATED MAY 24, 1915, THENCE EASTWARDLY BY A STRAIGHT LINE AT RIGHT ANGLES TO SAID WEST LINE OF THIRTEENTH STREET 30 FEET TO THE CENTER LINE OF SAID THIRTEENTH STREET VACATED, THENCE SOUTHWARDLY ALONG SAID CENTER LINE 400 FEET MORE OR LESS TO THE SOUTHERLY LINE OF THAT PART OF THIRTEENTH STREET VACATED UNDER SAID ORDINANCE, THENCE WESTWARDLY ALONG SAID SOUTHERLY LINE 30 FEET TO THE POINT OF BEGINNING, CONTAINING 5.85 ACRES MORE OR LESS.

PARCEL 45:

LOTS ONE AND TWO (1 & 2) AND THE NORTH SIXTY-FIVE FEET (N 65') AND THE EAST HALF (E ½) OF THE SOUTH EIGHTY-FIVE FEET (S 85') OF LOT THREE (3) IN BLOCK FIFTY-ONE (51), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 46:

LOTS THIRTEEN AND FOURTEEN (LTS 13 & 14), BLOCK FIFTY-ONE (BLK 51), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 47:

PARCEL 48:

LOTS NINETEEN (19), TWENTY (20), TWENTY-ONE (21) AND TWENTY-TWO (22), BLOCK FIFTY-ONE (51), L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON, ATCHISON COUNTY, KANSAS.

PARCEL 49:

LOTS FIFTEEN (15), SIXTEEN (16), SEVENTEEN (17), AND EIGHTEEN (18), BLOCK FIFTY-ONE (51), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

PARCEL 50:

THE WEST ONE-HALF (1/2) OF THE SOUTH EIGHTY-FIVE FEET (S 85°) OF LOT THREE (3), AND ALL OF LOTS FOUR THROUGH TWELVE (4-12), BLOCK FIFTY-ONE (51), IN L.C. CHALLISS ADDITION TO THE CITY OF ATCHISON.

Description of Property located in Pottawatomie County, Kansas

(Onaga Manufacturing Facility)

The land referred to herein is situated in the State of Kansas, County of Pottawatomie, described as follows:

A tract of land located in the Northeast Quarter of the Southeast Quarter of Section 34, Township 6 South, Range 11 East of the 6th P.M. in Pottawatomie County, Kansas, more particularly described as follows:

Commencing at the point of intersection of the center line of the Union Pacific Railroad Company main track, as located in August, 1988 with the East Right-of-Way line of Leonard Street, a public street; thence along the East Right-of-Way line of said Leonard Street South 394.00 feet to the Northwest corner of the Kermit Fairbanks tract as described on Page 144 of Book 164 at the Pottawatomie County Register of Deeds; thence along the Northerly line or extended Northerly line of the said Fairbanks tract and the Northerly line of the Onaga Area Community Center Fund tract as described on Page 355 of Book 228 at the Pottawatomie County Register of Deeds, being the Southerly line of the Onaga Waterworks Tract, S. 82°52'25" E. 280.00 feet to the point of beginning, being corner 1, marked by a one-half inch iron bar; said corner 1 being the Southeast corner of the said Onaga City Waterworks Tract; thence continuing along the Northerly line of said Onaga Area Community Center Fund Tract, S 82°52'25" E. 35.54 feet to the Northeast corner of the said Onaga Area Community Center Fund Tract, being Corner 2, marked by a one-half inch iron bar; thence along the Easterly line of the said Onaga Area Community Center Fund Tract, being parallel to and 214.00 feet perpendicular from the Easterly line of the said Fairbanks Tract, South 382.01 feet to the Northerly Right-of-Way line of a public road, known as the John Selbach Road, being corner 3 marked by a one-half inch iron bar; thence traversing along the Northerly Right-of-Way line of said John Selbach Road the following three courses:

(1) S. 64°27'15" E., 312.76 feet to Corner 4, marked by a one-half inch iron bar;

(2) on a curve to the left with a radius of 640.87 feet an arc length of 209.85 feet, chord of said curve bears S. 73°50'04" E. 208.91 feet to Corner 5, marked by a one-half inch iron bar;

(3) S. 83°12'53" E. 123.97 feet to the Southwesterly Right-of-way line of the Union Pacific Railroad Company, being corner 6, marked by a one-half inch iron bar, said Corner 6 being 740.27 feet S. 0°11'13" W. and 387.41 feet N. 89°48'47" W. from the East Quarter corner of said Section 34; thence along the Southwesterly right-of-way line of the Union Pacific Railroad Company on a curve to the left with a radius of 3762.74 feet (chord definition) an arc length of 936.82 feet, chord of said curve bears N. 43°19'52" W., 934.40 feet to Corner 7, marked by a one-half inch iron bar, said corner 7 being on the Easterly line of the said Onaga City Waterworks tract thence along the Easterly line of the said Onaga City Waterworks tract South 85.58 feet to the point of beginning, containing 3.83 acres, as described in Deed Book 461 Page 48.

Description of Property located in Wyandotte County, Kansas

(KCK Lot)

The land referred to herein is situated in the State of Kansas, County of Wyandotte, described as follows:

TRACT 1:

A TRACT OF LAND IN THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 11 SOUTH, RANGE 25 EAST OF THE SIXTH PRINCIPAL MERIDIAN IN KANSAS CITY, WYANDOTTE COUNTY, KANSAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHICH IS 27.22 FEET NORTH OF THE CENTER LINE OF VACATED CARR AVENUE AND 347.50 FEET EAST OF THE EAST RIGHT-OF-WAY LINE OF VACATED 1ST STREET AS SAID RIGHTS-OF-WAY ARE NOW ESTABLISHED, SAID POINT ALSO BEING 1513.24 FEET NORTH AND 1461.42 FEET EAST OF THE SOUTHWEST CORNER OF THE SOUTHEAST QUARTER OF SAID SECTION 15;

THENCE NORTH 0° 20' 15" WEST, 2.78 FEET, ALONG A LINE PARALLEL WITH AND 347.50 FEET EAST OF THE EAST RIGHT-OF-WAY LINE OF VACATED 1ST STREET, TO A POINT ON THE NORTH LINE OF VACATED CARR AVENUE, SAID POINT ALSO BEING THE SOUTHEAST CORNER OF LOT 14, BLOCK 10 IN "MCALPINES ADDITION TO ARMOURDALE";

THENCE NORTH 0° 16' 33" WEST, 407.70 FEET, ALONG A LINE WHICH MAKES AN ANGLE OF 90° 05' IN THE NORTHWEST QUADRANT WITH THE NORTH LINE OF VACATED CARR AVENUE;

THENCE NORTH 61° 33' 27" EAST, 379.10 FEET;

THENCE NORTH 28° 23' 27" EAST, 131.33 FEET TO THE SOUTHWEST CORNER OF A TRACT OF LAND CONVEYED TO THE UNION PACIFIC RAILROAD COMPANY BY SWIFT & COMPANY, AS RECORDED IN BOOK 2490 AT PAGE 301 ON JANUARY 5, 1976;

THENCE SOUTHEASTERLY 495.71 FEET, ALONG A CURVE CONCAVE TO THE SOUTHWEST, HAVING A RADIUS OF 433.11 FEET THROUGH A CENTRAL ANGLE OF 65° 43' 17" AND TO WHICH THE CENTER OF SAID CURVE BEARS SOUTH 1° 06' 57" WEST, TO A POINT 15.0 FEET WESTERLY AND AT RIGHT ANGLES TO THE CENTER OF THE ARMOURDALE SPUR OF THE UNION PACIFIC RAILROAD, AS NOW ESTABLISHED;

THENCE SOUTH 14° 50' 16" EAST, 233.82 FEET, ALONG A LINE PARALLEL WITH AND 15.0 FEET WESTERLY FROM THE CENTER LINE OF SAID SPUR TRACK;

THENCE SOUTHEASTERLY 245.16 FEET, ALONG A CURVE CONCAVE TO THE SOUTHWEST, TANGENT TO THE LAST DESCRIBED COURSE 15.00 FEET WESTERLY OF AND PARALLEL TO THE CENTER LINE OF SAID SPUR TRACK, HAVING A RADIUS OF 2774.03 FEET THROUGH A CENTRAL ANGLE OF 5° 03' 50", TO A POINT;

THENCE SOUTHERLY 65.74 FEET, ALONG A NON-TANGENT CURVE CONCAVE TO THE WEST, HAVING A RADIUS OF 463.34 FEET THROUGH A CENTRAL ANGLE OF 8° 08' 09" AND TO WHICH THE CENTER OF THE CIRCLE OF SAID CURVE BEARS SOUTH 81° 36' 03" WEST, TO A POINT WHICH IS 20.46 FEET WESTERLY OF AND PARALLEL TO THE CENTER LINE OF SAID SPUR TRACK;

THENCE NORTH 84° 28' 27" WEST, 904.85 FEET, TO THE POINT OF BEGINNING OF THE TRACT HEREIN DESCRIBED, LESS THAT PART TAKEN OR USED FOR ROAD PURPOSES.

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CONTAINING 517,722 SQUARE FEET OR 11.8853 ACRES, MORE OR LESS.

TRACT 2:

EASEMENT RIGHTS IN THE FOLLOWING TRACT OF LAND:

A TRACT OF LAND IN THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 11 SOUTH, RANGE 25 EAST OF THE SIXTH PRINCIPAL MERIDIAN IN KANSAS CITY, WYANDOTTE COUNTY, KANSAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE NORTH RIGHT-OF-WAY LINE OF BERGER AVENUE, AS NOW ESTABLISHED, SAID POINT BEING 343.29 FEET EAST OF THE EAST RIGHT-OF-WAY LINE OF 1ST STREET, VACATED BY ORDINANCE NO. 40124, SAID POINT ALSO BEING 906.0 FEET NORTH AND 1460.79 FEET EAST OF THE SOUTHWEST CORNER OF THE SOUTHEAST QUARTER OF SAID SECTION 15;

THENCE NORTH 87° 28' 40" EAST 471.80 FEET, ON THE SAID NORTH RIGHT-OF-WAY LINE OF BERGER AVENUE TO THE POINT OF BEGINNING;

THENCE NORTH 02° 31' 20" WEST 33.40 FEET TO THE BEGINNING OF A CURVE CONCAVE TO THE SOUTHEAST, HAVING A RADIUS OF 45.00 FEET;

THENCE NORTHEASTERLY 71.75 FEET ON SAID CURVE, THROUGH A CENTRAL ANGLE OF 91° 21' 20";

THENCE NORTH 88° 50' 00" EAST 148.47 FEET TO A POINT ON A COMMON LINE BETWEEN THIS EASEMENT AND AN ACCESS EASEMENT IN BOOK 4253 ON PAGE 127 NOW TERMINATED IN THE WYANDOTTE COUNTY REGISTER OF DEEDS OFFICE BEING A CURVE CONCAVE TO THE NORTHWEST, HAVING A RADIUS OF 432.30 FEET;

THENCE NORTHEASTERLY 96.20 FEET, ON SAID CURVE LINE THROUGH A CENTRAL ANGLE OF 12° 44' 59";

THENCE NORTH 35°00'53" EAST 12.06 FEET TO THE BEGINNING OF A CURVE CONCAVE TO THE NORTHWEST, HAVING A RADIUS OF 431.80 FEET;

THENCE NORTHEASTERLY 129.60 FEET, ON SAID CURVE THROUGH A CENTRAL ANGLE OF 17°11'49";

THENCE NORTH 19°23'36" EAST 134.86 FEET TO THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE SOUTHWEST, HAVING A RADIUS OF 2708.94 FEET;

THENCE NORTHWESTERLY 42.19 FEET, ON SAID CURVE THROUGH A CENTRAL ANGLE OF 00°53'32", TO THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE WEST, HAVING A RADIUS OF 423.34 FEET;

THENCE NORTHERLY 91.09 FEET, ON SAID CURVE THROUGH A CENTRAL ANGLE OF 12°19'40" TO A POINT ON THE NORTHERLY BOUNDARY OF SAID PARCEL OF LAND;

THENCE SOUTH 86°38'14"EAST 40.22 FEET ON SAID NORTHERLY BOUNDARY OF SAID PARCEL TO THE NORTHEAST CORNER OF SAID PARCEL, 20.5 FEET WESTERLY OF AND PARALLEL TO THE CENTER OF THE ARMOURDALE SPUR OF THE UNION PACIFIC RAILROAD AS NOW

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ESTABLISHED, AND THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE WEST, HAVING A RADIUS OF 463.34 FEET;

THENCE SOUTHERLY 88.70 FEET, ON SAID CURVE AND EASTERLY BOUNDARY OF SAID PARCEL THROUGH A CENTRAL ANGLE OF 10°58'07" AND THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE SOUTHWEST, HAVING A RADIUS OF 2748.94 FEET;

THENCE SOUTHEASTERLY 46.30 FEET, ON SAID CURVE AND EASTERLY BOUNDARY OF SAID PARCEL, THROUGH A CENTRAL ANGLE OF 00°57'54;

THENCE SOUTH 19°23'36" WEST 144.58 FEET ON SAID EASTERLY BOUNDARY OF SAID PARCEL TO THE BEGINNING OF A CURVE CONCAVE TO THE NORTHWEST HAVING A RADIUS OF 471.80 FEET;

THENCE SOUTHWESTERLY 141.05 FEET, ON SAID CURVE AND EASTERLY BOUNDARY OF SAID PARCEL THROUGH A CENTRAL ANGLE OF 17°07'43;

THENCE SOUTH 35°00'53" WEST 12.61 FEET ON SAID EASTERLY BOUNDARY OF SAID PARCEL, TO THE BEGINNING OF A CURVE CONCAVE TO THE NORTHWEST HAVING A RADIUS OF 472.30 FEET;

THENCE SOUTHWESTERLY 103.69 FEET, ON SAID CURVE AND EASTERLY BOUNDARY OF SAID PARCEL THROUGH A CENTRAL ANGLE OF 12°34'44";

THENCE SOUTH 88° 50' 00" WEST 175.04 FEET TO A POINT ON A CURVE CONCAVE TO THE SOUTHEAST, HAVING A RADIUS OF 15.00 FEET;

THENCE SOUTHWESTERLY AND SOUTH 23.92 FEET, THROUGH A CENTRAL ANGLE OF 91° 21' 20";

THENCE SOUTH 02° 31' 20" EAST 33.40 FEET TO A POINT ON THE SAID NORTH RIGHT-OF-WAY LINE OF BERGER AVENUE;

THENCE SOUTH 87° 28' 40" WEST 30.00 FEET ON THE SAID NORTH RIGHT-OF-WAY LINE OF BERGER AVENUE TO THE POINT OF BEGINNING, CONTAINING 28,148 SQUARE FEET OR 0.65 ACRES, MORE OR LESS.

This Mortgage was prepared by and when recorded should be mailed to:

Bryan Cave LLP
Attn: Trevor A. Jenkins
1200 Main Street, Suite 3500
Kansas City, Missouri 64105

Permanent Tax Identification Numbers described herein:

10-10-09-200-001
10-10-09-200-010
04-10-04-400-002

Street Address of Property described herein:

1301 South Front Street
Pekin, Illinois

Space above reserved for Recorder's Use Only

**THIS INSTRUMENT SHOULD BE FILED AS A MORTGAGE
AND AS A FIXTURE FILING (with future advance clause)**

THE NAME OF THE RECORD FEE SIMPLE OWNER OF THE PROPERTY IS:

**MGP INGREDIENTS, INC., a Kansas corporation,
formerly known as Midwest Grain Products, Inc., a Kansas corporation**

THE FEIN# OF THE DEBTOR IS: 48-0531-200

**MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING FUTURE
ADVANCES ARE SECURED HEREBY PURSUANT TO 735 ILCS 5/15-1302 TO THE MAXIMUM
AMOUNT OF \$25,000,000.**

**THIS LIMITATION DOES NOT INCLUDE INTEREST, ATTORNEYS' FEES, DISBURSEMENTS OR OTHER COSTS AND EXPENSES WHICH
MORTGAGEE MAY COLLECT PURSUANT TO THIS MORTGAGE (AS DEFINED HEREIN), THE LOAN DOCUMENTS (AS DEFINED HEREIN) OR
UNDER APPLICABLE LAW.**

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THIS MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Mortgage**") is executed as of August 19, 2009, by MGP INGREDIENTS, INC., a Kansas corporation ("**Mortgagor**"), to WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Mortgagee**").

ARTICLE I. MORTGAGE

1.1 **Grant.** For the purposes and upon the terms and conditions in this Mortgage, Mortgagor irrevocably mortgages, grants, conveys, assigns, bargains, sells, releases, aliens, transfers and remises to Mortgagee and its successors and assigns forever and hereby represents and warrants to Mortgagee with the right of entry and possession, and grants to mortgagee and its successors and assigns forever a continuing security interest in and to, Mortgagor's interest in: (a) all real property located in Tazewell County, Illinois, and described on Exhibit A attached hereto; (b) all easements, rights-of-way and rights used in connection with or as a means of access to any portion of said real property; (c) all tenements, hereditaments and appurtenances thereof and thereto; (d) all right, title and interest of Mortgagor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining said real property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with said real property; (e) all buildings, improvements and landscaping now or hereafter erected or located on said real property; (f) all development rights, governmental or quasi-governmental licenses, permits or approvals, zoning rights and other similar rights or interests which relate to the development, use or operation of, or that benefit or are appurtenant to, said real property; (g) all mineral rights, oil and gas rights, air rights, water or water rights, owned by Mortgagor, including without limitation, all wells, canals, ditches and reservoirs of any nature and all rights thereto, appurtenant to or associated with said real property, whether decreed or undeclared, tributary or non-tributary, surface or underground, appropriated or unappropriated, and all shares of stock in any water, canal, ditch or reservoir company, and all well permits, water service contracts, drainage rights and other evidences of any such rights; (h) all, fixtures (including, without limitation, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and (i) all interest or estate which Mortgagor now has or may hereafter acquire in said real property and all additions and accretions thereto, and all awards or payments made for the taking of all or any portion of said real property by eminent domain or any proceeding or purchase in lieu thereof, or any damage to any portion of said real property (collectively, the "**Subject Property**"). The listing of specific rights or property shall not be interpreted as a limitation of general terms.

TO HAVE AND TO HOLD the Subject Property unto Mortgagee, its successors and assigns forever, for the purposes and uses set forth in this Mortgage, and Mortgagor covenants with and warrants to Mortgagee that, at the execution and delivery of this Mortgage, Mortgagor holds fee simple title to, or if permitted in writing, a valid leasehold estate in, the Subject Property and has a good and marketable indefeasible estate therein and that the Subject Property is free from all encumbrances and claim of any other person. Mortgagor does under this Mortgage bind itself, its successors and assigns, to WARRANT AND FOREVER DEFEND the Subject Property against all claims and demands whatsoever, except as disclosed to Mortgagee prior to the date hereof in a writing that refers to this warranty.

PROVIDED, HOWEVER, that if and when Mortgagor has paid all of the Secured Obligations (defined below) and performed and observed all of the agreements, terms, conditions, provisions, and warranties relating to the Secured Obligations, this Mortgage and the estate, right, and interest of Mortgagee in and to the Subject Property shall cease and be released at the cost of Mortgagor, but otherwise, shall remain in full force and effect. Mortgagee shall be entitled to charge a reasonable release fee.

1.2 **Grant of Security Interest; Security Agreement.** This Mortgage is intended to be a security agreement pursuant to the Illinois Uniform Commercial Code ("**UCC**") for any items of personal property specified above as part of the Subject Property which, under applicable law, may be subject to a security interest pursuant to the Illinois Uniform Commercial Code and which are not herein effectively

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made part of the real property, and Mortgagor hereby grants Mortgagee a security interest in said personal property, and in all additions thereto, substitutions therefor and proceeds thereof, for the purpose of securing all indebtedness and other obligations of Mortgagor now or hereafter secured by this Mortgage, all of which shall be deemed part

of the Subject Property. Mortgagor authorizes the filing of financing and continuation statements covering said personal property from time to time and in such form as Mortgagee may require to perfect and continue the perfection of Mortgagee's lien or security interest with respect to said personal property and all the Subject Property. Mortgagor shall pay all costs of filing such statements and renewals and releases thereof and shall pay all reasonable costs and expenses of any record searches for financing statements Mortgagee may reasonably require. Without the prior written consent of Mortgagee, Mortgagor shall not create or suffer to be created any other security interest in any part of said Subject Property, including replacements and additions thereto. Upon the occurrence of any default of Mortgagor hereunder, Mortgagee shall have the rights and remedies of a secured party under the UCC as well as all other rights and remedies available at law or in equity, and, at Mortgagee's option, Mortgagee may also invoke the remedies provided in Article V of this Mortgage as to such personal property and all the portions of the Subject Property which are personal property.

1.3 Fixture Filing. Certain of the Subject Property is or will become "fixtures" (as that term is defined in the UCC) on the Subject Property. Upon recording this Security Instrument in the real property records, this Security Instrument shall be effective as a financing statement filed as a fixture filing. In addition, a carbon, photographic or other reproduction of this Security Instrument and/or any financing statement relating hereto shall be sufficient for filing and/or recording as a financing statement. The filing of any other financing statement relating to any personal property rights or interests described herein shall not be construed to diminish any right or priority hereunder.

1.4 Address. The address of the Subject Property (if known) is: 1301 South Front Street, Pekin, Illinois. Neither the failure to designate an address nor any inaccuracy in the address designated shall affect the validity or priority of the lien of this Mortgage on the Subject Property as described on Exhibit A. In the event of any conflict between the provisions of Exhibit A and said address, Exhibit A shall control.

1.5 Usury. Mortgagor represents and agrees that the proceeds of the Loan Documents will be used for the purposes specified in 815 ILCS 205/4 and that the Secured Obligations constitute a business loan which comes within the purview of said 815 ILCS 205/4.

ARTICLE II. OBLIGATIONS SECURED

2.1 Obligations Secured. Mortgagor makes this grant and assignment for the purpose of securing the following obligations (each, a "Secured Obligation" and collectively, the "Secured Obligations"):

(a) payment to Mortgagee of all sums at any time owing and performance of all other obligations arising under or in connection with that certain promissory note ("**Note**") dated as of July 21, 2009, in the principal amount of Twenty Five Million and N0/100 Dollars (\$25,000,000), with interest as provided therein, executed by Mortgagor and payable to Mortgagee or its order, together with the payment and performance of any other indebtedness or obligations incurred in connection with the credit accommodation evidenced by the Note, whether or not specifically referenced therein; and

(b) payment and performance of all obligations of Mortgagor under this Mortgage, together with all advances, payments or other expenditures made by Mortgagee as or for the payment or performance of any such obligations of Mortgagor; and

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(c) payment and performance of all obligations, if any, and the contracts under which they arise, which any rider attached to and recorded with this Mortgage recites are secured hereby; and

(d) payment to Mortgagee of all liability, whether liquidated or unliquidated, defined, contingent, conditional or of any other nature whatsoever, and performance of all other obligations, arising under any swap, derivative, foreign exchange or hedge transaction or arrangement (or other similar transaction or arrangement howsoever described or defined) at any time entered into with Mortgagee in connection with any Secured Obligation; and

(e) payment and performance of all future advances (whether obligatory or to be made at the option of Mortgagee, or otherwise) made by Mortgagee, to the same extent as if such future advances were made on the date of execution of this Mortgage, and other obligations that the then record owner of the Subject Property may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Mortgagee, when any such advance or other obligation is evidenced by a writing which recites that it is secured by this Mortgage; and

(f) all modifications, extensions and renewals of any of the Secured Obligations (including without limitation, (i) modifications, extensions or renewals at a different rate of interest, or (ii) deferrals or accelerations of the required principal payment dates or interest payment dates or both, in whole or in part), however evidenced, whether or not any such modification, extension or renewal is evidenced by a new or additional promissory note or notes.

2.2 Obligations. The term "obligations" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, joint or several, including without limitation, all principal, interest, charges, including prepayment charges and late charges, and loan fees at any time accruing or assessed on any Secured Obligation.

2.3 Incorporation. All terms of the Secured Obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Subject Property are hereby deemed to have notice of the terms of the Secured Obligations and to have notice, if provided therein, that: (a) the Note or any other Secured Obligation may permit borrowing, repayment and reborrowing; and (b) the rate of interest on one or more of the Secured Obligations may vary from time to time.

2.4 Maximum Secured Amount. The maximum amount secured by this Mortgage may decrease or increase from time to time, but shall never exceed twice the aggregate amount of the Note and each other instrument, agreement or obligation specifically described herein or in any rider attached to and recorded with this Mortgage, or otherwise incorporated herein by reference, including any of the foregoing which is incorporated into this Mortgage by a modification or similar document recorded subsequent to the date hereof. The maximum amount secured by this Mortgage shall not in any way imply that Mortgagee shall be obligated to advance any amount at any time. Advances of disbursements made by Mortgagee to protect the security, under the terms hereof, shall not be deemed to be optional advances.

2.5 Future Advances. Mortgagor acknowledges and intends that any future advances, whenever hereafter made, shall be a lien from the time this Mortgage is recorded, as provided in Section 5/15-1302(b)(1) of the Illinois Mortgage Foreclosure Law (the "**Mortgage Act**"), 735 ILCS 5/15-1101, et seq.. That portion of the obligations which comprises the principal amount then outstanding under the loans constitutes indebtedness secured by a mortgage on real property, pursuant to the terms and conditions of 205 ILCS 5/5d, Mortgagor covenants and agrees that this Mortgage shall secure the payment of all loans and advances made pursuant to the terms and provisions of the Credit Agreement, the Note and the other Loan Documents whether such loans and advances are made as of the date

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hereof or at any time in the future, and whether such future advances are obligatory or are to be made at the option of Mortgagee or otherwise (but not advances or loans made more than 20 years after the date hereof), to the same extent as if such future advances were made on the date of the execution of this Mortgage and although there may be no advances made at the time of the execution of this Mortgage and although there may be no other Secured Obligations outstanding at the time any advance is made. The lien of this Mortgage shall be valid as to all Secured Obligations, including future advances, from the time of its filing of record in the office of the Recorder of Deeds of the County in which the Subject Property is located. The total amount of the Secured Obligations may increase or decrease from time to time, but the total unpaid principal

balance of the Secured Obligations (including disbursements which Mortgagee may make under this Mortgage or any other document or instrument evidencing or securing the Secured Obligations) at any time outstanding may be substantially less but shall not exceed the amount referred to in Section 2.4 of this Mortgage. This Mortgage shall be valid and shall have priority over all subsequent liens and encumbrances, including statutory liens, except taxes and assessments levied on the Subject Property, to the extent of the maximum amount secured hereby.

2.6 **Illinois Mortgage Foreclosure Law.** It is the intention of Mortgagor and Mortgagee that the enforcement of the terms and provisions of this Mortgage shall be accomplished in accordance with the Mortgage Act and with respect to such Mortgage Act, Mortgagee agrees and covenants that:

(a) Mortgagor and Mortgagee shall have the benefit of all of the provisions of the Mortgage Act, including, to the extent provided by law, all amendments thereto which may become effective from time to time after the date hereof. In the event any provision of the Mortgage Act which is specifically referred to herein may be repealed, Mortgagee shall have the benefit of such provision as most recently existing prior to such repeal, as though the same were incorporated herein by express reference;

(b) Wherever provision is made in this Mortgage for insurance policies to bear mortgagee clauses or other loss payable clauses or endorsements in favor of Mortgagee, or to confer authority upon Mortgagee to settle or participate in the settlement of losses under policies of insurance or to hold and disburse or otherwise control use of insurance proceeds, from and after the entry of judgment of foreclosure, all such rights and powers of Mortgagee shall continue in Mortgagee as judgment creditor or mortgagee until confirmation of sale;

(c) Except as varied by a court of law, all advances, disbursements and expenditures made or incurred by Mortgagee before and during a foreclosure, and before and after judgment of foreclosure, and at any time prior to sale, and, where applicable, after sale, and during the pendency of any related proceedings, for the purpose of preserving or restoring the Subject Property, preserving the lien of the Mortgage or the priority thereof, or enforcing the Mortgage, in addition to those otherwise authorized by this Mortgage or the other Loan Documents or by the Mortgage Act (collectively "**Protective Advances**"), shall have the benefit of all applicable provisions of the Mortgage Act. All Protective Advances shall be so much additional indebtedness secured by this Mortgage, and shall become immediately due and payable without notice and with interest thereon from the date of the advance until paid at the rate of interest payable after default under the terms of the Credit Agreement. This Mortgage shall be a lien for all Protective Advances as to subsequent purchasers and judgment creditors from the time this Mortgage is recorded pursuant to Subsection (b)(5) of Section 5/15-1302 of the Mortgage Act;

(d) In addition to any provision of this Mortgage authorizing Mortgagee to take or be placed in possession of the Subject Property, or for the appointment of a receiver, Mortgagee shall have the right, in accordance with Sections 5/15-1701 and 5/15-1702 of the Mortgage Act, to be placed in possession of the Subject Property or at its request to have a receiver appointed, and such receiver, or Mortgagee, if and when placed in possession, shall have, in addition to any other powers provided in this Mortgage, all rights, powers, immunities, and duties as provided for in Sections 5/15-1701, 5/15-1703 and 5/15-1704 of the Mortgage Act; and

(e) Mortgagor acknowledges that the Subject Property does not constitute agricultural real estate, as said term is defined in Section 5/15-1201 of the Mortgage Act or residential real estate as

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defined in Section 5/15-1219 of the Mortgage Act. As provided by law and pursuant to Section 5/15-1601(b) of the Mortgage Act, Mortgagor hereby waives any and all right of redemption.

ARTICLE III. ASSIGNMENT OF RENTS

3.1 **Assignment.** For the purposes and upon the terms and conditions set forth herein, Mortgagor irrevocably assigns to Mortgagee all of Mortgagor's right, title and interest in, to and under all leases, licenses, rental agreements and other agreements of any kind relating to the use or occupancy of any of the Subject Property, whether existing as of the date hereof or at any time hereafter entered into, together with all guarantees of and security for any tenant's or lessee's performance thereunder, and all amendments, extensions, renewals and modifications thereto (each, a "**Lease**" and collectively, the "**Leases**"), together with any and all other rents, issues and profits of the Subject Property (collectively, "**Rents**"). This assignment shall not impose upon Mortgagee any duty to produce Rents from the Subject Property, nor cause Mortgagee to be: (a) a "mortgagee in possession" for any purpose; (b) responsible for performing any of the obligations of the lessor or landlord under any Lease; or (c) responsible for any waste committed by any person or entity at any time in possession of the Subject Property or any part thereof, or for any dangerous or defective condition of the Subject Property, or for any negligence in the management, upkeep, repair or control of the Subject Property. This is an absolute assignment, not an assignment for security only, and Mortgagee's right to Rents is not contingent upon and may be exercised without taking possession of the Subject Property. Mortgagor agrees to execute and deliver to Mortgagee, within five (5) days of Mortgagee's written request, such additional documents as Mortgagee may reasonably request to further evidence the assignment to Mortgagee of any and all Leases and Rents. Mortgagee, at Mortgagee's option and without notice, may notify any lessee or tenant of this assignment of the Leases and Rents.

3.2 **Protection of Security.** To protect the security of this assignment, Mortgagor agrees:

(a) At Mortgagor's sole cost and expense: (i) to perform each obligation to be performed by the lessor or landlord under each Lease and to enforce or secure the performance of each obligation to be performed by the lessee or tenant under each Lease; (ii) not to modify any Lease in any material respect, i.e. affecting the rent or other payments, length of term, identity of tenant, or substantially affect the landlord's or tenant's obligations thereunder; nor accept surrender under or terminate the term of any Lease; (iii) not to anticipate the Rents under any Lease; and (iv) not to waive or release any lessee or tenant of or from any Lease obligations. Mortgagor assigns to Mortgagee all of Mortgagor's right and power to modify the terms of any Lease (except for nonmaterial modifications as described above), to accept a surrender under or terminate the term of or anticipate the Rents under any Lease, and to waive or release any lessee or tenant of or from any Lease obligations, and any attempt on the part of Mortgagor to exercise any such rights or powers without Mortgagee's prior written consent shall be a breach of the terms hereof.

(b) At Mortgagor's sole cost and expense, to defend any action in any manner connected with any Lease or the obligations thereunder, and to pay all costs of Mortgagee, including reasonable attorneys' fees, in any such action in which Mortgagee may appear.

(c) That, should Mortgagor fail to do any act required to be done by Mortgagor under a Lease, then Mortgagee, but without obligation to do so and without notice to Mortgagor and without releasing Mortgagor from any obligation hereunder, may make or do the same in such manner and to such extent as Mortgagee deems necessary to protect the security hereof, and, in exercising such powers, Mortgagee may employ attorneys and other agents, and Mortgagor shall pay necessary costs and reasonable attorneys' fees incurred by Mortgagee, or its agents, in the exercise of the powers granted herein. Mortgagor shall give prompt notice to Mortgagee of any material default by any lessee or tenant under any Lease which continues beyond a reasonable cure period, and of any notice of default on

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the part of Mortgagor under any Lease received from a lessee or tenant thereunder, which continues beyond a reasonable cure period, together with an accurate and complete copy thereof.

(d) To pay to Mortgagee immediately upon demand all sums expended under the authority hereof, including reasonable attorneys' fees, together with interest thereon at the highest rate per annum payable under any Secured Obligation, and the same, at Mortgagee's option, may be added to any Secured Obligation and shall be secured hereby.

3.3 License. Mortgagee confers upon Mortgagor a license ("License") to collect and retain the Rents as, but not before, they come due and payable, until the occurrence of any Default. Upon the occurrence of any Default, the License shall be automatically revoked, and Mortgagee may, at Mortgagee's option and without notice, either in person or by agent, with or without bringing any action, or by a receiver to be appointed by a court: (a) enter, take possession of, manage and operate the Subject Property or any part thereof; (b) make, cancel, enforce or modify any Lease; (c) obtain and evict tenants, fix or modify Rents, and do any acts which Mortgagee deems proper to protect the security hereof; and (d) either with or without taking possession of the Subject Property, in its own name, sue for or otherwise collect and receive all Rents, including those past due and unpaid, and apply the same in accordance with the provisions of this Mortgage. The entering and taking possession of the Subject Property, the collection of Rents and the application thereof as aforesaid, shall not cure or waive any Default, nor waive, modify or affect any notice of default hereunder, nor invalidate any act done pursuant to any such notice. The License shall not grant to Mortgagee the right to possession, except as provided in this Mortgage. Any indemnifications of Mortgagor in favor of Mortgagee hereunder shall not extend to actions taken by Mortgagee with respect to the Subject Property or the tenants or lessees after Mortgagee's revocation of the License contained herein.

ARTICLE IV. RIGHTS AND DUTIES OF THE PARTIES

4.1 Title. Mortgagor warrants that, except as disclosed to Mortgagee prior to the date hereof in a writing which refers to this warranty, Mortgagor lawfully possesses and holds fee simple title to, or if permitted by Mortgagee in writing, a leasehold interest in, the Subject Property without limitation on the right to encumber, as herein provided, and that this Mortgage is a valid lien on the Subject Property and all of Mortgagor's interest therein.

4.2 Taxes and Assessments. Subject to the right, if any, of Mortgagor to contest payment of the following pursuant to any other agreement between Mortgagor and Mortgagee, Mortgagor shall pay prior to delinquency all taxes, assessments, levies and charges imposed: (a) by any public or quasi-public authority or utility company which are or which may become a lien upon or cause a loss in value of the Subject Property or any interest therein; or (b) by any public authority upon Mortgagee by reason of its interest in any Secured Obligation or in the Subject Property, or by reason of any payment made to Mortgagee pursuant to any Secured Obligation; provided however, that Mortgagor shall have no obligation to pay any income taxes of Mortgagee. Promptly upon request by Mortgagee, Mortgagor shall furnish to Mortgagee satisfactory evidence of the payment of all of the foregoing. Mortgagee is hereby authorized to request and receive from the responsible governmental and non-governmental personnel written statements with respect to the accrual and payment of any of the foregoing.

4.3 Performance of Secured Obligations. Mortgagor shall promptly pay and perform each Secured Obligation when due.

4.4 Liens, Encumbrances and Charges. Mortgagor shall immediately discharge any lien on the Subject Property not approved by Mortgagee in writing. The preceding sentence does not apply to liens which are exceptions to the title of the Subject Property and which are actually set forth in Title Commitment No. NCS-406271 dated July 30, 2009, issued by First American Title Insurance Company, nor liens arising hereafter for ordinary real estate taxes and assessments. Except as otherwise provided

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in any Secured Obligation or other agreement with Mortgagee, Mortgagor shall pay when due all obligations secured by or reducible to liens and encumbrances which shall now or hereafter encumber the Subject Property, whether senior or subordinate hereto, including without limitation, any mechanics' liens, although if Mortgagor feels that any mechanic's lien is filed in excess of the true amount owing to the mechanic's lien claimant, Mortgagor may (so long as Mortgagor has not committed any Default hereunder) upon depositing with Mortgagee an amount equal to such claim, contest the amount and validity of such mechanic's lien, and during the entire period of such contest shall defend and indemnify Mortgagee against any loss, cost or expense incurred by Mortgagee thereby, and Mortgagor shall in any event pay the full amount of any final and nonappealable judgment resulting from such mechanic's lien at least thirty (30) days before any sale or other execution resulting from such judgment is scheduled to take place.

4.5 Insurance. Mortgagor shall insure the Subject Property against loss or damage by fire and such other risks as Mortgagee shall from time to time require. Mortgagor shall carry public liability insurance, flood insurance as may be required by applicable law and such other insurance as Mortgagee may reasonably require and which is typical for commercial properties in the vicinity of and of similar nature to the Property, including without limitation, business interruption insurance or loss of rental value insurance. Mortgagor shall maintain all required insurance at Mortgagor's expense, under policies issued by companies and in form and substance reasonably satisfactory to Mortgagee (Mortgagee hereby agrees that mortgagor's current insurers, of which Mortgagee has been advised, are satisfactory). Mortgagee, by reason of accepting, rejecting, approving or obtaining insurance, shall not incur any liability for: (a) the existence, nonexistence, form or legal sufficiency thereof; (b) the solvency of any insurer; or (c) the payment of losses. All policies and certificates of insurance shall name Mortgagee as an additional loss payee, and shall provide that the insurance cannot be terminated as to Mortgagee except upon a minimum of ten (10) days' prior written notice to Mortgagee. Immediately upon any request by Mortgagee, Mortgagor shall deliver to Mortgagee duplicates of the original copies of all such policies or certificates, with receipts evidencing annual prepayment of the premiums.

4.6 Tax and Insurance Impounds. In the event any Default occurs hereunder, and provided that a tax and insurance impound is not then being implemented by the holder of a mortgage on the Subject Property which is senior to the lien of this Mortgage, then at any time thereafter upon written notice from Mortgagee to Mortgagor, Mortgagor shall, until all Secured Obligations have been paid in full, pay to Mortgagee monthly, annually or as otherwise directed by Mortgagee an amount estimated by Mortgagee to be equal to: (a) all taxes, assessments, levies and charges imposed by any public or quasi-public authority or utility company which are or may become a lien upon the Subject Property and will become due for the tax year during which such payment is so directed; and (b) premiums for fire, other hazard and mortgage insurance next due. If Mortgagee determines that amounts paid by Mortgagor are insufficient for the payment in full of such taxes, assessments, levies and/or insurance premiums, Mortgagee shall notify Mortgagor of the increased amount required for the payment thereof when due, and Mortgagor shall pay to Mortgagee such additional amount within thirty (30) days after notice from Mortgagee. All amounts so paid shall not bear interest, except to the extent and in the amount required by law. So long as there is no Default, Mortgagee shall apply said amounts to the payment of, or at Mortgagee's sole option release said funds to Mortgagor for application to and payment of, such taxes, assessments, levies, charges and insurance premiums. If a Default exists, Mortgagee at its sole option may apply all or any part of said amounts to any Secured Obligation and/or to cure such Default, in which event Mortgagor shall be required to restore all amounts so applied, as well as to cure any Default not cured by such application. Mortgagor hereby grants and transfers to Mortgagee a security interest in all amounts so paid and held in Mortgagee's possession, and all proceeds thereof, to secure the payment and performance of each Secured Obligation. Upon assignment of this Mortgage, Mortgagee shall have the right to assign all amounts collected and in its possession to its assignee, whereupon Mortgagee shall be released from all liability with respect thereto. The existence of said impounds shall not limit Mortgagee's rights under any other provision of this Mortgage or any other agreement, statute or rule of law. Within ninety-five (95) days following full repayment of all Secured

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Obligations (other than as a consequence of a foreclosure or conveyance in lieu of foreclosure of the liens and security interests securing any Secured Obligation), or at such earlier time as Mortgagee in its discretion may elect, the balance of all amounts collected and in Mortgagee's possession shall be paid to Mortgagor, and no other party shall have any right of claim thereto.

4.7 Damages: Insurance and Condemnation Proceeds.

(a) All awards of damages and all other compensation payable directly or indirectly by reason of a condemnation or proposed condemnation (or transfer in lieu thereof) for public or private use affecting the Subject Property; (ii) all other claims and awards for damages to or decrease in value of the Subject Property; (iii) all proceeds of any insurance policies payable by reason of loss sustained to the Subject Property; and (iv) all interest which may accrue on any of the foregoing, are all (to the extent that

such amounts are not being required to be paid to the holder of a mortgage on the Subject Property which is senior to the lien of this Mortgage) absolutely and irrevocably assigned to and shall be paid to Mortgagee. In such event, at the absolute discretion of Mortgagee, whether or not its security is or may be impaired, but subject to applicable law if any, and without regard to any requirement contained in any other Section hereof, Mortgagee may apply all or any of the proceeds it receives to its expenses in settling, prosecuting or defending any such claim and apply the balance to the Secured Obligations in any order, and release all or any part of the proceeds to Mortgagor upon any conditions Mortgagee may impose. In such event, Mortgagee may commence, appear in, defend or prosecute any assigned claim or action, and may adjust, compromise, settle and collect all claims and awards assigned to Mortgagee; provided however, that in no event shall Mortgagee be responsible for any failure to collect any claim or award, regardless of the cause of the failure.

(b) At its sole option, Mortgagee may permit insurance or condemnation proceeds held by Mortgagee to be used for repair or restoration but may impose any conditions on such use as Mortgagee deems necessary.

4.8 Maintenance and Preservation of Subject Property. Subject to the provisions of any Secured Obligation, Mortgagor covenants:

(a) to keep the Subject Property in good condition and repair;

(b) except with Mortgagee's prior written consent, not to remove or demolish the Subject Property, nor alter, restore or add to the Subject Property (except for the replacement of equipment or fixtures with like items of similar or greater value), nor initiate or acquiesce in any change in any zoning or other land classification which affects the Subject Property;

(c) to restore promptly and in good workmanlike manner any portion of the Subject Property which may be damaged or destroyed, unless Mortgagee requires that all of the insurance proceeds be used to reduce the Secured Obligations as provided in the Section hereof entitled Damages, Insurance and Condemnation Proceeds;

(d) to comply with and not to suffer violation of any or all of the following which govern acts or conditions on, or otherwise affect the Subject Property:

(i) laws, ordinances, regulations, standards and judicial and administrative rules and orders; (ii) covenants, conditions, restrictions and equitable servitudes, whether public or private; and (iii) requirements of insurance companies and any bureau or agency which establishes standards of insurability;

(e) not to commit or permit waste of the Subject Property; and

(f) to do all other acts which from the character or use of the Subject Property may be reasonably necessary to maintain and preserve its value.

4.9 Hazardous Substances; Environmental Provisions. Mortgagor represents and warrants to Mortgagee to its actual knowledge as follows:

(a) Except as disclosed to Mortgagee in writing prior to the date hereof, the Subject Property is not and has not been a site for the use, generation, manufacture, storage, treatment, disposal, release or threatened release, transportation or presence of any substances which are "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under the Hazardous Materials Laws, as defined below, and/or other applicable environmental laws, ordinances and regulations (collectively, the "Hazardous Materials").

(b) Except as disclosed to Mortgagee in Schedule 5.11 to the Credit and Security Agreement entered into between the Mortgagor and the Mortgagee dated July 21, 2009 (as same may be amended or replaced from time to time, the "**Credit Agreement**"), the Subject Property is in compliance with all laws, ordinances and regulations relating to Hazardous Materials (collectively, the "Hazardous Materials Laws"), including without limitation, the Clean Air Act, the Federal Water Pollution Control Act, the Federal Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Toxic Substances Control Act and the Occupational Safety and Health Act, as any of the same may be amended, modified or supplemented from time to time, and any other applicable federal, state or local environmental laws, and any rules or regulations adopted pursuant to any of the foregoing.

(c) Except as disclosed to Mortgagee in Schedule 5.11 to the Credit Agreement, there are no claims or actions pending or threatened against Mortgagor or the Subject Property by any governmental entity or agency, or any other person or entity, relating to any Hazardous Materials or pursuant to any Hazardous Materials Laws.

(d) Mortgagor hereby agrees to defend, indemnify and hold harmless Mortgagee, its directors, officers, employees, agents, successors and assigns, from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including without limitation, attorneys' fees and expenses) which Mortgagee may incur as a direct or indirect consequence of the use, generation, manufacture, storage, treatment, disposal, release or threatened release, transportation or presence of Hazardous Materials in, on, under or about the Subject Property. Mortgagor shall pay to Mortgagee immediately upon demand any amounts owing under this indemnity, together with interest from the date of demand until paid in full at the highest rate of interest applicable to any Secured Obligation. **MORTGAGOR'S DUTY AND OBLIGATION TO DEFEND, INDEMNIFY AND HOLD HARMLESS MORTGAGEE SHALL SURVIVE THE CANCELLATION OF THE SECURED OBLIGATIONS AND THE RELEASE OR PARTIAL RELEASE OF THIS MORTGAGE.**

(e) Mortgagor shall immediately advise Mortgagee in writing upon Mortgagor's discovery of any occurrence or condition on the Subject Property, or on any real property adjoining or in the vicinity of the Subject Property, that does or could cause all or any part of the Subject Property to be contaminated with any Hazardous Materials or otherwise be in violation of any Hazardous Materials Laws, or cause the Subject Property to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Hazardous Materials Laws.

4.10 Protection of Security. Mortgagor shall, at Mortgagor's sole expense: (a) protect, preserve and defend the Subject Property and Mortgagor's title and right to possession of the Subject Property against all adverse claims; (b) if Mortgagor's interest in the Subject Property is a leasehold interest or estate, pay and perform in a timely manner all obligations to be paid and/or performed by the lessee or tenant under the lease or other agreement creating such leasehold interest or estate; and (c) protect, preserve and defend the security of this Mortgage and the rights and powers of Mortgagee under this Mortgage against all adverse claims. Mortgagor shall give Mortgagee prompt notice in writing

of the assertion of any claim, the filing of any action or proceeding, or the occurrence of any damage, condemnation offer or other action relating to or affecting the Subject Property and, if Mortgagor's interest in the Subject Property is a leasehold interest or estate, of any notice of default or demand for performance under the lease or other agreement pursuant to which such leasehold interest or estate was created or exists.

4.11 Powers and Duties of Mortgagee. Mortgagee may, upon written request, without obligation to do so or liability therefor and without notice: (a) release all or any part of the Subject Property from the lien of this Mortgage; (b) consent to the making of any map or plat of the Subject Property; and (c) join in any grant of easement or declaration of covenants and restrictions with respect to the Subject Property, or any extension agreement or any agreement subordinating the lien or charge of this Mortgage. Mortgagee may from time to time apply to any court of competent jurisdiction for aid and direction in the exercise or enforcement of its rights and remedies available under this Mortgage, and may obtain orders or decrees directing, confirming or approving acts in the exercise or enforcement of said rights and remedies.

Mortgagee has no obligation to notify any party of any pending sale or any action or proceeding (including, but not limited to, actions in which Mortgagor or Mortgagee shall be a party) unless held or commenced and maintained by Mortgagee under this Mortgage.

4.12 Compensation; Exculpation; Indemnification.

(a) Mortgagor shall pay Mortgagee reasonable compensation for services rendered concerning this Mortgage, including without limitation, the providing of any statement of amounts owing under any Secured Obligation. Mortgagee shall not directly or indirectly be liable to Mortgagor or any other person as a consequence of: (i) the exercise of any rights, remedies or powers granted to Mortgagee in this Mortgage; (ii) the failure or refusal of Mortgagee to perform or discharge any obligation or liability of Mortgagor under this Mortgage or any Lease or other agreement related to the Subject Property; or (iii) any loss sustained by Mortgagor or any third party as a result of Mortgagee's failure to lease the Subject Property after any Default or from any other act or omission of Mortgagee in managing the Subject Property after any Default unless such loss is caused by the willful misconduct or gross negligence of Mortgagee; and no such liability shall be asserted or enforced against Mortgagee, and all such liability is hereby expressly waived and released by Mortgagor.

(b) Mortgagor shall indemnify Mortgagee against, and hold Mortgagee harmless from, any and all losses, damages, liabilities, claims, causes of action, judgments, court costs, attorneys' fees and other legal expenses, costs of evidence of title, costs of evidence of value, and other expenses which Mortgagee may suffer or incur: (i) by reason of this Mortgage; (ii) by reason of the performance of any act required or permitted hereunder or by law; (iii) as a result of any failure of Mortgagor to perform Mortgagor's obligations; or (iv) by reason of any alleged obligation or undertaking of Mortgagee to perform or discharge any of the representations, warranties, conditions, covenants or other obligations contained in any other document related to the Subject Property, including without limitation, the payment of any taxes, assessments, rents or other lease obligations, liens, encumbrances or other obligations of Mortgagor under this Mortgage. Mortgagor's duty to indemnify Mortgagee shall survive the payment, discharge or cancellation of the Secured Obligations and the release or satisfaction, in whole or in part, of this Mortgage.

(c) Mortgagor shall pay all indebtedness arising under this Section immediately upon demand by Mortgagee, together with interest thereon from the date of demand until paid in full at the highest rate per annum payable under any Secured Obligation. Mortgagee may, at its option, add any such indebtedness to any Secured Obligation.

4.13 Due on Sale or Encumbrance. Except as permitted by the provisions of any Secured Obligation or applicable law, if the Subject Property or any interest therein shall be sold, transferred, mortgaged, assigned, encumbered or leased, whether voluntarily, involuntarily or by operation of law

(each of which actions and events is called a "Transfer"), without Mortgagee's prior written consent, THEN Mortgagee may, at its sole option, declare all Secured Obligations immediately due and payable in full. Mortgagor shall notify Mortgagee in writing of each Transfer within ten (10) business days of the date thereof.

4.14 Releases, Extensions, Modifications and Additional Security. Without notice to or the consent, approval or agreement of any persons or entities having any interest at any time in the Subject Property or in any manner obligated under any Secured Obligation (each, an "Interested Party"), Mortgagee may, from time to time, release any Interested Party from liability for the payment of any Secured Obligation, take any action or make any agreement extending the maturity or otherwise altering the terms or increasing the amount of any Secured Obligation, accept additional security, and enforce, waive, subordinate or release all or a portion of the Subject Property or any other security for any Secured Obligation. None of the foregoing actions shall release or reduce the personal liability of any Interested Party, nor release or impair the priority of the lien of this Mortgage upon the Subject Property.

4.15 Release of Mortgage. Upon satisfaction in full of the Secured Obligations, Mortgagee, without warranty, shall deliver for recording in the appropriate real property records a satisfaction or release of Mortgage for the Subject Property, or that portion thereof then covered hereby, from the lien of this Mortgage.

4.16 Subrogation. Mortgagee shall be subrogated to the lien of all encumbrances, whether or not released of record, paid in whole or in part by Mortgagee pursuant to this Mortgage or by the proceeds of any Secured Obligation.

4.17 Mortgagor Different From Obligor ("Third Party Mortgagor"). As used in this Section, the term "Obligor" shall mean each person or entity obligated in any manner under any of the Secured Obligations; and the term "Third Party Mortgagor" shall mean (1) each person or entity included in the definition of Mortgagor herein and which is not an Obligor under all of the Secured Obligations, and (2) each person or entity included in the definition of Mortgagor herein if any Obligor is not included in said definition.

(a) Representations and Warranties. Each Third Party Mortgagor represents and warrants to Mortgagee that: (i) this Mortgage is executed at an Obligor's request; (ii) this Mortgage complies with all agreements between each Third Party Mortgagor and any Obligor regarding such Third Party Mortgagor's execution hereof; (iii) Mortgagee has made no representation to any Third Party Mortgagor as to the creditworthiness of any Obligor; and (iv) each Third Party Mortgagor has established adequate means of obtaining from each Obligor on a continuing basis financial and other information pertaining to such Obligor's financial condition. Each Third Party Mortgagor agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect such Third Party Mortgagor's risks hereunder. Each Third Party Mortgagor further agrees that Mortgagee shall have no obligation to disclose to any Third Party Mortgagor any information or material about any Obligor which is acquired by Mortgagee in any manner. The liability of each Third Party Mortgagor hereunder shall be reinstated and revived, and the rights of Mortgagee shall continue if and to the extent that for any reason any amount at any time paid on account of any Secured Obligation is rescinded or must otherwise be restored by Mortgagee, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Mortgagee in its sole discretion; provided however, that if Mortgagee chooses to contest any such matter at the request of any Third Party Mortgagor, each Third Party Mortgagor agrees to indemnify and hold Mortgagee harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Mortgagee in connection therewith, including without limitation, in any litigation with respect thereto.

(b) Waivers.

(i) Each Third Party Mortgagor waives any right to require Mortgagee to: (A) proceed against any Obligor or any other person; (B) marshal assets or proceed against or exhaust any security held from any Obligor or any other person; (C) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from any Obligor or any other person; (D) take any other action or pursue any other remedy in Mortgagee's power; or (E) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any obligations or evidences of indebtedness held by Mortgagee as security for or which constitute in whole or in part the Secured Obligations, or in connection with the creation of new or additional obligations.

(ii) Each Third Party Mortgagor waives any defense to its obligations hereunder based upon or arising by reason of: (A) any disability or other defense of any Obligor or any other person; (B) the cessation or limitation from any cause whatsoever, other than payment in full, of any Secured Obligation; (C) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of any Obligor which is a corporation, partnership or other type of entity, or any defect in the formation of any such Obligor; (D) the application by any Obligor of the proceeds of any Secured Obligation for purposes other than the purposes represented by any Obligor to, or intended or understood by, Mortgagee or any Third Party Mortgagor; (E) any act or omission by Mortgagee which directly or indirectly results in or aids

the discharge of any Obligor or any portion of any Secured Obligation by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Mortgagee against any Obligor; (F) any impairment of the value of any interest in any security for the Secured Obligations or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (G) any modification of any Secured Obligation, in any form whatsoever, including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, any Secured Obligation or any portion thereof, including increase or decrease of the rate of interest thereon; or (H) any requirement that Mortgagee give any notice of acceptance of this Mortgage. Until all Secured Obligations shall have been paid in full, no Third Party Mortgagor shall have any right of subrogation, and each Third Party Mortgagor waives any right to enforce any remedy which Mortgagee now has or may hereafter have against any Obligor or any other person, and waives any benefit of, or any right to participate in, any security now or hereafter held by Mortgagee. Each Third Party Mortgagor further waives all rights and defenses it may have arising out of: (1) any election of remedies by Mortgagee, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Secured Obligations, destroys such Third Party Mortgagor's rights of subrogation or such Third Party Mortgagor's rights to proceed against any Obligor for reimbursement; or (2) any loss of rights any Third Party Mortgagor may suffer by reason of any rights, powers or remedies of any Obligor in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging any Obligor's obligations.

(iii) If any of said waivers is determined to be contrary to any applicable law or public policy, such waiver shall be effective to the extent permitted by applicable law or public policy.

ARTICLE V. DEFAULT PROVISIONS

5.1 Default. The occurrence of any of the following shall constitute a "Default" under this Mortgage: (a) Mortgagor shall fail to observe or perform any obligation or agreement contained herein; (b) any representation or warranty of Mortgagor herein shall prove to be incorrect, false or misleading in any material respect when made; or (c) any material default in the payment or performance of any obligation, or any defined event of default, under any provisions of the Note or any other contract, instrument or document executed in connection with, or with respect to, any Secured Obligation, which continues after

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the expiration of any applicable notice and right to cure provisions contained in the relevant document describing such event of default.

5.2 Rights and Remedies. Upon the occurrence of any Default, and at any time thereafter, Mortgagee shall have all the following rights and remedies:

(a) With or without notice, to declare all Secured Obligations immediately due and payable in full.

(b) With or without notice, without releasing Mortgagor from any Secured Obligation and without becoming a mortgagee in possession, to cure any Default of Mortgagor and, in connection therewith: (i) to enter upon the Subject Property and to do such acts and things as Mortgagee deems necessary or desirable to protect the security of this Mortgage, including without limitation, to appear in and defend any action or proceeding purporting to affect the security of this Mortgage or the rights or powers of Mortgagee hereunder; (ii) to pay, purchase, contest or compromise any encumbrance, charge, lien or claim of lien which, in the judgment of Mortgagee, is senior in priority to this Mortgage, the judgment of Mortgagee being conclusive as between the parties hereto; (iii) to obtain, and to pay any premiums or charges with respect to, any insurance required to be carried hereunder; and (iv) to employ counsel, accountants, contractors and other appropriate persons to assist Mortgagee.

(c) To commence and maintain an action or actions in any court of competent jurisdiction to foreclose this Mortgage or to obtain specific enforcement of the covenants of Mortgagor under this Mortgage, and Mortgagor agrees that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy. For the purposes of any suit brought under this subsection, Mortgagor waives the defenses of laches and any applicable statute of limitations.

(d) To apply to a court of competent jurisdiction for and obtain appointment of a receiver of the Subject Property as a matter of strict right and without regard to: (i) the adequacy of the security for the repayment of the Secured Obligations; (ii) the existence of a declaration that the Secured Obligations are immediately due and payable; or (iii) the filing of a notice of default; and Mortgagor consents to such appointment.

(e) To take and possess all documents, books, records, papers and accounts of Mortgagor or the then owner of the Subject Property; to make or modify Leases of, and other agreements with respect to, the Subject Property upon such terms and conditions as Mortgagee deems proper; and to make repairs, alterations and improvements to the Subject Property deemed necessary, in Mortgagee's judgment, to protect or enhance the security hereof.

(f) To resort to and realize upon the security hereunder and any other security now or later held by Mortgagee concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both, and to apply the proceeds received in accordance with the Section hereof entitled Application of Foreclosure Sale Proceeds, all in such order and manner as Mortgagee shall determine in its sole discretion.

(g) Upon sale of the Subject Property at any judicial foreclosure, Mortgagee may credit bid (as determined by Mortgagee in its sole discretion) all or any portion of the Secured Obligations. In determining such credit bid, Mortgagee may, but is not obligated to, take into account all or any of the following: (i) appraisals of the Subject Property as such appraisals may be discounted or adjusted by Mortgagee in its sole underwriting discretion; (ii) expenses and costs incurred by Mortgagee with respect to the Subject Property prior to foreclosure; (iii) expenses and costs which Mortgagee anticipates will be incurred with respect to the Subject Property after foreclosure, but prior to resale, including without limitation, costs of structural reports and other due diligence, costs to carry the Subject Property prior to resale, costs of resale (e.g., commissions, attorneys' fees, and taxes), Hazardous Materials clean-up and

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monitoring, deferred maintenance, repair, refurbishment and retrofit, and costs of defending or settling litigation affecting the Subject Property; (iv) declining trends in real property values generally and with respect to properties similar to the Subject Property; (v) anticipated discounts upon resale of the Subject Property as a distressed or foreclosed property; (vi) the existence of additional collateral, if any, for the Secured Obligations; and (vii) such other factors or matters that Mortgagee deems appropriate. Mortgagor acknowledges and agrees that: (A) Mortgagee is not required to use any or all of the foregoing factors to determine the amount of its credit bid; (B) this Section does not impose upon Mortgagee any additional obligations that are not imposed by law at the time the credit bid is made; (C) the amount of Mortgagee's credit bid need not have any relation to any loan-to-value ratios specified in any agreement between Mortgagor and Mortgagee or previously discussed by Mortgagor and Mortgagee; and (D) Mortgagee's credit bid may be, at Mortgagee's sole discretion, higher or lower than any appraised value of the Subject Property.

5.3 Application of Foreclosure Sale Proceeds. After deducting all costs, fees and expenses of sale, including costs of evidence of title and attorneys' fees in connection with a sale, all proceeds of any foreclosure sale shall be applied first, to payment of all Secured Obligations (including without limitation, all sums expended by Mortgagee under the terms hereof and not then repaid, with accrued interest at the highest rate per annum payable under any Secured Obligation), in such order and amounts as Mortgagee in its sole discretion shall determine; and the remainder, if any, to the person or persons legally entitled thereto.

5.4 Application of Other Sums. All Rents or other sums received by Mortgagee or any agent or receiver hereunder, less all costs and expenses incurred by Mortgagee or such agent or receiver, including reasonable attorneys' fees, shall be applied to payment of the Secured Obligations in such order as Mortgagee shall determine in its sole discretion; provided however, that Mortgagee shall have no liability for funds not actually received by Mortgagee.

5.5 No Cure or Waiver. Neither Mortgagee's or any receiver's entry upon and taking possession of the Subject Property, nor any collection of Rents, insurance proceeds, condemnation proceeds or damages, other security or proceeds of other security, or other sums, nor the application of any collected sum to any Secured Obligation, nor the exercise of any other right or remedy by Mortgagee or any receiver shall impair the status of the security of this Mortgage, or cure or waive any breach, Default or notice of default under this Mortgage, or nullify the effect of any notice of default or sale (unless all Secured Obligations and any other sums then due hereunder have been paid in full and Mortgageor has cured all other Defaults), or prejudice Mortgagee in the exercise of any right or remedy, or be construed as an affirmation by Mortgagee of any tenancy, lease or option of the Subject Property or a subordination of the lien of this Mortgage.

5.6 Costs, Expenses and Attorneys' Fees. Mortgageor agrees to pay to Mortgagee immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including court costs and reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Mortgagee's in-house counsel), expended or incurred by Mortgagee pursuant to this Article V, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Mortgagee or any other person) relating to Mortgageor or in any way affecting any of the Subject Property or Mortgagee's ability to exercise any of its rights or remedies with respect thereto. All of the foregoing shall be paid by Mortgageor with interest from the date of demand until paid in full at the highest rate per annum payable under any Secured Obligation.

5.7 Power to File Notices and Cure Defaults. Mortgageor hereby irrevocably appoints Mortgagee and its successors and assigns as Mortgageor's true attorney-in-fact to perform any of the following powers, which agency is coupled with an interest: (a) to execute and/or record any notices of completion, cessation of labor, or any other notices that Mortgagee deems appropriate to protect

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Mortgagee's interest; and (b) upon the occurrence of any event, act or omission which with the giving of notice or the passage of time, or both, would constitute a Default, to perform any obligation of Mortgageor hereunder; provided however, that Mortgagee, as such attorney-in-fact, shall only be accountable for such funds as are actually received by Mortgagee, and Mortgagee shall not be liable to Mortgageor or any other person or entity for any failure to act under this Section.

5.8 Remedies Cumulative; No Waiver. All rights, powers and remedies of Mortgagee hereunder are cumulative and are in addition to all rights, powers and remedies provided by law or in any other agreements between Mortgageor and Mortgagee. No delay, failure or discontinuance of Mortgagee in exercising any right, power or remedy hereunder shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy.

5.9 Mortgagee's Right to Procure Insurance. Mortgageor acknowledges receipt of the following notice: "Unless you [Mortgageor] provide evidence of the insurance coverage required by your agreement with us [Mortgagee], we may purchase insurance at your expense to protect our interests in your collateral. This insurance may, but need not, protect your interests. The coverage that we purchase may not pay any claim that you make or any claim that is made against you in connection with the collateral. You may later cancel any insurance purchased by us, but only after providing evidence that you have obtained insurance as required by our agreement. If we purchase insurance for the collateral, you will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges we may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to your total outstanding balance or obligation. The costs of the insurance may be more than the cost of insurance you may be able to obtain on your own."

If Mortgageor fails to maintain any insurance required hereunder, Mortgagee may, but shall not be obligated to, purchase such required insurance at Mortgageor's expense to protect Mortgagee's interests in the Subject Property. This insurance may, but need not, protect Mortgageor's interests in the Subject Property. The coverage that Mortgagee purchases shall not be required to pay any claim that the Mortgageor makes or any claim that is made against Mortgageor in connection with the Subject Property. Mortgageor may later cancel any insurance purchased by Mortgagee, but only after providing evidence that Mortgageor has obtained the insurance required hereunder. If Mortgagee purchases insurance for the Subject Property, Mortgageor will be responsible for the costs of the insurance, including the insurance premium, interest thereon from the date of each such payment or expenditure at the then applicable rate under the Note and any other charges Mortgagee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance obtained by Mortgagee may be more than the cost of insurance Mortgageor may be able to obtain on its own. Unless Mortgagee otherwise agrees in writing, Mortgageor shall pay to Mortgagee the full costs of such insurance, together with the accrued interest thereon and the other charges in connection therewith, within thirty (30) days after "Notice of Placement of Insurance" as required by applicable law.

ARTICLE VI. MISCELLANEOUS PROVISIONS

6.1 No Merger. No merger shall occur as a result of Mortgagee's acquiring any other estate in, or any other lien on, the Subject Property unless Mortgagee specifically consents to a merger in writing.

6.2 Execution of Documents. Mortgageor agrees, upon demand by Mortgagee, to execute any and all documents and instruments required to effectuate the provisions hereof.

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6.3 Right of Inspection. Mortgagee or its agents or employees may enter onto the Subject Property at any reasonable time for the purpose of inspecting the Subject Property and ascertaining Mortgageor's compliance with the terms hereof.

6.4 Notices. All notices, requests and demands which Mortgageor or Mortgagee is required or may desire to give to the other party must be in writing, delivered to Mortgagee at the following address:

WELLS FARGO BANK, NATIONAL ASSOCIATION
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attention: Becky A. Koehler

and to Mortgageor at its address set forth at the signature lines below, or at such other address as either party shall designate by written notice to the other party in accordance with the provisions hereof.

6.5 Successors; Assignment. This Mortgage shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto; provided however, that this Section does not waive the provisions of the Section hereof entitled Due on Sale or Encumbrance. Mortgagee reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Mortgagee's rights and benefits under the Note, any and all other Secured Obligations and this Mortgage. In connection therewith, Mortgagee may disclose all documents and information which Mortgagee now has or hereafter acquires relating to the Subject Property, all or any of the Secured Obligations and/or Mortgageor and, as applicable, any partners, joint venturers or members of Mortgageor, whether furnished by any Mortgageor or otherwise.

Commencing at the Northeast corner of said Northeast Quarter of Fractional Section 9; thence South 89 degrees 29 minutes 14 seconds West, along the North line of said Fractional Section 9, a distance of 1,629.48 feet to the Place of Beginning; thence from said Place of Beginning South 20 degrees 05 minutes 14 seconds West a distance of 13.41 feet; thence South 86 degrees 48 minutes 22 seconds East a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West a distance of 159.82 feet to the North line of The Quaker Oats Company by deed recorded in Book 2045, page 72, of the Tazewell County Recorder's Office; thence South 89 degrees 27 minutes 16 seconds West along said North line a distance of 104.33 feet; thence South 00 degrees 56 minutes 03 seconds West along the West line of The Quaker Oats Company property as described in aforementioned deed, a distance of 253.00 feet to the South line of The American Distilling Company property; thence South 89 degrees 27 minutes 16 seconds

West along the South line of The American Distilling property, a distance of 850.76 feet to the Southeast corner of a parcel conveyed by The American Distilling Company to Pekin River and Warehouse Terminal, Inc., by deed recorded in Book 2351, page 208, of the Tazewell County Recorder's Office; thence North 25 degrees 40 minutes 22 seconds West along the Easterly line of said parcel, a distance of 371.70 feet; thence North 00 degrees 02 minutes 54 seconds West along the Easterly line of said parcel, a distance of 106.63 feet to the South line of said Fractional Section 4; thence continuing North 00 degrees 02 minutes 54 seconds along Easterly line of said parcel 77.64 feet to the Northerly corner of Pekin River and Warehouse Terminal Inc. property, and also being a point on the Northwesterly line of Lot 8 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 46 degrees 59 minutes 11 seconds East along the Northwesterly line, of said Lot 8 a distance of 1,110.92 feet; thence South 43 degrees 00 minutes 54 seconds East a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, a distance of 188.94 feet; thence South 19 degrees 51 minutes 12 seconds West, a distance of 276.07 feet; thence South 69 degrees 54 minutes 46 seconds East, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, a distance of 182.59 feet to the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

Tract 2:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded in page 57 of Plat Book "B" in the Recorder's office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois and more particularly described as follows:

Commencing at the Southeast corner of the Southeast Quarter of said Fractional Section 4; thence South 89 degrees 29 minutes 14 seconds West, along the South line of the Southeast Quarter of Fractional Section 4, a distance of 1,020.92 feet to a concrete monument being the Place of Beginning for the Tract herein being described; thence North 37 degrees 03 minutes 04 seconds East a distance of 1,013.11 feet; thence North 57 degrees 55 minutes West a distance of 292.65 feet to the Northwesterly right-of-way line of South Front Street; thence North 29 degrees 56 minutes 48 seconds East, along the Northeasterly right-of-way line of South Front Street, a distance of 481.39 feet to a concrete monument; thence North 46 degrees 54 minutes 36 seconds West a distance of 263.31 feet to a point on the Northeasterly line of Lot 6 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 24 degrees 46 minutes 48 seconds west, along the Northeasterly line of said Lot 6 a distance of 35.6 feet; thence North 87 degrees 04 minutes 48 seconds West a distance of 214.55 feet to a point on the Northwesterly line of said Lot 6; said point being 200 feet from the Northerly corner of said Lot 6; thence South 46 degrees 59 minutes 11 seconds West, along the Northwesterly line of said Lot 6 and 8 as recorded in Plat Book "B", page 57 of the Tazewell County Recorder's Office, a distance of 1,146.23 feet to the Northerly corner of Tract I previously described; thence South 43 degrees 00 minutes 54 seconds East, along said Tract I, a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, along said Tract I, a distance of 188.94 feet thence South 19 degrees 51 minutes 12 seconds West, along said Tract I, a distance of 276.97 feet; thence South 69 degrees 54 minutes 46 seconds East, along said Tract I, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, along said Tract I, a distance of 196.00 feet; thence South 86 degrees 48 minutes 22 seconds East, along said Tract I, a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West, along said Tract I, a distance of 159.82 feet to the property line of Quaker Oats Company; thence North 89 degrees 27 minutes 16 seconds East, along said property line a distance of 345.67 feet; thence North 00 degrees 56 minutes 03 seconds East, along said property line, a distance of 189.47 feet of the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

CONSENT AND RELEASE

THIS CONSENT AND RELEASE, dated as of August 19, 2009 (this "Release"), among **MGP Ingredients, Inc.**, a Kansas corporation (the "Borrower"), and **Wells Fargo Bank, National Association** (the "Lender") acting through its Wells Fargo Business Credit operating division.

WITNESSETH:

WHEREAS, pursuant to that certain Credit and Security Agreement, dated as of July 21, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms defined therein and used herein having the meanings given to them in the Credit Agreement), among the Borrower and the Lender, the Lender has agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, pursuant to the Credit Agreement, the Borrower granted to the Lender a lien on and security interest in the Collateral of the Borrower; and

WHEREAS, pursuant to that certain Asset Purchase Agreement, a true, correct and complete copy of which is attached as Exhibit A (the "Purchase Agreement"), by and between Sergeant's Pet Care Products, Inc., a Nevada corporation (the "Buyer") and the Borrower, the Borrower will sell and the Buyer will purchase certain assets of the Borrower used in the Borrower's business of manufacturing and marketing formulated pet treat products at the KCK Facility (the "Pet Treat Business"), upon the terms and conditions of, and as further described in, the Purchase Agreement; and

WHEREAS, pursuant to Section 6.18 and Section 6.31 of the Credit Agreement, the Lender has approval rights relating to the Pet Business Sale;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter contained, it is hereby agreed as follows:

1. Consent to Pet Business Sale. To the extent required by the Credit Agreement, Lender hereby consents to and approves the terms and conditions of the Pet Business Sale as set forth in the Purchase Agreement and to Borrower completing the Pet Business Sale provided that:

(a) proceeds from the Pet Business Sale, in an amount not less than Two Million Four Hundred Fifty Thousand and No/100 Dollars (\$2,450,00.00) shall be paid to General Electric Capital Corporation concurrent with the closing of the Pet Business Sale, which shall constitute a complete payoff of that certain 2005 equipment note (the "GE Proceeds"); and

(b) all proceeds from the Pet Business Sale which are not GE Proceeds (which proceeds shall be approximately One Million and No/100 Dollars (\$1,000,000) shall be

deposited in Borrower's Collection Account concurrent with the closing of the Pet Business Sale (the "Excess Proceeds").

In addition to and upon satisfaction on the foregoing conditions, to the extent the Borrower's sale of the KCK Facility pursuant to the Purchase Agreement and the Borrower's lease of a portion of the KCK Facility from the Buyer for the Borrower's Wheatex assets constitutes a sale and leaseback, the Lender waives any breach of Section 6.20 [Sale and Leaseback] of the Credit Agreement caused thereby.

2. Release of Liens. Effective upon the Closing Date (as defined in the Purchase Agreement) and satisfaction of the requirements set forth in Section 1 hereof (i) the Lender hereby releases and terminates any and all security interests and liens held by or for the benefit of the Lender (to the extent Lender had a security interest) in the assets set forth on Exhibit B attached hereto (the "Released Assets") and (ii) Lender agrees to file a UCC amendment to release the Released Assets.

3. Representations of the Borrower. The Borrower hereby represents and warrants to the Lender that (a) upon execution of this Release, the disposition of the Released Assets pursuant to the Purchase Agreement is in compliance with the Credit Agreement and the other Loan Documents, and (b) before and after giving effect to the disposition of the Released Assets, no Default or Event of Default has occurred and is continuing as of the date hereof and as of the Closing Date.

4. Satisfaction of Pet Business Sale Covenant. The completion of the transactions set forth herein shall be deemed to satisfy the sale of the Pet Business required by Section 6.31 of the Credit Agreement and upon satisfaction by Borrower of the requirements set forth in Section 1 hereof such Section 6.31 of the Credit Agreement shall be of no further force and effect.

5. Delivery of Collateral Assignment. On or before September 30, 2009, Borrower shall have delivered to Lender a collateral assignment of its rights under the Purchase Agreement relating to Borrower's rights to additional payments from Borrower, which agreement shall have been acknowledged by Buyer and in a form and substance acceptable to Lender in its sole but reasonable discretion.

6. Consent to Extension of Delivery Date. Pursuant to Section 6.28 of the Credit Agreement, Borrower was required to deliver to Lender on or before August 21, 2009 (the "Original Delivery Date"), evidence that Borrower has closed any and all deposit accounts maintained by Borrower with Commerce Bank or any financial institution other than Lender (the "Account Evidence"). This letter shall serve as notice of Lender's consent to further extend the delivery of the Account Evidence solely as to Borrower's account #2927598 located at Commerce Bank until September 20, 2009 (the "Extended Delivery Date"). In the event the Account Evidence is not delivered to Lender, on or before the Extended Delivery Date, such failure shall be an Event of Default under the Credit Agreement and Lender shall have the right to proceed as if the Delivery Date had not been extended past the Original Delivery Date.

7. Governing Law, Etc. This Release shall be governed by, and construed in accordance with, the law of the State of Minnesota. This Release may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Release by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

8. Third Party Beneficiaries. This Release is not intended to confer any legal or equitable rights or remedies upon any party other than the parties hereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date first written above.

MGP INGREDIENTS, INC.

By: /s/ Timothy W. Newkirk
Timothy W. Newkirk
President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Becky A. Koehler
Becky A. Koehler
Vice President

Exhibit A

Asset Purchase Agreement

(Attached)

Exhibit B

Released Assets

1. The specific assets set forth on Schedule I attached hereto.
 2. The Intellectual Property Rights set forth on Schedule II attached hereto.
 3. All of the rights of the Borrower under contracts, arrangements, licenses, leases and other agreements set forth on Schedule III attached hereto.
 4. All inventories of raw materials, work in process, finished products, goods, spare parts, replacement and component parts, and office and other supplies utilized exclusively for the Pet Treat Business and which are actually located at the KCK Facility on the Closing Date.
 5. Those spare parts, replacement and component parts and tools for the KCK Facility which are actually located at the KCK Facility on the Closing Date.
 6. All rights in and to the products sold and the formulas which exist on the Closing Date and which are utilized exclusively for the Pet Treat Business.
 7. All credits, prepaid expenses, deferred charges, advance payments, security deposits and prepaid items which exist on the Closing Date and which relate exclusively to the Pet Treat Business.
 8. All books, records, manuals and other materials (in any form or medium), including, without limitation, all records and materials maintained at the headquarters of Borrower, advertising matter, catalogues, price lists, correspondence, mailing lists, lists of customers, distribution lists, photographs, production data, sales and promotional materials and records, purchasing materials and records, personnel records, manufacturing and quality control records and procedures, blueprints, research and development files, records, data and laboratory books, intellectual property disclosures, media materials and plates, accounting records, sales order files and litigation files which exist on the Closing Date and which relate exclusively to the Pet Treat Business.
 9. The government approvals set forth on Schedule IV attached hereto.
 10. All rights to causes of action, lawsuits, judgments, claims and demands of any nature available to or being pursued by the Borrower which exist on the Closing Date and which relate exclusively to the Pet Treat Business.
 11. The ownership, use, function or value of any of the forgoing, whether arising by way of counterclaim or otherwise.
 12. All guarantees, warranties, indemnities and similar rights in favor of the Borrower with respect to the foregoing.
-

RESTRUCTURING AGREEMENT

THIS RESTRUCTURING AGREEMENT ("Restructuring Agreement") entered into as of this 20th day of July, 2009, by and between CENTRAL ILLINOIS LIGHT COMPANY ("CILCO"), an Illinois corporation, and MGP INGREDIENTS, INC. ("MGP"), f/k/a Midwest Grain Products, Inc., a Kansas corporation.

RECITALS

- A. CILCO's predecessor-in-interest, Cilcorp Development Services, Inc., and MGP entered into a Steam Heat Service Agreement dated December 16, 1993 ("Steam Agreement").
- B. CILCO and MGP entered into a Gas Service Agreement dated September 1, 2006 ("Gas Agreement", and together with the Steam Agreement, the "Supply Agreements").
- C. MGP agreed to pay CILCO, under CILCO's tariffs, for electric and natural gas delivery service ("Delivery Service").
- C. MGP is in default under both Supply Agreements as a result of its failure to make payments required thereunder, and has failed to pay for Delivery Service.
- D. The parties desire to agree upon a payment schedule with regard to amounts owed under the Supply Agreements and pursuant to the Delivery Service and provide for the termination of the Steam Agreement.

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

1. Payment. The parties agree that as of June 30, 2009, MGP owes CILCO \$5,283,028.41 under the Steam Agreement, \$6,076,773.26 under the Gas Agreement and \$254,395.52 for Delivery Service (collectively, the "Balance Due"). Although MGP is in default under the Supply Agreements and Delivery Service and the Balance Due is immediately due and payable, CILCO has agreed to not declare a default, and to accept payment of the Balance Due in accordance with a payment schedule reflected in the Note delivered by MGP contemporaneously with the execution of this Restructuring Agreement ("Note"), which Note provides for the payment in full of the Balance Due, plus interest, over an 20-month period. MGP agrees to keep current with respect to any amounts which become due under the Gas Agreement or pursuant to the Delivery Service after June 30, 2009.

2. Security.

(a) As security for the Note, MGP shall execute on the date hereof an Assignment of Income Tax Refunds and Proceeds ("Assignment") pursuant to which MGP assigns all of its rights, title and interest in and to certain income tax refunds and proceeds identified in the Assignment ("Refund"). In addition, MGP agrees to execute any additional documents which are necessary in order to direct the Internal Revenue Service to pay the Refund directly to CILCO.

(b) As additional security for the Note, within thirty (30) days after the date of this Agreement, MGP shall execute and deliver and shall use its best efforts to cause any third parties to execute and deliver to CILCO any and all documentation reasonably requested by CILCO in order to grant to CILCO a mortgage, security agreement and assignment of rents (the "Mortgage"), insurable by a title insurance company, in all of the real property, including but not limited to the buildings and other improvements thereon, on the 51.333 acre site located at 1301 South Front Street, Pekin, Illinois 61554, which Mortgage shall be subordinate only to the interest held by Exchange National Bank & Trust Co. in the maximum amount of Two Million Eight Hundred Thousand Dollars (\$2,800,000.00).

3. Termination of the Steam Agreement. With respect to the Steam Agreement, the parties agree as follows:

(a) The Steam Agreement shall terminate effective as of June 30, 2009.

(b) Should MGP elect to reopen its grain processing plant located on South Front Street in Pekin, Illinois ("MGP Plant"), the parties will negotiate regarding the terms of a new steam agreement ("New Agreement"). Among other things, any New Agreement shall provide (i) that MGP is responsible for all costs relating to the start-up of the Boiler Plant (as defined in the Steam Agreement) and its ongoing staffing requirements, and (ii) for a new schedule of charges reflective of the increased costs and expenses involved in operating and maintaining the Boiler Plant. Neither party shall be liable to the other for a failure to execute a New Agreement, and a failure to execute a New Agreement shall not affect MGP's obligations under the Note, the Assignment or the Real Estate Documents.

4. Miscellaneous.

(a) Notices. All notices and other communications required hereunder shall be in writing and shall be deemed given if delivered personally, mailed by registered or certified mail, return receipt requested, or sent by telecopy with receipt confirmed by telephone, to the parties at the following addresses or to such other addresses as a party may from time to time notify the other parties.

(i) If to CILCO, to:

Central Illinois Light Company
300 Liberty Street
Peoria, Illinois 61602
Attention: Stan E. Ogden , Vice President
Telecopy: 309-677-5016

with a copy to:

Daniel J. Godar
Armstrong Teasdale LLP
One Metropolitan Square
Suite 2600
St. Louis, MO 63102-2740
Telecopy: 314-612-2249

(ii) If to MGP Ingredients, Inc., to:

Tim Newkirk
President
MGP Ingredients, Inc.
100 Commercial Plaza
Atchison, Ks. 66002

with a copy to:

Carl W. Struby
Lathrop & Gage LLP
2345 Grand Blvd
Suite 2800
Kansas City, Missouri 64108

(b) Assignment. This Restructuring Agreement shall not be assignable by any party without the prior written consent of all other parties hereto. Subject to the foregoing, this Restructuring Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors in interest and assigns.

(c) Waiver. The failure of a party to insist upon strict adherence to any term of this Restructuring Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Restructuring Agreement.

(d) Entire Agreement; Amendment. This Restructuring Agreement shall supersede any and all existing agreements between the parties hereto and relating to the subject matter hereof and may not be amended except by a written agreement signed by all parties hereto.

(e) Governing Law. This Restructuring Agreement shall be governed by and construed in accordance with the internal laws, and not the laws of conflicts of laws, of the State of Illinois.

(f) Heading. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Restructuring Agreement.

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(g) Severability. If any provision of this Restructuring Agreement is invalid or unenforceable, the balance of this Restructuring Agreement shall remain in effect to the extent that the remaining provisions are not affected by such invalidity or unenforceability.

(h) Further Assurances. The parties hereto shall each take as promptly as possible all such action as may be necessary or appropriate in order to effectuate the transactions contemplated hereunder, subject to the terms explicitly set out herein.

(i) Counterparts. This Restructuring Agreement may be executed in one or more counterparts each of which shall be deemed an original but all of which taken together shall constitute one and the same agreement.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties have caused this Restructuring Agreement to be executed by their duly authorized representatives as of the date set forth above.

CENTRAL ILLINOIS LIGHT COMPANY

By: /s/ Stan E. Ogden
Name: Stan E. Ogden
Title: Vice President

MGP INGREDIENTS, INC.

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President & CEO

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PROMISSORY NOTE

\$11,614,197.19

July 20, 2009

On or before the Maturity Date, the undersigned, MGP INGREDIENTS, INC. f/k/a Midwest Grain Products, Inc., a Kansas corporation, whose address is 100 Commercial Street, Box 130, Atchison, Kansas ("MGP"), for value received, promises to pay to the order of CENTRAL ILLINOIS LIGHT COMPANY, an Illinois corporation, whose address is 300 Liberty Street, Peoria, Illinois 61602 ("CILCO"), at 300 Liberty Street, Peoria, Illinois 61602, or at such other place as may be designated in writing by CILCO, in lawful money of the United States of America in immediately available funds, the principal sum of Eleven Million Six Hundred Fourteen Thousand One Hundred Ninety-Seven Dollars and Nineteen Cents (\$11,614,197.19) together with interest on the aforesaid principal sum, from the date hereof, at the rate or rates hereinafter specified.

This Note is executed in connection with that certain Restructuring Agreement dated of even date herewith between MGP and CILCO (the "Restructuring Agreement"). The term "Maturity Date" shall mean March 14, 2011, or any earlier date on which payment hereunder is due whether by acceleration or otherwise. This Note is secured by an Assignment of Income Tax Refunds and Proceeds of even date herewith by and among MGP and CILCO (the "Assignment").

During the period between the date of this Note and the Maturity Date, MGP agrees to pay interest on the from time to time unpaid principal balance of this Note at a rate of nine percent (9%) per annum (the "Loan Interest Rate").

Subject to the provisions of this paragraph, said principal shall be due and payable in eighteen (18) equal monthly installments together with interest thereon, with the first such payment being due October 14, 2009 and the final payment being due on the Maturity Date. In addition, on each of August 14, 2009 and September 14, 2009, interest payments shall be due and payable on the outstanding principal amount of the Note. Each of the payments made pursuant to this Note shall be applied first to the payment of accrued interest and then to the reduction of the principal balance. MGP agrees that for so long as any principal or interest remains outstanding under this Note, all distributions, refunds and other payments of money relating to the Collateral (as defined in the Assignment), shall be paid and delivered directly to CILCO and applied as a prepayment of the Note (up to the aggregate amount of the then outstanding principal and interest on this Note). In the event that MGP directly receives any portion of such Collateral, MGP agrees to make prepayment of this Note in the full amount of such Collateral (up to the amount of the then outstanding principal and interest on this Note) within five (5) days of the receipt of any such Collateral. After each prepayment of Collateral, the principal balance of this Note shall be accordingly reduced and the remaining principal shall thereafter be due and payable in a number of equal monthly installments equal to the number of payment dates remaining until (and including) the Maturity Date, together with interest thereon, with the first such payment being due on the 14th day of the month following the applicable prepayment.

CILCO shall invoice MGP for amounts due pursuant to this Note at least fourteen (14) days in advance of the due date of each payment, provided that CILCO's failure to deliver any such invoice or notice shall in no way relieve MGP of any payment obligation hereunder. Invoices shall be delivered to MGP at the address set forth in the initial paragraph of this Note or to such other address as MGP may from time to time notify CILCO in writing.

After the Maturity Date, the rate of interest of this Note shall be the Loan Interest Rate plus five (5) percentage points per annum (the "Default Rate").

If any payment of principal or interest due on this Note is payable on a day which is a Saturday, Sunday, or legal holiday in the State of Illinois, then such payment shall be due on the next business day, the amount of such payment, in such case, to include all interest accrued to the date of actual payment.

Should (a) MGP fail to make any payment hereunder on the date when due (including the payment of any portion of the Collateral), and any portion of such payment shall remain unpaid for a period of five (5) days after such due date, (b) MGP undergo a Change in Control (as defined below), (c) there be a violation of any term, condition, covenant, representation or warranty set forth in the Restructuring Agreement, the Assignment or any agreement or certificate referenced by either such document, or (d) MGP divest all or substantially all of its interest in that certain grain processing plant located at 1301 South Front Street, Pekin, Illinois 61554, then in any such case the holder of this Note, at its option and without further notice or demand, may declare immediately due and payable the entire unpaid balance of principal due under this Note, together with all accrued interest thereon. In such case, the holder of this Note may also recover all costs of suit and other expenses in connection with efforts to collect any of the aforesaid amounts, together with reasonable attorneys' fees (including attorneys' fees for representation in proceedings under the Bankruptcy Code), regardless of whether litigation is commenced, together with interest on any judgment obtained by the holder of this Note at the Default Rate, including interest at the Default Rate from and after the date of any such default until actual payment is made to the holder of this Note of the full amount due such holder.

As used above, the term "Change in Control" means, with respect to a referenced Person, the occurrence of any one of the following events: (a) any Person who is not an Affiliate of the referenced Person becomes a "beneficial owner," as such term is used in Rule 13d-3 under the Securities Exchange Act of 1934, of more than twenty percent (20%) of the referenced Person's voting stock or equity; (b) the referenced Person adopts any plan of liquidation providing for the distribution of all or substantially all of its assets; or (c) the referenced Person is party to a merger, consolidation, other form of business combination with a Person not Affiliated with the referenced Person, unless the business of the referenced Person is continued following any such transaction by a resulting entity (which may be, but need not be, the referenced Person) and the owners of the referenced Person immediately prior to such transaction hold, directly or indirectly, a majority of the voting power of the resulting entity.

MGP reserves the right to prepay the whole or any part of the principal sum hereof at any time or from time to time, without premium or penalty, so long as no default has occurred under this Note. The holder, however, shall have no obligation to re-advance any sums prepaid and any partial prepayment shall not relieve the undersigned of paying succeeding installment maturities when due. Interest accrued on any part of the principal hereof which is prepaid shall be paid with such principal prepayment.

Presentment and demand for payment, notice of non-payment, protest, protest of non-payment, notice of protest, notice of dishonor, and any and all lack of diligence and suit are hereby waived by all parties liable hereon. Any failure by any holder hereof to exercise any right hereunder shall not be construed as a waiver of the right to exercise the same or any other right at any other time and from time to time thereafter.

The loan evidenced hereby has been made and this Note has been delivered, in Peoria, Illinois, and such loan, this Note, and the rights, obligations and remedies of CILCO and the undersigned shall be governed by and construed in accordance with the internal laws of the State of Illinois. All obligations of the undersigned and rights, powers and remedies of CILCO, expressed herein shall be in addition to, and not in limitation of, those provided by law. This Note shall be freely assignable by CILCO.

THE INDEBTEDNESS EVIDENCED BY THIS NOTE IS SUBJECT TO THE TERMS OF A SUBORDINATION AGREEMENT DATED OF EVEN DATE HERewith BY AND AMONG MGP, CILCO AND WELLS FARGO BANK, NATIONAL ASSOCIATION.

ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT BORROWER AND CREDITOR FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY

IT.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed and delivered as of the date first above written.

MGP INGREDIENTS, INC.
f/k/a Midwest Grain Products, Inc.

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President & CEO

Signature Page to Promissory Note

ASSIGNMENT OF INCOME TAX REFUNDS AND PROCEEDS

THIS ASSIGNMENT OF INCOME TAX REFUNDS AND PROCEEDS(the "Assignment") is entered into this 20th day of July, 2009, by and between **MGP INGREDIENTS, INC.** f/k/a Midwest Grain Products, Inc., a Kansas corporation, whose address is 100 Commercial Street, Box 130, Atchison, Kansas (together with its subsidiaries and affiliates, the "Assignor"), and **CENTRAL ILLINOIS LIGHT COMPANY**, an Illinois corporation, whose address is 300 Liberty Street, Peoria, Illinois 61602 ("CILCO").

WITNESSETH:

WHEREAS, Assignor has filed Assignor's income tax returns with the United States Internal Revenue Service (the "IRS") for Assignor's fiscal year ending July 1, 2007 (the "Tax Return"); and

WHEREAS, in connection with the transactions contemplated by that certain Restructuring Agreement dated of even date herewith by and between Assignor and CILCO (the "Restructuring Agreement"), Assignor has delivered a Promissory Note dated July 17, 2009 executed by Assignor and payable to the order of CILCO in the original principal amount of Eleven Million Six Hundred Fourteen Thousand One Hundred Ninety-Seven Dollars and Nineteen Cents (\$11,614,197.19) (as amended from time to time, the "Note"); and

WHEREAS, as required by the Restructuring Agreement and in order to secure payment of the Note and any and all other obligations hereafter arising from Assignor to CILCO (collectively, the "Obligations"), Assignor has agreed to assign to CILCO all of Assignor's right, title and interest in and to any proceeds or refunds payable by the IRS pursuant to the filing of the Tax Return and any and all amendments thereto (collectively, the "Collateral"); and

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, subject to the terms and conditions of the Note, and any and all documents executed by Assignor which evidence or secure same, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Assignor does hereby grant a continuing security interest in and to and hereby assigns, conveys and transfers to CILCO all of Assignor's right, title and interest in, to and under the Collateral.
2. Assignor shall at all times faithfully and promptly discharge the obligations of Assignor under the Collateral.
3. All distributions or refunds of any kind, whether cash or in kind, and all other payments of money or property of any sort whatsoever, and any other benefits inuring to Assignor by reason of or relating to the Collateral, shall be paid and delivered directly to CILCO. In the event that Assignor directly receives any portion of such Collateral, Assignor agrees to pay and deliver to CILCO the full amount of such Collateral (up to the amount of the then outstanding principal and interest on this Note) within five (5) days of the receipt of any such Collateral.
4. Assignor agrees to execute any and all documents and take any and all actions as may be necessary or required by CILCO (in CILCO's sole discretion) in order to perfect or maintain CILCO's security interest in the Collateral, or to effectuate the intent of this Assignment, including but not limited to any power of attorney that may be required by the IRS and/or the United States Treasury in order to

enable CILCO to directly receive the Collateral. In addition, Assignor irrevocably authorizes CILCO at any time and from time to time while this Assignment is in effect to file financing statements and amendments thereto relating to the Collateral, without the signature of Assignor. Further, Assignor agrees that it shall refrain from taking any action that could reduce or delay the amount of the Collateral, delay its payment or adversely affect CILCO's ability to directly receive the Collateral.

5. Assignor represents and warrants to CILCO that as of the date hereof: (i) to the best of its knowledge, the value of the Collateral is approximately \$5,500,000, (ii) except as set forth herein and subject to the terms of that certain Subordination Agreement by and between Wells Fargo Bank, National Association, Assignor and CILCO dated of even date herewith, Assignor owns the Collateral free and clear from all liens and other encumbrances thereon.
6. All rights of CILCO under this Assignment shall expire upon satisfaction in full of all of the obligations and liabilities of Assignor to CILCO under the Obligations.
7. Assignor agrees that CILCO (or its successor, assign or designee) does not assume any of the obligations or duties of Assignor under or with respect to the Collateral. In no event shall CILCO have any liability whatsoever for the performance of any obligations or duties of Assignor with respect to the Collateral or the Tax Return.
8. The exercise of any rights by CILCO granted hereunder shall not satisfy or diminish any obligation or liability of Assignor to CILCO in any way or limit or preclude the exercise of other rights and remedies by CILCO until the Obligations are fully and finally repaid in full.
9. Whenever any notice is required or permitted by the terms of this Assignment, such notice shall be deemed given when mailed by certified mail, return receipt requested, postage pre-paid to the parties at their addresses set forth above.
10. This Assignment shall be binding upon and shall inure to the benefit of the respective heirs, executors, representatives, successors and assigns of the parties hereto.
11. This Assignment shall be governed by and shall be construed in accordance with the laws of the State of Illinois.

Signature Page Follows

IN WITNESS WHEREOF, this Assignment has been executed by the parties as of the date first above written.

MGP INGREDIENTS, INC.
f/k/a Midwest Grain Products, Inc.

By: /s/ Timothy W. Newkirk

Name: Timothy W. Newkirk
Title: President & CEO

CENTRAL ILLINOIS LIGHT COMPANY

By: /s/ Stan El Ogden
Name: Stan E. Ogden
Title: Vice President

WAIVER AGREEMENT

This Agreement made as of July 20, 2009 among CLOUD L. CRAY, JR. TRUST under an agreement dated October 25, 1983 ("Trust"), MGP INGREDIENTS, INC., a Kansas Corporation ("MGP") and CENTRAL ILLINOIS LIGHT COMPANY, an Illinois Corporation ("CILCO").

RECITALS:

A. In connection with transaction contemplated by a Restructuring Agreement of even date herewith between MGP and CILCO, MGP has agreed to assign any proceeds or refunds payable by the IRS to MGP pursuant to the filing of tax returns with respect to MGP's fiscal year ended July 1, 2007 (the "Refund").

B. Pursuant to a Subordinated Secured Promissory Note ("Note") made by MGP to Trust dated March 27, 2009, MGP has granted Trust a security interest in substantially all of MGP's personal property. Trust, as a significant stockholder and creditor of MGP, will benefit from the Restructuring Agreement, and wishes to induce CILCO to enter into the Restructuring Agreement.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE FOREGOING AND OTHER CONSIDERATION, TRUST HEREBY AGREES AS FOLLOWS.

1. Trust hereby waives any interest in the Refund.
2. Trust agrees that the Company may file an amendment to the UCC-1 financing statements filed to perfect Trust's security interest in the collateral securing the Note to the following effect: "The Secured Party disclaims any interest in income tax refunds or MGP Ingredients, Inc. and subsidiaries for the year ended July 1, 2007."

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

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

By: /s/ Cloud L. Cray, Jr. TTEE

MGP INGREDIENTS, INC.,
A Kansas corporation

By: /s/ Timothy W. Newkirk
President & CEO

CENTRAL ILLINOIS LIGHT COMPANY
An Illinois Corporation

By: _____

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT ("**Agreement**"), dated as of July 21, 2009, is made by CENTRAL ILLINOIS LIGHT COMPANY (the "**Subordinated Creditor**"), for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION (with its participants, successors and assigns, the "**Senior Lender**"), acting through its Wells Fargo Business Credit operating division.

MGP Ingredients, Inc., a Kansas corporation (the "**Borrower**"), is now or hereafter may be indebted to the Senior Lender on account of loans or the other extensions of credit or financial accommodations from the Senior Lender to Borrower, or to any other person under the guaranty or endorsement of Borrower.

The Subordinated Creditor has entered into certain financial accommodations with Borrower.

As a condition to making any loan or extension of credit to Borrower, the Senior Lender has required that the Subordinated Creditor (i) subordinate the payment of the Subordinated Note and the Subordinated Creditor's other financial accommodations to the payment of any and all indebtedness of the Borrower to the Senior Lender (except as otherwise provided herein) and (ii) disclaim any interest or Liens in the Collateral which is not Subordinated Creditor Collateral. Assisting Borrower in obtaining credit accommodations from the Senior Lender and subordinating his interests pursuant to the terms of this Agreement are in the Subordinated Creditor's best interest.

ACCORDINGLY, in consideration of the loans and other financial accommodations that have been made and may hereafter be made by the Senior Lender for the benefit of the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Subordinated Creditor hereby agrees as follows:

1. Definitions. As used herein, the following terms have the meanings set forth below:

"**Borrower Default**" means a Default or Event of Default as defined in any agreement or instrument evidencing, governing, or issued in connection with Senior Lender Indebtedness, including, but not limited to, the Credit Agreement, or any default under or breach of any such agreement or instrument.

"**Collateral**" means all business assets of Borrower including all collateral now or hereafter securing payment of the Senior Lender Indebtedness, including all proceeds thereof.

"**Credit Agreement**" means that certain Credit and Security Agreement dated on or about the date hereof, by and between Borrower and the Senior Lender as the same may hereafter be amended, supplemented or restated from time to time.

"**Enforcement**" shall mean for Subordinated Creditor to make demand for payment or accelerate the Subordinated Indebtedness, repossess any material amount of Collateral or commence the judicial or non-judicial enforcement of any of the rights and remedies under the Subordinated Note, Subordinated Indebtedness or any related agreements or applicable law. For the avoidance of doubt, "Enforcement" shall specifically exclude any demand or action taken by Subordinated Creditor to obtain or receive payments upon the sale of the Real Estate Collateral.

"**Enforcement Notice**" shall mean a written notice delivered, at a time when a Subordinated Indebtedness Default has occurred and is continuing, by Subordinated Creditor to Senior Lender, specifying the relevant Subordinated Indebtedness Default and stating the current balance of the Subordinated Indebtedness.

"**Lien**" means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or hereafter acquired and whether arising by agreement or operation of law.

"**Real Estate Collateral**" means that certain real property owned by Borrower located at 1301 South Front Street in Pekin, IL 61555-4065 and described on Exhibit A attached hereto.

"**Senior Lender Indebtedness**" is used herein in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of Borrower to the Senior Lender, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement at any time entered into by the Borrower with the Senior Lender, and whether the Borrower may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

"**Subordinated Creditor Collateral**" means collectively, the Real Estate Collateral and Tax Refund Collateral.

"**Subordinated Indebtedness**" means all obligations arising under the Subordinated Note and each and every other debt, liability and obligation of every type and description which the Borrower may now or at any time hereafter owe to the Subordinated Creditor, whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due,

absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several, with the exception of Trade Payables Indebtedness.

"**Subordinated Indebtedness Default**" means a Default or Event of Default as defined in any agreement or instrument evidencing, governing, or issued in connection with Subordinated Indebtedness, including, but not limited to, the Subordinated Note, or any default under or breach of any such agreement or instrument.

"**Subordinated Note**" means the Borrower's promissory note made by the Borrower dated on or about the date hereof, payable to the order of the Subordinated Creditor in the approximate original principal amount of \$11,614,197.19, together with all renewals, extensions and modifications thereof and any note or notes issued in substitution thereof.

"**Tax Refund Collateral**" means all of Borrower's right, title and interest in and to any proceeds or refunds payable by the Internal Revenue Service pursuant to the filed income tax return for Borrower's fiscal year ending July 1, 2007, and any and all amendments thereto.

"**Trade Payable Indebtedness**" means the trade payable indebtedness owed by Borrower to Subordinated Creditor, whether such trade payable debt now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several, which shall not include indebtedness evidenced by the Subordinated Note. For the avoidance of doubt and without limiting the foregoing, "Trade Payable Indebtedness" shall include amounts accruing after June 30, 2009 (i) for products or services provided pursuant to the

Gas Service Agreement dated September 1, 2006 by and among Borrower, Subordinated Creditor and the other parties thereto, (ii) for products or services provided pursuant to any successor agreement to that certain Steam Heat Service Agreement dated December 16, 1993 by and among Borrower, Subordinated Creditor and the other parties thereto and (iii) relating to providing electric and natural gas commodity and/or delivery service.

2. Subordination.

(a) The Subordinated Creditor hereby agrees that, except as otherwise provided herein, the payment and performance of all of the Subordinated Indebtedness is hereby expressly subordinated to the payment and performance in full of the Senior Lender Indebtedness and regardless of any priority otherwise available to the Subordinated Creditor by law or by agreement, the Senior Lender shall hold a first priority Lien in the Collateral and the Subordinated Creditor hereby disclaims any interest or Liens in the Collateral, except for the Subordinated Creditor Collateral. The Subordinated Indebtedness shall continue to be subordinated to the Senior Lender Indebtedness even if the Senior Lender Indebtedness is deemed unsecured, under-secured, subordinated, avoided or disallowed under the United States Bankruptcy Code or other applicable law.

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(b) Notwithstanding anything contained herein to the contrary, until the earlier of (i) the date that all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral or (ii) the expiration of the Standstill Period (as hereinafter defined), the Subordinated Creditor hereby disclaims any interest or Liens in the Collateral other than the Subordinated Creditor Collateral. The parties agree that the provisions of this Section 2(b), are made in favor of and shall only inure to the benefit of, only Senior Lender its participants, successors and assigns and to no other persons.

(c) Notwithstanding anything contained herein to the contrary (i) the Senior Lender acknowledges that the Subordinated Creditor does not subordinate its Lien in the Subordinated Creditor Collateral and (ii) any Lien claimed in the Subordinated Creditor Collateral by the Senior Lender, shall be and remain fully subordinate for all purposes to the Lien of the Subordinated Creditor in the Subordinated Creditor Collateral for all purposes whatsoever. Notwithstanding anything in any documents between Subordinated Creditor and Borrower to the contrary, the Subordinated Creditor hereby consents to Senior Lender taking a Lien in the Real Estate Collateral, provided that any such Lien shall be and remain fully subordinate for all purposes to the Lien of the Subordinated Creditor in the Real Estate Collateral for all purposes whatsoever.

3. Payments.

(a) Until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral, the Subordinated Creditor shall not, without the Senior Lender's prior written consent, demand, receive or accept any payment (whether of principal, interest or otherwise) from the Borrower in respect of the Subordinated Indebtedness, or exercise any right of or permit any setoff in respect of the Subordinated Indebtedness except that the Subordinated Creditor may, provided no Borrower Default has occurred or would occur as a result of any such payments, accept scheduled, current (not more than 30 days past due), non-accelerated payments (but not prepayments) of principal and interest required to be paid under the Subordinated Note.

(b) Notwithstanding anything contained herein to the contrary, (i) the Subordinated Creditor may receive payments from Borrower which are payments of Trade Payable Indebtedness and (ii) the Subordinated Creditor may receive payments from Borrower which are proceeds of the Subordinated Creditor Collateral.

4. Receipt of Prohibited Payments. If the Subordinated Creditor receives any payment on the Subordinated Indebtedness that the Subordinated Creditor is not entitled to receive under the provisions of this Agreement, the Subordinated Creditor will hold the amount so received in trust for the Senior Lender and will forthwith turn over such payment to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to then-existing Senior Lender Indebtedness (whether or not due), in such manner of application as the Senior Lender may deem appropriate. If the Subordinated Creditor exercises any right of setoff which the Subordinated Creditor is not permitted to exercise under the provisions of this Agreement, the Subordinated Creditor will promptly pay

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over to the Senior Lender, in immediately available funds, an amount equal to the amount of the claims or obligations offset. If the Subordinated Creditor fails to make any endorsement required under this Agreement, the Senior Lender, or any of its officers or employees or agents on behalf of the Senior Lender, is hereby irrevocably appointed as the attorney-in-fact (which appointment is coupled with an interest) for the Subordinated Creditor to make such endorsement in the Subordinated Creditor's name.

5. Action on Subordinated Indebtedness. Unless and until the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral:

(a) The Subordinated Creditor will not commence any action or proceeding against the Borrower to recover all or any part of the Subordinated Indebtedness, or join with any creditor (unless Senior Lender shall so join) in bringing any proceeding against the Borrower under any bankruptcy, reorganization, readjustment of debt, arrangement of debt receivership, liquidation or insolvency law or statute of the federal or any state government; and

(b) The Subordinated Creditor will not commence any action or proceeding with respect to the Collateral or against the Borrower, will not take possession of, sell or dispose of, or otherwise deal with, the Collateral, and will not exercise or enforce any other right or remedy which may be available to the Subordinated Creditor against the Borrower or with respect to the Collateral.

(c) Notwithstanding anything contained herein to the contrary, the Subordinated Creditor shall be permitted to commence an Enforcement against (i) the Real Estate Collateral on the date that is sixty (60) days after an Enforcement Notice from Subordinated Creditor has actually been received by Senior Lender, (ii) the Tax Refund Collateral upon the occurrence of a Subordinated Indebtedness Default and (iii) the Borrower with respect to Trade Payable Indebtedness at any time. Notwithstanding anything herein to the contrary, on the date that is three hundred and sixty five days (365) days after delivery of an Enforcement Notice to Subordinated Creditor pursuant to the terms of Section 12 hereof (the "Standstill Period"), all obligations of Subordinated Creditor under this Agreement shall terminate and expire.

6. Action Concerning Collateral and Restrictions on Liens

(a) Subordinated Creditor represents, warrants, agrees, promises and covenants to Senior Lender that unless and until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral the (i) Subordinated Creditor will not modify, amend, restate or otherwise change the Subordinated Note or any documents, agreements or instruments representing or related to any Subordinated Indebtedness; (ii) except for the Subordinated Creditor Collateral, the Subordinated Creditor holds no Lien on the Collateral or any other property or assets of Borrower; (iii) there are currently no UCC or similar filings in connection with any indebtedness from Borrower to Subordinated Creditor, and will not be any such filings except filings which specifically describe the

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Subordinated Creditor Collateral; and (iv) except for Liens relating to the Subordinated Creditor Collateral, should any Lien be taken or received by Subordinated Creditor in respect of the Collateral or any other property or assets of Borrower, or should any UCC or similar filing against Borrower be made by or on behalf of Subordinated Creditor, Senior Lender may, in its sole and absolute discretion, terminate, release, cancel (or take assignment thereof for its own benefit) any such Liens or filings, and Subordinated Creditor hereby appoints Senior Lender as its attorney-in-fact for such purposes.

(b) Senior Lender may take possession of, sell, dispose of, and otherwise deal with all or any part of the Collateral, except for the Subordinated Creditor Collateral, and may enforce any right or remedy available to it with respect to the Borrower or the Collateral (except for the Subordinated Creditor Collateral), all without notice to or consent of the Subordinated Creditor except as specifically required by applicable law.

(c) The Senior Lender shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Collateral or any other property or assets of the Borrower, and in no event shall the Senior Lender be deemed the Subordinated Creditor's agent with respect to the Collateral. All proceeds received by the Senior Lender with respect to any Collateral may be applied, first, to pay or reimburse the Senior Lender for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Lender in connection with the collection of such proceeds, and, second, to any Senior Lender Indebtedness secured by the Senior Lender's Lien in that Collateral in any order that it may choose.

(d) Nothing contained herein will prevent Borrower and Senior Lender from amending, modifying, restating and otherwise dealing with the Senior Lender Indebtedness in any manner Borrower and Senior Lender deem necessary and/or desirable without notice to or consent of the Subordinated Creditor (the "**Modified Senior Lender Indebtedness**"). This Agreement shall remain fully applicable to such Modified Senior Lender Indebtedness and the Modified Senior Lender Indebtedness will be deemed the "Senior Lender Indebtedness" for all purposes hereunder.

7. **Bankruptcy and Insolvency.** In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, whether or not pursuant to bankruptcy law, the sale of all or substantially all of the assets of the Borrower, dissolution, liquidation or any other marshalling of the assets or liabilities of the Borrower, the Subordinated Creditor will file all claims, proofs of claim or other instruments of similar character necessary to enforce the obligations of the Borrower in respect of the Subordinated Indebtedness and will hold in trust for the Senior Lender and promptly pay over to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to the then-existing Senior Lender Indebtedness, any and all moneys, dividends or other assets received in any such proceedings on account of the Subordinated Indebtedness, unless and until the Senior Lender Indebtedness has been paid in full and the Senior Lender's Lien in the Collateral has been terminated, except for proceeds from (i) the Subordinated Creditor Collateral, (ii) the Collateral after the expiration of the Standstill Period and (iii) debt relating to Trade Payables Indebtedness. If the Subordinated Creditor shall

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fail to take any such action, the Senior Lender, as attorney-in-fact for the Subordinated Creditor, may take such action on the Subordinated Creditor's behalf. The Subordinated Creditor hereby irrevocably appoints the Senior Lender, or any of its officers or employees on behalf of the Senior Lender, as the attorney-in-fact for the Subordinated Creditor (which appointment is coupled with an interest) with the power but not the duty to demand, sue for, collect and receive any and all such moneys, dividends or other assets and give acquittance therefor and to file any claim, proof of claim or other instrument of similar character, to vote claims comprising Subordinated Indebtedness to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension and to take such other action in the Senior Lender's own name or in the name of the Subordinated Creditor as the Senior Lender may deem necessary or advisable for the enforcement of the agreements contained herein; and the Subordinated Creditor will execute and deliver to the Senior Lender such other and further powers-of-attorney or instruments as the Senior Lender may request in order to accomplish the foregoing. If the Senior Lender desires to permit the use of cash collateral or to provide post-petition financing to the Borrower, the Subordinated Creditor shall not object to the same or assert that its interests are not being adequately protected.

8. **Restrictive Legend; Transfer of Subordinated Indebtedness; Amendment** The Subordinated Creditor will cause the Subordinated Note and all other notes, bonds, debentures or other instruments evidencing the Subordinated Indebtedness or any part thereof to contain a specific statement thereon to the effect that the indebtedness thereby evidenced is subject to the provisions of this Agreement, and the Subordinated Creditor will mark its books conspicuously to evidence the subordination effected hereby. Attached hereto is a true and correct copy of the Subordinated Note bearing such legend.

9. **Continuing Effect.** This Agreement shall constitute a continuing agreement of subordination, and the Senior Lender may, without notice to or consent by the Subordinated Creditor, modify any term of the Senior Lender Indebtedness in reliance upon this Agreement. Without limiting the generality of the foregoing, the Senior Lender may, at any time and from time to time, without the consent of or notice to the Subordinated Creditor and without incurring responsibility to the Subordinated Creditor or impairing or releasing any of the Senior Lender's rights or any of the Subordinated Creditor's obligations hereunder:

- (a) change the interest rate or change the amount of payment or extend the time for payment or renew or otherwise alter the terms of any Senior Lender Indebtedness or any instrument evidencing the same in any manner;
- (b) sell, exchange, release or otherwise deal with any property at any time securing payment of the Senior Lender Indebtedness or any part thereof;
- (c) release anyone liable in any manner for the payment or collection of the Senior Lender Indebtedness or any part thereof;
- (d) exercise or refrain from exercising any right against the Borrower or any other person (including the Subordinated Creditor); and

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(e) apply any sums received by the Senior Lender, by whomsoever paid and however realized, to the Senior Lender Indebtedness in such manner as the Senior Lender shall deem appropriate.

10. **No Commitment.** None of the provisions of this Agreement shall be deemed or construed to constitute or imply any commitment or obligation on the part of the Senior Lender to make any future loans or other extensions of credit or financial accommodations to the Borrower.

11. **Waiver and Consent.** Senior Lender shall have no obligation to the Subordinated Creditor with respect to the Collateral or the Senior Lender Indebtedness, except for the Subordinated Creditor Collateral and the Trade Payables Indebtedness. Senior Lender may (a) exercise collection rights, (b) take possession of, sell or dispose of, and otherwise deal with, the Collateral, (c) in Senior Lender's name, the Subordinated Creditor's name or in Borrower's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any account debtor or other obligor of the Debtor; (d) prosecute, settle and receive proceeds on any insurance claims relating to the Collateral, and (e) exercise and enforce any right or remedy available to Senior Lender with respect to the Collateral, whether available before or after the occurrence of any default; all without notice to or consent by anyone except as specifically required by law. Senior Lender may apply the proceeds of the Collateral in any order of application, and may remit or release such proceeds or any other sums or amounts to the Borrower without being obligated to assure that any such proceeds or sums are applied to the satisfaction of the Subordinated Creditor's subordinated security interest in any Collateral, except as required by law. The Subordinated Creditor hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or agreement.

12. Notice. All notices and other communications hereunder shall be in writing and shall be (i) personally delivered, (ii) transmitted by registered mail, postage prepaid, or (iii) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth below:

If to the Senior Lender:

Wells Fargo Bank, National Association
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attention: Becky A. Koehler
Telecopier: (612) 341-2472

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If to the Subordinated Creditor:

Central Illinois Light Company
300 Liberty Street
Peoria, Illinois 61602
Attention: Stan E. Ogden, Vice President
Telecopier: (309) 677-5016

with a copy to:
Daniel J. Godar
Armstrong Teasdale LLP
One Metropolitan Square
Suite 2600
St. Louis, MO 63102-2740
Telecopy: 314-612-2249

or at such other address as may hereafter be designated in writing by that party. All such notices or other communications shall be deemed to have been given on (i) the date received if delivered personally, (ii) the date of posting if delivered by mail, or (iii) the date of transmission if delivered by telecopy.

13. Conflict in Agreements. If the subordination provisions of any instrument evidencing Subordinated Indebtedness conflict with the terms of this Agreement, the terms of this Agreement shall govern the relationship between the Senior Lender and the Subordinated Creditor.

14. No Waiver. No waiver shall be deemed to be made by the Senior Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of the Senior Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Senior Lender or the obligations of the Subordinated Creditor to the Senior Lender in any other respect at any time.

15. Binding Effect; Acceptance. This Agreement shall be binding upon the Subordinated Creditor and the Subordinated Creditor's heirs, legal representatives, successors and assigns and shall inure to the benefit of the Senior Lender and its participants, successors and assigns irrespective of whether this or any similar agreement is executed by any other creditor of the Borrower. Notice of acceptance by the Senior Lender of this Agreement or of reliance by the Senior Lender upon this Agreement is hereby waived by the Subordinated Creditor.

16. Miscellaneous. The paragraph headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

17. Governing Law; Consent to Jurisdiction and Venue; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Minnesota. Each party consents to the personal

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jurisdiction of the state and federal courts located in the State of Minnesota in connection with any controversy related to this Agreement, waives any argument that venue in any such forum is not convenient, and agrees that any litigation initiated by any of them in connection with this Agreement may be venued in either the state or federal courts located in Hennepin County, Minnesota. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.**

18. Interpretation. As used in this Agreement, unless the context otherwise requires, the term "herein" shall mean "in this Agreement".

19. Electronic Signatures. The exchange of copies of this waiver and of signature pages by PDF through email or facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Electronic signatures of the parties transmitted as set forth herein shall be deemed to be original signatures for all purposes.

[Signature Page Follows]

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IN WITNESS WHEREOF, the Subordinated Creditor has executed this Agreement as of the date and year first above-written.

CENTRAL ILLINOIS LIGHT COMPANY

By: /s/ Stan E. Ogden

Name:	Stan E. Ogden
Its:	Vice President

Acknowledgment by Borrower

The undersigned, being the Borrower referred to in the foregoing Agreement, hereby (i) acknowledges receipt of a copy thereof, (ii) agrees to all of the terms and provisions thereof, (iii) agrees to and with the Senior Lender that it shall make no payment on the Subordinated Indebtedness that the Subordinated Creditor would not be entitled to receive under the provisions of the Agreement, (iv) agrees that any such payment will constitute a default under the Senior Lender Indebtedness, and (v) agrees to mark its books conspicuously to evidence the subordination of the Subordinated Indebtedness effected hereby.

MGP INGREDIENTS, INC.
a Kansas corporation

By:	/s/ Timothy W. Newkirk
Name:	Timothy W. Newkirk
Its:	President & CEO

Exhibit A

Legal Description of Real Estate Collateral

(Attached)

This Mortgage was prepared by and when recorded should be mailed to:

Armstrong Teasdale LLP
Attn: Timothy J. Tryniecki
One Metropolitan Square
St. Louis, Missouri 63102

Permanent Tax Identification Numbers described herein:

10-10-09-200-001
10-10-09-200-010
04-10-04-400-002

Street Address of Property described herein:

1301 South Front Street
Pekin, Illinois

Space above reserved for Recorder's Use Only

**THIS INSTRUMENT SHOULD BE FILED AS A MORTGAGE
AND AS A FIXTURE FILING**

THE NAME OF THE RECORD FEE SIMPLE OWNER OF THE PROPERTY IS:

**MGP INGREDIENTS, INC., a Kansas corporation,
formerly known as Midwest Grain Products, Inc., a Kansas corporation**

THE FEIN# OF THE DEBTOR IS: 48-0531-200

**THIS LIMITATION DOES NOT INCLUDE INTEREST, ATTORNEYS' FEES, DISBURSEMENTS OR OTHER COSTS AND EXPENSES WHICH
MORTGAGEE MAY COLLECT PURSUANT TO THIS MORTGAGE (AS DEFINED HEREIN), THE LOAN INSTRUMENTS (AS DEFINED HEREIN) OR
UNDER APPLICABLE LAW.**

THIS MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Mortgage") is made as of August 14, 2009, by MGP Ingredients, Inc., a corporation duly organized and validly existing under the laws of the State of Kansas, authorized to do and conduct business in the State of Illinois and having an office at 100 Commercial Plaza, Atchison, Kansas 66002 Attn: Timothy W. Newkirk, President, formerly known as Midwest Grain Products, Inc., a Kansas corporation (the "Mortgagor"), in favor of Central Illinois Light Company, and having an office at 300 Liberty Street, Peoria, Illinois 61602, Attention: Stan E. Ogden, Vice President (the "Mortgagee").

WITNESSETH:

WHEREAS, Mortgagor and Mortgagee are parties to that certain Restructuring Agreement dated July 20, 2009 (the "Restructuring Agreement"), pursuant to which Mortgagor has executed and delivered to Mortgagee the Note, as defined therein, dated July 20, 2009 and in the principal amount of \$11,614,197.19 (the "Note"); except as otherwise herein expressly provided, all capitalized terms not otherwise defined herein shall have the meaning provided in the Restructuring Agreement;

WHEREAS, as a condition to Mortgagee's extension of credit to the Mortgagor pursuant to the Restructuring Agreement, Mortgagee has required that Mortgagor execute and deliver this Mortgage;

WHEREAS, all advances, indebtedness and obligations of Mortgagor arising and accruing under the Restructuring Agreement from time to time shall be secured by this Mortgage to the same extent as though advanced on the date hereof; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and FOR THE PURPOSE OF SECURING the following items (a) through (e) (collectively, the "Obligations"):

- (a) all payment and other obligations of Mortgagor arising under the Note, as the same may hereafter be amended;
- (b) the performance and payment of all covenants, agreements and obligations contained herein and in the Restructuring Agreement and all other monies secured hereby, including, without limitation, any and all sums expended by the Mortgagee pursuant to Section 1.06, together with interest thereon;
- (c) the performance and payment of all covenants, agreements and obligations arising under that certain Assignment of Income Tax Refunds and Proceeds dated July 20, 2009 from Mortgagor to Mortgagee (the "Assignment of Income Tax Refunds");
- (d) all indebtedness and obligations arising pursuant this Mortgage and to any and all other agreements or assignments securing the Note; and
- (e) the payment of any sum or sums of money which may hereafter be payable by Mortgagor and the observance of all other obligations of Mortgagor to Mortgagee under the Restructuring Agreement, as the same may be amended or modified.

Mortgagor, for and in consideration of the debt hereinafter described and created, and of Ten Dollars and No Cents (\$10.00) paid to Mortgagor by Mortgagee, the receipt of which is hereby acknowledged, hereby GRANTS, BARGAINS, REMISES, RELEASES, SELLS, CONVEYS and CONFIRMS to Mortgagee, its successors and assigns forever, all of Mortgagor's estate, right, title and interest in, to and under, and grants to Mortgagee a security interest in, any and all of the following described property which is (except where the context otherwise requires) herein collectively called the "Property", whether now owned or held or hereafter acquired, such term also referring to any part or parcel hereof:

- (a) all of the real estate and property legally described in Exhibit A attached hereto and by this reference made a part hereof, including any buildings or other improvements thereon (hereinafter called the "Real Estate"); and

(b) all right, title and interest of Mortgagor, including any after-acquired title or reversion, in and to the beds of the ways, streets, avenues and alleys adjoining the Real Estate and in and to any strips, gaps or gores adjoining the Real Estate on all sides thereof; and

(c) all of the tenements, hereditaments, easements, appurtenances, passages, waters, water rights, water courses, riparian rights and other rights, liberties and privileges thereof now or hereafter appertaining to the Real Estate, including any homestead or other claim at law or in equity, any after-acquired title, franchises, licenses, and any reversions and remainders thereof; and

(d) Mortgagor's interest in all buildings and improvements of every kind and description now or hereafter erected or placed on the Real Estate (the "Improvements"); all materials intended for construction, reconstruction, alterations and repairs of the Improvements (whether stored or located on site or stored off site), all of which materials shall be deemed to be included within the Property hereby conveyed immediately upon the delivery thereof to the Real Estate; all fixtures now or hereafter owned by Mortgagor and attached to or used in connection with Real Estate and Improvements ("Fixtures"), including but not limited to all furniture and furnishings, apparatus, machinery, motors, elevators, fittings, radiators, gas ranges, mechanical refrigerators, awnings, shades, screens, office equipment, blinds, carpeting and other furnishings, and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning, central energy and sprinkler equipment and fixtures and appurtenances thereto; and all renewals or replacements of any of the foregoing, whether or not the same are or shall be attached to the Improvements. Notwithstanding anything herein to the contrary, Mortgagee shall not have a security interest in and to Mortgagor's "equipment" as such term is defined in the Uniform Commercial Code for Illinois (the "Code"); and

(e) all of the rents, issues, proceeds and profits accruing or to accrue from the Real Estate or arising from the use or enjoyment of all or any portion thereof or from any lease or agreement pertaining thereto; and all right, title and interest of Mortgagor in and to all leases of the Real Estate now or hereafter existing; including without limitation all deposits made thereunder to secure performance by the tenants of their obligations thereunder; and

(f) all goodwill, trademarks, trade names, option rights, purchase contracts, books and records and general intangibles of Mortgagor relating to the Real Estate or the Improvements

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including, without limitation, all rights of Mortgagor under or with respect to all accounts, contract rights, instruments, chattel paper and other rights of Mortgagor for payment of money for property sold, rented or lent, for services rendered, for money lent, or advances or deposits made, and any other intangible property of Mortgagor related to the Real Estate or the Improvements; and

(g) all rights, including all copyrights, of Mortgagor to plans and specifications, designs, drawings and other matters prepared for any construction on or renovation or alteration of the Real Estate and Improvements; and

(h) all licenses, permits, authorizations or approvals of any type or nature whatsoever, now owned or held or hereafter acquired which relate to the use, development or occupancy of the Real Estate; and

(i) all proceeds (including claims or demands thereto) of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including without limitation all proceeds of insurance (including unearned premiums) and condemnation awards including interest thereon.

TO HAVE AND TO HOLD the Property with all privileges and appurtenances thereunto belonging, to the Mortgagee and its successors and assigns, forever, upon the terms and conditions and for the uses hereinafter set forth;

PROVIDED ALWAYS, that if the principal of and interest on the Loans under the Restructuring Agreement and all of the other Obligations shall be paid in full, and the Mortgagor shall abide by and comply with each and every covenant contained herein and in the Restructuring Agreement, then this Mortgage and the lien and estate hereby granted shall cease, terminate and become void.

This Mortgage, the Note, the Restructuring Agreement, Assignment of Income Tax Refunds and any other instrument given to evidence or further secure the payment and performance of any Obligations are sometimes hereinafter collectively referred to as the "Loan Instruments".

TO PROTECT THE SECURITY OF THIS MORTGAGE, THE MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE 1 Particular Covenants and Agreements of the Mortgagor

Section 1.01 Title, Etc.

(a) Mortgagor has full power and authority to execute this Mortgage and is lawfully seized of the Property in fee simple absolute and has good right and lawful authority to convey the same free and clear of all restrictions, encumbrances, and liens except those encumbrances, easements, reservations, and restrictions now of record and listed on Exhibit B attached hereto (the "Permitted Exceptions"). Mortgagor shall keep the Property free from all liens and claims of every kind, whether statutory or otherwise, except for Permitted Exceptions. Mortgagor will,

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at its expense, warrant and defend all such title and the lien and security interest of this Mortgage against all claims and demands and will maintain and preserve such lien and security interest so long as all or any portion of the Obligations are outstanding. Mortgagor agrees, at the request of Mortgagee, from time to time, to execute any further assurances of title and to provide Mortgagee with such evidence thereof as Mortgagee shall request.

Section 1.02 Further Assurances; Filing; Re-Filing; Etc.

(a) Further Instruments. To the extent permitted by and subject to applicable law, the Mortgagor shall execute, acknowledge and deliver, from time to time, such further instruments as the Mortgagee may reasonably require to accomplish the purposes of this Mortgage.

(b) Filing and Re-Filing. Subject to applicable law, the Mortgagor, immediately upon the execution and delivery of this Mortgage, and thereafter from time to time upon reasonable advance notice from Mortgagee, shall cause this Mortgage, any security agreement or mortgage supplemental hereto and each instrument of further assurance to be filed, registered or recorded and re-filed, re-registered or re-recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and perfect the lien or estate of this Mortgage upon the Property.

(c) Fees and Expenses. The Mortgagor shall pay all filing, registration and recording fees, all re-filing, re-registration and re-recording fees, and all expenses incident to the execution, filing, recording and acknowledgment of this Mortgage, any security agreement or mortgage supplemental hereto and any instrument of further assurance, and all Federal, state, county and municipal stamp taxes and other taxes, duties, imposts, assessments and charges arising out of or in connection with the

execution, delivery, filing and recording of this Mortgage or any of the other Loan Instruments, any security agreement or mortgage supplemental hereto or any instruments of further assurance.

Section 1.03 Insurance; Foreclosure. In the event of foreclosure of the lien of this Mortgage or other transfer of title or assignment of the Property in extinguishment, in whole or in part, of the Obligations, all right, title and interest of the Mortgagor in and to all policies of casualty insurance covering all or any part of the Property shall inure to the benefit of and pass to the successors in interest to the Mortgagor or the purchaser or grantee of the Property or any part thereof.

Section 1.04 Impositions.

(a) Payment of Impositions. The Mortgagor shall pay or cause to be paid, before any fine, penalty, interest or cost attaches thereto, all taxes, assessments, water and sewer rates, utility charges and all other governmental or non-governmental charges or levies now or hereafter assessed or levied against any part of the Property (including, without limitation, non-governmental levies or assessments such as maintenance charges, owner association dues or charges or fees, levies or charges resulting from covenants, conditions and restrictions affecting the Property) or upon the lien or estate of the Mortgagee therein (collectively, "Impositions"), as well as all claims for labor, materials or supplies that, if unpaid, will by law become a prior lien thereon, and within ten (10) days after request by the Mortgagee will exhibit receipts showing

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payment of any of the foregoing; provided, however, that if by law any such Imposition may be paid in installments (whether or not interest shall accrue on the unpaid balance thereof), the Mortgagor may pay the same in installments (together with accrued interest on the unpaid balance thereof) as the same respectively become due, before any fine, penalty or cost attaches thereto.

(b) Right to Contest Impositions. Notwithstanding anything contained in Section 1.04(a) to the contrary, the Mortgagor at its expense may, after prior notice to the Mortgagee, contest the amount or validity or application, in whole or in part, of any Imposition or lien therefor or any claims of mechanics, materialmen, suppliers or vendors or lien thereof, and may withhold payment of the same pending such proceedings if permitted by law.

Section 1.05 Limitations of Use. Subject to applicable law, the Mortgagor shall not initiate, join in or consent to any change in any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses that may be made of the Property and the Improvements or any part thereof that would have a material adverse effect on the value of the Property or the Improvements. Except as otherwise permitted under the Loan Instruments, the Mortgagor shall comply in all material respects with the provisions of all leases, licenses, agreements and private covenants, conditions and restrictions that at any time are applicable to the Property.

Section 1.06 Actions to Protect Property.

(a) If the Mortgagor shall fail to (a) effect the insurance required hereby, (b) make the payments required by Section 1.04 hereof, or (c) perform or observe any of its other covenants or agreements hereunder, the Mortgagee may, without obligation to do so, and upon notice to the Mortgagor (except in an emergency) effect or pay the same. To the maximum extent permitted by law, all sums, including reasonable attorneys' fees and disbursements, so expended or expended to sustain the lien or estate of this Mortgage or its priority, or to protect or enforce any of the rights hereunder, or to recover any of the Obligations, shall be a lien on the Property, shall be deemed to be added to the Obligations secured hereby, and shall be paid by the Mortgagor within ten (10) days after demand therefor, together with interest thereon at the Default Rate, as such term is defined in the Note.

(b) Insurance.

(i) Mortgagor, at Mortgagor's sole expense, shall insure the Property for the benefit of Mortgagee against loss or damage thereto and shall keep in effect, for Mortgagee's benefit, comprehensive general public liability insurance against claims for bodily injury, death or property damage. The policies of insurance required by this Section shall be in companies, forms and amounts, and for such periods and with such deductibles, as shall be customary for property similar in use, location and condition to the Property, and shall insure the respective interest of Mortgagor and Mortgagee. The insurance proceeds from all such policies of insurance (other than the proceeds in respect of any liability insurance policy) shall be payable to Mortgagee pursuant to a noncontributing mortgagee endorsement satisfactory in form and substance to Mortgagee; except Mortgagee agrees that if such proceeds become payable, and so long

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as there is no uncured Default that has taken place hereunder, Mortgagor shall have the right to apply for and receive such proceeds for the sole purpose of repairing, restoring or rebuilding the Property, so damaged or destroyed, and Mortgagor shall give to Mortgagee a complete report of all insurance proceeds expended, together with copies of invoices and other supporting information. Upon execution of this Mortgage, Mortgagor shall promptly furnish evidence of satisfactory insurance on the Property and that Mortgagor has complied with the other provisions of this Section. At least fifteen (15) days prior to the expiration of each such policy, Mortgagor shall furnish Mortgagee with evidence satisfactory to Mortgagee of the payment of premium and the reissuance of a policy continuing insurance in force as required by this Mortgage. In addition to the other policies of insurance required hereunder, Mortgagor shall cause a title insurer reasonably acceptable to Mortgagee to insure, in favor of Mortgagee, Mortgagor's ownership of, and Mortgagee's lien on, the Property, subject only to Permitted Exceptions, in an amount equal to not less than \$11,614,197.19 in such form, and with such affirmative coverage and endorsements as Mortgagee may reasonably request.

(ii) Mortgagor shall obtain flood insurance, in such total amount as Mortgagee may from time to time require, and Mortgagor shall otherwise comply with the National Flood Insurance Program as set forth in the said Flood Disaster Protection Act of 1973 or evidence satisfactory to Mortgagee that the Property is not in a federally designated flood plain zone or a "flood prone" area pursuant to the Flood Disaster Protection Act of 1973 (U.S.C.) or any amendments or supplements thereto.

(c) The following is added pursuant to 815 ILCS 180/10:

UNLESS YOU PROVIDE US WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY YOUR AGREEMENTS WITH US, PURSUANT TO THE LOAN INSTRUMENTS, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTERESTS IN THE PROPERTY. THIS INSURANCE MAY, BUT NEED NOT, PROTECT YOUR INTERESTS. THE COVERAGE THAT WE PURCHASE MAY NOT PAY ANY CLAIM THAT YOU MAKE OR ANY CLAIM THAT IS MADE AGAINST YOU IN CONNECTION WITH THE PROPERTY. YOU MAY LATER CANCEL ANY INSURANCE PURCHASED BY US, BUT ONLY AFTER PROVIDING US WITH EVIDENCE THAT YOU HAVE OBTAINED INSURANCE AS REQUIRED BY THE LOAN INSTRUMENTS. IF WE PURCHASE INSURANCE FOR THE PROPERTY, YOU WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES WE MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO YOUR TOTAL

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OUTSTANDING BALANCE OR OBLIGATION. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE YOU MAY BE ABLE TO OBTAIN ON YOUR OWN.

Section 1.07 Condemnation

(a) All compensation, proceeds and awards paid to or received by Mortgagor in any taking by eminent domain or conveyance in lieu thereof that may affect all or any part of or interest in the Property (whether permanently or temporarily), including severance and consequential damages and damages from a change in the grade of any street, are hereby assigned to Mortgagee subject to the terms hereof. Mortgagor hereby appoints Mortgagee as its attorney-in-fact, coupled with an interest, to collect and receive the proceeds thereof and to give proper receipts therefor. Mortgagor authorizes and empowers Mortgagee, as such attorney-in-fact, at Mortgagee's option, on behalf of Mortgagor (notwithstanding the fact that the Obligations may not then be due and payable or that the Obligations are otherwise adequately secured), to adjust or join with Mortgagor in adjusting or compromising the claim for any such compensation, proceeds or awards. After deducting all costs of collection, such compensation, proceeds and awards shall be applied, at the option of Mortgagee, as follows: (i) as a credit upon any portion of the Obligations, as selected by Mortgagee; or (ii) to restoring the Improvements. If Mortgagor is not then in default under any of the Loan Instruments, Mortgagee shall allow the proceeds to be applied as specified in alternative (ii) of the above sentence, with any excess proceeds remaining after restoration of the Improvements to be applied as specified in alternative (i).

(b) In the event Mortgagee elects not to apply such compensation, proceeds or awards to the Obligations (or such application is not permitted above), Mortgagee shall release any such amounts in the same manner and under the same conditions as are specified above for the disbursement of insurance proceeds received in the event of casualty loss to the Property.

(c) Mortgagor agrees to give Mortgagee immediate notice of the actual or threatened commencement of any such eminent domain proceeding, and agrees to promptly send to Mortgagee copies of any and all papers served or received by Mortgagor in connection with any such proceedings. Mortgagor also agrees to make, execute and deliver to Mortgagee at any time or times, upon request, free, clear and discharged of any encumbrance of any kind whatsoever, any and all further assignments and/or other instruments which are deemed necessary by Mortgagee for the purpose of validly and sufficiently assigning to Mortgagee all such compensation, proceeds and awards to Mortgagee.

Section 1.08 Estoppel Certificates. The Mortgagor, within five (5) days upon request in person or within ten (10) days upon request by mail, shall furnish the Mortgagee a written statement, duly acknowledged, of the amount of the Obligations then secured by this Mortgage and whether to their knowledge any offsets or defenses exist against any such Obligations.

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Section 1.09 Indemnification; Subrogation; Waiver of Offset

(a) If Mortgagee is made a party defendant to any litigation concerning this Mortgage or the Property or any part thereof or interest therein, or the occupancy thereof by Mortgagor, then Mortgagor shall indemnify, defend and hold Mortgagee harmless from all liability by reason of said litigation, including reasonable attorneys' fees and expenses incurred by Mortgagee in any such litigation, whether or not any such litigation is prosecuted to judgment. If Mortgagee commences an action against Mortgagor to enforce any of the terms hereof or because of the breach by Mortgagor of any of the terms hereof, or for the recovery of any sum secured hereby, Mortgagor shall pay to Mortgagee, Mortgagee's reasonable attorneys' fees and expenses, and the right to such attorneys' fees and expenses shall be deemed to have accrued on the commencement of such action, and shall be enforceable whether or not such action is prosecuted to judgment. If Mortgagor breaches any term of this Mortgage, Mortgagee may employ an attorney or attorneys to protect its rights hereunder, and in the event of such employment following any breach by Mortgagor, Mortgagor shall pay Mortgagee reasonable attorneys' fees and expenses incurred by Mortgagee, whether or not an action is actually commenced against Mortgagor by reason of breach;

(b) Mortgagor waives any and all right to claim or recover against Mortgagee, its officers, employees, agents and representatives, for loss of or damage to Mortgagor, the Property, Mortgagor's property or the property of others under Mortgagor's control from any cause insured against or required to be insured against by the provisions of the Mortgage and Mortgagee waives any and all right to claim or recover against Mortgagor, its officers, employees, agents and representatives, for loss of or damage to Mortgagee, or Mortgagee's property from any cause insured against or required to be insured against by the provisions of the Mortgage;

(c) Except as otherwise provided herein or in any Loan Instruments, all sums payable by Mortgagor hereunder shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Mortgagor hereunder shall in no way be released discharged or otherwise affected (except as expressly provided herein) by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Property or any part thereof; (ii) any restriction or prevention of or interference with any use of the Property or any part thereof; (iii) any title defect or encumbrance or any eviction from the Property or the Improvements or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Mortgagor, or any action taken with respect to this Mortgage by any trustee or receiver of Mortgagor, or by any court, in any such proceeding; (v) any claim which Mortgagor has or might have against Mortgagee; (vi) any default or failure on the part of Mortgagee to perform or comply with any of the terms hereof or of any other agreement with Mortgagor; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing.

Section 1.10 Usury. Mortgagor represents and agrees that the proceeds of the Loan Instruments will be used for the purposes specified in 815 ILCS 205/4 and that the Obligations constitute a business loan which comes within the purview of said 815 ILCS 205/4.

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ARTICLE 2
Assignment of Rents, Issues and Profits

Section 2.01 Assignment of Rents, Issues and Profits. The Mortgagor hereby assigns and transfers to the Mortgagee, FOR THE PURPOSE OF SECURING the Obligations, all rents, and hereby gives to and confers upon the Mortgagee the right, power and authority to collect the same. The Mortgagor irrevocably appoints the Mortgagee its true and lawful attorney-in-fact, at its option at any time and from time to time following the occurrence and during the continuance of a Default, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in the name of the Mortgagor or otherwise, for rents and apply the same to the Obligations as provided in paragraph (a) of Section 4.03; provided, however, that the Mortgagor shall have the right to collect rents at any time prior to the occurrence of a Default (but not more than one month in advance, except in the case of security deposits).

Section 2.02 Collection Upon Default. To the extent permitted by law, upon the occurrence of any Default, the Mortgagee may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Obligations or the solvency of the Mortgagor, enter upon and take possession of the Property, the Improvements and the Fixtures or any part thereof, in its own name, sue for or otherwise collect Rents including those past due and unpaid, and, apply the same, less costs and expenses of operation and collection, including attorneys' fees and disbursements, to the payment of the Obligations as provided in paragraph (a) of Section 4.03, and in such order as the Mortgagee may determine. The collection of Rents or the entering upon and taking possession of the Property, the Improvements or the Fixtures or any part thereof, or the application thereof as aforesaid, shall not cure or waive any Default or notice thereof or invalidate any act done in response to such Default or pursuant to notice thereof.

ARTICLE 3
Security Agreement

Section 3.01 Creation of Security Interest. The Mortgagor hereby grants to the Mortgagee a security interest in the Fixtures for the purpose of securing the Obligations. The Mortgagee shall have, in addition to all rights and remedies provided herein and in the other Loan Instruments, all the rights and remedies of a secured party under the Code. A statement describing the portion of the Property comprising the fixtures hereby secured is set forth in the granting clauses of this Mortgage. The Mortgagor represents and warrants to the Mortgagee that the Mortgagor is the owner of the Property, the employer identification number of the Mortgagor is 48-0531-200.

Section 3.02 Warranties, Representations and Covenants. The Mortgagor hereby warrants, represents and covenants that: (a) the Fixtures will be kept on or at the Property and the Mortgagor will not remove any Fixtures from the Property, except as permitted under the Loan Instruments and except such portions or items of the Fixtures that are consumed or worn out in ordinary usage, all of which shall be promptly replaced by the Mortgagor, except as otherwise expressly provided in the Loan Instruments, (b) all covenants and obligations of the Mortgagor contained herein relating to the Property shall be deemed to apply to the Fixtures whether or not expressly referred to herein and (c) this Mortgage constitutes a security agreement and "fixture filing" as those terms are used in the Code. The Mortgagor is the "Debtor" and its name and mailing address are set forth on Page 1 hereof. The Mortgagee is the "Secured Party" and its name and mailing address from which information relative to the security interest created

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hereby are also set forth on Page 1 hereof and is authorized by Mortgagor, as the "Debtor" to file such financing statements in such public offices as Mortgagee deems necessary to perfect the security interests granted hereunder. The information provided in this Section 3.02 is provided so that this Mortgage shall comply with the requirements of the Code for a mortgage instrument to be filed as a financing statement.

ARTICLE 4
Defaults; Remedies

Section 4.01 Defaults. To the extent permitted by law, if any of the following events shall occur (a "Default"): (i) a default or event of default under the Restructuring Agreement, the Note or any of the Loan Instruments, (ii) the failure of Mortgagor to pay the Obligations as said Obligations become due in accordance with the terms of the Restructuring Agreement, the Note or the Loan Instruments, (iii) failure by Mortgagor to punctually and fully perform and observe each term, covenant, agreement or condition contained in the Loan Instruments, including this Mortgage, (iv) a sale, transfer, conveyance, lease, contract for deed, or other disposition of all or any part of the Property, (v) title to the Property is or becomes unsatisfactory to the Mortgagee by reason of any lien, charge, encumbrance, title condition or exception, then the Obligations of the Mortgagor shall become due and payable, without presentment, demand, protest or other formalities of any kind, all of which have been waived pursuant to the Loan Instruments, (vi) Mortgagor files a petition in bankruptcy or, for an arrangement, or for reorganization pursuant to the federal Bankruptcy Code or any similar law, federal or state; files a petition or answer consenting to, or acquiescing in, a reorganization, arrangement, adjustment, composition, liquidation, dissolution or similar relief, under any present or future statute, law or regulation; is adjudicated as a bankrupt; is determined to be insolvent by a decree of a court of competent jurisdiction; makes an assignment for the benefit of creditors; admits its inability to pay its debts generally as they become due; or consents to the appointment of a receiver or receivers of all or any part of its assets, (vii) the granting or entry of a final judgment, order or decree for the payment of money against Mortgagor, and Mortgagor's failure to stay or discharge the same or cause it to be stayed or discharged within thirty (30) days after the date of a written notice from Mortgagee, if in the judgment of Mortgagee the granting or entry adversely affects Mortgagee's security interest in the Property or Mortgagor's ability to manage and operate the Property, or (viii) a default or event of default under that certain Mortgage, dated April 15, 2009, from Mortgagor to Exchange National Bank & Trust Co., ("Superior Lender") recorded as Document number 200900008285 in the Records of the Tazewell County Recorder of Deeds records ("Superior Mortgage"), which results in an acceleration of all or any part of the loan extended by Superior Lender to Mortgagor.

Section 4.02 Default Remedies.

(a) Remedies Generally. If a Default shall have occurred and be continuing, this Mortgage may, to the maximum extent permitted by law, be enforced, and the Mortgagee may exercise any right, power or remedy permitted to it hereunder, under the Restructuring Agreement or under any of the other Loan Instruments or by law, and, without limiting the generality of the foregoing, the Mortgagee may, personally or by its agents, to the maximum extent permitted by law and upon application to a court of competent jurisdiction:

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(i) enter into and take possession of the Property or any part thereof, exclude the Mortgagor and all persons claiming under the Mortgagor whose claims are junior to this Mortgage, wholly or partly therefrom, and use, operate, manage and control the same either in the name of the Mortgagor or otherwise as the Mortgagee shall deem best, and upon such entry, from time to time at the expense of the Mortgagor and the Property, make all such repairs, replacements, alterations, additions or improvements to the Property or any part thereof as the Mortgagee may deem proper and, whether or not the Mortgagee has so entered and taken possession of the Property or any part thereof, collect and receive all Rents and apply the same to the payment of all expenses that the Mortgagee may be authorized to make under this Mortgage, the remainder to be applied to the payment of the Obligations until the same shall have been repaid in full; if the Mortgagee demands or attempts to take possession of the Property or any portion thereof in the exercise of any rights hereunder, the Mortgagor shall promptly turn over and deliver complete possession thereof to the Mortgagee; and

(ii) personally or by agents, with or without entry, if the Mortgagee shall deem it advisable:

(A) proceed to protect and enforce its rights under this Mortgage, by suit for specific performance of any covenant contained herein or in the Loan Instruments or in aid of the execution of any power granted herein or in the Loan Instruments, or for the judicial foreclosure of this Mortgage (as a mortgage or otherwise) and the sale of the Property under the judgment or decree of a court of competent jurisdiction, or for the enforcement of any other right as the Mortgagee shall deem most effectual for such purpose, provided, that in the event of a sale by foreclosure of less than all of the Property, this Mortgage shall continue as a lien on, and security interest in, the remaining portion of the Property; or

(B) exercise any or all of the remedies available to a secured party under the Code, including, without limitation:

(i) either personally or by means of a court appointed receiver, take possession of all or any of the Fixtures and exclude therefrom the Mortgagor and all persons claiming under the Mortgagor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of the Mortgagor in respect of the Fixtures or any part thereof; if the Mortgagee demands or attempts to take possession of the Fixtures in the exercise of any rights hereunder, the Mortgagor shall promptly turn over and deliver complete possession thereof to the Mortgagee;

(ii) without notice to or demand upon the Mortgagor, make such payments and do such acts as the Mortgagee may deem

necessary to protect its security interest in the Fixtures, including, without limitation, paying, purchasing, contesting or compromising any encumbrance that is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority paying all expenses incurred in connection therewith; and

(iii) require the Mortgagor to assemble the Fixtures or any portion thereof, at a place designated by the Mortgagee and reasonably convenient to both parties, and promptly to deliver the Fixtures to the Mortgagee, or an agent or representative designated by it; the Mortgagee, and its agents and representatives, shall have the right to enter upon the premises and property of the Mortgagor to exercise the Mortgagee's rights hereunder.

(b) Appointment of Receiver. If a Default shall have occurred and be continuing, the Mortgagee, to the maximum extent permitted by law and upon application to a court of competent jurisdiction, shall be entitled, as a matter of right, to the appointment of a receiver of the Property, without notice or demand, and without regard to the adequacy of the security for the Obligations or the solvency of the Mortgagor. The Mortgagor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of the Mortgagee in case of entry and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated.

(c) Sale. In any sale pursuant to any judgment or decree of court, the Property, to the maximum extent permitted by law, may be sold in one or more parcels or as an entirety and in such order as the Mortgagee may elect, without regard to the right of the Mortgagor or any person claiming under the Mortgagor to the marshalling of assets. The purchaser at any such sale shall take title to the Property or the part thereof so sold free and discharged of the estate of the Mortgagor therein, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Mortgagee or any lender, may purchase at any such sale. Upon the completion of any such sale by virtue of this Section 4.02 or Section 6.05 the Mortgagee shall execute and deliver to the purchaser an appropriate instrument that shall effectively transfer all of the Mortgagor's estate, right, title, interest, property, claim and demand in and to the Property or portion thereof so sold, but without any covenant or warranty, express or implied. Any sale or sales made under or by virtue of this Mortgage, to the extent not prohibited by law, shall operate to divest all the estate, right, title, interest, property, claim and demand whatsoever, whether at law or in equity, of the Mortgagor in, to and under the Property, or any portions thereof so sold, and shall be a perpetual bar both at law and in equity against the Mortgagor and against any and all persons claiming or who may claim the same, or any part thereof, by, through or under the Mortgagor. The powers and agency herein granted are coupled with an interest and are irrevocable.

(d) Possession of Loan Instruments Not Necessary. All rights of action under the Loan Instruments and this Mortgage may be enforced by the Mortgagee without the possession

of the Loan Instruments and without the production thereof at any trial or other proceeding relative thereto.

Section 4.03 Application of Proceeds.

(a) Application of Proceeds Generally. The proceeds of any sale made under a judgment, order or decree made in any action to foreclose or to enforce this Mortgage, or of any monies held by the Mortgagee hereunder shall, to the maximum extent permitted by law, be applied:

- (i) first to the payment of all costs and expenses of such sale, including the Mortgagee's attorneys' fees and disbursements;
- (ii) then to the payment of all charges, expenses and advances incurred or made by the Mortgagee in order to protect the lien and estate of this Mortgage or the security afforded hereby;
- (iii) then to the payment in full of the Obligations, ratably in accordance with the respective amounts then due and owing or as the Mortgagee may otherwise agree;

and after payment in full of all Obligations any surplus remaining shall be paid to the Mortgagor or to whomsoever may be lawfully entitled to receive the same.

(b) Liability for Deficiencies. No sale or other disposition of all or any part of the Property pursuant to Sections 4.02 and 6.05 shall be deemed to relieve the Mortgagor of its obligations under the Restructuring Agreement or any other Loan Instrument except to the extent the proceeds thereof are applied to the payment of such obligations. Except as otherwise provided in the Loan Instruments, if the proceeds of sale, collection or other realization of or upon the Property are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, the Mortgagor shall remain liable for any deficiency.

Section 4.04 Right to Sue. To the extent permitted by applicable law, the Mortgagee shall have the right from time to time to sue for any sums required to be paid by the Mortgagor under the terms of this Mortgage as the same become due, without regard to whether or not the Obligations shall be, or have become, due and without prejudice to the right of the Mortgagee thereafter to bring any action or proceeding of foreclosure or any other action upon the occurrence of any Default existing at the time such earlier action was commenced.

Section 4.05 Powers of the Mortgagee. The Mortgagee may at any time or from time to time renew or extend this Mortgage or (with the agreement of the Mortgagor) alter or modify the same in any way, or waive any of the terms, covenants or conditions hereof or thereof, in whole or in part, and may release any portion of the Property or any other security, and grant such extensions and indulgences in relation to the Obligations, or release any person liable therefor as the Mortgagee may determine without the consent of any junior lien or encumbrance, without any obligation to give notice of any kind thereto, without in any manner affecting the priority of the lien and estate of this Mortgage on or in any part of the Property, and without affecting the liability of any other person liable for any of the Obligations.

Section 4.06 Remedies Cumulative.

(a) Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Mortgagee is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy under this Mortgage, or under applicable law, whether now or hereafter existing; the failure of the Mortgagee to insist at any time upon the strict observance or performance of any of the provisions of this Mortgage or to exercise any right or remedy provided for herein or under applicable law, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof.

(b) Other Security. To the extent permitted by law, the Mortgagee shall be entitled to enforce payment and performance of any of the Obligations of the

Mortgagor and to exercise all rights and powers under this Mortgage or under any Loan Instrument or any laws now or hereafter in force, notwithstanding that some or all of the Obligations may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise; neither the acceptance of this Mortgage nor its enforcement, whether by court action or other powers herein contained, shall prejudice or in any manner affect the Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Mortgagee, it being stipulated that the Mortgagee shall be entitled to enforce this Mortgage and any other security now or hereafter held by the Mortgagee in such order and manner as the Mortgagee, in its sole discretion, may determine; every power or remedy given by the Note, this Mortgage or any of the other Loan Instruments to the Mortgagee, or to which the Mortgagee is otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Mortgagee, and the Mortgagee may pursue inconsistent remedies.

Section 4.07 Waiver of Stay, Extension, Moratorium Laws; Equity of Redemption. To the maximum extent permitted by law, the Mortgagor shall not at any time insist upon, or plead, or claim or take any benefit or advantage of any applicable present or future stay, extension or moratorium law, that may affect observance or performance of the provisions of this Mortgage; nor claim, take or insist upon any benefit or advantage of any present or future law providing for the valuation or appraisal of the Property or any portion thereof prior to any sale or sales thereof that may be made under or by virtue of Section 4.02; and the Mortgagor, to the extent that it lawfully may, hereby waives all benefit or advantage of any such law or laws. The Mortgagor for itself and all who may claim under it, hereby waives, to the maximum extent permitted by applicable law, any and all rights and equities of redemption from sale under any order or decree of foreclosure of this Mortgage and (if a Default shall have occurred) all notice or notices of seizure, and all right to have the Property marshalled upon any foreclosure hereof. To the extent permitted by applicable law, the Mortgagee shall not be obligated to pursue or exhaust its rights or remedies as against any other part of the Property and the Mortgagor hereby waives any right or claim of right to have the Mortgagee proceed in any particular order.

ARTICLE 5 Environmental

Section 5.01 Environmental Representations and Warranties of Mortgagor.

- (a) Mortgagor covenants, represents and warrants to Mortgagee that to its actual knowledge, and except as disclosed on Schedule 5 attached hereto:
 - (i) The Property is not being used to refine, produce, store, handle, transfer, process or transport Hazardous Material, except in compliance with Environmental Regulations;
 - (ii) Mortgagor shall not in the future use all or any part of the Property for the purpose of refining, producing, storing, handling, transferring, processing, or transporting any pollutants or contaminants or any Hazardous Material or petroleum products in any manner which would result in a release or threatened release which could require response under applicable Environmental Regulations, nor shall Mortgagor permit or suffer any other party to use all or any part of its Property for any purpose forbidden herein.
 - (iii) No violation of any Environmental Regulations now exists regarding the Property.

(b) As used herein, the term "Hazardous Material" means any radioactive, hazardous, or toxic substance, material, waste, chemical, or similar item, the presence of which on the Property, or the discharge, emission, release, or threat of release of which on or from the Property, is prohibited or otherwise regulated by any laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States, the State of, and all local or governmental or regulatory authorities exercising jurisdiction over Mortgagor or the Property, or which require special handling in collection, storage, treatment, or disposal by any such laws or requirements. The term Hazardous Material includes, but is not limited to, any material, substance, waste or similar item which is now or hereafter defined as a hazardous material, substance or term of similar meaning under the laws of the State of, the Federal Water Pollution Control Act (33 U.S.C. Section 1317), the Federal Resource Conservation and Recovery Act (RCRA) (42 U.S.C. Section 6901, et seq.), the Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and (SARA) (42 U.S.C. Section 9601, et seq.), any rules or regulations adopted by any administrative agency, including, but not limited to, the Environmental Protection Agency, the Department of Transportation, and any similar state or local agency having jurisdiction over the Property or the Hazardous Material, whether or not such rules and regulations have the force of law. The term "Environmental Regulations" as used herein means any federal, state or local laws, statutes, codes, ordinances, regulations, requirements or rules relating to any environmental matters, including the removal, handling, and disposal of hazardous or toxic waste materials.

Section 5.02 Environmental Covenants of Mortgagor.

(a) Mortgagor shall furnish to the United States Environmental Protection Agency or any lawful authority all information lawfully requested by them with respect to the operations of the Property. However, nothing herein shall operate to prevent Mortgagor from contesting any such information request by all lawful means.

(b) Mortgagor shall operate its business on the Property in a careful and prudent manner, and shall require the tenants or occupants to avoid and prevent any "release," as defined in CERCLA § 9601 (22), of any Hazardous Material on or about the Property into any waters or onto any lands, or air unless such release or disposal is pursuant to and in compliance with all applicable Environmental Regulations.

(c) Mortgagor shall give written notice to Mortgagee immediately upon Mortgagor's acquiring knowledge of the presence of any Hazardous Material on the Property in violation of Environmental Regulations or of any Hazardous Material contamination thereon, with a full description thereof.

(d) Mortgagor shall immediately advise Mortgagee in writing of any notices received by Mortgagor or its agents, contractors, authorized representatives and employees, alleging that the Property contains Hazardous Material in violation of Environmental Regulations or contamination thereof, or that a violation or potential violation of any Environmental Regulation laws, ordinances, rules or regulations exists on or at the Property, or because of actions by Mortgagor, any tenants, or the agents of the same.

(e) Mortgagor shall immediately advise Mortgagee in writing of all claims made or threatened by any third party against Mortgagor, its agents, contractors, authorized representatives and employees, or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Material pertaining to the Property.

(f) Mortgagor shall immediately advise Mortgagee in writing upon Mortgagor's acquiring knowledge of any discovery by Mortgagor's agents, contractors, authorized representatives or employees, of any occurrence or condition on the Property or on any real property adjoining or in the vicinity of the Property which does or could cause the Property to become contaminated by Hazardous Material or otherwise be in violation of any Environmental Regulations, or cause the Property to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Environmental Regulations.

(g) From time to time, during the term of this Mortgage, if Mortgagee has reasonable cause to believe that an environmental contamination has occurred at the Property, Mortgagee may notify Mortgagor in writing that it desires a site assessment or environmental audit ("Audit") of the Property to be made. Thereafter Mortgagor shall cause such an Audit to be made of the Property at Mortgagor's sole expense. Such Audit(s) shall be performed in a manner reasonably calculated to confirm and verify

compliance with the provisions of this Mortgage. Mortgagor covenants to reasonably cooperate with the persons conducting the Audit to allow entry and reasonable access to all portions of the Property for the purpose of the Audit, to supply the auditors with all available historical and operational information regarding the Property as may reasonably be requested by the auditors, and to make available for meetings with the auditors appropriate personnel and tenants having knowledge of the matters relevant to the Audit. If the Audit shows a violation of the covenants contained herein or a violation of any Environmental Regulations, Mortgagor covenants to comply, at its own cost and expense, with all recommendations contained in the Audit, including any recommendation for additional testing and studies to detect the presence of Hazardous Material, or to otherwise confirm and

verify Mortgagor's compliance with the provisions of this Mortgage, to the extent required by Mortgagee.

Section 5.03 Mortgagor's Obligations to Remedy Environmental Matters.

(a) In the event any local governmental authority, any state or the federal government, or any agency of either, including, but not limited to, the United States Environmental Protection Agency, notifies Mortgagor that an investigation is being or will be conducted regarding the Property or that any "removal" or "remedial action" (as these terms are defined in 42 U.S.C. §§ 9601 (23) and (24) (or successor legislation), or any clean-up operations of any kind or nature are necessary to be performed on the Property, or in the event any of such authorities commence, perform or complete any clean-up operation, then Mortgagor shall notify Mortgagee thereof and the Mortgagor shall have the right to contest, by any lawful means, (a) the determination of such governmental authority that such clean-up operation is necessary, (b) the means or methods of clean-up proposed, ordered or undertaken by such governmental authority, (c) the extent of the clean-up proposed, ordered or undertaken by such governmental authority, or (d) any other matter respecting or relating to the clean-up proposed, ordered or undertaken by such governmental authority. If such contest is unsuccessful, Mortgagor shall comply with any such determination in full accordance with all of the requirements then imposed.

(b) Mortgagor shall also have the right to seek contribution, indemnity or any other legal right, remedy or recourse which Mortgagor has or may have against any party except Mortgagee or its officers, agents or employees. Upon the entry of any final, nonappealable judgment (or the execution of a consent decree or other agreement between Mortgagor and such governmental authority) requiring Mortgagor to perform any clean-up operation on the Property, or in the event Mortgagor does not contest the clean-up ordered or undertaken by such governmental authority, then Mortgagor shall begin the clean-up operation and notify Mortgagee of the same, within five (5) days after (i) Mortgagor's receipt of notice from such governmental authority that such clean-up is required, (ii) the commencement of such clean-up operation by such governmental authority, whichever is earlier, or (iii) the time periods set forth in the judgment, consent decree or other agreement. Mortgagor shall promptly do the following as appropriate:

- (i) begin performance of the clean-up operation;
- (ii) cooperate with any governmental authority conducting any clean-up operation and reimburse said authority for the cost thereof if required by law to do so; and
- (iii) fully reimburse any other party in accordance with said final nonappealable judgment for any clean up operation performed as required by law and obtain a release from such party and furnish Mortgagee a copy of such release.

(c) If Mortgagor fails to remove any Hazardous Material or otherwise comply with the Environmental Regulations, Mortgagee may, after notice to Mortgagor and the expiration of any cure period provided in this Mortgage, declare an Event of Default of this Mortgage and do whatever is necessary to either eliminate such Hazardous Material from the Property or

otherwise cause compliance with the Environmental Regulations, in addition to exercising the other remedies of Mortgagee hereunder for a breach of this Mortgage. All losses, costs, damages, claims, and expenses incurred by Mortgagee on account of Mortgagor's failure to perform the obligations described in this Mortgage shall be immediately due and payable with interest thereon at the Default Rate, as such term is defined in the Note.

(d) Mortgagor acknowledges that in the event any Hazardous Material is removed from the Property by either Mortgagor or by Mortgagee, the Environmental Protection Agency Generator Identification Number used on the waste manifest such Hazardous Material shall be in the name of the Mortgagor, or Mortgagor's agent (other than Mortgagee), shall assume all of Mortgagee's potential and actual liability for the removal and disposal of such Hazardous Material. Mortgagor shall give and hereby grants to Mortgagee, its agents and employees access to the Property, and hereby specifically grants the Mortgagee a license, effective upon expiration of the applicable cure period, if any, to remove such materials in order to comply with Environmental Regulations. Notwithstanding the foregoing, Mortgagor shall not be in default hereunder, and the Mortgagee shall not have the right to accelerate the Obligations, so long as Mortgagor commences the clean-up operation within the time periods set forth above and thereafter diligently prosecutes such clean-up operation to completion.

(e) In exercising any of the remedies provided herein or taking any of the actions which are authorized herein, Mortgagee will be acting solely and exclusively as agent for Mortgagor in attempting to realize the maximum return from the Property and in attempting to obtain payment to Mortgagee of the amounts which Mortgagee is to receive pursuant to the Note. The parties acknowledge that in so doing, Mortgagee will not be or be deemed to be an "owner" or "operator" of the Property under any Environmental Regulation, and will not be assuming any obligations of Mortgagor to fully comply with the Environmental Regulations. Mortgagor will specifically defend and indemnify Mortgagee against any such liability, cost, loss or expense.

Section 5.04 Environmental Indemnification. Mortgagor hereby agrees to defend, indemnify and hold Mortgagee (including its successors, assigns, employees, contractors, agents, officers and directors) harmless from, any and all actions, loss, liability, damage, cost or expense occasioned by, resulting from, or consequent to any Hazardous Material or Hazardous Material contamination on the Property; any releases or discharges of Hazardous Material from the Property; any manufacturing, treating, storing, maintaining, holding, handling, transporting, spilling, leaking or dumping of Hazardous Material on, from or at the Property; any other violation of Hazardous Material laws, ordinances, rules and regulations; any claim or assertion that any Hazardous Material or Hazardous Material contamination is located on the Property; any claim that any such activities or violations have been, or are being, engaged in on the Property; or any other failure or alleged failure of Mortgagor, Mortgagor's agents, contractors, authorized representatives or employees, the Property, to comply with the provisions of this Agreement. This indemnity shall be enforceable notwithstanding any attempts by Mortgagor to exercise due diligence in ascertaining whether or not any of the events outlined above affect the Property. In fulfilling Mortgagor's obligations under this Section, Mortgagor is in no way admitting liability or waiving rights against third parties. The loss, liability, damage, cost, or expense which is covered by this indemnity shall include, without limitation, all foreseeable consequential damages; the costs of any required or necessary repair, cleanup or detoxification of the Property, including the soil and ground water thereof, and the preparation and

implementation of any closure, remedial or other required plans; damage to any natural resources; and all reasonable costs and expenses incurred by Mortgagee in connection

with the above, including but not limited to attorneys' and consultants' fees. It is the intent of Mortgagor and Mortgagee that Mortgagee shall have no liability or responsibility for damage or injury to human health, the environment or natural resources caused by, for abatement and/or clean-up of, or otherwise with respect to Hazardous Material by virtue of the interest of Mortgagee in the Property created hereby, or as the result of Mortgagee exercising any of its remedies hereunder, including but not limited to Mortgagee's becoming the owner of the Property by foreclosure or conveyance in lieu of foreclosure. Any amounts covered by the foregoing indemnification shall be added to the Obligations otherwise secured by the Mortgage and shall bear interest from the date incurred at the Default Rate, as such term is defined in the Note, and shall be payable on demand and be a part of the Obligations secured hereby. Such expenses shall be reimbursed by Mortgagor to Mortgagee as and when such expenses are incurred, and Mortgagee shall not be required to wait until such losses, costs, damages, liabilities or expenses have been reduced to judgment.

ARTICLE 6

Miscellaneous

Section 6.01 Release by Mortgagee. Upon the termination of the Restructuring Agreement and the payment in full of the Obligations, the Mortgagee shall release the lien of this Mortgage, or upon the request of the Mortgagor, and at the Mortgagor's expense, assign this Mortgage without recourse to the Mortgagor's designee, or to the person or persons legally entitled thereto, by an instrument duly acknowledged in form for recording.

Section 6.02 Second Mortgage. Notwithstanding anything herein to the contrary, this Mortgage is a Second Mortgage subject and inferior to the Superior Mortgage. No Default shall exist and no technical breach of the agreements herein shall occur as a result of said Superior Mortgage being of record as a lien upon the Property. Further, if certain rights granted to Mortgagee under this Mortgage conflict with the terms of the Superior Mortgage or the rights granted thereunder, then such rights of Mortgagee shall be deemed waived to the extent of such conflict while the Superior Mortgage remains of record as a lien on the Property.

Section 6.03 Notices. All notices, demands, consents, requests or other communications (collectively, "notices") that are permitted or required to be given by any party to the other hereunder shall be in writing and given in the manner specified in the Restructuring Agreement.

Section 6.04 Amendments; Waivers; Etc. This Mortgage cannot be modified, changed or discharged except by an agreement in writing, duly acknowledged in form for recording, signed by the Mortgagor and the Mortgagee with the consent of the Mortgagee. For purposes hereof, a statement by the Mortgagee in any modification or supplement to this Mortgage to the effect that such modification or supplement has been consented to by the Mortgagee shall be conclusive evidence of such consent and it shall not be necessary for a copy of such consent to be recorded with such modification or supplement as a condition to such modification or supplement being recorded in the appropriate real estate records.

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Section 6.05 Successors and Assigns. This Mortgage applies to, inures to the benefit of and binds the Mortgagor and the Mortgagee and their respective successors and assigns and shall run with the Property.

Section 6.06 Captions. The captions or headings at the beginning of Articles, Sections and paragraphs hereof are for convenience of reference and are not a part of this Mortgage.

Section 6.07 Severability. If any term or provision of this Mortgage or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Mortgage, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Mortgage shall be valid and enforceable to the maximum extent permitted by law. If any portion of the Obligations shall for any reason not be secured by a valid and enforceable lien upon any part of the Property, then any payments made in respect of the Obligations (whether voluntary or under foreclosure or other enforcement action or procedure or otherwise) shall, for purposes of this Mortgage (except to the extent otherwise required by applicable law) be deemed to be made (i) first, in respect of the portion of the Obligations not secured by the lien of this Mortgage, (ii) second, in respect of the portion of the Obligations secured by the lien of this Mortgage, but which lien is on less than all of the Property, and (iii) last, to the portion of the Obligations secured by the lien of this Mortgage, and which lien is on all of the Property.

Section 6.08 Inconsistencies. In the event of any inconsistencies between the terms and conditions of this Article 6 and the other provisions of this Mortgage, the terms and conditions of this Article 6 shall control and be binding.

Section 6.09 Maximum Principal Sum. It is agreed that the maximum amount of Obligations secured by this Mortgage, including all advancements, at any one time shall not exceed \$12,000,000.00 (or the equivalent thereof in any foreign currency), plus interest thereon and any disbursements made for payment of taxes, special assessments, insurance on the Property, or any other disbursements made pursuant to the terms of this Mortgage or the Loan Instruments, including but not limited to all disbursements by Mortgagee pursuant to 735 ILCS 5/15-1302(b)(5), and interest on all such disbursements.

Section 6.10 In Rem Proceedings. Supplementing other provisions hereof, mortgage foreclosures and other *In Rem* proceedings against Mortgagor may be brought in Tazewell County, Illinois or any federal court of competent jurisdiction in Illinois.

Section 6.11 Illinois Mortgage Foreclosure Law. It is the intention of Mortgagor and Mortgagee that the enforcement of the terms and provisions of this Mortgage shall be accomplished in accordance with the Illinois Mortgage Foreclosure Law (the "Act"), 735 ILCS 5/15-1101, et seq., and with respect to such Act Mortgagor agrees and covenants that:

(a) Mortgagor and Mortgagee shall have the benefit of all of the provisions of the Act, including, to the extent provided by law, all amendments thereto which may become effective from time to time after the date hereof. In the event any provision of the Act which is specifically referred to herein may be repealed, Mortgagee shall have the benefit of such

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provision as most recently existing prior to such repeal, as though the same were incorporated herein by express reference;

(b) Wherever provision is made in this Mortgage for insurance policies to bear mortgagee clauses or other loss payable clauses or endorsements in favor of Mortgagee, or to confer authority upon Mortgagee to settle or participate in the settlement of losses under policies of insurance or to hold and disburse or otherwise control use of insurance proceeds, from and after the entry of judgment of foreclosure, all such rights and powers of Mortgagee shall continue in Mortgagee as judgment creditor or mortgagee until confirmation of sale;

(c) Except as varied by a court of law, all advances, disbursements and expenditures made or incurred by Mortgagee before and during a foreclosure, and before and after judgment of foreclosure, and at any time prior to sale, and, where applicable, after sale, and during the pendency of any related proceedings, for the purpose of preserving or restoring the Property, preserving the lien of the Mortgage or the priority thereof, or enforcing the Mortgage, in addition to those otherwise authorized by this Mortgage or the other Loan Instruments or by the Act (collectively "Protective Advances"), shall have the benefit of all applicable provisions of the Act. All Protective Advances shall be so much additional indebtedness secured by this Mortgage, and shall become immediately due and payable without notice and with interest thereon from the date of the advance until paid at the rate of interest payable after default under the terms of the Restructuring Agreement. This Mortgage shall be a lien for all Protective

Advances as to subsequent purchasers and judgment creditors from the time this Mortgage is recorded pursuant to Subsection (b)(5) of Section 5/15-1302 of the Act;

(d) In addition to any provision of this Mortgage authorizing Mortgagee to take or be placed in possession of the Property, or for the appointment of a receiver, Mortgagee shall have the right, in accordance with Sections 5/15-1701 and 5/15-1702 of the Act, to be placed in possession of the Property or at its request to have a receiver appointed, and such receiver, or Mortgagee, if and when placed in possession, shall have, in addition to any other powers provided in this Mortgage, all rights, powers, immunities, and duties as provided for in Sections 5/15-1701, 5/15-1703 and 5/15-1704 of the Act; and

(e) Mortgagor acknowledges that the Property does not constitute agricultural real estate, as said term is defined in Section 5/15-1201 of the Act or residential real estate as defined in Section 5/15-1219 of the Act. As provided by law and pursuant to Section 5/15-1601(b) of the Act, Mortgagor hereby waives any and all right of redemption.

(Remainder of page intentionally left blank — Signature page follows)

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IN WITNESS WHEREOF, this Mortgage has been duly executed by the Mortgagor as of the day and year first above written.

MGP Ingredients, Inc., a Kansas corporation

By: /s/ Timothy W. Newkirk
Timothy W. Newkirk
Title: President and CEO

STATE OF Kansas)
) SS.
COUNTY OF Atchison)

I, Marta L. Myers, Notary Public in and for said County and State, do hereby certify that Timothy W. Newkirk, President of MGP Ingredients, Inc., a corporation organized under the laws of Kansas, who is personally known to me to be an officer of said corporation and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as President & CEO of said corporation, as his free and voluntary act and deed, and the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and official seal, this the 11th day of August, 2009.

/s/ Marta L. Myers
Notary Public

My commission expires: 01/03/2010

[SEAL]

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EXHIBIT A

THE LAND REFERRED TO IN THIS COMMITMENT IS DESCRIBED AS FOLLOWS:

Tract 1:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded on page 57 of Plat Book "B", in the Recorder's Office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois, and more particularly described as follows:

Commencing at the Northeast corner of said Northeast Quarter of Fractional Section 9; thence South 89 degrees 29 minutes 14 seconds West, along the North line of said Fractional Section 9, a distance of 1,629.48 feet to the Place of Beginning; thence from said Place of Beginning South 20 degrees 05 minutes 14 seconds West a distance of 13.41 feet; thence South 86 degrees 48 minutes 22 seconds East a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West a distance of 159.82 feet to the North line of The Quaker Oats Company by deed recorded in Book 2045, page 72, of the Tazewell County Recorder's Office; thence South 89 degrees 27 minutes 16 seconds West along said North line a distance of 104.33 feet; thence South 00 degrees 56 minutes 03 seconds West along the West line of The Quaker Oats Company property described as in aforementioned deed, a distance of 253.00 feet to the South line of The American Distilling Company property; thence South 89 degrees 27 minutes 16 seconds West along the South line of The American Distilling property, a distance of 850.76 feet to the Southeast corner of a parcel conveyed by The American Distilling Company to Pekin River and Warehouse Terminal, Inc., by deed recorded in Book 2351, page 208, of the Tazewell County Recorder's Office; thence North 25 degrees 40 minutes 22 seconds West along the Easterly line of said parcel, a distance of 371.70 feet; thence North 00 degrees 02 minutes 54 seconds West along the Easterly line of said parcel, a distance of 106.63 feet to the South line of said Fractional Section 4; thence continuing North 00 degrees 02 minutes 54 seconds along Easterly line of said parcel 77.64 feet to the Northerly corner of Pekin River and Warehouse Terminal Inc. property, and also being a point on the Northwesterly line of Lot 8 as recorded in Plat Book "B", page 57 feet, of the Tazewell County Recorder's Office; thence North 46 degrees 59 minutes 11 seconds East along the Northwesterly line, of said Lot 8 a distance of 1,110.92 feet; thence South 43 degrees 00 minutes 54 seconds East a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, a distance of 188.94 feet; thence South 19 degrees 51 minutes 12 seconds West, a distance of 276.07 feet; thence South 69 degrees 54 minutes 46 seconds East, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, a distance of 182.59 feet to the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

Tract 2:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded in page 57 of Plat Book "B" in the Recorder's office of Tazewell County, Illinois, all being in

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Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois and more particularly described as follows:

Commencing at the Southeast corner of the Southeast Quarter of said Fractional Section 4; thence South 89 degrees 29 minutes 14 seconds West, along the South line of the Southeast Quarter of Fractional Section 4, a distance of 1,020.92 feet to a concrete monument being the Place of Beginning for the Tract herein being described; thence North 37 degrees 03 minutes 04 seconds East a distance of 1,013.11 feet; thence North 57 degrees 55 minutes West a distance of 292.65 feet to the Northwesterly right-of-way line of South Front Street; thence North 29 degrees 56 minutes 48 seconds East, along the Northeasterly right-of-way line of South Front Street, a distance of 481.39 feet to a concrete monument; thence North 46 degrees 54 minutes 36 seconds West a distance of 263.31 feet to a point on the Northeasterly line of Lot 6 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 24 degrees 46 minutes 48 seconds west, along the Northeasterly line of said Lot 6 a distance of 35.6 feet; thence North 87 degrees 04 minutes 48 seconds West a distance of 214.55 feet to a point on the Northwesterly line of said Lot 6; said point being 200 feet from the Northerly corner of said Lot 6; thence South 46 degrees 59 minutes 11 seconds West, along the Northwesterly line of said Lot 6 and 8 as recorded in Plat Book "B", page 57 of the Tazewell County Recorder's Office, a distance of 1,146.23 feet to the Northerly corner of Tract I previously described; thence South 43 degrees 00 minutes 54 seconds East, along said Tract I, a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, along said Tract I, a distance of 188.94 feet thence South 19 degrees 51 minutes 12 seconds West, along said Tract I, a distance of 276.97 feet; thence South 69 degrees 54 minutes 46 seconds East, along said Tract I, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, along said Tract I, a distance of 196.00 feet; thence South 86 degrees 48 minutes 22 seconds East, along said Tract I, a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West, along said Tract I, a distance of 159.82 feet to the property line of Quaker Oats Company; thence North 89 degrees 27 minutes 16 seconds East, along said property line a distance of 345.67 feet; thence North 00 degrees 56 minutes 03 seconds East, along said property line, a distance of 189.47 feet of the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

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EXHIBIT B

Schedule of Permitted Exceptions

1. Mortgage, dated April 15, 2009, from Mortgagor to Exchange National Bank & Trust Co., recorded as Document number 200900008285 in the Records of the Tazewell County Recorder of Deeds records, in the maximum amount of Two Million Eight Hundred Thousand Dollars (\$2,800,000.00).
2. Easement in favor of Central Illinois Light Company, and its/their respective successors and assigns, to install, operate and maintain all equipment necessary for the purpose of serving the land and other property, together with the right of access to said equipment, and the provisions relating thereto contained in the grant recorded/filed in Book 1151, page 213.
3. Easement in favor of Central Illinois Light Company, and its/their respective successors and assigns, to install, operate and maintain all equipment necessary for the purpose of serving the land and other property, together with the right of access to said equipment, and the provisions relating thereto contained in the grant recorded/filed in Book 954, page 269.
4. Easement recorded September 2, 1964 in Vol. 711, page 241, and the terms, provisions and conditions contained therein.
5. Easement in favor of Central Illinois Light Company & Middle States Telephone Company, and its/their respective successors and assigns, to install, operate and maintain all equipment necessary for the purpose of serving the land and other property, together with the right of access to said equipment, and the provisions relating thereto contained in the grant recorded/filed in Vol. 700, page 619.
6. Easement in favor of Central Illinois Light Company, and its/their respective successors and assigns, to install, operate and maintain all equipment necessary for the purpose of serving the land and other property, together with the right of access to said equipment, and the provisions relating thereto contained in the grant recorded/filed as document no. 9615914.
7. Easement in favor of Central Illinois Light Company, and its/their respective successors and assigns, to install, operate and maintain all equipment necessary for the purpose of serving the land and other property, together with the right of access to said equipment, and the provisions relating thereto contained in the grant recorded/filed in Book 1033, page 331.
8. Easement in favor of Central Illinois Light Company, and its/their respective successors and assigns, to install, operate and maintain all equipment necessary for the purpose of serving the land and other property, together with the right of access to said equipment, and the provisions relating thereto contained in the grant recorded/filed in Book 853, page 474.
9. Easement in favor of Central Illinois Light Company, and its/their respective successors and assigns, to install, operate and maintain all equipment necessary for the purpose of serving

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the land and other property, together with the right of access to said equipment, and the provisions relating thereto contained in the grant recorded/filed in Vol. 700, page 383.

10. Rights of way for railroad switch and spur tracks, if any.
11. Rights, if any, of the United States of America, the State of Illinois, the municipality and the public in and to that part of the land lying within the bed of the Illinois River; and the rights of other owners of land bordering on the river in respect to the water of said river.
12. Consequences of the meandering of the Illinois River.
13. Encroachment of the building over the easement recorded April 18, 1973 in Book 954, page 269 as disclosed on the survey prepared by Survey America Inc., dated October 8, 2008 and last revised November 17, 2008.
14. Encroachment of parking spaces located mainly on the land encroach over and unto property to the Northeast as disclosed on the survey prepared by Survey America Inc., dated October 8, 2008 and last revised November 17, 2008.
15. Encroachment of a retaining wall located mainly on the adjoining property over and onto the land at the Northwest portion of Tract 2 as disclosed on the survey prepared by Survey America Inc., dated October 8, 2008 and last revised November 17, 2008.
16. Encroachment of a building located mainly on the land over and unto property Northwest and adjoining as disclosed on the survey prepared by Survey America Inc.,

dated October 8, 2008 and last revised November 17, 2008.

17. Encroachment of the waste water treatment building located mainly on the land over and unto property Northwest and adjoining as disclosed on the survey prepared by Survey America Inc., dated October 8, 2008 and last revised November 17, 2008.

18. Encroachment of two storage tanks located mainly on the land over and unto property Northwest and adjoining as disclosed on the survey prepared by Survey America Inc., dated October 8, 2008 and last revised November 17, 2008.

19. Encroachment of a fence located mainly on the land over and unto property South and adjoining and Northwest and adjoining Tract 1 as disclosed on the survey prepared by Survey America Inc., dated October 8, 2008 and last revised November 17, 2008.

20. Assignment of Lease agreement made between Amerenenergy Resources Generating Company, lessee and MGP Ingredients, Inc., lessor dated December 15, 2006 and recorded May 29, 2009 as document no. 09-12216.

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this "Agreement") is dated as of the 14th day of August, 2009, by and among:

MGP INGREDIENTS, INC., a Kansas corporation (the "Borrower"), and

CLOUD L. CRAY, JR. TRUST under Agreement dated October 25, 1983, a trust established under the laws of Kansas (the "Cray Trust"), and

EXCHANGE NATIONAL BANK & TRUST CO., a Kansas banking corporation ("Exchange Bank"), and

CENTRAL ILLINOIS LIGHT COMPANY, an Illinois corporation ("Central Illinois Light").

Recitals of Fact

- A. Borrower is the owner of certain real property located in the City of Pekin, Tazewell County, Illinois, and all improvements thereon (the "Property"), which is more particularly described in **Exhibit "A"** attached to this Agreement and by this reference incorporated in this Agreement.
- B. Cray Trust is the holder of a Mortgage, Assignment of Leases, Security Agreement and Fixture Filing Financing Statement (the "**Cray Mortgage**") on the Property, dated March 27, 2009 and recorded March 31, 2009 as document No. 2009 00006858 in the records of Tazewell County, Illinois (the "**Cray Mortgage**").
- C. Exchange Bank is the holder of a Mortgage (the "**Exchange Bank Mortgage**") on the Property, dated April 15, 2009 and recorded April 16, 2009 as document No. 2009 00008285 in the records of Tazewell County, Illinois (the "**Exchange Bank Mortgage**").
- D. On or about even date herewith, Central Illinois Light is receiving from Borrower a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing (the "**Central Illinois Light Mortgage**") on the Property, which will be recorded of even date with the Subordination Agreement.
- E. The Cray Trust has agreed to subordinate the Cray Mortgage to both the Exchange Mortgage and the Central Illinois Light Mortgage, so that the Cray Trust will become a third priority mortgagee on the Property.

Subordination

NOW, THEREFORE, in order to induce Central Illinois Light to enter into that certain Restructuring Agreement dated as of July 25, 2009 and to make certain financial accommodations to Borrower, which is of benefit to both Borrower and the Cray Trust, the parties agree as follows:

1. **Consent and Subordination.** Cray Trust hereby consents to the granting by Borrower of the Central Illinois Light Mortgage, and hereby subordinates the lien and effect of the Cray Mortgage to the lien and effect of both the Exchange Bank Mortgage and the Central Illinois Light Mortgage, notwithstanding the priority which would otherwise be accorded such interests by order of recording. Following the recordation of the Central Illinois Light Mortgage and the recordation of this Subordination Agreement, it is the intention of the parties that the list of mortgages on the Property, in order of their priority, will be as follows:

First priority	Exchange Bank Mortgage in a maximum principal amount of up to \$2,800,000.00
Second priority	Central Illinois Light Mortgage
Third priority	Cray Trust Mortgage

From and after such recordations, the respective mortgages shall have the priorities as set forth above.

2. **Additional Subordination.** The Cray Trust further agrees that all of the liens, security interests, terms, covenants and conditions of the Cray Mortgage and all other documents evidencing or relating to the loan secured thereby, including but not limited to all advances made under the loan ("**Cray Loan**") secured by the Cray Mortgage, shall at all times be wholly subordinate to the liens, security interests, terms, covenants and conditions of the Exchange Mortgage and the Central Illinois Light Mortgage and all other documents evidencing or relating to the loans secured thereby, including but not limited to all advances made under the loan secured by the Exchange Mortgage and the Central Illinois Light Mortgage, respectively, as the same may be extended, amended or modified from time to time.

3. **Permitted Payments.** The Borrower may make, and the Cray Trust may retain, scheduled, current (not more than 30 days past due), non-accelerated payments (but not prepayments) of principal and interest required to be paid under the note evidencing the Cray Loan. The Borrower shall be prohibited from making and the Cray Trust shall be prohibited from receiving and retaining any payments other than those specified in this Section 3; provided, that upon the earlier to occur of the following events (A) any filing of a petition by or against Borrower under the United States Bankruptcy Code or any other bankruptcy, insolvency, liquidation or similar proceeding or the appointment of a trustee, receiver or similar officer for Borrower or a substantial proportion of its assets; or (B) 120 days after delivery of notice to Exchange Bank and Central Illinois Light of any other event constituting a default by Borrower under the Cray Loan, the Cray Trust may exercise any remedies available to it and accept proceeds therefrom to be applied against the indebtedness owed to the Cray Trust under the Cray Loan.

4. **Notice of Default.** Exchange Bank and Central Illinois Power shall give the Cray Trust notices of any defaults by the Borrower under the loans secured by the Exchange Mortgage and the Central Illinois Light Mortgage, respectively, at the time notices of such defaults are given to the Borrower, including copies of each further notice

to the Borrower relating to such default, and copies of each foreclosure notice, notice of sale, pleading or other document filed in connection with any foreclosure action or proceeding. Cray Trust shall give Exchange Bank and Central Illinois Power notices of any defaults by the Borrower under the Loan at the time notices of such defaults are given to the Borrower, including copies of each further notice to the Borrower relating to such default, and copies of each foreclosure notice, notice of sale, pleading or other document filed in connection with any foreclosure action or proceeding.

5. **Consent by Exchange Bank.** Exchange Bank hereby consents to the granting by Borrower of the Central Illinois Power Mortgage, and agrees that such mortgage shall not constitute a breach of or default under the Exchange Bank Mortgage.

6. **Counterpart Signatures.** This Agreement is being signed in several identical counterparts. All executed copies of this Agreement, when taken together, shall constitute one complete copy of this Agreement, which shall be as enforceable against the parties to the full and same extent as if all parties executed the same copy hereof.

7. **Notices.** Unless otherwise provided herein, any notice delivered under this Agreement shall be in writing addressed to the respective party as set forth below and may be personally served, sent by facsimile transmission or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered; (b) if delivered by facsimile transmission, on the date of transmission if transmitted on a business day before 4:00 p.m. (St. Louis, Missouri time) or, if not, on the next succeeding business day; (c) if delivered by overnight courier, one (1) business day after delivery to such courier properly addressed; or (d) if by United States mail, three (3) business days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

If to Cray Trust: Mr. Cloud L. Cray, Jr., Trustee
Cloud Cray, Jr. Trust
20045 266th Road
Atchison, Kansas 66002
Fax: n/a

If to the Exchange Bank: Exchange National Bank & Trust Co.
600 Commercial Street
Atchison, Kansas 66002
Attn: President
Fax: (913) 367-3297

If to Central Illinois Light: Central Illinois Light Company
300 Liberty Street
Peoria, Illinois 61602
Attn: Stan E. Ogden, Vice President
Fax: (309) 677-5016

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With a copy to: Armstrong Teasdale LLP
One Metropolitan Square, Suite 2600
St. Louis, Missouri 63102-2740
Attn: Daniel J. Godar
Fax: (314) 612-2249

8. **Governing Law.** The validity, construction and enforcement of this Agreement are governed by the internal laws of Illinois without regard to conflict of laws principles.

9. **Binding Effect.** This Agreement shall be binding on Cray Trust and its heirs, legal representatives, successors and assigns and shall inure to the benefit of Central Illinois Light and Exchange Bank and their respective successors and assigns.

10. **No Waiver.** No waiver shall be deemed to be made by the parties hereto of any of their respective rights under this Agreement, unless the same shall be in writing signed by such party, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of such party or the obligations of any other party.

[signatures on following page]

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IN WITNESS WHEREOF, the parties to this Agreement have executed this agreement as of the date first set forth above.

Borrower: **MGP INGREDIENTS, INC.,** a Kansas corporation

By: /s/ Timothy W. Newkirk
Timothy W. Newkirk, President

Cray Trust: **CLOUD L. CRAY, JR. TRUST under Agreement dated October 25, 1983,** a trust established under the laws of Kansas

By: /s/ Cloud L. Cray, Jr.
Cloud L. Cray, Jr., Trustee

Exchange Bank: **EXCHANGE NATIONAL BANK & TRUST CO.,** a Kansas banking corporation

By: /s/ Mark Windsor
Print Name: Mark Windsor
Print Title: President

Central Illinois Light: **CENTRAL ILLINOIS LIGHT COMPANY,** an Illinois corporation

By: /s/ Stan E. Ogden
Print Name: Stan E. Ogden
Print Title: Vice President

STATE OF KANSAS)
) SS
 COUNTY OF ATCHISON)

I, Marta L. Myers, a Notary Public in and for said County and State, do hereby certify that Timothy W. Newkirk, President of MGP Ingredients, Inc., a corporation organized under the laws of Kansas, who is personally known to me to be the President of said corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as President of said corporation, as his free and voluntary act and deed, and the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and official seal, this the 12th day of August, 2009.

/s/ Marta L. Myers
 Notary Public for said County and State

My commission expires:

STATE OF KANSAS)
) SS
 COUNTY OF ATCHISON)

I, Marta L. Myers, a Notary Public in and for said County and State, do hereby certify that Cloud L. Cray, Jr., the sole Trustee of the Cloud L. Cray, Jr. Trust established October 25, 1983, a trust established under the laws of Kansas, who is personally known to me to be the Trustee of said trust, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as Trustee of said trust, as his free and voluntary act and deed, and the free and voluntary act and deed of said trust for the uses and purposes therein set forth.

GIVEN under my hand and official seal, this the 12th day of August, 2009.

Marta L. Myers
 Notary Public for said County and State

My commission expires:

STATE OF KANSAS)
) SS
 COUNTY OF ATCHISON)

I, Sandra L. Becker, a Notary Public in and for said County and State, do hereby certify thatmark Windsor, President of Exchange National Bank & Trust Co., a Kansas banking corporation, who is personally known to me to be the President of said corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as President of said corporation, as his free and voluntary act and deed, and the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and official seal, this the 11 day of August, 2009.

/s/ Sandra L. Becker
 Notary Public for said County and State

My commission expires:

STATE OF ILLINOIS)
) SS
 COUNTY OFPeoria)

I, Holli D. Willmert a Notary Public in and for said County and State, do hereby certify thatStan E. Ogden, VicePresident of Central Illinois Light, Inc., a corporation organized under the laws of Illinois, who is personally known to me to be the Vice President of said corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as Vice President of said corporation, as his free and voluntary act and deed, and the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and official seal, this the 17 day of August, 2009.

/s/ Holli D. Willmert
 Notary Public for said County and State

My commission expires:

Exhibit "A"
Legal Description of Property
City of Pekin, Tazewell County, Illinois

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded on page 57 of Plat Book "B", in the Recorder's Office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois, and more particularly described as follows:

Commencing at the Northeast corner of said Northeast Quarter of Fractional Section 9; thence South 89 degrees 29 minutes 14 seconds West, along the North line of said Fractional Section 9, a distance of 1,629.48 feet to the Place of Beginning; thence from said Place of Beginning South 20 degrees 05 minutes 14 seconds West a distance of 13.41 feet; thence South 86 degrees 48 minutes 22 seconds East a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West a distance of 159.82 feet to the North line of The Quaker Oats Company by deed recorded in Book 2045, page 72, of the Tazewell County Recorder's Office; thence South 89 degrees 27 minutes 16 seconds West along said North line a distance of 104.33 feet; thence South 00 degrees 56 minutes 03 seconds West along the West line of The Quaker Oats Company property described as in aforementioned deed, a distance of 253.00 feet to the South line of The American Distilling Company property; thence South 89 degrees 27 minutes 16 seconds West along the South line of The American Distilling property, a distance of 850.76 feet to the Southeast corner of a parcel conveyed by The American Distilling Company to Pekin River and Warehouse Terminal, Inc., by deed recorded in Book 2351, page 208, of the Tazewell County Recorder's Office; thence North 25 degrees 40 minutes 22 seconds West along the Easterly line of said parcel, a distance of 371.70 feet; thence North 00 degrees 02 minutes 54 seconds West along the Easterly line of said parcel, a distance of 106.63 feet to the South line of said Fractional Section 4; thence continuing North 00 degrees 02 minutes 54 seconds along Easterly line of said parcel 77.64 feet to the Northerly corner of Pekin River and Warehouse Terminal Inc. property, and also being a point on the Northwesterly line of Lot 8 as recorded in Plat Book "B", page 57 feet, of the Tazewell County Recorder's Office; thence North 46 degrees 59 minutes 11 seconds East along the Northwesterly line, of said Lot 8 a distance of 1,110.92 feet; thence South 43 degrees 00 minutes 54 seconds East a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, a distance of 188.94 feet; thence South 19 degrees 51 minutes 12 seconds West, a distance of 276.07 feet; thence South 69 degrees 54 minutes 46 seconds East, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, a distance of 182.59 feet to the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

Tract 2:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded

in page 57 of Plat Book "B" in the Recorder's office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois and more particularly described as follows:

Commencing at the Southeast corner of the Southeast Quarter of said Fractional Section 4; thence South 89 degrees 29 minutes 14 seconds West, along the South line of the Southeast Quarter of Fractional Section 4, a distance of 1,020.92 feet to a concrete monument being the Place of Beginning for the Tract herein being described; thence North 37 degrees 03 minutes 04 seconds East a distance of 1,013.11 feet; thence North 57 degrees 55 minutes West a distance of 292.65 feet to the Northwesterly right-of-way line of South Front Street; thence North 29 degrees 56 minutes 48 seconds East, along the Northeasterly right-of-way line of South Front Street, a distance of 481.39 feet to a concrete monument; thence North 46 degrees 54 minutes 36 seconds West a distance of 263.31 feet to a point on the Northeasterly line of Lot 6 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 24 degrees 46 minutes 48 seconds west, along the Northeasterly line of said Lot 6 a distance of 35.6 feet; thence North 87 degrees 04 minutes 48 seconds West a distance of 214.55 feet to a point on the Northwesterly line of said Lot 6; said point being 200 feet from the Northerly corner of said Lot 6; thence South 46 degrees 59 minutes 11 seconds West, along the Northwesterly line of said Lot 6 and 8 as recorded in Plat Book "B", page 57 of the Tazewell County Recorder's Office, a distance of 1,146.23 feet to the Northerly corner of Tract I previously described; thence South 43 degrees 00 minutes 54 seconds East, along said Tract I, a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, along said Tract I, a distance of 188.94 feet thence South 19 degrees 51 minutes 12 seconds West, along said Tract I, a distance of 276.97 feet; thence South 69 degrees 54 minutes 46 seconds East, along said Tract I, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, along said Tract I, a distance of 196.00 feet; thence South 86 degrees 48 minutes 22 seconds East, along said Tract I, a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West, along said Tract I, a distance of 159.82 feet to the property line of Quaker Oats Company; thence North 89 degrees 27 minutes 16 seconds East, along said property line a distance of 345.67 feet; thence North 00 degrees 56 minutes 03 seconds East, along said property line, a distance of 189.47 feet of the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

Promissory Note

Date: May 4, 2009

Place:

\$997,545.50

MGP Ingredients, Inc. ("Maker") hereby acknowledges indebtedness to Union Pacific Railroad Company in the amount of Nine Hundred Ninety Seven Thousand Five Hundred Forty Five and 50/100ths Dollars (\$997,545.50), and hereby promises to pay to the order of Union Pacific Railroad Company at Omaha, Nebraska, or at such other place as the Holder hereof may designate in writing, the principal sum of Nine Hundred Ninety Seven Thousand Five Hundred Forty Five and 50/100ths Dollars (\$997,545.50) together with interest thereon from the date hereof until paid in full, at the rate of Ten percent (10%) per annum, payable as follows:

Payments covering principal and interest in the sum of not less than Seventy Five Thousand and No/100ths Dollars (\$75,000.00) monthly commencing on Friday, May 15, 2009, and on the fifteenth day of every month thereafter until the full amount of principal has been paid, the said installments to be first applied to accrued interest and the balance to principal; provided, however, that the final payment shall be in the amount of the then unpaid balance.

Payments shall reference Promissory Note Account AA139 and shall be sent to 12567 Collections Center Drive, Chicago, IL 60693, or such other place as the Holder hereof may designate in writing.

The aforementioned sixteen (15) payments, totaling One Million Sixty One Thousand Seven Hundred Twenty Six and 67/100ths Dollars (\$1,061,726.67), made as reflected herein, shall constitute the full amount of this indebtedness and payment in full of the bills identified on Exhibit A attached hereto and incorporated herein by reference.

Any payment which falls due on a bank holiday or weekend shall be paid on the immediately succeeding business day. If any installment of principal or interest is not paid when due, the Holder of this Note may declare the entire unpaid balance due and payable at once without further notice to the Maker. The Maker waives any right to receive notice of Holder's intent to accelerate the debt under this Note, and to receive notice of such acceleration. No delay or omission on the part of the Holder in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Note. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. The Maker of this Note may at any time without penalty prepay the unpaid balance of this debt in whole or in part; provided, however, that in the event of a partial prepayment the Maker shall be obligated to continue making regular and uninterrupted monthly payments for the amount and on the monthly payment date specified herein so long

as any portion of the indebtedness represented by this Note remains unpaid. Prepayments shall be applied first to the interest due and then to the remaining principal.

The Maker and all sureties, guarantors and endorsers hereof waive demand, grace, notice, presentment for payment, and protest.

In the event this Note is placed in the hands of an attorney for collection, the Maker and all its representatives, successors and assigns will repay on demand all costs and expenses thereby incurred by the Holder, including reasonable attorney's fees, plus interest thereon at the highest rate allowable under applicable law until paid.

The Maker irrevocably and unconditionally submits, for itself and its property, to the jurisdiction of the District Court of Douglas County, Nebraska, or the United States District Court for the District of Nebraska, and any appellate court from any appeal from those courts, in any action or proceeding arising out of or relating to this Note, or for recognition or enforcement of any judgment. The Maker irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in the District Court of Douglas County, Nebraska, or in the United States District Court for the District of Nebraska. The Maker agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

The Maker irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this section, and stipulates that the District Court of Douglas County, Nebraska, and the United States District Court for the District of Nebraska, shall have in personam and subject-matter jurisdiction and venue over it for the purpose of litigating any dispute, controversy, or proceeding arising out of or related to this Note.

The Maker irrevocably authorizes, accepts, and consents to service of process sufficient for personal jurisdiction in any action against it by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices as set forth in this Note. Nothing in this Note will affect the right of the Holder to serve process in any other manner permitted by law.

MGP Ingredients, Inc.

By: /s/ Tim Newkirk

Mr. Tim Newkirk – CEO

MGP Ingredients, Inc.
Cray Business Plaza, 100 Commercial St.
Atchison, KS 66002-0130

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT ("**Agreement**"), dated as of July 21, 2009, is made by the UNION PACIFIC RAILROAD COMPANY (the "**Subordinated Creditor**"), for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION (with its participants, successors and assigns, the "**Senior Lender**"), acting through its Wells Fargo Business Credit operating division.

MGP Ingredients, Inc., a Kansas corporation (the "**Borrower**"), is now or hereafter may be indebted to the Senior Lender on account of loans or the other extensions of credit or financial accommodations from the Senior Lender to Borrower, or to any other person under the guaranty or endorsement of Borrower.

The Subordinated Creditor has entered into certain financial accommodations with Borrower.

As a condition to making any loan or extension of credit to Borrower, the Senior Lender has required that the Subordinated Creditor, in accordance with the terms of this Agreement, (i) subordinate the payment of the Subordinated Note and the Subordinated Creditor's other financial accommodations to the payment of any and all indebtedness of the Borrower to the Senior Lender and (ii) disclaim any interest or Liens in the Collateral. Assisting Borrower in obtaining credit accommodations from the Senior Lender and subordinating his interests pursuant to the terms of this Agreement are in the Subordinated Creditor's best interest.

ACCORDINGLY, in consideration of the loans and other financial accommodations that have been made and may hereafter be made by the Senior Lender for the benefit of the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Subordinated Creditor hereby agrees as follows:

1. Definitions. As used herein, the following terms have the meanings set forth below:

"**Borrower Default**" means a Default or Event of Default as defined in any agreement or instrument evidencing, governing, or issued in connection with Senior Lender Indebtedness, including, but not limited to, the Credit Agreement, or any default under or breach of any such agreement or instrument.

"**Carrier Liens**" means any statutory or common law possessory carrier liens which are now or may in the future be held by Subordinated Creditor which attach to assets of Borrower.

"**Collateral**" means all business assets of Borrower including all collateral now or hereafter securing payment of the Senior Lender Indebtedness, including all proceeds thereof.

"**Credit Agreement**" means that certain Credit and Security Agreement dated on or about the date hereof by and between Borrower and the Senior Lender as the same may hereafter be amended, supplemented or restated from time to time.

"**Lien**" means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or hereafter acquired and whether arising by agreement or operation of law.

"**Senior Lender Indebtedness**" is used herein in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of Borrower to the Senior Lender, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement at any time entered into by the Borrower with the Senior Lender, and whether the Borrower may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

"**Subordinated Indebtedness**" means all obligations arising under the Subordinated Note and each and every other debt, liability and obligation of every type and description which the Borrower may now or at any time hereafter owe to the Subordinated Creditor, whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.

"**Subordinated Note**" means the Borrower's Promissory Note made by the Borrower dated May 4, 2009, payable to the order of the Subordinated Creditor in the original principal amount of \$997,545.50, together with all renewals, extensions and modifications thereof and any note or notes issued in substitution therefore.

"**Trade Payable Indebtedness**" means the trade payable indebtedness owed by Borrower to Subordinated Creditor, whether such trade payable debt now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several, which shall not include indebtedness evidenced by the Subordinated Note.

2. Subordination.

(a) The Subordinated Creditor hereby agrees that the payment and performance of all of the Subordinated Indebtedness is hereby expressly subordinated to the payment and performance in full of the Senior Lender Indebtedness and regardless of any priority

otherwise available to the Subordinated Creditor by law or by agreement, the Senior Lender shall hold a first priority Lien in the Collateral and the Subordinated Creditor hereby disclaims any interest or Liens in the Collateral. The Subordinated Indebtedness shall continue to be subordinated to the Senior Lender Indebtedness even if the Senior Lender Indebtedness is deemed unsecured, under-secured, subordinated, avoided or disallowed under the United States Bankruptcy Code or other applicable law.

(b) Notwithstanding anything contained herein to the contrary, the Subordinated Creditor does not subordinate any Carrier Liens which it possesses now or in the future which attach to assets of Borrower, and Subordinated Creditor shall be free to exercise its rights pursuant to such Carrier Liens, including without limitation foreclosure thereof. Subordinated Creditor acknowledges that the Subordinated Note is not, and shall not be secured by any such Carrier Liens and disclaims any Carrier Liens as to the Subordinated Indebtedness which is not Trade Payable Indebtedness.

3. Payments. Until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral, the Subordinated Creditor shall not, without the Senior Lender's prior written consent, demand, receive or accept any payment (whether of principal, interest or otherwise) from the Borrower in respect of the Subordinated Indebtedness, or exercise any right of or permit any setoff in respect of the Subordinated Indebtedness except Subordinated Creditor may demand and accept scheduled, current (but not past due), non-accelerated payments (but not prepayments) of principal and interest required to be paid under the Subordinated Note until such time as Senior Lender has notified Subordinated Creditor that a Borrower Default exists. Notwithstanding anything

contained herein to the contrary, the Subordinated Creditor may invoice and demand payment from the Borrower for Trade Payable Indebtedness, and receive payments from Borrower which are payments of Trade Payable Indebtedness.

4. Receipt of Prohibited Payments. If the Subordinated Creditor receives any payment on the Subordinated Indebtedness that the Subordinated Creditor is not entitled to receive under the provisions of this Agreement, the Subordinated Creditor will hold the amount so received in trust for the Senior Lender and will forthwith turn over such payment to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to then-existing Senior Lender Indebtedness (whether or not due), in such manner of application as the Senior Lender may reasonably deem appropriate. If the Subordinated Creditor exercises any right of setoff which the Subordinated Creditor is not permitted to exercise under the provisions of this Agreement, the Subordinated Creditor will promptly pay over to the Senior Lender, in immediately available funds, an amount equal to the amount of the claims or obligations offset. If the Subordinated Creditor fails to make any endorsement required under this Agreement, the Senior Lender, or any of its officers or employees or agents on behalf of the Senior Lender, is hereby irrevocably appointed as the attorney-in-fact (which appointment is coupled with an interest) for the Subordinated Creditor to make such endorsement in the Subordinated Creditor's name.

5. Action on Subordinated Indebtedness. Unless and until the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released

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its Lien in the Collateral, the Subordinated Creditor will not commence any action or proceeding against the Borrower to recover all or any part of the Subordinated Indebtedness, or join with any creditor (unless Senior Lender shall so join) in bringing any proceeding against the Borrower under any bankruptcy, reorganization, readjustment of debt, arrangement of debt receivership, liquidation or insolvency law or statute of the federal or any state government, or take possession of, sell or dispose of, or otherwise deal with, the Collateral, and will not exercise or enforce any other right or remedy which may be available to the Subordinated Creditor with respect to any such Collateral; provided, however, the foregoing shall not be construed to prevent the Subordinated Creditor from exercising any of its rights with respect to any Carrier Liens.

6. Action Concerning Collateral and Restrictions on Liens

(a) Subordinated Creditor represents, warrants, agrees, promises and covenants to Senior Lender that unless and until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral the (i) Subordinated Creditor will not modify, amend, restate or otherwise change the Subordinated Note or any documents, agreements or instruments representing or related to any Subordinated Indebtedness; (ii) except for Carrier Liens, Subordinated Creditor holds no Lien and will hold no Lien on the Collateral or any other property or assets of Borrower; (iii) there are currently no UCC or similar filings in connection with any indebtedness from Borrower to Subordinated Creditor, and will not be any such filings; and (iv) should any Lien, except for Carrier Liens, be taken or received by Subordinated Creditor in respect of the Collateral or any other property or assets of Borrower, or should any UCC or similar filing against Borrower be made by or on behalf of Subordinated Creditor, Senior Lender may, in its sole and absolute discretion, terminate, release, cancel (or take assignment thereof for its own benefit) any such Liens or filings, and Subordinated Creditor hereby appoints Senior Lender as its attorney-in-fact for such purposes.

(b) Except to the extent subject to Carrier Liens, Senior Lender may take possession of, sell, dispose of, and otherwise deal with all or any part of the Collateral, and may enforce any right or remedy available to it with respect to the Borrower or the Collateral, all without notice to or consent of the Subordinated Creditor except as specifically required by applicable law.

(c) The Senior Lender shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Collateral or any other property or assets of the Borrower, and in no event shall the Senior Lender be deemed the Subordinated Creditor's agent with respect to the Collateral. All proceeds received by the Senior Lender with respect to any Collateral may be applied, first, to pay or reimburse the Senior Lender for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Lender in connection with the collection of such proceeds, and, second, to any Senior Lender Indebtedness secured by the Senior Lender's Lien in that Collateral in any order that it may choose.

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(d) Nothing contained herein will prevent Borrower and Senior Lender from amending, modifying, restating and otherwise dealing with the Senior Lender Indebtedness in any manner Borrower and Senior Lender deem necessary and/or desirable without notice to or consent of the Subordinated Creditor (the "**Modified Senior Lender Indebtedness**"). This Agreement shall remain fully applicable to such Modified Senior Lender Indebtedness and the Modified Senior Lender Indebtedness will be deemed the "Senior Lender Indebtedness" for all purposes hereunder.

7. Bankruptcy and Insolvency. In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, whether or not pursuant to bankruptcy law, the sale of all or substantially all of the assets of the Borrower, dissolution, liquidation or any other marshalling of the assets or liabilities of the Borrower, the Subordinated Creditor will file all claims, proofs of claim or other instruments of similar character necessary to enforce the obligations of the Borrower in respect of the Subordinated Indebtedness and will hold in trust for the Senior Lender and promptly pay over to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to the then-existing Senior Lender Indebtedness, any and all moneys, dividends or other assets received in any such proceedings on account of the Subordinated Indebtedness, unless and until the Senior Lender Indebtedness has been paid in full and the Senior Lender's Lien in the Collateral has been terminated. If the Subordinated Creditor shall fail to take any such action, the Senior Lender, as attorney-in-fact for the Subordinated Creditor, may take such action on the Subordinated Creditor's behalf. The Subordinated Creditor hereby irrevocably appoints the Senior Lender, or any of its officers or employees on behalf of the Senior Lender, as the attorney-in-fact for the Subordinated Creditor (which appointment is coupled with an interest) with the power but not the duty to demand, sue for, collect and receive any and all such moneys, dividends or other assets and give acquittance therefor and to file any claim, proof of claim or other instrument of similar character, to vote claims comprising Subordinated Indebtedness to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension and to take such other action in the Senior Lender's own name or in the name of the Subordinated Creditor as the Senior Lender may deem necessary or advisable for the enforcement of the agreements contained herein; and the Subordinated Creditor will execute and deliver to the Senior Lender such other and further powers-of-attorney or instruments as the Senior Lender may request in order to accomplish the foregoing. If the Senior Lender desires to permit the use of cash collateral or to provide post-petition financing to the Borrower, the Subordinated Creditor shall not object to the same or assert that its interests are not being adequately protected.

8. Restrictive Legend; Transfer of Subordinated Indebtedness; Amendment The Subordinated Creditor will cause the Subordinated Note and all other notes, bonds, debentures or other instruments evidencing the Subordinated Indebtedness or any part thereof to contain a specific statement thereon to the effect that the indebtedness thereby evidenced is subject to the provisions of this Agreement, and the Subordinated Creditor will mark its books conspicuously to evidence the subordination effected hereby. Attached hereto is a true and correct copy of the Subordinated Note bearing such legend. The Subordinated Creditor is the lawful holder of the Subordinated Note and has not transferred any interest therein to any other person or entity. Without the prior written consent of the Senior Lender, the Subordinated

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Creditor will not assign, transfer or pledge to any other person any of the Subordinated Indebtedness.

9. Continuing Effect. This Agreement shall constitute a continuing agreement of subordination, and the Senior Lender may, without notice to or consent by the Subordinated Creditor, modify any term of the Senior Lender Indebtedness in reliance upon this Agreement. Without limiting the generality of the foregoing, the Senior Lender may, at any time and from time to time, without the consent of or notice to the Subordinated Creditor and without incurring responsibility to the Subordinated Creditor or impairing or releasing any of the Senior Lender's rights or any of the Subordinated Creditor's obligations hereunder:

- (a) change the interest rate or change the amount of payment or extend the time for payment or renew or otherwise alter the terms of any Senior Lender Indebtedness or any instrument evidencing the same in any manner;
- (b) sell, exchange, release or otherwise deal with any property, except for property subject to Carrier Liens, at any time securing payment of the Senior Lender Indebtedness or any part thereof;
- (c) release anyone liable in any manner for the payment or collection of the Senior Lender Indebtedness or any part thereof;
- (d) exercise or refrain from exercising any right against the Borrower or any other person (including the Subordinated Creditor); and
- (e) apply any sums received by the Senior Lender, by whomsoever paid and however realized, to the Senior Lender Indebtedness in such manner as the Senior Lender shall deem appropriate.

10. No Commitment. None of the provisions of this Agreement shall be deemed or construed to constitute or imply any commitment or obligation on the part of the Senior Lender to make any future loans or other extensions of credit or financial accommodations to the Borrower.

11. Waiver and Consent. Senior Lender shall have no obligation to the Subordinated Creditor with respect to the Collateral or the Senior Lender Indebtedness. Subject to any Carrier Liens, Senior Lender may (a) exercise collection rights, (b) take possession of, sell or dispose of, and otherwise deal with, the Collateral, (c) in Senior Lender's name, or in Borrower's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any account debtor or other obligor of the Debtor; (d) prosecute, settle and receive proceeds on any insurance claims relating to the Collateral, and (e) exercise and enforce any right or remedy available to Senior Lender with respect to the Collateral, whether available before or after the occurrence of any default; all without notice to or consent by anyone except as specifically required by law. Senior Lender may

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apply the proceeds of the Collateral in any order of application, and may remit or release such proceeds or any other sums or amounts to the Borrower without being obligated to assure that any such proceeds or sums are applied to the satisfaction of the Subordinated Creditor's subordinated security interest in any Collateral, except as required by law or to the extent subject to Carrier Liens. The Subordinated Creditor hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or agreement.

12. Notice. All notices and other communications hereunder shall be in writing and shall be (i) personally delivered, (ii) transmitted by registered mail, postage prepaid, or (iii) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth below:

If to the Senior Lender:

Wells Fargo Bank, National Association
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attention: Becky A. Koehler
Telecopier: (612) 341-2472

If to the Subordinated Creditor:

Union Pacific Railroad Company
1400 Douglas Street, STOP 1780
Omaha, NE 68179-1780
Attention: Senior Manager – Revenue Accounting
Telecopier: (402) 233-3434

or at such other address as may hereafter be designated in writing by that party. All such notices or other communications shall be deemed to have been given on (i) the date received if delivered personally, (ii) the date of posting if delivered by mail, or (iii) the date of transmission if delivered by telecopy.

13. Conflict in Agreements. If the subordination provisions of any instrument evidencing Subordinated Indebtedness conflict with the terms of this Agreement, the terms of this Agreement shall govern the relationship between the Senior Lender and the Subordinated Creditor.

14. No Waiver. No waiver shall be deemed to be made by the either party of any of its rights hereunder unless the same shall be in writing signed on behalf of such party, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of such party or the obligations of the other party to the such party in any other respect at any time.

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15. Binding Effect; Acceptance. This Agreement shall be binding upon the Subordinated Creditor and the Subordinated Creditor's successors and assigns and shall inure to the benefit of the Senior Lender and its participants, successors and assigns irrespective of whether this or any similar agreement is executed by any other creditor of the Borrower. Notice of acceptance by the Senior Lender of this Agreement or of reliance by the Senior Lender upon this Agreement is hereby waived by the Subordinated Creditor.

16. Miscellaneous. The paragraph headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. The exchange of copies of this Agreement and of signature pages by PDF through email or facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Electronic signatures of the parties transmitted as set forth herein shall be deemed to be original signatures for all purposes.

17. Governing Law; Consent to Jurisdiction and Venue; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Minnesota. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.**

[Signature Page Follows]

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IN WITNESS WHEREOF, the Subordinated Creditor has executed this Agreement as of the date and year first above-written.

UNION PACIFIC RAILROAD COMPANY

By: /s/ Bier Brolky
Name: Bier Brolky
Its: Sr. Manager, Credit

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Acknowledgment by Borrower

The undersigned, being the Borrower referred to in the foregoing Agreement, hereby (i) acknowledges receipt of a copy thereof, (ii) agrees to all of the terms and provisions thereof, (iii) agrees to and with the Senior Lender that it shall make no payment on the Subordinated Indebtedness that the Subordinated Creditor would not be entitled to receive under the provisions of the Agreement, (iv) agrees that any such payment will constitute a default under the Senior Lender Indebtedness, and (v) agrees to mark its books conspicuously to evidence the subordination of the Subordinated Indebtedness effected hereby.

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President & CEO

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
	MGP INGREDIENTS, INC -		04/15/09	DMW/CML
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$ 2,800,000.00	Not Applicable	7.000 %	09/03/09	Commercial

Creditor Use Only

PROMISSORY NOTE
(Commercial - Single Advance)

DATE AND PARTIES. The date of this Promissory Note (Note) is April 15, 2009. The parties and their addresses are:

LENDER:

EXCHANGE NATIONAL BANK & TRUST CO.
600 COMMERCIAL ST
ATCHISON, Kansas 66002
Telephone: 913-387-6000

BORROWER:

MGP INGREDIENTS, INC
a Kansas Corporation
P O BOX 130
ATCHISON, KS 66002

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Note, individually and together. "You" and "Your" refer to the, Lender.
- B. Note.** Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. Loan.** Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. Loan Documents.** Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
- E. Property.** Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- F. Percent.** Rates and rate change limitations are expressed as annualized percentages.

2. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$2,800,000.00 (Principal) plus interest from April 15, 2009 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

3. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 7.000 percent (Interest Rate).

- A. Post-Maturity Interest.** After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time, until paid in full.
- B. Maximum Interest Amount.** Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
- C. Statutory Authority.** The amount assessed or collected on this Note is authorized by the Kansas usury laws under Kan. Stat. Ann. § 16-207.
- D. Accrual.** Interest accrues using an Actual/365 days counting method.

4. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

- A. Late Charge.** If a payment is more than 10 days late, I will be charged 5.000 percent of the Unpaid Portion of Payment. I will pay this late charge promptly but only once for each late payment.
- B. Returned Payment Charges.** A(n) Returned Payment Charges equal to \$30.00.

5. PAYMENT. I agree to pay this Note in installments of accrued interest beginning May 3, 2009, and then on the 3rd day of each month thereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on September 3, 2009.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to Interest that is due, then to principal that is due, and finally to any charges that I owe other than principal and finance charges. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

- 6. PREPAYMENT.** I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.
- 7. LOAN PURPOSE.** This is a business-purpose loan transaction.
- 8. SECURITY.** The Loan is secured by separate security instruments prepared together with this Note as follows:

A LEASEHOLD MORTGAGE DATED APRIL 15, 2009 ON THE PROPERTY LOCATED AT 100 COMMERCIAL ST AND 200 COMMERCIAL ST; ATCHISON, KS.

A MORTGAGE DATED APRIL 15, 2009 ON THE PROPERTY LOCATED AT 1301 SOUTH FRONT STREET; PEKIN, IL.

A PLEDGE AND SECURITY AGREEMENT RELATING TO THE BOND ISSUED TO BORROWER IN CONNECTION WITH ISSUANCE BY THE CITY OF ATCHISON, KANSAS OF ITS TAXABLE INDUSTRIAL REVENUE BONDS (MGP INGREDIENTS PROJECT), SERIES 2006.


9. DEFAULT. I will be in default if any of the following occur:

A. Payments. I fail to make a payment in full when due.

MGP INGREDIENTS, INC.

Kansas Promissory Note

KS/4CHRISTIN0000000000111050041309N

©1996 Bankers System, Inc., St. Cloud, MN 

Initials _____

B. Insolvency or Bankruptcy. The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Note or any other obligations I have with you.

C. Business Termination. I merge, dissolve, reorganize, end my business or existence.

D. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Note.

E. Other Documents. A default occurs under the terms of any other Loan Document.

F. Other Agreements. I am in default on any other debt or agreement I have with you.

G. Misrepresentation. I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

H. Judgment. I fail to satisfy or appeal any judgment against me.

I. Forfeiture. The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

J. Name Change. I change my name or assume an additional name without notifying you before making such a change.

K. Property Transfer. I transfer all or a substantial part of my money or property.

L. Property Value. You determine in good faith that the value of the Property has declined or is impaired.

M. Material Change. Without first notifying you, there is a material change in my business.

N. Insecurity. You determine in good faith that a material adverse change has occurred in my financial condition from the conditions set forth in my most recent financial statement before the date of this Note or that the prospect for payment or performance of the Loan is impaired for any reason.

10. DUE ON SALE OR ENCUMBRANCE. You may, at your option, declare the entire balance of this Note to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable.

11. WAIVERS AND CONSENT. To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. Additional Waivers By Borrower. In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

- (1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.
- (2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
- (3) You may release, substitute or impair any Property securing this Note.
- (4) You, or any institution participating in this Note, may invoke your right of set-off.
- (5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.
- (6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. No Waiver By Lender. Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

12. REMEDIES. After I default, you may at your option do any one or more of the following.

A. Acceleration. You may make all or any part of the amount owing by the terms of this Note immediately due.

B. Sources. You may use any and all remedies you have under state or federal law or in any Loan Document.

C. Insurance Benefits. You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. Payments Made On My Behalf. Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of this Note, and accrue interest at the highest post-maturity interest rate.

E. Set-Off. You may use the right of set-off. This means you may set-off any amount due and payable under the terms of this Note against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this Note" means the total amount to which you are entitled to demand payment under the terms of this Note at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay this Note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

F. Waiver. Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

13. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Note or any other Loan Document. Expenses include, but are not limited to, attorneys' fees, court costs and other legal expenses. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Note. All fees and expenses will be secured by the Property I have granted to you, if any. In addition, to the extent permitted by the United States Bankruptcy Code, I agree to pay the reasonable attorneys' fees incurred by you to protect your rights and interests in connection with any bankruptcy proceedings initiated by or against me.

14. COMMISSIONS. I understand and agree that you (or your affiliate) will earn commissions or fees on any insurance products, and may earn such fees on other services that I buy through you or your affiliate.

15. WARRANTIES AND REPRESENTATIONS. I made to you the following warranties and representations which will continue as long as this note is in effect:

Initials _____

A. Power. I am duly organized, and validly existing and in good standing in all jurisdictions in which I operate. I have the power and authority to enter into this transaction and to carry on my business or activity as it is now being conducted and, as applicable, am qualified to do so in each jurisdiction in which I operate.

B. Authority. The execution, delivery and performance of this Note and the obligation evidenced by this Note are within my powers, have been duly authorized, have received all necessary governmental approval, will not violate any provision of law, or order of court or governmental agency, and will not violate any agreement to which I am a party or to which I am or any of my Property is subject.

C. Name and Place of Business. Other than previously disclosed in writing to you I have not changed my name or principal place of business within the last 10 years and have not used any other trade or fictitious name. Without your prior written consent, I do not and will not use any other name and will preserve my existing name, trade names and franchises.

16. INSURANCE. I agree to obtain the insurance described in this Loan Agreement.

A. Property Insurance. I will insure or retain insurance coverage on the Property and abide by the insurance requirements of any security instrument securing the Loan.

B. Flood Insurance Is Required on Some or All of the Property. I will insure the real property securing the Loan against hazards caused by flooding as described by other documents I sign for the Loan.

C. Insurance Warranties. I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the Property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts secured by this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

17. APPLICABLE LAW. This Note is governed by the laws of Kansas, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law.

18. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. This Note shall inure to the benefit of and be enforceable by you and your successors and assigns and shall be binding upon and enforceable against me and my personal representatives, successors, heirs and assigns.

19. AMENDMENT, INTEGRATION AND SEVERABILITY. This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing and executed by you and me. This Note and the other Loan Documents are the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

20. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

21. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I will provide you any financial statement or information you request. All financial statements and information I give you will be correct and complete. I agree to sign, deliver, and file any additional

LEASEHOLD MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING

THIS LEASEHOLD MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING (this "Leasehold Mortgage") is made as of April 15, 2009, by and between MGP INGREDIENTS, INC., a Kansas corporation whose address for notice purposes is Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002 (the "Mortgagor"), and EXCHANGE NATIONAL BANK & TRUST CO., whose address for notice purposes is 600 Commercial Street, Atchison, Kansas 66002 (the "Mortgagee");

WHEREAS, the City of Atchison, Kansas (the "Issuer") did issue its Taxable Industrial Revenue Bonds, Series 2006 (MGP Ingredients Project), on December 28, 2006, in an aggregate principal amount of \$7,000,000 (the "Bonds"), the proceeds of which were used to pay the costs of acquiring, purchasing, constructing and equipping a project consisting of an office building and a technical center facility (the "Project") located in Atchison County, Kansas;

WHEREAS, pursuant to a Lease dated as of the issue date of the Bonds, by and between the Issuer and the Mortgagor evidenced by a Notice of Lease filed with the Register of Deeds for Atchison County, Kansas on January 16, 2007 and recorded in Book 559, at Page 137 (collectively, the "Lease"), the Issuer has leased the Project, including the land described in Exhibit "A" attached hereto and incorporated herein by reference (the "Land"), the Improvements, Fixtures, Personal Property (as said terms are defined below) to the Mortgagor in consideration for which the Issuer, pursuant to a Trust Indenture dated as of the issue date of the Bonds (the "Indenture"), by and between the Issuer and Commerce Bank, N.A., as Trustee, has issued the Bonds;

WHEREAS, the Mortgagee has agreed to make a loan in the total principal amount of \$2,800,000 (the "Loan") to the Mortgagor as evidenced by that certain promissory note (the "Note") in the original principal amount of the Loan, dated the date hereof, made by and between the Mortgagor in favor of the Mortgagee; and

WHEREAS, to secure the payment and performance of the Secured Obligations (as defined below) and as a condition to the making of the Loan, the Mortgagor has agreed to execute and deliver this Leasehold Mortgage in favor of the Mortgagee.

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NOW, THEREFORE, the Mortgagor, for itself and its successors and assigns, in consideration of the above and foregoing recitals, all of which are material hereto and are restated and incorporated herein by reference, and for Ten Dollars (\$10.00) and other valuable consideration, does hereby irrevocably GRANT, BARGAIN, SELL, ALIGN, REMISE, MORTGAGE, PLEDGE, TRANSFER, RELEASE, CONVEY, ASSIGN AND CONFIRM unto the Mortgagee, and its successors and assigns, and grants to the Mortgagee, and to its successors and assigns, a security interest in, all of the following described property, which is, except where the context otherwise requires, collectively referred to as the "Mortgaged Property," whether now owned or held or hereafter acquired:

- (a) The leasehold estate created by the Lease in the Project, together with any greater or additional estate therein as may be acquired by the Mortgagor, which includes the following property:
 - (i) The Land and any land within the streets, roads and alleys adjoining the Land, and all and singular the tenements, hereditaments, privileges, easements, franchises, rights, appendages and appurtenances whatsoever belonging to or in any wise appertaining to the Land;
 - (ii) All buildings, improvements and other structures now located, or hereafter erected, upon the Land (collectively, the "Improvements");
 - (iii) All apparatus, fixtures, fittings and appliances and any additions to, substitutions for, changes in or replacements of the whole or any part thereof (but only to the extent that such additions, substitutions, changes and replacements constitute a part of the Project under the terms of the Lease), including, without limitation, such of the foregoing as may be used in connection with the generation or distribution of air, water, heat, electricity, light, fuel or refrigeration, or for ventilation or sanitary purposes, or for the removal of dust, refuse or garbage, now or at any time hereafter affixed or attached to, placed upon or used in any way in connection with the use, enjoyment, occupancy or operation of the Land and Improvements, or any portion thereof (collectively, the "Fixtures"); and
 - (iv) All equipment and other articles of personal property now or in the future constituting a part of the Project, and all substitutions for, changes in or replacements of the whole or any part thereof, but only to the extent that such substitutions, changes and replacements constitute a part of the Project under the terms of the Lease (collectively, the "Personal Property");
- (b) The Mortgagor's right or option pursuant to the Lease to purchase the Project;

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- (c) Any and all licenses, permits, authorizations or approvals of any type or nature whatsoever which relate to the use, development, operation or occupancy of the Project or the Mortgaged Property or any portion or component thereof, and all plans and specifications, architect's contracts, construction contracts and other contracts relating to the Project;
- (d) Other than the Lease, all leases, licenses, concessions, occupancy agreements, and other agreements (written or oral, now or at any time in effect) granted to any person in possessory interest in or the right to use, all or part of the Mortgaged Property, together with all related security and other deposits, herein collectively referred to as the "Leases";
- (e) All of the rents, revenues, royalties, income, proceeds, profits, security and other types of deposits, and other benefits paid or payable by parties to any lease, license, concession or occupancy agreement, for using, leasing, licensing, possessing, operating from, residing in, selling or otherwise enjoying the Mortgaged Property, herein collectively referred to as the "Rents";
- (f) All judgments, awards of damages and settlements hereafter made as a result of or in lieu of any taking of the Mortgaged Property or any part thereof or interest therein under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the Mortgaged Property or the improvements thereon or any part thereof or interest therein, including any award for change of grade or streets;
- (g) The abstract of title and title insurance policy covering the Mortgaged Property; all insurance policies covering all or any portion of the Mortgaged Property; and all blueprints, plans, maps, documents, books and records relating to the Mortgaged Property;
- (h) All books and records of the Mortgagor relating to the Mortgaged Property;
- (i) All rights of the Mortgagor to plans and specifications, designs, drawings and other matters prepared for any construction on the Mortgaged Property;

- (j) All rights of the Mortgagor under any contracts executed by the Mortgagor as owner with any provider of goods or services for or in connection with any construction undertaken on, or services performed or to be performed in connection with, the Mortgaged Property; and
- (k) All proceeds (including claims or demands thereto) of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, proceeds of insurance (including unearned premiums) and condemnation awards (including interest thereon).

TO HAVE AND TO HOLD the Mortgaged Property unto the Mortgagee, and its successors and assigns forever, subject to the Permitted Encumbrances (defined below), for the purposes and uses as set forth in this Leasehold Mortgage, including for the purpose of securing unto the Mortgagee and its successors and assigns, the following indebtedness, obligations and liabilities (collectively, the "Secured Obligations"):

- (a) All indebtedness arising pursuant to the provisions of the Note, the Pledge and Security Agreement given by Mortgagor to Mortgagee pledging Mortgagor's interest in the Bonds, this Leasehold Mortgage and all other documents evidencing, securing or pertaining to the Loan (collectively, the "Loan Documents") together with any and all extensions, renewals, modifications, substitutions and changes in the form thereof;
- (b) The performance by the Mortgagor of each covenant, agreement and obligation of the Mortgagor contained in the Loan Documents;
- (c) The payment of all extensions, renewals, substitutions, modifications, amendments and changes in form of the Secured Obligations, which extensions or renewals may be from time to time and for any term or terms, with reasonable notice to the Mortgagee;
- (d) The payment by the Mortgagor to the Mortgagee of all sums of money advanced or paid by the Mortgagee to cure or correct or in consequence of any default by the Mortgagor in or failure of the Mortgagor to comply with the Loan Documents; and
- (e) The payment by the Mortgagor to the Mortgagee of any and all amounts expended by the Mortgagee in exercising or attempting to exercise any right or rights, remedy or remedies, granted or otherwise available to the Mortgagee upon the default of the Mortgagor in any of the provisions of the Loan Documents, including attorneys' fees and litigation costs.

AND TO FURTHER SECURE the payments and performance of the Secured Obligations, the Mortgagor has covenanted and agreed and does hereby covenant and agree, as follows:

Section 1. Definitions. Capitalized terms not otherwise defined in this Leasehold Mortgage shall have the meanings assigned to them pursuant to Section 1.1 of the Lease.

Section 2. Maintenance. Except as otherwise provided in the Lease, the Mortgagor shall (a) keep the Project in good operating condition and repair, (b) not remove or demolish any building constituting a part of the Project, (c) complete or restore promptly and in good and workmanlike manner any building which may be damaged or destroyed thereon, and pay when due all claims for labor performed and materials furnished therefore, (d) comply with all laws affecting the Project or requiring any alterations or improvements to be made thereon, (e) not commit or permit waste thereof, (f) not commit, suffer or permit any act upon the Project in violation of law, and (g) do all other acts which from the character or use of the Project may be reasonably necessary, the specific enumerations herein not excluding the general.

Section 3. Insurance.

(b) The Mortgagor shall maintain, with financially sound and reputable companies, insurance policies (i) insuring the buildings, improvements and other structures constituting a part of the Project, the Fixtures and the Personal Property against loss by fire, explosion, theft and such other casualties and risks as are included in a "special form" (formerly known as an "all risk" policy) policy, in an amount equal to their full replacement cost, without deduction for physical depreciation and such that the Mortgagor would not be deemed a co-insurer, and (ii) commercial general liability insurance insuring the Mortgagor and the Mortgagee against liability for personal injury and property damage with single limit coverage for personal and bodily injury and property damage of at least \$2,000,000 per occurrence. All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least thirty (30) days (or ten (10) days in the event of nonpayment of premium) after receipt by the Mortgagee of written notice thereof, (ii) include deductibles approved by the Mortgagee and (iii) contain a standard, non-contributory mortgagee clause naming the Mortgagee, its successors and assigns, as an additional insured or loss payee, as applicable.

(c) If any improvements constituting a part of the Project are located in an area identified as a special flood hazard area by the Federal Emergency Management Agency or other applicable agency, the Mortgagor shall maintain or cause to be maintained, flood insurance in an amount no less than the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended.

(d) The Mortgagor promptly shall comply with and conform in all material respects to (i) all provisions of each such insurance policy, and (ii) all requirements of the insurers applicable to the Mortgagor or to any of the Mortgaged Property or to the use, manner of use, occupancy, possession, operation, maintenance, alteration or repair of any of the Mortgaged Property. The Mortgagor shall not use or permit the use of the Mortgaged Property in any manner which would permit any insurer to cancel any insurance policy or void coverage required to be maintained by this Leasehold Mortgage.

(e) If the Mortgagor is in default of its obligations to insure or deliver any such prepaid policy or policies, then the Mortgagee, at its option upon five (5) days' written notice to the Mortgagor, may effect such insurance and pay the premium or premiums therefor, and the Mortgagor shall pay to the Mortgagee on demand such premium or premiums so paid by the Mortgagee with interest from the time of payment at the rate specified in the Note after maturity.

(f) If the Mortgaged Property, or any part thereof, shall be destroyed or damaged, the Mortgagor shall give prompt notice thereof to the Mortgagee.

(g) In the event of foreclosure of this Leasehold Mortgage or other transfer of title to the Mortgaged Property, all right, title and interest of the Mortgagor in and to any insurance policies then in force shall pass to the purchaser or grantee.

Section 4. Indemnification. The Mortgagor shall appear in and defend any action or proceeding purporting to affect the security of this Leasehold Mortgage or the rights or powers of the Mortgagee; and to pay all reasonable costs, fees and expenses of the Mortgagee including, but not limited to, cost of evidence of title and attorneys'

fees incurred by the Mortgagee in any such action or proceeding.

Section 5. Payment of Taxes, Etc. The Mortgagor shall promptly pay and discharge, when due, all Impositions as provided in Article VII of the Lease, subject to the rights of the Mortgagee under Section 7.3 of the Lease to contest any Impositions.

Section 6. Compliance with Lease. The Mortgagor shall pay all Rent, Additional Rent and other sums payable under the Lease as the same become due and perform all other obligations of the Mortgagee under the Lease in the manner and within the time periods specified in the Lease.

Section 7. Time of the Essence. Time is of the essence of this Leasehold Mortgage.

Section 8. Warranty as to Title. The Mortgagee represents and warrants that (i) it has good and marketable leasehold title to the Project subject to the terms and conditions of the Lease, and title to the remainder of the Mortgaged Property so that, upon compliance with recording and filing requirements, a valid first lien on all real property interests included in the Mortgaged Property and a valid, perfected, first priority security interest in all personal property and fixtures and other interests therein which are subject to Article 9 of the Uniform Commercial Code in effect in the State of Kansas (the "Commercial Code") then included in the Mortgaged Property shall be obtained, subject only to those matters set forth in Schedule B of that certain commitment for title insurance dated February 5, 2009 issued by O'Keefe-Wilson Abstracting Co., Inc. as agent for Chicago Title Insurance Company (the "Permitted Encumbrances"), (ii) it has full right and authority to own, occupy and operate the Mortgaged Property subject to the terms of the Lease, and (iii) at its expense it will warrant and defend to the Mortgagee such title to the Mortgaged Property and the lien and interest of the Mortgagee therein and thereon against all claims and demands whatsoever except Permitted Encumbrances and will, except as otherwise herein expressly provided, maintain the priority of the lien of, and the security interest granted by, this Leasehold Mortgage upon the Mortgaged Property until the Mortgagee shall be entitled to release as provided herein.

Section 9. Recordation; Financing Statements. The Mortgagee hereby authorizes the Mortgagee, at Mortgagee's expense, to cause this Leasehold Mortgage, any instruments supplemental hereto or thereto and financing statements to be recorded, registered and filed, and to be kept recorded, registered and filed, in such manner and in such places as may be required in order to establish, preserve and protect (a) the lien of this Leasehold Mortgage as a valid, first lien on all real property, fixtures and interest therein then included in the Mortgaged Property and a valid perfected first priority security interest in all personal property, fixtures and interests therein and all after-acquired property included in the Mortgaged Property (including in each such case, without limitation, any such properties acquired after the execution hereto), proceeds of the foregoing and (b) the rights of Mortgagee hereunder.

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Section 10. After-Acquired Property. All property of every kind acquired by the Mortgagee after the date hereof, which by the terms hereof is intended to be subject to the lien of this Leasehold Mortgage, shall immediately upon the acquisition thereof by the Mortgagee, and without further mortgage, conveyance or assignment, become subject to the lien of this Leasehold Mortgage as fully as though now owned by the Mortgagee and specifically described herein. Nevertheless, the Mortgagee shall take such actions and execute and deliver such additional instruments as the Mortgagee shall reasonably require to further evidence or confirm the subjection to the lien of this Leasehold Mortgage of any such property.

Section 11. Mechanics' and Other Liens. The Mortgagee shall not permit any mechanics' or other liens to be filed or to exist against the Mortgaged Property by reason of work, labor, service or materials supplied or claimed to have been supplied to, for or in connection with the Mortgaged Property or to the Mortgagee or to anyone holding the Mortgaged Property or any part thereof through or under the Mortgagee. If any such lien shall at any time be filed, the Mortgagee shall, within thirty (30) after notice of the filing thereof (subject to the right to contest as set forth herein), cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. Notwithstanding the foregoing, the Mortgagee shall have the right, at its own expense and after prior written notice to the Mortgagee, by appropriate proceeding duly instituted and diligently prosecuted, to contest in good faith the validity or the amount of any such lien. However, if the Mortgagee shall notify the Mortgagee that, in the opinion of the Mortgagee, by nonpayment of any such items the lien of the Leasehold Mortgage will be materially affected or the Mortgaged Property or any part thereof will be subject to imminent loss or forfeiture, the Mortgagee shall promptly cause such lien to be discharged of record.

Section 12. No Sale, Conveyance, Etc. Any sale, conveyance, assignment, or transfer of the Mortgaged Property by the Mortgagee (except for sales of items of Personal Property so long as such items are replaced with substitute items of Personal Property of equal or greater value, which are subject to the security interest granted herein) without the prior written consent of the Mortgagee, which consent may be withheld in the Mortgagee's sole discretion, shall be null and void. Any attempted sale, conveyance, assignment or transfer of the Mortgaged Property without the Mortgagee's consent shall, at the option of the Mortgagee, constitute an Event of Default hereunder and all indebtedness secured hereby shall, at the Mortgagee's option, become immediately due and payable. The Mortgagee shall not directly or indirectly create or permit to remain, and will promptly discharge, any mortgage, lien, encumbrance or charge on, pledge of, security interest in or conditional sale or other title retention agreement with respect to the Mortgaged Property or any part thereof or in the interest of the Mortgagee therein or any revenues, income or profit or other sums arising from the Mortgaged Property or any part thereof (including, without limitation, any lien, encumbrance or charge arising by operation of law) other than:

- (a) the lien of this Leasehold Mortgage and the rights granted herein;
- (b) liens for taxes, assessments and other governmental charges which are not at the time required to be paid pursuant to Article VII of the Lease;

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- (c) liens of mechanics', materialmen, suppliers or vendors or rights thereto to the extent permitted by Section 11 hereof; and
- (d) Permitted Encumbrances.

Any mortgage, lien, encumbrance, charge, pledge, security interest or title retention agreement with respect to the Mortgaged Property, or any part thereof, granted or created by the Mortgagee without the prior written consent of the Mortgagee shall be null and void to the extent permitted by law. Any attempt at the making thereof shall, at the option of the Mortgagee, constitute an Event of Default hereunder and all indebtedness secured hereby shall, at the Mortgagee's option, become immediately due and payable.

Section 13. Security Agreement and Financing Statement. This Leasehold Mortgage shall constitute a security agreement and fixture filing pursuant to the Commercial Code in effect from time to time for any of the items specified herein as part of the Mortgaged Property which, under applicable law, may be subject to a security interest pursuant to the Commercial Code.

FOR PURPOSES OF THE COMMERCIAL CODE THE FOLLOWING INFORMATION IS FURNISHED:

- (a) The name and address of the record owner of the real estate described in this instrument are:

City of Atchison, Kansas
515 Kansas Avenue
Atchison, Kansas 66002

- (b) The names and address of Mortgagee (debtor) are:

MGP Ingredients, Inc.
100 Commercial Street
Atchison, Kansas 660021

- (c) The name and address of Mortgagee (secured party) are:

Exchange National Bank & Trust Co.
600 Commercial Street
Atchison, Kansas 66002

- (d) Information concerning the security interest evidenced by this instrument maybe obtained from Mortgagee at its address above.
- (e) This document covers assets and personal property which are, or are to become, fixtures.

Section 14. Assignment of Leases and Rents. In furtherance of and in addition to the assignment made by the Mortgagor elsewhere in this Leasehold Mortgage, the Mortgagor hereby absolutely and unconditionally assigns, sells, transfers and conveys to the Mortgagee all of its right, title and interest in and to all Leases, whether now existing or hereafter entered into, and all of its right, title and interest in and to all Rents. This assignment is an absolute assignment and not an assignment for additional security only. So long as no Event of Default shall have occurred and be continuing, the Mortgagor shall have a revocable license from the Mortgagee to exercise all rights extended to the landlord under the Leases, including the right to receive and collect all Rents and to hold the Rents in trust for use in the payment and performance of the Secured Obligations and to otherwise use the same. The foregoing license is granted subject to the conditional limitation that no Event of Default shall have occurred and be continuing. Upon the occurrence and during the continuance of an Event of Default, whether or not legal proceedings have commenced, and without regard to waste, adequacy of security for the Secured Obligations or solvency of the Mortgagor, the license herein granted shall automatically expire and terminate, without notice to the Mortgagor by the Mortgagee (any such notice being hereby expressly waived by the Mortgagor to the extent permitted by applicable law).

Section 15. No Claim for Performance. Nothing contained herein shall constitute any request by Mortgagee, express or implied, for the performance of any labor or services or the furnishings of any materials or other property in respect to the Mortgaged Property or any part thereof or be construed to give the Mortgagor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would provide the basis for any claim either against the Mortgagee or that any lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien of this Leasehold Mortgage.

Section 16. Obligations Secured. This Leasehold Mortgage is intended to secure the Secured Obligations and future advances under the Secured Obligations pursuant to K.S.A. 58-2336 and any amendments thereto. The maximum principal amount of the Secured Obligations, exclusive of interest thereon and advances made for the payment of taxes, assessments, insurance premiums, fees and costs incurred for the protection of the Mortgaged Property, which may be outstanding at any time, is \$2,800,000.

Section 17. Partial Release. At any time or from time to time, and without notice, upon written request of the Mortgagor, and without liability therefor, and without affecting the liability of any person for payment or performance of the Secured Obligations, and without affecting the security of this Leasehold Mortgage for the full amount secured hereby on all the Mortgaged Property remaining subject hereto, and without the necessity that any sum representing the value or any portion of the Mortgaged Property affected by the action of the Mortgagee be credited on the Secured Obligations, the Mortgagee may consent to the release of any portion of the Mortgaged Property from the lien of this Leasehold Mortgage.

Section 18. Discharge. When the Secured Obligations have been fully paid, performed and discharged and upon payment of any fees and expenses due the Mortgagee, these presents shall be released at the expense of the Mortgagor.

Section 19. Damage, Destruction or Condemnation.

(a) The Mortgagor shall give the Mortgagee prompt notice of any damage to or destruction of the Mortgaged Property and in case of loss covered by policies of insurance the Mortgagee is hereby authorized at its option to settle and adjust any claim arising out of such policies and collect and receipt for the proceeds payable therefrom. Any expense incurred by the Mortgagee in the adjustment and collection of insurance proceeds (including the cost of any independent appraisal of the loss or damage on behalf of the Mortgagee) shall be reimbursed to the Mortgagee first out of any proceeds. The proceeds or any part thereof shall be applied to reduction of the Secured Obligations or to the restoration or repair of the Mortgaged Property, the choice of application to be solely at the discretion of the Mortgagee.

(b) The Mortgagor shall give the Mortgagee prompt notice of any actual or threatened condemnation or eminent domain proceedings affecting the Mortgaged Property and hereby assigns, transfers, and sets over to the Mortgagee the entire proceeds of any award or claim for damages or settlement in lieu thereof for all or any part of the Mortgaged Property taken or damaged under such eminent domain or condemnation proceedings, the Mortgagee being hereby authorized to intervene in any such action and to collect and receive from the condemning authorities and give proper receipts and acquittances for such proceeds. The Mortgagor will not enter into any agreements with the condemning authority permitting or consenting to the taking of the Mortgaged Property or agreeing to a settlement unless prior written consent of the Mortgagee is obtained. Any expenses incurred by the Mortgagee in intervening in such action or collecting such proceeds, including reasonable attorney's fees, shall be reimbursed to the Mortgagee first out of the proceeds. The proceeds or any part thereof shall be applied upon or in reduction of the Secured Obligations or to the restoration or repair of the Mortgaged Property, the choice of application to be solely at the discretion of the Mortgagee.

Section 20. Events of Default. Any one or more of the following events shall be an "Event of Default" under this Leasehold Mortgage:

- (a) The occurrence of an Event of Default under the Note or any other Loan Document;
- (b) The occurrence of an Event of Default as defined in the Indenture or the Lease;
- (c) Any representation made by Mortgagor in this Leasehold Mortgage or any other Loan Document is untrue or inaccurate in any material respect at the time made;
- (d) The Mortgagor fails to comply with or perform any of the terms, conditions or covenants of this Leasehold Mortgage and such failure shall continue for a period of ten (10) days after notice thereof to the Mortgagor; provided, if the same is not susceptible of cure within said

time period and the same may be cured within a reasonable period of time thereafter the time period shall be extended for such additional time as is reasonably necessary to effectuate such cure provided such curative action is promptly taken in good faith and diligently prosecuted to completion and the security afforded by this Leasehold Mortgage and the interest of the Mortgagee is not in jeopardy or subject to forfeiture.

Section 21. Remedies. Upon any Event of Default, the Mortgagee may exercise any or all or any combination of the remedies conferred upon or reserved to it under this Leasehold Mortgage, or any other Loan Document, or now or hereafter existing at law or in equity. Without limitation, the Mortgagee may (a) declare the entire unpaid principal balance of the indebtedness secured hereby immediately due and payable without notice or demand, the same being expressly waived by the Mortgagor; (b) proceed at law or equity to collect all indebtedness secured by this Leasehold Mortgage, whether at maturity or by acceleration; (c) enforce and foreclose the security interest and lien of this Leasehold Mortgage as against all or any part of the Mortgaged Property; (d) be entitled to (i) a judgment for the Secured Obligations, and all costs, fees and expenses, including, but not limited to, reasonable attorney's fees and litigation costs incurred in connection therewith and the enforcement of such judgment, and (ii) a decree for the sale of the Mortgaged Property in satisfaction of said judgment, foreclosing all rights and equities in and to the Mortgaged Property of Mortgagor, its successors and assigns, and all persons claiming under them; (e) be entitled to the appointment of a receiver for all or any part of the Mortgaged Property, whether such receivership is incidental to a proposed sale of the Mortgaged Property or otherwise, and the Mortgagor hereby consents to the appointment of such a receiver and covenants not to oppose any such appointment; (f) to the extent permitted under the applicable law, enter upon and take possession of the Mortgaged Property or any part thereof by summary proceedings, ejectment or otherwise, and remove the Mortgagor and all other persons and any and all property therefrom and hold, operate and manage the same and receive all revenues, income or profits accruing with respect thereto or any part thereof; and (g) exercise any rights, powers and remedies it may have as a secured party under the Commercial Code or other similar laws in effect, including, without limitation, the option of proceeding as to both the Personal Property and the Fixtures in accordance with the Mortgagee's rights with respect to real property. The Mortgagee shall not be under any liability for or by reason of any such taking of possession, entry, removal or holding, operation or management. In exercising any of its rights or remedies available under this Leasehold Mortgage or at law or in equity, the Mortgagor shall be responsible for all costs and expenses incurred by the Mortgagee, including without limitation attorneys' fees, litigation costs, title searches, environmental assessments and investigations, and court costs.

Upon the occurrence of an Event of Default, at the option of the Mortgagee, the entire unpaid principal balance of the Secured Obligations secured hereby shall become immediately due and payable, without prior presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Mortgagor.

Section 22. Waiver of Appraisal; Valuation. The Mortgagor does hereby waive, to the full extent it may lawfully do so, the benefit of all appraisal, valuation, stay and extension laws now or hereafter in force and all rights of marshaling of assets in any sale of the Mortgaged Property, any part thereof or any interest therein, and any court having jurisdiction to

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enforce and foreclose the security interest and lien hereof may sell the Mortgaged Property in part or as an entirety.

Section 23. Application of Proceeds. Any moneys (including, without limitation, the proceeds of any sale of the Mortgaged Property, any part thereof or any interest therein) received pursuant to the exercise of any remedies provided in this Leasehold Mortgage or by law shall be applied as follows:

FIRST: To pay for all costs, fees and expenses including, but not limited to, attorney's fees and disbursements associated with the collection of such moneys incurred by or on behalf of the Mortgagee, its agents and attorneys, together with interest.

SECOND: To the payment of any and all Secured Obligations.

THIRD: To the payment to the party whomsoever may be lawfully entitled to receive the same.

Section 24. Remedies Cumulative. Each right, power and remedy of the Mortgagee provided for in this Leasehold Mortgage or now or hereafter existing at law, in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy now or hereafter existing at law, in equity or otherwise, and the exercise or beginning of the exercise or partial exercise by the Mortgagee of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the Mortgagee of any rights, powers or remedies.

Section 25. Provisions Subject to Applicable Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law and are intended to be limited to the extent necessary so that they will not render this Leasehold Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law.

Section 26. No Waiver by Mortgagee. No failure by the Mortgagee to insist upon the strict performance of any term of this Leasehold Mortgage or to exercise any right, power or remedy consequent upon a breach hereof shall constitute a waiver of any such term or of any such breach. No waiver of any breach shall affect or alter this Leasehold Mortgage, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

Section 27. Discontinuance of Proceedings and Restoration of Status Quo. In case the Mortgagee shall have proceeded to enforce any right, power or remedy under this Leasehold Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgagee, then and in every case the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder, and all rights, power and remedies of the Mortgagee shall continue as if no such proceeding had been taken.

Section 28. No Liability. The Mortgagee shall not have any liability for any loss, damage, injury, costs, fees or expense resulting from any action or omission to act by it or its

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representatives, whether or not negligent, which was taken or omitted in good faith pursuant to this Leasehold Mortgage.

Section 29. General Covenant. The Mortgagor will perform, comply with and abide by all of the agreements, conditions and covenants contained and set forth in the Lease, the Indenture, this Leasehold Mortgage and the other Loan Documents.

Section 30. Indemnification of Mortgagee. The Mortgagor shall indemnify, defend and save the Mortgagee harmless from and against all Claims (defined below) by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done in, on or about, the Mortgaged Property, and against and from all Claims arising from (a) any condition of the Mortgaged Property, (b) any breach or default on the part of the Mortgagor in the performance of any of its obligations under this Leasehold Mortgage, (c) any contracts entered into in connection with the acquisition, remodeling and construction of the Mortgaged Property, (d) any act or omission of the Mortgagor or of any of its agents, contractors, servants, employees or licensees, and (e) any act or omission of any assignee or sublessee of the Mortgagor, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of the Mortgagor. The Mortgagor shall indemnify, defend and save the

Mortgagee harmless from and against all claims, demands, liabilities, judgments, losses, costs, fees and expenses, including attorneys fees and litigation costs (collectively, "Claims") (except those which have arisen from the willful misconduct or gross negligence of Mortgagee) incurred in or in connection with any of the foregoing.

Section 31. Recorded Instruments. The Mortgagor will promptly perform and observe, or cause to be performed and observed, all of the terms, covenants and conditions of all instruments or record affecting the Mortgaged Property other than noncontractual encumbrances hereafter affecting the Mortgaged Property, the validity or enforceability of which the Mortgagor is contesting and which does not affect the security of this Leasehold Mortgage or impose any duty or obligation upon the Mortgagor or any tenant under a lease of the Mortgaged Property. The Mortgagor shall do or cause to be done all things reasonably required to preserve intact and unimpaired and to renew any and all rights-of-way, easements, grants, appurtenances, privileges, licenses, franchises and other interests and rights in favor of or constituting any portion of the Mortgaged Property. The Mortgagor will not, without the prior written consent of Mortgagee, initiate, join in or consent to any private restrictive covenant or other public or private restriction as to the use of the Mortgaged Property. The Mortgagor shall, however, comply with all lawful restrictive covenants and zoning ordinances and other public or private restrictions affecting the Mortgaged Property.

Section 32. Mortgagee's Rights To Perform Mortgagor's Covenants. If the Mortgagor shall fail to pay or cause payment to be made in accordance with the terms of the Lease or this Leasehold Mortgage, or to perform or observe any other term, covenant, condition or obligation required to be performed or observed by the Mortgagor under such documents before the expiration of any applicable cure period, without limiting any other provision of this Leasehold Mortgage, and without waiving or releasing the Mortgagor from any obligation or default hereunder, upon five (5) days' notice to the Mortgagor (or without notice in case of emergency), the Mortgagee (or any receiver of the Mortgaged Property) shall have the right, but not the obligation, to make any such payment, or to perform any other act or take any appropriate

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action, including, without limitation, entry and performance of work on the Mortgaged Property, as it, in its sole discretion, may deem necessary to cause such term, covenant, condition or obligation to be promptly performed or observed on behalf of the Mortgagor or to protect the security of this Leasehold Mortgage. All moneys expended by the Mortgagee in exercising its rights under this Section (including, but not limited to, legal expenses and disbursements), together with interest from the date of each such expenditure, shall be paid by the Mortgagor to the Mortgagee upon demand and shall be secured by this Leasehold Mortgage.

Section 33. Binding Effect. This Leasehold Mortgage applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. In this Leasehold Mortgage, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural.

Section 34. Other Instruments. The Mortgagor shall execute and deliver, in recordable form if requested, such further instruments and do such further acts as may be necessary or desirable or as may be reasonably requested by the Mortgagee to carry out more effectively the purpose of this Leasehold Mortgage and to subject to the lien created by this Leasehold Mortgage any properties, rights and interests covered or intended to be covered hereby.

Section 35. Compliance with Law; Hazardous Substances. The Mortgagor shall comply with all Environmental Law (as defined in the Lease) covenants, conditions and restrictions affecting the Mortgaged Property or the operation thereof, and shall pay all fees or charges of any kind in connection therewith. Mortgagor will perform and comply promptly with, and cause the Project to be maintained, used and operated in accordance with, any and all (i) present and future Environmental Law and requirements of every duly constituted governmental or quasi-governmental authority or agency applicable to Mortgagor or the Project, including without limitation, all applicable federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal, asbestos, petroleum products and derivatives, air emissions and other environmental matters, all zoning and other land use matters, and rules, regulations and ordinances of the United States Environmental Protection Agency and all other applicable federal, state and local agencies and bureaus; (ii) similarly applicable orders, rules and regulations of any regulatory, licensing, accrediting, insurance underwriting or rating organization or other body exercising similar functions; (iii) similarly applicable duties or obligations of any kind imposed under any Permitted Encumbrances, or otherwise by law, covenant, condition, agreement or easement, public or private; and (iv) policies of insurance at any time in force with respect to the Project. If Mortgagor receives any notice that Mortgagor or the Project is in default under or is not in compliance with any of the foregoing, or receives notice of any proceeding initiated under or with respect to any of the foregoing, Mortgagor will promptly furnish a copy of such notice to Mortgagee.

Mortgagor hereby represents and warrants that neither Mortgagor nor, to the best of Mortgagor's knowledge, any previous owner of the Project, used, generated, stored or disposed of, on, under or about the Project any Hazardous Substances (as defined in the Lease) except in accordance with all applicable Environmental Law. Further, Mortgagor agrees that it will not permit the storage of any toxic and/or Hazardous Substances in, on and/or around the Project now or at any future time except in accordance with all applicable Environmental Law and will indemnify, defend and hold Mortgagee harmless from and against any loss, liability, cost, fees,

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expense or action(s), including attorneys fees, which may result in connection with Hazardous Substances and/or toxic material(s) as they relate to the Project. Mortgagor has no knowledge of the existence of any underground storage tanks of the Project.

If at any time it is determined that there are any toxic and/or Hazardous Substances located at or on the Project, Mortgagor shall diligently commence to take such action, at its sole expense, to comply with all Environmental Law pertaining to such substances. Failure of Mortgagor to comply with all Environmental Law, shall constitute and be a default under this Leasehold Mortgage and Mortgagee, in lieu of foreclosure shall have the option to require specific performance of Mortgagor's obligations hereunder.

Mortgagor represents and warrants that it has obtained all required licenses, permits, franchise agreements and other agreements presently necessary to operate the Project as it is presently being operated. Mortgagor agrees to provide Mortgagee with written notice of any suspension, revocation, termination or default under any such agreements or any threatened suspension, revocation, termination or default thereunder.

Section 36. Notices. All notices, certificates, requests or other communications among the Mortgagee and the Mortgagor required to be given hereunder shall be sufficiently given and shall be deemed given two (2) days after mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as set forth in the first paragraph hereof. The Mortgagee and the Mortgagor may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 37. Invalidity in Part. In the event any provision of this Leasehold Mortgage shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 38. Amendment. This Leasehold Mortgage may not be effectively amended, changed, modified, altered or terminated except in writing signed by both the Mortgagor and the Mortgagee.

Section 39. Exercise of Option. To the extent that the Mortgagor has or may acquire any rights or options to renew or extend the term of the Lease, or to purchase any right, title or interest in or to all or any portion of the Project or the Mortgaged Property, upon the occurrence of an Event of Default under the Leasehold Mortgage the Mortgagor shall exercise any or all of such rights or options only in accordance with such directions as the Mortgagee may, from time to time, give to the Mortgagor; and the Mortgagor hereby constitutes and appoints the Mortgagee the true and lawful attorney, coupled with an interest, of the Mortgagor and in the name, place and stead of the Mortgagor, to exercise any and all such rights and options of the Mortgagor, and to perform such other or further acts, to execute such documents and instruments, and to pay

Default exists under this Leasehold Mortgage remains in force or any sum due in respect of the Secured Obligations remains outstanding, and the Mortgagor warrants that it has not and will not take any action which would in any way impair its rights, or the Mortgagee's rights and powers hereunder, to exercise any such rights or options.

Section 40. Waiver of Statutory Rights. To the extent permitted by law, Mortgagor shall not, and will not, apply for or avail itself of any appraisal, valuation, stay, extension or exemption laws, or any so-called “Moratorium Laws,” now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Leasehold Mortgage, but hereby waives the benefit of such laws. Mortgagor, for itself and all who may claim through or under it, waives any and all right to have the property and estates comprising the Mortgaged Property marshaled upon any foreclosure of the lien hereof and agree that any court having jurisdiction to foreclose such lien may order the Mortgaged Property sold as an entirety.

Section 41. Waiver of Redemption. Mortgagor agrees that upon an Event of Default, neither Mortgagor nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any redemption laws or redemption periods or grace periods now or hereafter in force and affecting the Mortgaged Property in order to prevent or hinder enforcement, foreclosure, sale, confirmation of sale or conveyance of the Mortgaged Property upon foreclosure or the final and absolute putting in possession thereof immediately after any such sale of the purchaser or purchasers at such sale, and Mortgagor, for itself and its successors in title, to the full extent that it may lawfully do so for itself and its successors in title, hereby waives the benefit of all such laws.

Section 42. Conflicts with the Lease. If any obligation or covenant of the Mortgagor under this Leasehold Mortgage conflicts with any obligation or covenant of the Mortgagor under the Lease, the Mortgagor shall be required to perform the obligation or covenant that imposes the higher standard or duty.

[Next Page is Signature Page]

IN WITNESS WHEREOF, Mortgagor has caused this Leasehold Mortgage to be signed by its authorized officer as of the date first above written.

MORTGAGOR:

MGP INGREDIENTS, INC.

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

STATE OF Kansas)
COUNTY OF Afton)

This instrument was acknowledged before me on the 15th day of April , 2009, by Timothy W. Newkirk, the President and Chief Executive Officer of MGP Ingredients, Inc., a Kansas corporation.

/s/ Sandra L. Becker
Notary Public

My Commission expires:

EXHIBIT A

Legal Description Of Land

Tract 1: Beginning at the Northeast corner of Lot Fourteen (14), Block Twenty (20); Thence North 90°00'00" East 90.16 feet along the South line of Commercial Street to a point 24.84 feet West of the Northeast corner of Lot One (1), in Block Twenty (20); Thence South 00°11'50" West 135.0 feet to a point 25.19 feet West of the Southeast corner of Lot Three (3) in Block Twenty (20); Thence South 90°00'00" West 189.81 feet to the Southwest corner of Lot Twelve (12) in said Block; Thence North 00°03'00" East 67.50 feet along the East line of Second Street to the North one-half of Lot Thirteen (13) in said Block; Thence North 90°00'00" East 100.0 feet along the North one-half of Lot Thirteen (13) to the East line of Lot Thirteen (13); Thence North 00°03'00" East 67.50 feet along the East line of the North one-half of Lot Thirteen (13) and all of Lot Fourteen (14) to the point of beginning, all lying in Block Twenty (20) in that part of the City of Atchison known and designated as "Old Atchison."

Tract 2: The North One-half (N 1/2) of Lot Thirteen (13), and all of Lot Fourteen (14), in Block Twenty (20), in that part of the City of Atchison usually known and designated as "Old Atchison."

Tract 3: Lots One (1), Two (2) and Three (3), in Block Nineteen (19), in that part of the City of Atchison usually known and designated as "Old Atchison."

Atchison County, Kansas

200900008285
 Filed for Record in
 TAZEWELL COUNTY, IL
 ROBERT LUTZ
 04-16-2009 At 02:38 pm.
 MORTGAGE 43.75
 RHSP Surcharge 10.00

Space Above This Line For Recording Data

This instrument was prepared by
 When recorded return to Loan Department, Exchange National Bank & Trust Co., 600 Commercial Street, PO Box 189, Atchison, KS 66002

MORTGAGE

(With Future Advance Clause)

DATE AND PARTIES. The date of this Mortgage (Security Instrument) is APRIL 15, 2009. The parties and their addresses are:

MORTGAGOR:

MGP INGREDIENTS, INC
 A Kansas Corporation
 P O BOX 130
 ATCHISON, KS 66002

LENDER:

EXCHANGE NATIONAL BANK & TRUST CO.
 Organized and existing under the laws of Kansas
 600 COMMERCIAL ST
 ATCHISON, Kansas 66002

1. CONVEYANCE. For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debts and Mortgagor's performance under this Security Instrument, Mortgagor grants, bargains, sells, conveys, mortgages and warrants to Lender, the following described property:

SEE EXHIBIT A

The property is located in Tazewell County at , PEKIN, Illinois.

Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, all water and riparian rights, wells, ditches and water stock, crops, timber, all diversion payments or third party payments made to crop producers and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the real estate described (all referred to as Property). This Security Instrument will remain in effect until the Secured Debts and all underlying agreements have been terminated in writing by Lender.

MGP INGREDIENTS, INC
 Illinois **Mortgage**
 KS/4CHRISTIN0000000000111049041009N

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2. MAXIMUM OBLIGATION LIMIT. The total principal amount secured by this Security Instrument at any one time will not exceed \$2,800,000.00. This limitation of amount does not include interest, attorneys' fees and other fees and charges validly made pursuant to this Security Instrument. Also, this limitation does not apply to advances made under the terms of this Security Instrument to protect Lender's security and to perform any of the covenants contained in this Security Instrument.

3. SECURED DEBTS AND FUTURE ADVANCES. The term "Secured Debts" includes and this Security Instrument will secure each of the following:

A. Specific Debts. The following debts and all extensions, renewals, refinancings, modifications and replacements. A promissory note or other agreement, dated April 15, 2009, from Mortgagor to Lender, with a loan amount of \$2,800,000.00, with an interest rate of 7.0 percent per year and maturing on September 3, 2009. One or more of the debts secured by this Security Instrument contains a future advance provision.

B. All Debts. All present and future debts from Mortgagor to Lender, even if this Security Instrument is not specifically referenced, or if the future debt is unrelated to or of a different type than this debt. If more than one person signs this Security Instrument, each agrees that it will secure debts incurred either individually or with others who may not sign this Security Instrument. Nothing in this Security Instrument constitutes a commitment to make additional or future loans or advances. Any such commitment must be in writing. In the event that Lender fails to provide any required notice of the right of rescission, Lender waives any subsequent security interest in the Mortgagor's principal dwelling that is created by this Security Instrument. This Security Instrument will not secure any debt for which a non-possessory, non-purchase money security interest is created in "household goods" in connection with a "consumer loan," as those terms are defined by federal law governing unfair and deceptive credit practices. This Security Instrument will not secure any debt for which a security interest is created in "margin stock" and Lender does not obtain a "statement of purpose," as defined and required by federal law governing securities.

C. Future Advances. All future advances from Lender to Mortgagor or other future obligations of Mortgagor to Lender under any promissory note, contract, guaranty, or other evidence of debt executed by Mortgagor in favor of Lender after this Security Instrument whether or not this Security Instrument is specifically referenced, and whether or not the purpose of the future advances or future obligations is related to the purpose of the Secured Debts. If more than one person signs this Security Instrument, each Mortgagor agrees that this Security Instrument will secure all future advances and future obligations that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagor and others. All future advances and other future obligations are secured by this Security Instrument even though all or part may not yet be advanced. All future advances and other future obligations are secured as if made on the date of this Security Instrument. Nothing in this Security Instrument shall constitute a commitment to make additional or future loans or advances in any amount. Any such commitment must be agreed to in a separate writing. In the event that Lender fails to provide any required notice of the right of rescission, Lender waives any subsequent security interest in the Mortgagor's principal dwelling that is created by this Security Instrument.

D. Sums Advanced. All sums advanced and expenses incurred by Lender under the terms of this Security Instrument.

4. PAYMENTS. Mortgagor agrees that all payments under the Secured Debts will be paid when due and in accordance with the terms of the Secured Debts and this Security Instrument.

5. PRIOR SECURITY INTERESTS. With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or encumbrance on the Property, Mortgagor agrees:

- A. To make all payments when due and to perform or comply with all covenants.
- B. To promptly deliver to Lender any notices that Mortgagor receives from the holder.
- C. Not to allow any modification or extension of, nor to request any future advances under any note or agreement secured by the lien document without Lender's prior written consent.

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6. CLAIMS AGAINST TITLE. Mortgagor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property when due. Lender may require Mortgagor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Mortgagor's payment. Mortgagor will defend title to the Property against any claims that would impair the lien of this Security Instrument. Mortgagor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses Mortgagor may have against parties who supply labor or materials to maintain or improve the Property.

7. DUE ON SALE OR ENCUMBRANCE. Lender may, at its option, declare the entire balance of the Secured Debt to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable.

8. TRANSFER OF AN INTEREST IN THE MORTGAGOR. If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Lender may demand immediate payment if:

- A. A beneficial interest in Mortgagor is sold or transferred.
- B. There is a change in either the identity or number of members of a partnership or similar entity.
- C. There is a change in ownership of more than 25 percent of the voting stock of a corporation or similar entity.

However, Lender may not demand payment in the above situations if it is prohibited by law as of the date of this Security Instrument.

9. WARRANTIES AND REPRESENTATIONS. Mortgagor makes to Lender the following warranties and representations which will continue as long as this Security Instrument is in effect:

- A. Power.** Mortgagor is duly organized, and validly existing and in good standing in all jurisdictions in which Mortgagor operates. Mortgagor has the power and authority to enter into this transaction and to carry on Mortgagor's business or activity as it is now being conducted and, as applicable, is qualified to do so in each jurisdiction in which Mortgagor operates.
- B. Authority.** The execution, delivery and performance of this Security Instrument and the obligation evidenced by this Security Instrument are within Mortgagor's powers, have been duly authorized, have received all necessary governmental approval, will not violate any provision of law, or order of court or governmental agency, and will not violate any agreement to which Mortgagor is a party or to which Mortgagor is or any of Mortgagor's property is subject.
- C. Name and Place of Business.** Other than previously disclosed in writing to Lender, Mortgagor has not changed Mortgagor's name or principal place of business within the last 10 years and has not used any other trade or fictitious name. Without Lender's prior written consent, Mortgagor does not and will not use any other name and will preserve Mortgagor's existing name, trade names and franchises.

10. PROPERTY CONDITION, ALTERATIONS AND INSPECTION. Mortgagor will keep the Property in good condition and make all repairs that are reasonably necessary. Mortgagor will not commit or allow any waste, impairment, or deterioration of the Property. Mortgagor will keep the Property free of noxious weeds and grasses. Mortgagor agrees that the nature of the occupancy and use will not substantially change without Lender's prior written consent. Mortgagor will not permit any change in any license, restrictive covenant or easement without Lender's prior written consent. Mortgagor will notify Lender of all demands, proceedings, claims, and actions against Mortgagor, and of any loss or damage to the Property.

No portion of the Property will be removed, demolished or materially altered without Lender's prior written consent except that Mortgagor has the right to remove items of personal property comprising a part of the Property that become worn or obsolete, provided that such personal property is replaced with other personal property at least equal in value to the replaced personal property, free from any title retention device, security agreement or other encumbrance. Such replacement of personal property will be deemed subject to the security interest created by this Security Instrument. Mortgagor will not partition or subdivide the Property without Lender's prior written consent.

Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Lender will give Mortgagor notice at the time of or before an inspection specifying a reasonable purpose for the inspection. Any inspection of the Property will be entirely for Lender's benefit and Mortgagor will in no way rely on Lender's inspection.

Initials _____

11. AUTHORITY TO PERFORM. If Mortgagor fails to perform any duty or any of the covenants contained in this Security Instrument, Lender may, without notice, perform or cause them to be performed. Mortgagor appoints Lender as attorney in fact to sign Mortgagor's name or pay any amount necessary for performance. Lender's right to perform for Mortgagor will not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights under the law or this Security Instrument. If any construction on the Property is discontinued or not carried on in a reasonable manner, Lender may take all steps necessary to protect Lender's security interest in the Property, including completion of the construction.

12. ASSIGNMENT OF LEASES AND RENTS. Mortgagor assigns, grants, bargains, conveys, mortgages and warrants to Lender as additional security all the right, title and interest in the following (Property).

A. Existing or future leases, subleases, licenses, guaranties and any other written or verbal agreements for the use and occupancy of the Property, including but not limited to any extensions, renewals, modifications or replacements (Leases).

B. Rents, issues and profits, including but not limited to security deposits, minimum rents, percentage rents, additional rents, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Mortgagor may have that in any way pertain to or are on account of the use or occupancy of the whole or any part of the Property (Rents).

In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement. Mortgagor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed. Mortgagor may collect, receive, enjoy and use the Rents so long as Mortgagor is not in default. Mortgagor will not collect in advance any Rents due in future lease periods, unless Mortgagor first obtains Lender's written consent. Upon default, Mortgagor will receive any Rents in trust for Lender and Mortgagor will not commingle the Rents with any other funds. When Lender so directs, Mortgagor will endorse and deliver any payments of Rents from the Property to Lender. Amounts collected will be applied at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Mortgagor agrees that this Security Instrument is immediately effective between Mortgagor and Lender and effective as to third parties on the recording of this Assignment. As long as this Assignment is in effect, Mortgagor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Mortgagor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Mortgagor or any party to the Lease defaults or fails to observe any applicable law, Mortgagor will promptly notify Lender. If Mortgagor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance. Mortgagor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so require) without Lender's consent. Mortgagor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Mortgagor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases.

13. DEFAULT. Mortgagor will be in default if any of the following occur:

A. Payments. Mortgagor fails to make a payment in full when due.

B. Insolvency or Bankruptcy. The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Mortgagor, Borrower, or any co-signer, endorser, surety or guarantor of this Security Instrument or any other obligations Borrower has with Lender.

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C. Business Termination. Mortgagor merges, dissolves, reorganizes, ends its business or existence, or a partner or majority owner dies or is declared legally incompetent.

D. Failure to Perform. Mortgagor fails to perform any condition or to keep any promise or covenant of this Security Instrument.

E. Other Documents. A default occurs under the terms of any other document relating to the Secured Debts.

F. Other Agreements. Mortgagor is in default on any other debt or agreement Mortgagor has with Lender.

G. Misrepresentation. Mortgagor makes any verbal or written statement or provides any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

H. Judgment. Mortgagor fails to satisfy or appeal any judgment against Mortgagor.

I. Forfeiture. The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

J. Name Change. Mortgagor changes Mortgagor's name or assumes an additional name without notifying Lender before making such a change.

K. Property Transfer. Mortgagor transfers all or a substantial part of Mortgagor's money or property. This condition of default, as it relates to the transfer of the Property, is subject to the restrictions contained in the DUE ON SALE section.

L. Property Value. Lender determines in good faith that the value of the Property has declined or is impaired.

M. Material Change. Without first notifying Lender, there is a material change in Mortgagor's business, including ownership, management, and financial conditions.

N. Insecurity. Lender determines in good faith that a material adverse change has occurred in Mortgagor's financial condition from the conditions set forth in Mortgagor's most recent financial statement before the date of this Security Instrument or that the prospect for payment or performance of the Secured Debts is impaired for any reason.

14. REMEDIES. On or after default, Lender may use any and all remedies Lender has under state or federal law or in any document relating to the Secured Debts. Any amounts advanced on Mortgagor's behalf will be immediately due and may be added to the balance owing under the Secured Debts. Lender may make a claim for any and all insurance benefits or refunds that may be available on Mortgagor's default.

Subject to any right to cure, required time schedules or any other notice rights Mortgagor may have under federal and state law, Lender may make all or any part of the amount owing by the terms of the Secured Debts immediately due and foreclose this Security Instrument in a manner provided by law upon the occurrence of a default or anytime thereafter.

Upon default, Lender will have the right, without declaring the whole indebtedness due and payable, to foreclose against all or any part of the Property and will have the right to possession provided by law. This Security Instrument will continue as a lien on any part of the Property not sold on foreclosure.

All remedies are distinct, cumulative and not exclusive, and the Lender is entitled to all remedies provided at law or equity, whether or not expressly set forth. The acceptance by Lender of any sum in payment or partial payment on the Secured Debts after the balance is due or is accelerated or after foreclosure proceedings are filed will not constitute a waiver of Lender's right to require full and complete cure of any existing default. By not exercising any remedy, Lender does not waive Lender's right to later

consider the event a default if it continues or happens again.

15. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after Default, to the extent permitted by law, Mortgagor agrees to pay all expenses of collection, enforcement or protection of Lender's rights and remedies under this Security Instrument or any other document relating to the Secured Debts. Mortgagor agrees to pay expenses for Lender to inspect and preserve the Property and for any recordation costs of releasing the Property from this Security Instrument. Expenses include reasonable attorneys' fees. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of the Secured Debts. In addition, to the extent permitted by the United

Initials _____

States Bankruptcy Code, Mortgagor agrees to pay the reasonable attorneys' fees incurred by Lender to protect Lender's rights and interests in connection with any bankruptcy proceedings initiated by or against Mortgagor.

16. ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES. As used in this section, (1) Environmental Law means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, 42 U.S.C. 9601 et seq.), all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) Hazardous Substance means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substance," "hazardous waste," "hazardous substance," or "regulated substance" under any Environmental Law.

Mortgagor represents, warrants and agrees that:

- A. Except as previously disclosed and acknowledged in writing to Lender, no Hazardous Substance has been, is, or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property, except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
- B. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has not and will not cause, contribute to, or permit the release of any Hazardous Substance on the Property.
- C. Mortgagor will immediately notify Lender if (1) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (2) there is a violation of any Environmental Law concerning the Property. In such an event, Mortgagor will take all necessary remedial action in accordance with Environmental Law.
- D. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (1) any Hazardous Substance located on, under or about the Property; or (2) any violation by Mortgagor or any tenant of any Environmental Law. Mortgagor will immediately notify Lender in writing as soon as Mortgagor has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Lender has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.
- E. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor and every tenant have been, are and will remain in full compliance with any applicable Environmental Law.
- F. Except as previously disclosed and acknowledged in writing to Lender, there are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well will be added unless Lender first consents in writing.
- G. Mortgagor will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
- H. Mortgagor will permit, or cause any tenant to permit, Lender or Lender's agent to enter and inspect the Property and review all records at any reasonable time to determine (1) the existence, location and nature of any Hazardous Substance on, under or about the Property; (2) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; or (3) whether or not Mortgagor and any tenant are in compliance with applicable Environmental Law.
- I. Upon Lender's request and at any time, Mortgagor agrees, at Mortgagor's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Lender. The choice of the environmental engineer who will perform such audit is subject to Lender's approval.
- J. Lender has the right, but not the obligation, to perform any of Mortgagor's obligations under this section at Mortgagor's expense.
- K. As a consequence of any breach of any representation, warranty or promise made in this section, (1) Mortgagor will indemnify and hold Lender and Lender's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and attorneys' fees, which Lender and Lender's successors or assigns may

Initials _____

sustain; and (2) at Lender's discretion, Lender may release this Security Instrument and in return Mortgagor will provide Lender with collateral of at least equal value to the Property without prejudice to any of Lender's rights under this Security Instrument.

L. Notwithstanding any of the language contained in this Security Instrument to the contrary, the terms of this section will survive any foreclosure or satisfaction of this Security Instrument regardless of any passage of title to Lender or any disposition by Lender of any or all of the Property. Any claims and defenses to the contrary are hereby waived.

17. CONDEMNATION. Mortgagor will give Lender prompt notice of any pending or threatened action by private or public entities to purchase or take any or all of the Property through condemnation, eminent domain, or any other means. Mortgagor authorizes Lender to intervene in Mortgagor's name in any of the above described actions or claims. Mortgagor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds will be considered payments and will be applied as provided in this Security Instrument. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.

18. INSURANCE. Mortgagor agrees to keep the Property insured against the risks reasonably associated with the Property. Mortgagor will maintain this insurance in the amounts Lender requires. This insurance will last until the Property is released from this Security Instrument. What Lender requires pursuant to the preceding two sentences can change during the term of the Secured Debts. Mortgagor may choose the insurance company, subject to Lender's approval, which will not be unreasonably withheld.

All insurance policies and renewals will include a standard "mortgage clause" and, where applicable, "loss payee clause." If required by Lender, Mortgagor agrees to maintain comprehensive general liability insurance and rental loss or business interruption insurance in amounts and under policies acceptable to Lender. The comprehensive general liability insurance must name Lender as an additional insured. The rental loss or business interruption insurance must be in an amount equal to at least coverage of one year's debt service, and required escrow account deposits (if agreed to separately in writing).

Mortgagor will give Lender and the insurance company immediate notice of any loss. All insurance proceeds will be applied to restoration or repair of the Property or to the Secured Debts, at Lender's option. If Lender acquires the Property in damaged condition, Mortgagor's rights to any insurance policies and proceeds will pass to Lender to the extent of the Secured Debts.

Mortgagor will immediately notify Lender of cancellation or termination of insurance. If Mortgagor fails to keep the Property insured, Lender may obtain insurance to protect Lender's interest in the Property and Mortgagor will pay for the insurance on Lender's demand. Lender may demand that Mortgagor pay for the insurance all at once, or Lender may add the insurance premiums to the balance of the Secured Debts and charge interest on it at the rate that applies to the Secured Debts. This insurance may include coverages not originally required of Mortgagor, may be written by a company other than one Mortgagor would choose, and may be written at a higher rate than Mortgagor could obtain if Mortgagor purchased the insurance. Mortgagor acknowledges and agrees that Lender or one of Lender's affiliates may receive commissions on the purchase of this insurance.

19. ESCROW FOR TAXES AND INSURANCE. Mortgagor will not be required to pay to Lender funds for taxes and insurance in escrow.

20. CO-SIGNERS. If Mortgagor signs this Security Instrument but is not otherwise obligated to pay the Secured Debts, Mortgagor does so only to mortgage Mortgagor's interest in the Property to secure payment of the Secured Debts and Mortgagor does not agree by signing this Security Instrument to be personally liable on the Secured Debts. If this Security Instrument secures a guaranty between Lender and Mortgagor, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation. These rights may include, but are not limited to, any anti-deficiency or one-action laws.

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21. WAIVERS. Except to the extent prohibited by law, Mortgagor waives all homestead exemption, redemption, reinstatement and appraisal rights relating to the Property.

22. APPLICABLE LAW. This Security Instrument is governed by the laws of Kansas, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law.

23. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. Each Mortgagor's obligations under this Security Instrument are independent of the obligations of any other Mortgagor. Lender may sue each Mortgagor individually or together with any other Mortgagor. Lender may release any part of the Property and Mortgagor will still be obligated under this Security Instrument for the remaining Property. If this Security Instrument secures a guaranty between Lender and Mortgagor, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation. These rights may include, but are not limited to, any anti-deficiency or one-action laws. Mortgagor agrees that Lender and any party to this Security Instrument may extend, modify or make any change in the terms of this Security Instrument or any evidence of debt without Mortgagor's consent. Such a change will not release Mortgagor from the terms of this Security Instrument. The duties and benefits of this Security Instrument will bind and benefit the successors and assigns of Lender and Mortgagor.

24. AMENDMENT, INTEGRATION AND SEVERABILITY. This Security Instrument may not be amended or modified by oral agreement. No amendment or modification of this Security Instrument is effective unless made in writing and executed by Mortgagor and Lender. This Security Instrument and any other documents relating to the Secured Debts are the complete and final expression of the agreement. If any provision of this Security Instrument is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

25. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Security Instrument.

26. NOTICE, FINANCIAL REPORTS, ADDITIONAL DOCUMENTS AND RECORDING TAXES. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Mortgagor will be deemed to be notice to all Mortgagors. Mortgagor will inform Lender in writing of any change in Mortgagor's name, address or other application information. Mortgagor will provide Lender any financial statements or information Lender requests. All financial statements and information Mortgagor gives Lender will be correct and complete. Mortgagor agrees to pay all expenses, charges and taxes in connection with the preparation and recording of this Security Instrument. Mortgagor agrees to sign, deliver, and file any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Mortgagor's obligations under this Security Instrument and to confirm Lender's lien status on any Property, and Mortgagor agrees to pay all expenses, charges and taxes in connection with the preparation and recording thereof. Time is of the essence.

27. WAIVER OF JURY TRIAL. All of the parties to this Security Instrument knowingly and intentionally, irrevocably and unconditionally, waive any and all right to a trial by jury in any litigation arising out of or concerning this Security Instrument or any other documents relating to the Secured Debts or related obligation. All of these parties acknowledge that this section has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.

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SIGNATURES. By signing, Mortgagor agrees to the terms and covenants contained in this Security Instrument. Mortgagor also acknowledges receipt of a copy of this Security Instrument.

MORTGAGOR:

MGP INGREDIENTS, INC

By/s/ Timothy W. Newkirk

LENDER:

Exchange National Bank & Trust Co.

By /s/ Mark Windsor
Mark Windsor, President

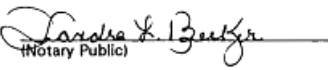
ACKNOWLEDGMENT.

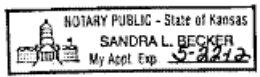
(Business or Entity)

Timothy W. Newkirk, President & CEO OF MGP Ing., Inc. OF Atchison, KS ss.

This instrument was acknowledged before me this 15th day of April, 2009 by TIMOTHY W NEWKIRK - PRESIDENT & CEO of MGP INGREDIENTS, INC a Kansas corporation, on behalf of the corporation.

My commission expires:


(Notary Public)



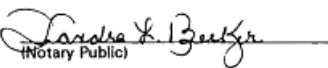
Initials _____

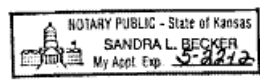
(Lender Acknowledgment)

Mark Windsor, President OF Exchange Natl. Bank & Trust Co. OF Atchison, KS ss.

This instrument was acknowledged before me this 15th day of April, 2009 by Mark Windsor — President of Exchange National Bank & Trust Co., a corporation, on behalf of the corporation.

My commission expires:


(Notary Public)



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Exhibit "A"

Real property in the County of Tazewell, State of Illinois, described as follows:

Tract I:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded on page 57 of Plat Book "B", in the Recorder's Office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois, and more particularly described as follows:

Commencing at the Northeast corner of said Northeast Quarter of Fractional Section 9; thence South 89 degrees 29 minutes 14 seconds West, along the North line of said Fractional Section 9, a distance of 1,629.48 feet to the place of beginning; thence from said place of beginning South 20 degrees 05 minutes 14 seconds West a distance of 13.41 feet; thence South 86 degrees 48 minutes 22 seconds East a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West a distance of 159.82 feet to the North line of The Quaker Oats Company by deed recorded in Book 2045, page 72, of the Tazewell County Recorder's Office; thence South 89 degrees 27 minutes 16 seconds West along said North line a distance of 104.33 feet; thence South 00 degrees 56 minutes 03 seconds West along the West line of The Quaker Oats Company property as described in aforementioned deed, a distance of 253.00 feet to the South line of The American Distilling Company property; thence South 89 degrees 27 minutes 16 seconds

West along the South line of The American Distilling property, a distance of 850.76 feet to the Southeast corner of a parcel conveyed by The American Distilling Company to Pekin River and Warehouse Terminal, Inc. by deed recorded in Book 2351, page 208, of the Tazewell County Recorder's Office; thence North 25 degrees 40 minutes 22 seconds West along Easterly line of said parcel, a distance of 371.70 feet, thence North 00 degrees 02 minutes 54 seconds West along Easterly line of said parcel, a distance of 106.63 feet to the South line of said Fractional Section 4; thence continuing North 00 degrees 02 minutes 54 seconds along Easterly line of said parcel 77.64 feet to the Northerly corner of Pekin River and Warehouse Terminal Inc. property, and also being a point on the Northwesterly line of Lot 8 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 46 degrees 59 minutes 11 seconds East along the Northwesterly line, of said Lot 8 a distance of 1,110.92 feet; thence South 43 degrees 00 minutes 54 seconds East a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, a distance of 188.94 feet; thence South 19 degrees 51 minutes 12 seconds West, a distance of 276.07 feet; thence South 69 degrees 54 minutes 46 seconds East, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, a distance of 182.59 feet to the place of beginning; situate, lying and being in the County of Tazewell and State of Illinois.

Initials _____

Tract II:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded in page 57 of Plat Book "B" in the Recorder's Office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois and more particularly described as follows:

Commencing at the Southeast corner of the Southeast Quarter of said Fractional Section 4; thence South 89 degrees 29 minutes 14 seconds West, along the South line of the Southeast Quarter of said Fractional Section 4, a distance of 1,020.92 feet to a concrete monument being the Place of Beginning for the Tract herein being described; thence North 37 degrees 03 minutes 04 seconds East a distance of 1,013.11 feet; thence North 57 degrees 55 minutes West a distance of 292.65 feet to the Northwesterly right-of-way line of South Front Street; thence North 29 degrees 56 minutes 48 seconds East, along the Northeasterly right-of-way line of South Front Street, a distance of 481.39 feet to a concrete monument; thence North 46 degrees 54 minutes 36 seconds West a distance of 263.31 feet to a point on the Northeasterly line of Lot 6 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 24 degrees 46 minutes 48 seconds West, along the Northeasterly line of said Lot 6 a distance of 35.6 feet; thence North 87 degrees 04 minutes 48 seconds West a distance of 214.55 feet to a point on the Northwesterly line of said Lot 6; said point being 200 feet from the Northerly corner of said Lot 6; thence South 46 degrees 59 minutes 11 seconds West, along the Northwesterly line of said Lot 6 and Lot 8 as recorded in Plat Book "B", page 57 of the Tazewell County Recorder's Office, a distance of 1,146.23 feet to the Northerly corner of Tract I previously described; thence South 43 degrees 00 minutes 54 seconds East, along said Tract I, a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, along said Tract I, a distance of 188.94 feet; thence South 19 degrees 51 minutes 12 seconds West, along said Tract I, a distance of 276.97 feet; thence South 69 degrees 54 minutes 46 seconds East, along said Tract I, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, along said Tract I, a distance of 196.00 feet; thence South 86 degrees 48 minutes 22 seconds East, along said Tract I, a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West, along said Tract I, a distance of 159.82 feet to the property line of Quaker Oats Company; thence North 89 degrees 27 minutes 16 seconds East, along said property line a distance of 345.67 feet; thence North 00 degrees 56 minutes 03 seconds East, along said property line, a distance of 189.47 feet of the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

Parcel Numbers: 10-10-09-200-010
 04-10-04-400-002
 10-10-09-200-001

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PLEDGE AND SECURITY AGREEMENT

This PLEDGE AND SECURITY AGREEMENT (this “*Agreement*”), executed and delivered as of the 15th day of April, 2009, by **MGP INGREDIENTS, INC.**, a Kansas corporation (“*Pledgor*”), in favor of **NATIONAL CITY BANK**, a national banking association (“*Bank*”). The following recitals form the basis for this Agreement and are made a material part hereof:

A. Pledgor is the registered and beneficial owner and holder of that certain Taxable Industrial Revenue Bond Series 2006 (MGP Ingredients Project) (No. R.1) in the principal amount of \$7,000,000 (the “*Bond*”) issued by the City of Atchison, Kansas (the “*City*”) pursuant to that certain Trust Indenture dated as of December 28, 2006 (the “*Indenture*”) between the City and Commerce Bank, N.A., as Trustees.

B. Bank has agreed to make a loan in the total amount of up to **\$3,000,000.00** (the “*Loan*”) to Pledgor, evidenced by that certain promissory note in the original principal amount of the Loan, dated the date hereof, and further described in that certain Loan Agreement, dated as of the date hereof, between Borrower and Bank (as amended from time to time, the “*Loan Agreement*”).

C. To secure further the payment and performance of Borrower’s Obligations, Bank has requested that Pledgor execute and deliver this Agreement in favor of Bank.

NOW, THEREFORE, in consideration of the foregoing, Pledgor agrees with Bank as follows:

I. DEFINITIONS AND TERMS

1.1 The following words, terms and phrases shall have the meanings set forth thereafter and such meanings shall be applicable to the singular and plural form thereof, giving effect to the numerical difference, whenever the context so requires.

“*Collateral*” is defined in Paragraph 2.1 below.

“*Event of Default*” is defined in Paragraph 4.1 below.

“*Supplemental Documentation*” is defined in Paragraph 2.2 below.

1.2 Except as otherwise expressly defined in this Agreement, capitalized terms in this Agreement shall have the meaning provided in the Loan Agreement, and if not defined therein, by the applicable definition therefor (if any) in the Uniform Commercial Code as adopted by the State of Kansas.

II. COLLATERAL: GENERAL TERMS

2.1 To secure the prompt payment and performance of Borrower’s Obligations, Pledgor grants to Bank a security interest in and to, and pledges and assigns to Bank, all of Pledgor’s now owned and hereafter acquired right, title, share and interest in, to and under the Bond. All of the foregoing are referred to herein collectively as the “*Collateral*”.

2.2 Pledgor shall execute and deliver to Bank upon request, at any time and from time to time hereafter, all agreements, instruments, documents and other written matter (the “*Supplemental Documentation*”) that Bank may reasonably request, in form and substance acceptable to Bank, including, without limitation, delivering the original Bond to Bank, endorsed to Bank by means of the form of Assignment attached hereto, to perfect and maintain Bank’s security interest, lien and encumbrance in the Collateral and to consummate the transactions contemplated in or by this Agreement and the Loan Agreement.

2.3 Pledgor warrants and represents to and covenants with Bank as follows:

(a) Provided Bank takes such actions as are required under state law to perfect a security interest in the Collateral, Bank’s security interest in the Collateral is now and at all times hereafter shall be perfected and have a first priority, and the exercise by Bank of its rights hereunder, is not and shall not be a default under the Bond or result in any defense, set-off of counterclaims asserted by any Person under the Bond.

(b) Pledgor agrees to mail or deliver to Bank copies of any and all notices which Pledgor may from time to time give to or serve upon the City pursuant to the provisions of the Indenture, the Lease between the City as Issuer and Pledgor as Tenant dated as of the issue date of the Bond (the “*Lease*”), pursuant to which Pledgor agreed to pay rent in an amount sufficient to pay principal, interest and other payments on the Bond, and other documents executed by Pledgor in connection with the Bond, the Indenture or the Lease (collectively, the “*Bond Documents*”). Such copy shall be mailed or delivered to Bank simultaneously with the mailing or delivery to City.

(c) Pledgor will enforce the obligations of the City under the Bond Documents and will promptly notify Bank, in writing, of any material default under the Bond Documents. Pledgor will immediately deliver to Bank a copy of any notice given or received by Pledgor under or relating to any of the Bond Documents.

(d) If any action shall be commenced by Pledgor in respect of the Bond or the Bond Documents, then Bank shall have the option, exercisable upon notice from Bank to Pledgor, to conduct and control any such litigation with counsel of Bank’s choice and reasonably acceptable to Pledgor. Bank may proceed in its own name or in the name of Pledgor in connection with any such litigation, and Pledgor agrees to execute any and all powers, consents or other documents required by Bank in connection therewith. Pledgor shall reimburse Bank for all of Bank’s out-of-pocket expenses incurred in connection with any such litigation, including Bank’s attorneys’ fees and expenses.

III. COLLATERAL: THE BOND

3.1 Pledgor warrants and represents to Bank that the Bond is being delivered to Bank concurrently herewith accompanied by an appropriate assignment relating thereto in blank by Pledgor. Pledgor, from time to time hereafter, shall assign any additional or replacement Bond which becomes subject to this Agreement pursuant to the provisions hereof to Bank in a form reasonably acceptable to Bank. Such additional or replacement Bond shall be delivered to Bank accompanied with an assignment thereof duly executed by Pledgor in form reasonably acceptable to Bank in blank by Pledgor.

3.2 Bank may now, or at any time or times after an Event of Default occurs, transfer the Bond into the name of Bank, or into the name of Bank’s nominee, without disclosing that such Bond so

the persons issuing the same, or their transfer agents, shall not be bound to inquire in the event that Bank or said nominee makes any other transfer of the Bond, as to whether Bank or its nominee has the right to make such further transfer, and the persons issuing the same, or their transfer agents, shall not be liable for transferring the same, unless such transfer is made in connection with the gross negligence or willful misconduct of the transferring party.

IV. DEFAULT

4.1 The occurrence of any one of the following events shall constitute a default ("*Event of Default*") under this Agreement:

(a) If Pledgor fails or neglects to perform, keep or observe any term, provision, condition, covenant, warranty or representation contained in this Agreement which is required to be performed, kept or observed by Pledgor after ten (10) days written notice and opportunity to cure; or

(b) If an Event of Default has occurred under the Loan Agreement or any of the other Loan Documents.

4.2 All of Bank's rights and remedies under this Agreement are cumulative and non-exclusive.

4.3 Upon an Event of Default, Bank, in its sole and absolute discretion, may exercise any one or more of the remedies available to it at law or in equity, including, without limitation: (a) the rights and remedies accruing to a secured party under the Uniform Commercial Code of the relevant state or states and any other applicable law upon default by a debtor; and (b) sell or cause to be sold the Bond or any part thereof and all of Pledgor's right, title and interest therein at public or private sale as Bank deems advisable in accordance with the applicable laws of the United States or of any state.

4.4 Pledgor agrees that in any sale of the Bond, Bank is authorized to comply with any limitation or restriction in connection with such sale as Bank may deem is necessary or advisable in order to avoid any violation of applicable law, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, and Pledgor further agrees that such compliance shall not result in such sale being considered commercially unreasonable, nor shall Bank be liable or accountable to Pledgor for any discount allowed by reason of the fact that the Bond was sold in compliance with any such limitation or restriction.

4.5 Any sale of the Bond may be made for cash or credit at the election of Bank and the amounts of any such sale shall be credited to Borrower's Obligations only when the proceeds thereof are actually received by Bank in immediately available or collected funds. Bank, or its nominee, may become the purchaser at such sale. Bank may, if it deems it reasonable, postpone or adjourn any such sale of the Collateral from time to time by an announcement at the time and place of sale or by announcement at the time and place of such postponed or adjourned sale, without being required to give a new notice of sale.

4.6 Pledgor recognizes that in the event Pledgor fails to perform, observe or discharge any of Borrower's Obligations, or breaches any representation, warranty or covenant hereunder, no remedy of

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law will provide adequate relief to Bank, and agrees that Bank shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

4.7 Any notice required to be given by Bank of a sale, lease or other intended action by Bank, deposited in the United States mail, postage prepaid and duly addressed to Pledgor at the address specified in the Loan Agreement not less than ten (10) days prior to such proposed action, shall constitute commercially reasonable and fair notice to Pledgor thereof.

4.8 Pledgor agrees that Bank has no obligation to preserve rights against prior parties to the Collateral. Further, Pledgor waives and releases any cause of action and claim against Bank as a result of Bank's possession, collection or sale of the Collateral, and any liability or penalty for failure of Bank to comply with any requirement imposed on Bank relating to notice of sale, holding of sale or reporting of sale of the Collateral, and, to the extent permitted by law, any right of redemption from such sale.

V. GENERAL

5.1 If at any time or times hereafter Bank employs counsel (A) after an Event of Default, for advice or other representation with respect to the Collateral, this Agreement or the administration thereof, (B) to represent Bank in any litigation, contest, dispute, suit or proceeding or to commence, defend or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit or proceeding (whether instituted by Bank, Pledgor or any other Person) in any way or respect relating to the Collateral, this Agreement or Pledgor's affairs or (C) after an Event of Default, to enforce any rights of Bank against Pledgor or any other Person which may be obligated to Bank by virtue of this Agreement, the attorneys' fees and costs incurred by Bank in any manner or way with respect to the foregoing employment of counsel shall be payable by Pledgor to Bank on demand, shall be part of Borrower's Obligations and shall be secured by all of the Collateral.

5.2 If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable, the remainder of this Agreement and the application of such provision to other Persons or circumstances will not be affected thereby, the provisions of this Agreement being severable in any such instance.

5.3 This Agreement shall continue in full force and effect until Borrower's Obligations are fully paid, performed and discharged. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time payment of any of Borrower's Obligations is rescinded or must otherwise be returned by Bank upon the insolvency, bankruptcy, or reorganization of Pledgor, all as though such payment had not been made.

5.4 No termination of this Agreement or any of the Loan Documents (except pursuant to Section 5.3 above) shall in any way affect or impair the powers, obligations, duties, rights and liabilities of Pledgor or Bank in any way or respect relating to (A) any transaction or event occurring prior to such termination, (B) any of the Collateral and (C) any of the undertakings, agreements, covenants, warranties and representations of Pledgor contained in this Agreement or any of the Loan Documents.

5.5 All covenants, warranties and representations contained herein shall be true as of the date hereof and shall survive the execution and delivery of this Agreement.

5.6 Bank may assign, sell participation interests in, negotiate, pledge or otherwise hypothecate this Agreement and any of its rights and security hereunder. Pledgor may not assign its rights under this Agreement without the prior written consent of Bank. Bank is authorized to disclose to

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any actual or prospective assignee hereunder or loan participant such information concerning Pledgor, the Bond, or other matters as Bank deems appropriate, provided such party agrees in writing to keep confidential such information.

5.7 No waiver of any breach or default hereunder shall constitute or be construed as a waiver by Bank of any subsequent breach or default or of any breach or

default of any other provisions of this Agreement. Any waiver by Bank must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure to take action on account of any default of Pledgor.

5.8 Any notices required or permitted to be given under this Agreement shall be given as provided in the Loan Agreement.

5.9 This Agreement and the terms, provision and condition herewith shall be governed by and construed and enforced in accordance with the internal laws of the State of Kansas (without giving effect to the conflicts of law provisions thereof).

[SIGNATURE APPEARS ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

“*Pledgor*”:

MGP INGREDIENTS, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President & CEO

ASSIGNMENT
Taxable Industrial Revenue Bond,
Series 2006 (MGP Ingredients Project)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Print or Type Name, Address and Social Security Number
or other Taxpayer Identification Number of Transferee)

the Bond represented by this certificate and all rights thereunder, and hereby authorized the transfer of the within Bond on the books kept by the Bond Registrar and Paying Agent for the registration and transfer of Bonds.

Dated: _____.

MGP INGREDIENTS, INC., a Kansas corporation

By: _____
Name: _____
Title: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears on the face of the within Bond in every particular.

Signature Guaranteed By:

(Name of Eligible Guarantor Institution)

By: _____
Title: _____

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15).

MORTGAGEE'S DISCLAIMER AND CONSENT

Dated: July 17, 2009

This MORTGAGEE'S DISCLAIMER AND CONSENT is made as of the day of July, 2009, by the EXCHANGE NATIONAL BANK & TRUST CO. the "**Mortgagee**") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Wells Fargo**").

Preliminary Statements

The City of Atchison, Kansas, a Kansas municipal corporation (the "**City**") is the owner of certain premises and improvements thereon located in Atchison County, Kansas and described in Exhibit A attached hereto (the "**Premises**").

The City issued its Taxable Industrial Revenue Bonds, Series 2006 (MGP Ingredients Project), in an aggregate principal amount of \$7,000,000 (the "**Bonds**"), the proceeds of which were used to pay the costs of acquiring, purchasing, constructing and equipping a project consisting of an office building and a technical center facility located on the Premises.

Pursuant to the Lease dated as of December 28, 2006, between the City and MGP Ingredients, Inc., a Kansas corporation ("**Company**"), evidenced by a Notice of Lease filed with the Register of Deeds of Atchison County, Kansas on January 16, 2007, in Book 559 at Page 137, the City leased the Premises, including all machinery and equipment financed by the Bonds (the "**Equipment**"; together with the Premises, the "**Project**") to Company in consideration for which the City, pursuant to a Trust Indenture dated as of the issue date of the Bonds (the "**Indenture**") between the City and Trustee, issued the Bonds.

By Assignment of Lease dated December 27, 2006, the City assigned to Trustee, all of the City's right, title and interest in the Lease for the purpose of (i) exercising certain rights of the City under the Lease; and (ii) performing and carrying out, to the extent directed to do so in the Indenture, any duties and obligations of the City thereunder.

The Company has purchased and is the sole registered and beneficial owner of the Bonds.

Mortgagee has provided certain financing to Company (the "**Exchange Financing**") secured by Company's interest (i) under the Lease pursuant to the Leasehold Mortgage (as defined below), (ii) in the Bonds pursuant to that certain Pledge and Security Agreement by Company in favor of Mortgagee dated as of April 15, 2009 (the "**Bond Pledge**") and (iii) in certain real property of Company located in Tazewell County, Illinois pursuant to that certain Mortgage with Future Advance Clause dated April 14, 2009, and recorded on April 16, 2009, as Document No. 09-8285 in the real estate records of Tazewell County, Illinois (the

"**Pekin Mortgage**"; together with the Leasehold Mortgage, Bond Pledge and each other document relating to the Mortgagee Financing, the "**Exchange Documents**").

Now therefore, to induce Wells Fargo to extend credit and other financial accommodations to or for the benefit of Company, secured by Company's property including accounts, chattel paper, commercial tort claims, deposit accounts, documents, equipment, farm products, general intangibles, instruments, inventory, investment property, letter-of-credit rights, letters of credit, money and any other personal property (collectively, the "**Collateral**"), and for other good and valuable consideration, Mortgagee agrees and certifies as set forth herein.

Agreement

1. Premises; Leasehold Mortgage; Pledge. In connection with the Exchange Financing, (i) Mortgagee holds a leasehold mortgage lien on the leasehold estate created by the Lease, pursuant to a that certain Leasehold Mortgage, Security Agreement and Fixture Filing (as hereafter amended, modified or restated, the "**Leasehold Mortgage**"), a true, correct and complete copy of which is attached hereto as Exhibit B and (ii) Company has pledged to Mortgagee the Company's interest as holder of the Bonds pursuant to the Bond Pledge (collectively, the "**Exchange Collateral**"). The Exchange Documents are in full force and effect and Company is not in default of any provision of the Exchange Documents.

2. Disclaimer; Limitation of Lien. Mortgagee does not own or hold, and hereby releases and disclaims, any title, security interest, lien, claim or other interest in any Collateral. Notwithstanding the preceding sentence, Mortgagee does not hereby disclaim any interest in fixtures, improvements, machinery and equipment which now or in the future constitute part of the Project, and all substitutions for, changes in or replacements of the whole or any part thereof, but only to the extent that such substitutions, changes and replacements constitute a part of the Project. Mortgagee hereby agrees that the outstanding principal balance of any financing provided by Mortgagee to Company, including the Exchange Financing, secured by the Exchange Documents may not exceed \$2,800,000 at any time (which shall not be deemed a limitation on interest, fees or expenses that are secured by the Financing Documents) and hereby releases and disclaims, any title, security interest, lien, claim or other interest in the Lease, Bonds or Collateral which exceeds this aggregate amount.

3. Notices to Wells Fargo. Mortgagee shall use its best efforts to promptly notify Wells Fargo as provided herein of each of the following events:

- (a) any notice which Mortgagee may give to Company regarding any breach of the Exchange Documents, or any termination of Company's rights to use, lease or possess the Project;
- (b) any legal action which Mortgagee may commence to foreclose Company's interests in the Exchange Collateral, or to take possession of the Project;

- (c) any agreement or proposal for Company to voluntarily convey to Mortgagee title to all or any portion of the Exchange Collateral; and
- (d) Mortgagee, or any receiver or agent on its behalf, acquires possession of the Project through foreclosure, voluntary conveyance by Company, court order or otherwise.

All notices to Wells Fargo shall be deemed given when received by Wells Fargo at:

Wells Fargo Bank, National Association
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attention: Becky A. Koehler

4. Wells Fargo's Right to Occupy Project. Mortgagee hereby grants Wells Fargo the right to take and remain in possession of the Project for purposes of holding, processing, manufacturing, selling, using, storing, liquidating, realizing upon or otherwise disposing of the Collateral, and for related and incidental purposes, for up to 180 days from and after the date on which Mortgagee, or any receiver or agent on its behalf, acquires possession of the Project through foreclosure, voluntary conveyance, court order or otherwise. During the period Wells Fargo occupies the Project, Wells Fargo will pay Mortgagee a fee of \$200 per day or portion thereof. Wells Fargo shall reimburse Mortgagee for any physical damage to the Premises actually caused by Wells Fargo during any period when Wells Fargo is in possession of the Premises. Mortgagee acknowledges that Wells Fargo shall not be liable for any diminution in value of the Project during the period of time in which Wells Fargo has physical possession of the Project.

5. Miscellaneous. This Disclaimer and Consent shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Kansas. This Disclaimer and Consent may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. No failure on the part of Wells Fargo to exercise, and no delay in exercising any right, power or remedy hereunder shall operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. This Disclaimer and Consent expresses completely, exclusively and finally all the agreements, conditions and covenants of the parties and does not need evidence (written or oral) of prior, contemporaneous or subsequent statements or representations (express or implied) to reflect the intentions of the parties. This Disclaimer and Consent may not be supplemented or modified except in writing. This Disclaimer and Consent inures to the benefit of Wells Fargo and its participants, successors, and assigns, and binds Mortgagee and its respective successors and assigns. Mortgagee will notify any successor or assign of the terms of this Disclaimer and Consent. This Disclaimer and Consent does not imply a commitment to lend and shall be binding as long as any credit facility

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remains outstanding, or any obligations of Company to Wells Fargo remain outstanding or are subject to being set aside, recovered, rescinded or required to be returned for any reason. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS DISCLAIMER AND CONSENT.**

9. Preliminary Statements. The preliminary statements set forth above are accurate, represent the intent of the parties hereto and are incorporated herein by reference.

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IN WITNESS WHEREOF, the undersigned has caused this Mortgagee's Disclaimer and Consent to be executed by its respective officer thereunto duly authorized, as of the date first above written.

EXCHANGE NATIONAL BANK & TRUST CO.

By: /s/ Mark Windsor

Name: Mark Windsor

Title: President

This instrument was drafted by:
Trevor A. Jenkins
1200 Main Street, Suite 3500
Kansas City, MO 64106

STATE OF KANSAS)
)
COUNTY OF ATCHISON)

The foregoing instrument was acknowledged before me this 17th day of July, 2009, by Mark Windsor, the President of Exchange National Bank & Trust Co., on behalf of said bank and trust.

/s/ Sandra L. Becker

Notary Public

**EXHIBIT A
TO
MORTGAGEE'S DISCLAIMER AND CONSENT**

The Premises referred to in the referenced instrument are located in Atchison County, Kansas, and are described as follows:

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**EXHIBIT B
TO
MORTGAGEE'S DISCLAIMER AND CONSENT**

[COPY OF LEASEHOLD MORTGAGE]

1

ORIGINAL

COMMERCIAL LOAN EXTENSION AGREEMENT

WHEREAS Exchange National Bank & Trust Co. of Atchison ("Lender") loaned MGP Ingredients, Inc ("Borrower") the sum of Two Million Eight Hundred Thousand Dollars and 00/100 (\$2,800,000.00) as evidenced by a note (#6406) and two mortgages, executed and delivered on April 15, 2009, and are hereby incorporated herein as a part of this instrument, and

WHEREAS, said note has matured on September 3, 2009 with a principal balance of Two Million Eight Hundred Thousand Dollars and 00/100 (\$2,800,000.00).

THEREFORE, it is hereby agreed that said note be extended until July 5, 2010 at which time the principal balance will then be due, plus accrued interest. It is further agreed all other respects of said note and mortgage contract shall remain in full force and effect.

AND, the Borrower agrees to pay a one-time modification fee of \$2,500.00.

Signed, sealed and delivered on this 3^d day of September, 2009.

EXCHANGE NATIONAL BANK & TRUST CO.
OF ATCHISON

MGP INGREDIENTS, INC

By: /s/ Mark Windsor
Mark Windsor, President

/s/ Timothy W. Newkirk
Timothy W Newkirk, President & CEO

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
	MGP Ingredients, Inc.		03/31/09	DB
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$ 1,500,000.00	3 Year Treasury Index plus 6.000%	7.250%	03/31/14	Commercial

Creditor Use Only

COMMERCIAL LOAN AGREEMENT
Single Advance Loan

DATE AND PARTIES. The date of this Commercial Loan Agreement (Agreement) is March 31, 2009. The parties and their addresses are:

LENDER:

UNION STATE BANK - BANK OF ATCHISON
545 Main Street
Everest, KS 66424

BORROWER:

MGP INGREDIENTS, INC.
a Kansas Corporation
PO Box 130
Atchison, KS 66002

1. DEFINITIONS. For the purposes of this Agreement, the following terms have the following meanings:

A. Accounting Terms. In this Agreement, any accounting terms that are not specifically defined will have their customary meanings under generally accepted accounting principles.

B. Insiders. Insiders include those defined as insiders by the United States Bankruptcy Code, as amended; or to the extent left undefined, include without limitation any officer, employee, stockholder or member, director, partner, or any immediate family member of any of the foregoing, or any person or entity which, directly or indirectly, controls, is controlled by or is under common control with me.

C. Loan. The Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction.

D. Loan Documents. Loan Documents refer to all the documents executed as a part of or in connection with the Loan.

E. Pronouns. The pronouns "I", "me" and "my" refer to every Borrower signing this Agreement, individually or together. "You" and "your" refers to the Loan's lender.

F. Property. Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.

2. SINGLE ADVANCE. In accordance with the terms of this Agreement and other Loan Documents, you will provide me with a term note in the amount of \$1,500,000.00 (Principal). I will receive the funds from this Loan in one advance. No additional advances are contemplated, except those made to protect and preserve your interests as provided in this Agreement or other Loan Documents.

3. MATURITY DATE. I agree to fully repay the Loan by March 31, 2014.

4. WARRANTIES AND REPRESENTATIONS. I make to you the following warranties and representations which will continue as long as this Loan is in effect, except when this Agreement provides otherwise.

A. Power. I am duly organized, and validly existing and in good standing in all jurisdictions in which I operate. I have the power and authority to enter into this transaction and to carry on my business or activity as it is now being conducted and as applicable, am qualified to do so in each jurisdiction in which I operate.

B. Authority. The execution, delivery and performance of this Loan and the obligation evidenced by the Note are within my powers, have been duly authorized, have received all necessary governmental approval, will not violate any provision of law, or order of court or governmental agency, and will not violate any agreement to which I am a party or to which I am or any of my property is subject.

C. Name and Place of Business. Other than previously disclosed in writing to you I have not changed my name or principal place of business within the last 10 years and have not used any other trade or fictitious name. Without your prior written consent, I do not and will not use any other name and will preserve my existing name, trade names and franchises.

D. Hazardous Substances. Except as I previously disclosed in writing and you acknowledge in writing, no Hazardous Substance, underground tanks, private dumps or open wells are currently located at, on, in, under or about the Property.

E. Use of Property. After diligent inquiry, I do not know or have reason to know that any Hazardous Substance has been discharged, leached or disposed of, in violation of any Environmental Law, from the property onto, over or into any other property, or from any other property onto, over or into the property.

F. Environmental Laws. I have no knowledge or reason to believe that there is any materials, pending or threatened investigation, claim, judgment or order, violation, lien, or other notice under any Environmental Law that concerns me or the property. The property and any activities on the property are in full compliance with all Environmental Law.

G. Loan Purpose. The purpose of this Loan is Cash Infusion to Working Capital.

H. No Other Liens. I own or lease all property that I need to conduct my business and activities. I have good and marketable title to all property that I own or lease. All of my Property is free and clear of all liens, security interests, encumbrances and other adverse claims and interests, except those to you or those you consent to in writing.

I. Compliance With Laws. I am not violating any laws, regulations, rules, orders, judgments or decrees applicable to me or my property, except for those which I am challenging in good faith through proper proceedings after providing adequate reserves to fully pay the claim and its challenge should I lose.

J. Additional Representation or Warranty. Clarification and Disclosure of Paragraph C, and all other documents associated with this Loan Agreement.

The Borrower has change their name in the last 10 years. Their former name was Midwest Grain Products, Inc.

Add the following language to Paragraph D. and E.

Except as may be disclosed in a Phase I report provided to you.

Add the following language to Paragraph H.

or except debt as permitted under my Credit Agreement dated May 5, 2008, as amended, with Commerce Bank, as agent

5. FINANCIAL STATEMENTS. I will prepare and maintain my financial records using consistently applied generally accepted accounting principles then in effect. I will provide you with financial information in a form that you accept and under the following terms.

A. Certification. I represent and warrant that any financial statements that I provide you fairly represents my financial condition for the stated periods, is current, complete, true and accurate in all material respects, includes all of my direct or contingent liabilities and there has been no material adverse change in my financial condition, operations or business since the date the financial information was prepared.

B. Frequency. In addition to the financial statements provided to you prior to closing, I will provide you with current financial statements on an annual basis, or as otherwise requested by you, until I have performed all of my obligations under the Loan and you terminate the Loan in writing.

C. Requested Information. I will provide you with any other information about my operations, financial affairs and condition within 10 days after your request.

6. COVENANTS. Until the Loan and all related debts, liabilities and obligations are paid and discharged, I will comply with the following terms, unless you waive compliance in writing.

A. Participation. I consent to you participating or syndicating the Loan and sharing any information that you decide is necessary about me and the Loan with the other participants or syndicators.

B. Inspection. Following your written request, I will immediately pay for all one-time and recurring out-of-pocket costs that are related to the inspection of my records, business or Property that secures the Loan. Upon reasonable notice, I will permit you or your agents to enter any of my premises and any location where my Property is located during regular business hours to do the following.

(1) You may inspect, audit, check, review and obtain copies from my books, records, journals, orders, receipts, and any correspondence and other business related data.

(2) You may discuss my affairs, finances and business with any one who provides you with evidence that they are a creditor of mine, the sufficiency of which will be subject to your sole discretion.

After prior notice to me, you may discuss my financial condition and business operations with my independent accountants, if any, or my chief financial officer and I may be present during these discussions. As long as the Loan is outstanding, I will direct all of my accountants and auditors to permit you to examine my records in their possession and to make copies of these records. You will use your best efforts to maintain the confidentiality of the information you or your agents obtain, except you may provide your regulator, if any, with required information about my financial condition, operation and business or that of my parent, subsidiaries or affiliates.

C. Business Requirements. I will preserve and maintain my present existence and good standing in the jurisdiction where I am organized and all of my rights, privileges and franchises. I will do all that is needed or required to continue my business or activities as presently conducted, by obtaining licenses, permits and bonds everywhere I engage in business or activities or own, lease or locate my property. I will obtain your prior written consent before I cease my business or before I engage in any new line of business that is materially different from my present business.

D. Compliance with Laws. I will not violate any laws, regulations, rules, orders, judgments or decrees applicable to me or my Property, except for those which I challenge in good faith through proper proceedings after providing adequate reserves to fully pay the claim and its appeal should I lose. Laws include without limitation the Federal Fair Labor Standards Act requirements for producing goods, the federal Employee Retirement Income Security Act of 1974's requirements for the establishment, funding and management of qualified deferred compensation plans for employees, health and safety laws, environmental laws, tax laws, licensing and permit laws. On your request, I will provide you with written evidence that I have fully and timely paid my taxes, assessments and other governmental charges levied or imposed on me, my income or profits and my property. Taxes include without limitation sales taxes, use taxes, personal property taxes, documentary stamp taxes, recordation taxes, franchise taxes, income taxes, withholding taxes, FICA taxes and unemployment taxes. I will adequately provide for the payment of these taxes, assessments and other charges that have accrued but are not yet due and payable.

E. New Organizations. I will obtain your written consent before organizing, merging into, or consolidating with an entity; acquiring all or substantially all the assets of another; materially changing the legal structure or financial condition; or effecting or entering into a domestication, conversion or interest exchange.

F. Other Liabilities. I will not incur, assume or permit any debt evidenced by notes, bonds or similar obligations, except: debt in existence on the date of this Agreement and fully disclosed to you; debt subordinated in payment to you on conditions and terms acceptable to you; accounts payable incurred in the ordinary course of my business and paid under customary trade terms or contested in good faith with reserves satisfactory to you.

G. Notice to You. I will promptly notify you of any material change in my financial condition, of the occurrence of a default under the terms of this Agreement or any other Loan Document, or a default by me under any agreement between me and any third party which materially and adversely affects my property, operations, financial condition or business.

H. Dispose of No Assets. Without your prior written consent or as the Loan Documents permit, I will not sell, lease, assign, transfer, dispose of or otherwise distribute all or substantially all of my assets to any person other than in the ordinary course of business for the assets' depreciated book value or more.

I. Insurance. I will obtain and maintain insurance with insurers, in amounts and coverages that are acceptable to you and customary with industry practice. This may include without limitation insurance policies for public liability, fire, hazard and extended risk, workers compensation, and, at your request, business interruption and/or rent loss insurance. At your request, I will deliver to you certified copies of all of these insurance policies, binders or certificates. I will obtain and maintain a mortgagee or lender loss payee endorsement for you when these endorsements are available. I will immediately notify you of cancellation or termination of insurance. I will require all insurance policies to provide you with at least 10 days prior written notice to you of cancellation or modification. I consent to you using or disclosing information relative

to any contract of insurance required by the Loan for the purpose of replacing this insurance. I also authorize my insurer and you to exchange all relevant information related to any contract of insurance required by any document executed as part of this Loan.

J. Additional Taxes. I will pay all filing and recording costs and fees, including any recordation, documentary or transfer taxes or stamps, that are required to be paid with respect to this Loan and any Loan Documents.

Initials _____

K. Additional Covenants. Add the following language to Paragraph F.

or except debt as permitted under my Credit Agreement dated May 5, 2008, as amended, with Commerce Bank

7. DEFAULT. I will be in default if any of the following occur:

A. Payments. I fail to make a payment in full when due.

B. Insolvency or Bankruptcy. The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Agreement or any other obligations I have with you.

C. Business Termination. I merge, dissolve, reorganize, end my business or existence.

D. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Agreement.

E. Other Documents. A default occurs under the terms of any other Loan Document.

F. Other Agreements. I am in default on any other debt or agreement I have with you.

G. Misrepresentation. I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

H. Judgment. I fail to satisfy or appeal any judgment against me.

I. Forfeiture. The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

J. Name Change. I change my name or assume an additional name without notifying you before making such a change.

K. Property Transfer. I transfer all or a substantial part of my money or property.

L. Property Value. You determine in good faith that the value of the Property has declined or is impaired.

M. Material Change. Without first notifying you, there is a material change in my business.

N. Insecurity. You determine in good faith that a material adverse change has occurred in Borrower's financial condition from the conditions set forth in Borrower's most recent financial statement before the date of this Agreement or that the prospect for payment or performance of the Loan is impaired for any reason.

O. Additional Default. Change Paragraph A. to read as follows:

A. Payments. I fail to make a payment in full when due or within 5 days thereafter.

Change Paragraph D. to read as follows:

D. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Agreement and fail to cure the same within 5 days.

8. REMEDIES. After I default, you may at your option do any one or more of the following.

A. Acceleration. You may make all or any part of the amount owing by the terms of the Loan immediately due. If I am a debtor in a bankruptcy petition or in an application filed under section 5(a)(3) of the Securities Investor Protection Act, the Loan is automatically accelerated and immediately due and payable without notice or demand upon filing of the petition or application.

B. Sources. You may use any and all remedies you have under state or federal law or in any Loan Document.

C. Insurance Benefits. You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. Payments Made On My Behalf. Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of the Loan, and accrue interest at the highest post-maturity interest rate.

E. Set-Off. You may use the right of set-off. This means you may set-off any amount due and payable under the terms of the Loan against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of the Loan" means the total amount to which you are entitled to demand payment under the terms of the Loan at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay the Loan, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

F. Waiver. Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

9. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Agreement or any other Loan Document. Expenses include, but are not limited to, attorneys' fees, court costs and other legal expenses. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Loan. All fees and expenses will be secured by the Property I have granted to you, if any. In addition, to the extent permitted by the United States Bankruptcy Code, I agree to pay the reasonable attorneys' fees incurred by you to protect your rights and interests in connection with any bankruptcy proceedings initiated by or against me.

10. APPLICABLE LAW. This Agreement is governed by the laws of Kansas, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Kansas, unless otherwise required by law.

Initials _____

11. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. You may assign all or part of your rights or duties under this Agreement or the Loan Documents without my consent. If you assign this Agreement, all of my covenants, agreements, representations and warranties contained in this Agreement or the Loan Documents will benefit your successors and assigns. I may not assign this Agreement or any of my rights under it without your prior written consent. The duties of the Loan will bind my successors and assigns.

12. AMENDMENT, INTEGRATION AND SEVERABILITY. This Agreement may not be amended or modified by oral agreement. No amendment or modification of this Agreement is effective unless made in writing and executed by you and me. This Agreement and the other Loan Documents are the complete and final expression of the understanding between you and me. If any provision of this Agreement is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

13. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Agreement.

14. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I will provide you any financial statement or information you request. All financial statements and information I give you will be correct and complete. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

15. WAIVER OF JURY TRIAL. All of the parties to this Agreement knowingly and intentionally, irrevocably and unconditionally, waive any and all right to a trial by jury in any litigation arising out of or concerning this Agreement or any other Loan Document or related obligation. All of these parties acknowledge that this section has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.

THIS WRITTEN AGREEMENT IS THE FINAL EXPRESSION OF THE AGREEMENT BETWEEN YOU AND LENDER, AND AS SUCH IT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR OR CONTEMPORANEOUS ORAL AGREEMENT.

ADDITIONAL TERMS:

BY SIGNING OR INITIALING BELOW, BOTH PARTIES AFFIRM THAT NO UNWRITTEN ORAL AGREEMENT BETWEEN THEM EXISTS.

Lender:

Union State Bank - Bank of Atchison

By _____ Date _____
Donald E. Ball, Senior Vice President

Borrower:

MGP Ingredients, Inc.

By _____ Date _____
TIMOTHY W NEWKIRK, President/CEO

16. SIGNATURES. By signing, I agree to the terms contained in this Agreement. I also acknowledge receipt of a copy of this Agreement.

BORROWER:

MGP Ingredients, Inc.

By _____ Date _____
TIMOTHY W NEWKIRK, President/CEO

LENDER:

Union State Bank - Bank of Atchison

By _____
Donald E. Ball, Senior Vice President

Date _____

Initials _____

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
	MGP Ingredients, Inc.		03/31/09	DB
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$ 1,500,000.003	Year Treasury Index plus 6.000%	7.250 %	03/31/14	Commercial

Creditor Use Only**PROMISSORY NOTE**

(Commercial - Single Advance)

DATE AND PARTIES. The date of this Promissory Note (Note) is March 31, 2009. The parties and their addresses are:

LENDER:

UNION STATE BANK - BANK OF ATCHISON
 545 Main Street
 Everest, KS 66424
 Telephone: (785) 548-7521

BORROWER:

MGP INGREDIENTS, INC.
 a Kansas Corporation
 PO Box 130
 Atchison, KS 66002

1. **DEFINITIONS.** As used in this Note, the terms have the following meanings:

- A. **Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Note, individually and together. "You" and "Your" refer to the Lender.
- B. **Note.** Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. **Loan.** Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. **Loan Documents.** Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
- E. **Property.** Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- F. **Percent.** Rates and rate change limitations are expressed as annualized percentages.

2. **PROMISE TO PAY.** For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$1,500,000.00 (Principal) plus interest from March 31, 2009 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

3. **INTEREST.** Interest will accrue on the unpaid Principal balance of this Note at the rate of 7.250 percent (Interest Rate) until June 30, 2009, after which time it may change as described in the Variable Rate subsection.

- A. **Post-Maturity Interest.** After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the variable Interest Rate in effect from time to time, plus an additional 2.000 percent, until paid in full.
- B. **Maximum Interest Amount.** Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
- C. **Statutory Authority.** The amount assessed or collected on this Note is authorized by the Kansas usury laws under Kan. Stat. Ann. § 16-207.
- D. **Accrual.** Interest accrues using an Actual/360 days counting method.
- E. **Variable Rate.** The Interest Rate may change during the term of this transaction.

(1) **Index.** Beginning with the first Change Date, the Interest Rate will be based on the following index: the weakly average yield on United States Treasury securities adjusted to a constant maturity of three years.

The Current Index is the most recent Index figure available on each Change Date. You do not guaranty by selecting this index, or the margin, that the Interest Rate on this Note will be the same rate you charge on any other loans or class of loans you make to me or other borrowers. If this Index is no longer available, you will substitute a similar Index. You will give me notice of your choice.

(2) **Change Date.** Each date on which the Interest Rate may change is called a Change Date. The Interest Rate may change June 30, 2009 and every 3 months thereafter.

(3) **Calculation Of Change.** On each Change Date you will calculate the Interest Rate, which will be the Current Index plus 8.000 percent. The result of this calculation will be rounded to the nearest .001 percent. Subject to any limitations, this will be the interest Rate until the next Change Date. The new Interest Rate will become affective on each Change Date. The Interest Rate and other charges on this Note will never exceed the highest rate or charge allowed by law for this Note.

(4) **Effect Of Variable Rate.** A change in the Interest Rate will have the following effect on the payments: The amount of scheduled payments and the amount of the final payment will change.

4. **REMEDIAL CHARGES.** In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

- A. **Late Charge.** If a payment is more than 10 days late, I will be charged 6.000 percent of the Amount of Payment. I will pay this late charge promptly but only once for each late payment.

5. **GOVERNING AGREEMENT.** This Note is further governed by the Commercial Loan Agreement executed between you and me as a part of this Loan, as modified, amended or supplemented. The Commercial Loan Agreement states the terms and conditions of this Note, including the terms and conditions under which the maturity of this Note may be accelerated. When I sign this Note, I represent to you that I have reviewed and am in compliance with the terms contained in the Commercial Loan Agreement.

6. **PAYMENT.** I agree to pay this Note in installments of accrued interest beginning September 30, 2009, and then on the last day of each 8 month period thereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on March 31, 2014.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to any charges that I owe other than principal and finance, then to interest that is due, and finally to principal that is due. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

7. **PREPAYMENT.** I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.


8. **LOAN PURPOSE.** The purpose of this Loan is Cash Infusion to Working Capital.

9. **ADDITIONAL TERMS.** A) Additional payment Schedule: Borrower agrees to make 3 Level principal payments of \$150,000 on the following dates: March 31, 2011, March 31, 2012, March 31, 2013. A final payment of the remaining principal balance is due on March 31, 2014. B) Borrower agrees to pay all Bank fees related to this loan transaction including but not limited to the following: Appraisal Fees, Title Insurance Fees, Attorney Fees, etc. C) Borrower further agrees to maintain and provide adequate insurance coverage on the property listed in the Mortgage & Security Agreement documents and provide the bank with proof of coverage with the Bank listed as the lien holder on these assets. D) Borrower and Lender acknowledge that this loan was closed and disbursed to a Cashier's Check on March 31, 2009 as required by Borrower's 8th Amendment of Credit Agreement with Commerce Bank, N.A., as agent. However, Lender will not release Cashier's Check to Borrower or Commerce Bank, N.A. until Commerce Bank, N.A. provides Lender with a final, acceptable and executed intercreditor Agreement between Lender and Commerce Bank, N.A.

MGP Ingredients, Inc.
Kansas Promissory Note

Initials _____

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10. **SECURITY.** The Loan is secured by the following, previously executed, security instruments or agreements:

- (1) Security Agreement dated 03/31/2009 consisting of Machinery and Equipment
- (2) Real Estate Mortgage dated 03/31/2008 in the amount of \$1,500,000.00
- (3) intercreditor agreement dated 3-31-09.

11. **WAIVERS AND CONSENT.** To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. **Additional Waivers By Borrower.** In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

- (1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.
- (2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
- (3) You may release, substitute or impair any Property securing this Note.
- (4) You, or any institution participating in this Note, may invoke your right of set-off.
- (5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.
- (6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. **No Waiver By Lender.** Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

12. **COMMISSIONS.** I understand and agree that you (or your affiliate) will earn commissions or fees on any insurance products, and may earn such fees on other services that I buy through you or your affiliate.

13. **APPLICABLE LAW.** This Note is governed by the laws of Kansas, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Kansas, unless otherwise required by law.

14. **JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS.** My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. This Note shall inure to the benefit of and be enforceable by you and your successors and assigns and shall be binding upon and enforceable against me and my personal representatives, successors, heirs and assigns.

15. **AMENDMENT, INTEGRATION AND SEVERABILITY.** This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing and executed by you and me. This Note and the other Loan Documents are the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable. No present or future agreement securing any other debt I owe you will secure the payment of this Loan if, as a result, this Loan would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

16. **INTERPRETATION.** Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

17. **NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

18. **CREDIT INFORMATION.** I agree to supply you with whatever information you reasonably request. You will make requests for this information without undue frequency, and will give me reasonable time in which to supply the information.

19. **ERRORS AND OMISSIONS.** I agree, if requested by you, to fully cooperate in the correction, if necessary, in the reasonable discretion of you of any and all loan closing documents so that all documents accurately describe the loan between you and me. I agree to assume all costs including by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to reasonably comply with your requests within thirty (30) days.

20. **WAIVER OF JURY TRIAL.** All of the parties to this Note knowingly and intentionally, irrevocably and unconditionally, waive any and all right to trial by Jury in any litigation arising out of or concerning this Note or any other Loan Document or related obligation. All of these parties acknowledge that this section has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.

21. **SIGNATURES.** By signing, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER:

MGP Ingredients, Inc.

By: /s/ Timothy W. Newkirk
TIMOTHY W. NEWKIRK, President/CEO

Date 3/31/09

LENDER:

Union State Bank - Bank of Atchison

By: /s/ Donald E. Ball
Donald E. Ball, Senior Vice President

Date 3/31/09

Initials _____

DEBTOR NAME AND ADDRESS

MGP INGREDIENTS, INC.
1300 Main Street PO Box 130
Atchison, KS 66002

SECURED PARTY NAME AND ADDRESS

Union State Bank of Everest DBA Bank of Atchison USB
701 Kansas Avenue
Atchison, KS 66002

Type: ☐ individual ☐ partnership ☒ corporation ☐
State of organization/registration (if applicable) Kansas
☐ If checked, refer to addendum for additional Debtors and signatures.

COMMERCIAL SECURITY AGREEMENT

The date of this Commercial Security Agreement (Agreement) is March 31, 2009.

SECURED DEBTS. This Agreement will secure all sums advanced by Secured Party under the terms of this Agreement and the payment and performance of the following described Secured Debts that (check one) ☒ Debtor ☐ (Borrower) owes to Secured Party:

- ☐ Specific Debts. The following debts and all extensions, renewals, refinancings, modifications, and replacements (describe):
- ☒ All Debts. All present and future debts, even if this Agreement is not referenced, the debts are also secured by other collateral, or the future debt is unrelated to or of a different type than the current debt. Nothing in this Agreement is a commitment to make future loans or advances.

SECURITY INTEREST. To secure the payment and performance of the Secured Debts, Debtor gives Secured Party a security interest in all of the Property described in this Agreement that Debtor owns or has sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accessions to the Property; any original evidence of title or ownership; and all obligations that support the payment or performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property; any rights and claims arising from the Property; and any collections and distributions on account of the Property. This Agreement remains in effect until terminated in writing, even if the Secured Debts are paid and Secured Party is no longer obligated to advance funds to Debtor or Borrower.

PROPERTY DESCRIPTION. The Property is described as follows:

- ☐ Accounts and Other Rights to Payment: All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which Debtor may have by law or agreement against any account debtor or obligor of Debtor.
- ☐ Inventory: All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in Debtor's business.
- ☐ Equipment: All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts, and tools. The Property includes any equipment described in a list or schedule Debtor gives to Secured Party, but such a list is not necessary to create a valid security interest in all of Debtor's equipment.
- ☐ Instruments and Chattel Paper: All instruments, including negotiable instruments and promissory notes and any other writings or records that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.
- ☐ General Intangibles: All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use Debtor's name.
- ☐ Documents: All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.
- ☐ Farm Products and Supplies: All farm products including, but not limited to, all poultry and livestock and their young, along with their produce, products, and replacements; all crops, annual or perennial, and all products of the crops; and all feed, seed, fertilizer, medicines, and other supplies used or produced in Debtor's farming operations.
- ☐ Government Payments and Programs: All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government program.
- ☐ Investment Property: All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.
- ☐ Deposit Accounts: All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.
- ☒ Specific Property Description: The Property includes, but is not limited by, the following (if required, provide real estate description):

1) All equipment, machinery, furniture and fixtures, parts accessories, repairs, replacements, substitutions and improvements of & to such property and all proceeds of the foregoing, whether such property or Debtor's right, title, or interest therein or thereto is now owned or existing or hereafter acquired or arising on the property on schedule "A" located in the Flour Mill at 1200 & 1100 Main Street Atchison Kansas and Manufacturing building at 210 S Leonard Street Onaga Kansas. 2) Real estate mortgage covering all of MGP's rights, title and interest in and to all of the real property, improvements, and fixtures and all proceeds of the foregoing, whether such property of Debtor's right, title or interest therein or thereto is now owned or existing or hereafter acquired or arising, located at the locations above. AND 3) including all fixtures and goods that are to become fixtures on the real property at the locations above.

USE OF PROPERTY. The Property will be used for ☐ personal ☒ business ☐ agricultural ☐ purposes.

SIGNATURES. Debtor agrees to the terms on pages 1 and 2 of this Agreement and acknowledges receipt of a copy of this Agreement.

DEBTOR

MGP INGREDIENTS, INC.

SECURED PARTY

Union State Bank of Everest DBA Bank of Atchison USB

Timothy W. Newkirk, President

Donald E. Ball, Senior Vice President

GENERAL PROVISIONS. Each Debtor's obligations under this Agreement are independent of the obligations of any other Debtor. Secured Party may sue each Debtor individually or together with any other Debtor. Secured Party may release any part of the Property and Debtor will remain obligated under this Agreement. The duties and benefits of this Agreement will bind the successors and assigns of Debtor and Secured Party. No modification of this Agreement is effective unless made in writing and signed by Debtor and Secured Party. Whenever used, the plural includes the singular and the singular includes the plural. Time is of the essence.

APPLICABLE LAW. This Agreement is governed by the laws of the state in which Secured Party is located. In the event of a dispute, the exclusive forum, venue, and place of jurisdiction will be the state in which Secured Party is located, unless otherwise required by law. If any provision of this Agreement is unenforceable by law, the unenforceable provision will be severed and the remaining provisions will still be enforceable.

NAME AND LOCATION. Debtor's name indicated on page 1 is Debtor's exact legal name. If Debtor is an individual, Debtor's address is Debtor's principal residence. If Debtor is not an individual, Debtor's address is the location of Debtor's chief executive offices or sole place of business. If Debtor is an entity organized and registered under state law, Debtor has provided Debtor's state of registration on page 1. Debtor will provide verification of registration and location upon Secured Party's request. Debtor will provide Secured Party with at least 30 days notice prior to any change in Debtor's name, address, or state of organization or registration.

WARRANTIES AND REPRESENTATIONS. Debtor has the right, authority, and power to enter into this Agreement. The execution and delivery of this Agreement will not violate any agreement governing Debtor or Debtor's property, or to which Debtor is a party. Debtor makes the following warranties and representations which continue as long as this Agreement is in effect:

- (1) Debtor is duly organized and validly existing in all jurisdictions in which Debtor does business;
- (2) the execution and performance of the terms of this Agreement have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law or order;
- (3) other than previously disclosed to Secured Party, Debtor has not changed Debtor's name or principal place of business within the last 10 years and has not used any other trade or fictitious name; and
- (4) Debtor does not and will not use any other name without Secured Party's prior written consent.

Debtor owns all of the Property, and Secured Party's claim to the Property is ahead of the claims of any other creditor, except as otherwise agreed and disclosed to Secured Party prior to any advance on the Secured Debts. The Property has not been used for any purpose that would violate any laws or subject the Property to forfeiture or seizure.

DUTIES TOWARD PROPERTY. Debtor will protect the Property and Secured Party's interest against any competing claim. Except as otherwise agreed, Debtor will keep the Property in Debtor's possession at the address indicated on page 1 of this Agreement. Debtor will keep the Property in good repair and use the Property only for purposes specified on page 1. Debtor will not use the Property in violation of any law and will pay all taxes and assessments levied or assessed against the Property. Secured Party has the right of reasonable access to inspect the Property, including the right to require Debtor to assemble and make the Property available to Secured Party. Debtor will immediately notify Secured Party of any loss or damage to the Property. Debtor will prepare and keep books, records, and accounts about the Property and Debtor's business, to which Debtor will allow Secured Party reasonable access.

Debtor will not sell, offer to sell, license, lease, or otherwise transfer or encumber the Property without Secured Party's prior written consent. Any disposition of the Property will violate Secured Party's rights, unless the Property is inventory sold in the ordinary course of business at fair market value. If the Property includes chattel paper or instruments, either as original collateral or as proceeds of the Property, Debtor will record Secured Party's interest on the face of the chattel paper or instruments.

If the Property includes accounts, Debtor will not settle any account for less than the full value, dispose of the accounts by assignment, or make any material change in the terms of any account without Secured Party's prior written consent. Debtor will collect all accounts in the ordinary course of business, unless otherwise required by Secured Party. Debtor will keep the proceeds of the accounts, and any goods returned to Debtor, in trust for Secured Party and will not commingle the proceeds or returned goods with any of Debtor's other property. Secured Party has the right to require Debtor to pay Secured Party the full price on any returned items. Secured Party may require account debtors to make payments under the accounts directly to Secured Party. Debtor will deliver the accounts to Secured Party at Secured Party's request. Debtor will give Secured Party at Secured Party's request. Debtor will give Secured Party all statements, reports, certificates, lists of account debtors (showing names, addresses, and amounts owing), invoices applicable to each account, and any other data pertaining to the accounts as Secured Party requests.

If the Property includes farm products, Debtor will provide Secured Party with a list of the buyers, commission merchants, and selling agents to or through whom Debtor may sell the farm products. Debtor authorizes Secured Party to notify any additional parties regarding Secured Party's interest in Debtor's farm products, unless prohibited by law. Debtor agrees to plant, cultivate, and harvest crops in due season. Debtor will be in default if any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetland to produce or to make possible the production of an agricultural commodity, further explained in 7 CFR Part 1940, Subpart G, Exhibit M. If Debtor pledges the Property to Secured Party (delivers the Property into the possession or control of Secured Party or a designated third party), Debtor will, upon receipt, deliver any proceeds and products of the Property to Secured Party. Debtor will provide Secured Party with any notices, documents, financial statements, reports, and other information relating to the Property Debtor receives as the owner of the Property.

PERFECTION OF SECURITY INTEREST. Debtor authorizes Secured Party to file a financing statement covering the Property. Debtor will comply with, facilitate, and otherwise assist Secured Party in connection with obtaining possession or control over the Property for purposes of perfecting Secured Party's interest under the Uniform Commercial Code.

INSURANCE. Debtor agrees to keep the Property insured against the risks reasonably associated with the Property until the Property is released from this Agreement. Debtor will maintain this insurance in the amounts Secured Party requires. Debtor may choose the insurance company, subject to Secured Party's approval, which will not be unreasonably withheld. Debtor will have the insurance provider name Secured Party as loss payee on the insurance policy. Debtor will give Secured Party and the insurance provider immediate notice of any loss. Secured Party may apply the insurance proceeds toward the Secured Debts. Secured Party may require additional security as a condition of permitting any insurance proceeds to be used to repair or replace the Property. If Secured Party acquires the Property in damaged condition, Debtor's rights to any insurance policies and proceeds will pass to Secured Party to the extent of the Secured Debts. Debtor will immediately notify Secured Party of the cancellation or termination of insurance. If Debtor fails to keep the Property insured, or fails to provide Secured Party with proof of insurance, Secured Party may obtain insurance to protect Secured Party's interest in the Property. The insurance may include coverages not originally required of Debtor, may be written by a company other than one Debtor would choose, and may be written at a higher rate than Debtor could obtain if Debtor purchased the insurance.

AUTHORITY TO PERFORM. Debtor authorizes Secured Party to do anything Secured Party deems reasonably necessary to protect the Property and Secured Party's interest in the Property. If Debtor fails to perform any of Debtor's duties under this Agreement, Secured Party is authorized, without notice to Debtor, to perform the duties or cause them to be performed. These authorizations include, but are not limited to, permission to pay for the repair, maintenance, and preservation of the Property and take any action to realize the value of the Property. Secured Party's authority to perform for Debtor does not create an obligation to perform, and Secured Party's failure to perform will not preclude Secured Party from exercising any other rights under the law or this Agreement.

If Secured Party performs for Debtor, Secured Party will use reasonable care. Reasonable care will not include any steps necessary to preserve rights against prior parties or any duty to take action in connection with the management of the Property.

If Secured Party comes into possession of the Property, Secured Party will preserve and protect the Property to the extent required by law. Secured Party's duty of care with

respect to the Property will be satisfied if Secured Party exercises reasonable care in the safekeeping of the Property or in the selection of a third party in possession of the Property.

Secured Party may enforce the obligations of an account debtor or other person obligated on the Property. Secured Party may exercise Debtor's rights with respect to the account debtor's or other person's obligations to make payment or otherwise render performance to Debtor, and enforce any security interest that secures such obligations.

PURCHASE MONEY SECURITY INTEREST. If the Property includes items purchased with the Secured Debts, the Property purchased with the Secured Debts will remain subject to Secured Party's security interest until the Secured Debts are paid in full. Payments on any non-purchase money loan also secured by this Agreement will not be applied to the purchase money loan. Payments on the purchase money loan will be applied first to the non-purchase money portion of the loan, if any, and then to the purchase money portion in the order in which the purchase money Property was acquired. If the purchase money Property was acquired at the same time, payments will be applied in the order Secured Party selects. No security interest will be terminated by application of this formula.

DEFAULT. Debtor will be in default if any of the following occur and Debtor fails to cure the same within five (5) days:

- (1) Debtor (or Borrower, if not the same) fails to make a payment in full when due;
- (2) Debtor fails to perform any condition or keep any covenant on this or any debt or agreement Debtor has with Secured Party;
- (3) a default occurs under the terms of any instrument or agreement evidencing or pertaining to the Secured Debts;
- (4) anything else happens that either causes Secured Party to reasonably believe that Secured Party will have difficulty in collecting the Secured Debts or significantly impairs the value of the Property.

REMEDIES. After Debtor defaults, and after Secured Party gives any legally required notice and opportunity to cure the default, Secured Party may at Secured Party's option do any one or more of the following:

- (1) make all or any part of the Secured Debts immediately due and accrue interest at the highest post-maturity interest rate;
- (2) require Debtor to gather the Property and make it available to Secured Party in a reasonable fashion;
- (3) enter upon Debtor's premises and take possession of all or any part of Debtor's property for purposes of preserving the Property or its value and use and operate Debtor's property to protect Secured Party's interest, all without payment or compensation to Debtor;
- (4) use any remedy allowed by state or federal law, or provided in any agreement evidencing or pertaining to the Secured Debts.

If Secured Party repossesses the Property or enforces the obligations of an account debtor, Secured Party may keep or dispose of the Property as provided by law. Secured Party will apply the proceeds of any collection or disposition first to Secured Party's expenses of enforcement, which includes reasonable attorneys' fees and legal expenses to the extent not prohibited by law, and then to the Secured Debts. Debtor (or Borrower, if not the same) will be liable for the deficiency, if any.

By choosing any one or more of these remedies, Secured Party does not give up the right to use any other remedy. Secured Party does not waive a default by not using a remedy.

WAIVER. Debtor waives all claims for damages caused by Secured Party's acts or omissions where Secured Party acts in good faith.

NOTICE AND ADDITIONAL DOCUMENTS. Where notice is required, Debtor agrees that 10 days prior written notice will be reasonable notice to Debtor under the

Uniform Commercial Code. Notice to one party is notice to all parties. Debtor agrees to sign, deliver, and file any additional documents and certifications Secured Party considers necessary to perfect, continue, or preserve Debtor's obligations under this Agreement and to confirm Secured Party's lien status on the Property.

**AMENDMENT
TO
COMMERCIAL SECURITY AGREEMENT**

THIS AMENDMENT TO COMMERCIAL SECURITY AGREEMENT, dated as of March 31, 2009 (this "**Amendment**"), is entered into as of July 20, 2009 by and between **UNION STATE BANK OF EVEREST DBA BANK OF ATCHISON USB**, as Bank (the "**Bank**") and **MGP INGREDIENTS, INC.** a Kansas corporation (the "**Borrower**").

RECITALS

A. The Borrower and the Bank have entered into that certain Commercial Security Agreement dated as of March 31, 2009 (as amended or otherwise modified, the "**Security Agreement**").

B. The Borrower and the Bank desire to amend the Security Agreement to clarify the collateral description.

C. Subject to the representations and warranties of the Borrower and upon the terms and conditions set forth in this Amendment, the Bank is willing to grant such amendment as more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Borrower and the Bank hereby agree as follows:

SECTION 1. DEFINED TERMS. Capitalized terms used herein but not otherwise defined herein shall have the meaning assigned to such terms in the Security Agreement.

SECTION 2. AMENDMENTS.

2.1 The Property Description of the Property subject to the security interest of the Bank under the Security Agreement is amended and restated to read as follows:

The Property consists of the following:

(1) All equipment, machinery, furniture and fixtures and parts accessories located in the Flour Mill at 1100 Main Street, Atchison Kansas (which real property is legally described in Schedule B hereto) and the Manufacturing building at 210 S. Leonard Street, Onaga, Kansas (which real property is legally described in Schedule B hereto), whether now owned or existing or hereafter acquired or arising, including the property listed in Schedule A hereto, and all repairs, replacements, substitutions and improvements of and to such property and all proceeds of the foregoing. (2) Real estate mortgage covering all of MGP's rights, title and interest in and to all of the real property, improvements and fixtures and all proceeds of the foregoing, whether now

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owned or existing or hereafter acquired or arising, located at the locations above specified. (3) All fixtures and goods that are to become fixtures on the real property at the locations above.

SECTION 3. LIMITATIONS ON AMENDMENTS.

3.1 The amendment set forth in **Sections 2** above is effective for the purposes set forth herein and will be limited precisely as written and will not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of the Security Agreement, (b) otherwise prejudice any right or remedy which the Bank may now have or may have in the future under or in connection with the Security Agreement or (c) be a consent to any future amendment, waiver or modification of any other term or condition of the Security Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES. In order to induce the Bank to enter into this Amendment, the Borrower represents and warrant to the Bank as follows:

4.1 Immediately after giving effect to this Amendment, no Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Amendment; and

4.2 The execution, delivery and performance by the Borrower of this Amendment are within the Borrower's powers, have been duly authorized by all necessary action.

SECTION 5. EXPENSES. The Borrower agrees to pay to the Bank upon demand, the amount of any and all out-of-pocket expenses, including the reasonable fees and expenses of its counsel, which the Bank may incur in connection with the preparation, documentation, and negotiation of this Amendment and all related documents.

SECTION 6. EFFECTIVENESS. This Amendment will become effective as of the date hereof upon the execution and delivery of this Amendment, whether the same or different copies, by the Borrower and Bank .

SECTION 7. COUNTERPARTS. This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts will be deemed an original of this Amendment.

2

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

BORROWER:

MGP INGREDIENTS, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk

Title: President & CEO

BANK:

UNION STATE BANK OF EVEREST DBA BANK OF ATCHISON USB

By: /s/ Steven J. Handke

Name: Steven J. Handke

Title: President, CEO



STATE OF KANSAS, ATCHISON COUNTY, SS
 MARLENE WAGNER, REGISTER OF DEEDS
 Book: 571 Page: 782-791
 Reg. Fee: \$14.00 Recording Fee: \$44.00
 Pages Recorded: 10 Document Fee: \$3.00
 Mortgage Amt: \$1,500,000.00
 Date Recorded: 4/1/2009 2:55:00 PM

Return To: Union State Bank of Everest DBA Bank of Atchison USB
 701 Kansas Avenue
 Prepared By: Donald E. Ball

State of Kansas Space Above This Line For Recording Data

REAL ESTATE MORTGAGE
 (With Future Advance Clause)

1. **DATE AND PARTIES.** The date of this Mortgage (Security Instrument) is March 31, 2009 and the parties, their addresses and tax identification numbers, if required, are as follows:

MORTGAGOR:

MGP INGREDIENTS, INC. a Kansas Corporation
1300 Main Street PO Box 130
Atchison, KS 66002

☐ If checked, refer to the attached Addendum incorporated herein, for additional Mortgagors, their signatures and acknowledgments.

LENDER:

Union State Bank of Everest DBA. Bank of Atchison USB, organized and existing under the laws of Kansas
701 Kansas Avenue
Atchison, KS 66002

Taxpayer ID #: 48-0456400

2. **CONVEYANCE.** For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debt (defined below) and Mortgagor's performance under this Security Instrument, Mortgagor grants, bargains, conveys, mortgages and warrants to Lender the following described property:
 See schedule "A"

ORIGINAL
 COMPARED WITH RECORD



Betty Jo Abila
 Register of Deeds
 Pottawatomie County
 Book: 553 Page: 100
 Receipt #: 44767 Recording Fee: \$44.00
 Mortgage #: 200800381 Authorized By: [Signature]
 Pages Recorded: 10
 Date Recorded: 4/8/2009 2:26:44 PM

KANSAS - AGRICULTURAL/COMMERCIAL REAL ESTATE SECURITY INSTRUMENT
 (NOT FOR FNMA, FHLMC, FHA OR VA USE, AND NOT FOR CONSUMER PURPOSES)
 © 1993, 2001 Bankers Systems, Inc., St. Cloud, MN Form AGCO-RESI-K9 11/25/2003
 13615 CV (1/04) BOA92260

GOTO(00167c00)

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The property is located in **Atchison** at _____
 (County)
 _____, Kansas
 (Address) _____ (City) _____ (Zip Code)

Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, crops, timber, all diversion payments or third party payments made to crop producers, all water and riparian rights, wells, ditches, reservoirs, and water stock and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the real estate described above (all referred to as "Property").

3. **MAXIMUM OBLIGATION LIMIT.** The total principal amount secured by this Security Instrument at any one time shall not exceed **\$1,500,000.00**. This limitation of amount does not include interest and other fees and charges validly made pursuant to this Security Instrument. Also, this limitation does not apply to advances made under the terms of this Security Instrument to protect Lender's security and to perform any of the covenants contained in this Security Instrument. The limitation is for the purposes set forth in K.S.A. § 9-1101, § 58-2336 and § 79-3102.

4. **SECURED DEBT AND FUTURE ADVANCES.** The term "Secured Debt" is defined as follows:

A. Debt Incurred under the terms of all promissory note(s), contract(s), guaranty(ies) or other evidence of debt described below and all their extensions, renewals, modifications or substitutions. (When referencing the debts below it is suggested that you include items such as borrowers' names, note amounts, interest rates, maturity dates, etc.)

Universal Note dated March 31, 2009 in the amount of \$1,500,000.00 and any other extensions of credit in the future which reference this mortgage.

B. All future advances from Lender to Mortgagor or other future obligations of Mortgagor to Lender under any promissory note, contract, guaranty, or other evidence of debt existing now or executed after this Security Instrument whether or not this Security Instrument is specifically referenced, or such future advances or future obligations are incurred for any purpose that was related or unrelated to the purpose of the Security Instrument. If more than one person signs this Security Instrument,

each Mortgagor agrees that this Security Instrument will secure all future advances and future obligations that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagor and others. All future advances and other future obligations are secured by this Security Instrument even though all or part may not yet be advanced. All future advances and other future obligations are secured as if made on the date of this Security Instrument. Nothing in this Security Instrument shall constitute a commitment to make additional or future loans or advances in any amount. Any such commitment must be agreed to in a separate writing.

- C. All obligations Mortgagor owes to Lender, which now exist or may later arise, to the extent not prohibited by law, including, but not limited to, liabilities for overdrafts relating to any deposit account agreement between Mortgagor and Lender.
- D. All additional sums advanced and expenses incurred by Lender for insuring, preserving or otherwise protecting the Property and its value and any other sums advanced and expenses incurred by Lender under the terms of this Security Instrument.

This Security Instrument will not secure any other debt if Lender fails to give any required notice of the right of rescission.

- 5. **PAYMENTS.** Mortgagor agrees that all payments under the Secured Debt will be paid when due and in accordance with the terms of the Secured Debt and this Security Instrument.
- 6. **WARRANTY OF TITLE.** Mortgagor warrants that Mortgagor is or will be lawfully seized of the estate conveyed by this Security Instrument and has the right to grant, bargain, convey, sell, mortgage and warrant the Property. Mortgagor also warrants that the Property is unencumbered, except for encumbrances of record.
- 7. **PRIOR SECURITY INTERESTS.** With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or encumbrance on the Property, Mortgagor agrees:

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- A. To make all payments when due and to perform or comply with all covenants.
- B. To promptly deliver to Lender any notices that Mortgagor receives from the holder.
- C. Not to allow any modification or extension of, nor to request any future advances under any note or agreement secured by the lien document without Lender's prior written consent.

- 8. **CLAIMS AGAINST TITLE.** Mortgagor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property, when due. Lender may require Mortgagor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Mortgagor's payment. Mortgagor will defend title to the Property against any claims that would impair the lien of this Security Instrument. Mortgagor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses Mortgagor may have against parties who supply labor or materials to maintain or improve the Property.
- 9. **DUE ON SALE OR ENCUMBRANCE.** Lender may, at its option, declare the entire balance of the Secured Debt to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable. This covenant shall run with the Property and shall remain in effect until the Secured Debt is paid in full and this Security Instrument is released.

10. [INTENTIONALLY DELETED]

- 11. **ENTITY WARRANTIES AND REPRESENTATIONS.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Mortgagor makes to Lender the following warranties and representations which shall continue as long as the Secured Debt remains outstanding:
 - A. Mortgagor is duly organized and validly existing in Mortgagor's state of incorporation or organization. Mortgagor is in good standing in all states in which Mortgagor transacts business. Mortgagor has the power and authority to own the Property and to carry on its business as now being conducted and, as applicable, is qualified to do so in each state in which Mortgagor operates.
 - B. The execution, delivery and performance of this Security Instrument by Mortgagor and the obligations evidenced by the Secured Debt are within the power of Mortgagor, have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law, or order of court or governmental agency.
 - C. Other than previously disclosed in writing to Lender, Mortgagor has not changed its name within the last ten years and has not used any other trade or fictitious name. Without Lender's prior written consent, Mortgagor does not and will not use any other name and will preserve its existing name, trade names and franchises until the Secured Debt is satisfied.
- 12. **PROPERTY CONDITION, ALTERATIONS AND INSPECTION.** Mortgagor will keep the Property in good condition and make all repairs that are reasonably necessary. Mortgagor shall not commit or allow any waste, impairment, or deterioration of the Property. Mortgagor will keep the Property free of noxious weeds and grasses. Mortgagor agrees that the nature of the occupancy and use will not substantially change without Lender's prior written consent. Mortgagor will not permit any change in any license, restrictive covenant or easement without Lender's prior written consent. Mortgagor will notify Lender of all demands, proceedings, claims, and actions against Mortgagor, and of any loss or damage to the Property.

No portion of the Property will be removed, demolished or materially altered without Lender's prior written consent except that Mortgagor has the right to remove items of personal property comprising a part of the Property that become worn or obsolete, provided that such personal property is replaced with other personal property at least equal in value to the replaced personal property, free from any title retention device, security agreement or other encumbrance. Such replacement of personal property will be deemed subject to the security interest created by this Security instrument. Mortgagor shall not partition or subdivide the Property without Lender's prior written consent.

Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Lender shall give Mortgagor notice at the time of or before an inspection specifying a reasonable purpose for the inspection. Any inspection of the Property shall be entirely for Lender's benefit and Mortgagor will in no way rely on Lender's inspection.

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- 13. **AUTHORITY TO PERFORM.** if Mortgagor fails to perform any duty or any of the covenants contained in this Security instrument, Lender may, without notice, perform or cause them to be performed. Mortgagor appoints Lender as attorney in fact to sign Mortgagor's name or pay any amount necessary for performance. Lender's right to perform for Mortgagor shall not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights

under the law or this Security Instrument. If any construction on the Property is discontinued or not carried on in a reasonable manner, Lender may take all steps necessary to protect Lender's security interest in the Property, including completion of the construction.

14. ASSIGNMENT OF LEASES AND RENTS. Mortgagor assigns, grants, bargains, conveys, mortgages and warrants to Lender as additional security all the right, title and interest in the following (Property).

- A. Existing or future leases, subleases, licenses, guaranties and any other written or verbal agreements for the use and occupancy of the Property, including but not limited to, any extensions, renewals, modifications or replacements (Leases).
- B. Rents, issues and profits, including but not limited to, security deposits, minimum rents, percentage rents, additional rents, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Mortgagor may have that in any way pertain to or are on account of the use or occupancy of the whole or any part of the Property (Rents).

In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement.

Mortgagor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed. Mortgagor may collect, receive, enjoy and use the Rents so long as Mortgagor is not in default. Mortgagor will not collect in advance any Rents due in future lease periods, unless Mortgagor first obtains Lender's written consent. Upon default, Mortgagor will receive any Rents in trust for Lender and Mortgagor will not commingle the Rents with any other funds. When Lender so directs, Mortgagor will endorse and deliver any payments of Rents from the Property to Lender. Amounts collected will be applied at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Mortgagor agrees that this Security Instrument is immediately effective between Mortgagor and Lender and effective as to third parties on the recording of this Assignment.

As long as this Assignment is in effect, Mortgagor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Mortgagor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Mortgagor or any party to the Lease defaults or fails to observe any applicable law, Mortgagor will promptly notify Lender. If Mortgagor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance.

Mortgagor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so require) without Lender's consent. Mortgagor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Mortgagor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases.

15. LEASEHOLDS; CONDOMINIUMS; PLANNED UNIT DEVELOPMENTS. Mortgagor agrees to comply with the provisions of any lease if this Security Instrument is on a leasehold. If the Property includes a unit in a condominium or a planned unit development, Mortgagor will perform all of Mortgagor's duties under the covenants, by-laws, or regulations of the condominium or planned unit development.

16. DEFAULT. Mortgagor will be in default if any of the following occur or within five (5) days thereafter:

- A. Any party obligated on the Secured Debt falls to make payment when due;
- B. A breach of any term or covenant in this Security Instrument or any other document executed for the purpose of creating, securing or guarantying the Secured Debt which is not cured within any grace period provided;
- C. The making or furnishing of any verbal or written representation, statement or warranty to Lender that is false or incorrect in any material respect by Mortgagor or any person or entity obligated on the Secured Debt;

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- D. The death, dissolution, or insolvency of, appointment of a receiver for, or application of any debtor relief law to, Mortgagor or any other person or entity obligated on the Secured Debt;
- E. A good faith belief by Lender at any time that the prospect of any payment is impaired or the value of the Property is impaired;
- F. A material adverse change in Mortgagor's business including which Lender in its opinion believes impairs the value of the Property or repayment of the Secured Debt; or
- G. Any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

17. REMEDIES ON DEFAULT. In some Instances, federal and state law will require Lender to provide Mortgagor with notice of the right to cure or other notices and may establish time schedules for foreclosure actions. Subject to these limitations, if any, Lender may accelerate the Secured Debt and foreclose this Security Instrument in a manner provided by law if Mortgagor is in default.

At the Option of Lender, all or any part of the agreed fees and charges, accrued interest and principal shall become immediately due and payable, after giving notice if required by law, upon the occurrence of a default or anytime thereafter. In addition, Lender shall be entitled to all the remedies provided by law, the terms of the Secured Debt, this Security Instrument and any related documents. All remedies are distinct, cumulative and not exclusive, and the Lender is entitled to all remedies provided at law or equity, whether or not expressly set forth. The acceptance by Lender of any sum in payment or partial payment on the Secured Debt after the balance is due or is accelerated or after foreclosure proceedings are filed shall not constitute a waiver of Lender's right to require complete cure of any existing default. By not exercising any remedy on Mortgagor's default, Lender does not waive Lender's right to later consider the event a default if it continues or happens again.

18. EXPENSES; ADVANCES ON COVENANTS; ATTORNEYS' FEES; COLLECTION COSTS. Except when prohibited by law, Mortgagor agrees to pay all of Lender's expenses if Mortgagor breaches any covenant in this Security Instrument. Mortgagor will also pay on demand any amount incurred by Lender for insuring, inspecting, preserving or otherwise protecting the Property and Lender's security interest. These expenses will bear interest from the date of the payment until paid in full at the highest interest rate in effect as provided in the terms of the Secured Debt. Mortgagor agrees to pay all reasonable costs and expenses incurred by Lender in collecting, enforcing or protecting Lender's rights and remedies under this Security Instrument. This amount may include, but is not limited to, collection agency fees or attorneys' fees, but not both, and other legal costs and expenses incurred by Lender in exercising any remedy under this loan or under the law, for all persons other than salaried employees of Lender. This Security instrument shall remain in effect until released.

19. ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES. As used in this section, (1) Environmental Law means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, 42 U.S.C. 9601 et seq.), all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) Hazardous Substance means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substances," "hazardous

waste,” “hazardous substance” or “regulated substance” under any Environmental Law.

Mortgagor represents, warrants and agrees that except as disclosed in a Phase I report provided to Lender:

- A. Except as previously disclosed and acknowledged in writing to Lender, no Hazardous Substance has been, is, or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property, except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
- B. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has not and will not cause, contribute to, or permit the release of any Hazardous Substance on the Property.
- C. Mortgagor will immediately notify Lender if (1) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (2) there is a violation of any Environmental Law concerning the Property. In such an event, Mortgagor will take all necessary remedial action in accordance with Environmental Law.
- D. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (1) any Hazardous

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Substance located on, under or about the Property; or (2) any violation by Mortgagor or any tenant of any Environmental Law. Mortgagor will immediately notify Lender in writing as soon as Mortgagor has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Lender has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.

- E. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor and every tenant have been, are and shall remain in full compliance with any applicable Environmental Law.
- F. Except as previously disclosed and acknowledged in writing to Lender, there are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well will be added unless Lender first consents in writing.
- G. Mortgagor will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
- H. Mortgagor will permit, or cause any tenant to permit, Lender or Lender’s agent to enter and inspect the Property and review all records at any reasonable time to determine (1) the existence, location and nature of any Hazardous Substance on, under or about the Property; (2) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; or (3) whether or not Mortgagor and any tenant are in compliance with applicable Environmental Law.
- I. Upon Lender’s request and at any time, Mortgagor agrees, at Mortgagor’s expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Lender. The choice of the environmental engineer who will perform such audit is subject to Lender’s approval.
- J. Lender has the right, but not the obligation, to perform any of Mortgagor’s obligations under this section at Mortgagor’s expense.
- K. As a consequence of any breach of any representation, warranty or promise made in this section, (1) Mortgagor will indemnify and hold Lender and Lender’s successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and attorneys’ fees, which Lender and Lender’s successors or assigns may sustain; and (2) at Lender’s discretion, Lender may release this Security Instrument and in return Mortgagor will provide Lender with collateral of at least equal value to the Property secured by this Security Instrument without prejudice to any of Lender’s rights under this Security Instrument.
- L. Notwithstanding any of the language contained in this Security Instrument to the contrary, the terms of this section shall survive any foreclosure or satisfaction of this Security Instrument regardless of any passage of title to Lender or any disposition by Lender of any or all of the Property. Any claims and defenses to the contrary are hereby waived.

20. CONDEMNATION. Mortgagor will give Lender prompt notice of any pending or threatened action, by private or public entities to purchase or take any or all of the Property through condemnation, eminent domain, or any other means. Mortgagor authorizes Lender to intervene in Mortgagor’s name in any of the above described actions or claims. Mortgagor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds shall be considered payments and will be applied as provided in this Security Instrument. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.

21. INSURANCE. Mortgagor agrees to maintain insurance as follows:

- A. Mortgagor shall keep the Property insured against loss by fire, flood, theft and other hazards and risks reasonably associated with the Property due to its type and location. This insurance shall be maintained in the amounts and for the periods that Lender requires. What Lender requires pursuant to the preceding two sentences can change during the term of the Secured Debt. The insurance carrier providing the insurance shall be chosen by Mortgagor subject to Lender’s approval, which shall not be unreasonably withheld. If Mortgagor fails to maintain the coverage described above, Lender may, at Lender’s option, obtain coverage to protect Lender’s rights in the Property according to the terms of this Security Instrument.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard “mortgage clause” and, where applicable, “loss payee clause.” Mortgagor shall immediately notify Lender of cancellation or termination of the Insurance. Lender shall have the right to hold the policies and renewals. If Lender requires, Mortgagor shall immediately give to Lender all receipts of paid premiums and renewal notices. Upon loss, Mortgagor shall give immediate notice to the insurance carrier and Lender. Lender may make proof of loss if not made immediately by Mortgagor.

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Unless otherwise agreed in writing, all insurance proceeds shall be applied to restoration or repair of the Property or to the Secured Debt, whether or not then due, at Lender’s option. Any application of proceeds to principal shall not extend or postpone the due date of scheduled payment nor change the amount of any payment. Any excess will be paid to the Mortgagor. If the Property is acquired by Lender, Mortgagor’s right to any insurance policies and proceeds resulting from damage to the Property before the acquisition shall pass to Lender to the extent of the Secured Debt immediately before the acquisition.

- B. Mortgagor agrees to maintain comprehensive general liability insurance naming Lender as an additional insured in an amount acceptable to Lender, insuring against claim, arising from any accident or occurrence in or on the Property.
- C. Mortgagor agrees to maintain rental loss or business interruption insurance, as required by Lender, in an amount equal to at least coverage of one year’s debt service, and required escrow account deposits (if agreed to separately in writing), under a form of policy acceptable to Lender.

22. ESCROW FOR TAXES AND INSURANCE. Unless otherwise provided in a separate agreement, Mortgagor will not be required to pay to Lender funds for taxes and insurance in escrow.

- 23. FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Mortgagor will provide to Lender upon request, any financial statement or information Lender may deem reasonably necessary. Mortgagor agrees to sign, deliver, and file any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Mortgagor's obligations under this Security Instrument and Lender's lien status on the Property.
- 24. JOINT AND INDIVIDUAL LIABILITY; CO-SIGNERS; SUCCESSORS AND ASSIGNS BOUND.** All duties under this Security Instrument are joint and individual. If Mortgagor signs this Security Instrument but does not sign an evidence of debt, Mortgagor does so only to mortgage Mortgagor's interest in the Property to secure payment of the Secured Debt and Mortgagor does not agree to be personally liable on the Secured Debt. If this Security Instrument secures a guaranty between Lender and Mortgagor, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation. These rights may include, but are not limited to, any anti-deficiency or one-action laws. Mortgagor agrees that Lender and any party to this Security Instrument may extend, modify or make any change in the terms of this Security Instrument or any evidence of debt without Mortgagor's consent. Such a change will not release Mortgagor from the terms of this Security Instrument. The duties and benefits of this Security Instrument shall bind and benefit the successors and assigns of Mortgagor and Lender.
- 25. APPLICABLE LAW; SEVERABILITY; INTERPRETATION.** This Security Instrument is governed by the laws of the jurisdiction in which Lender is located, except to the extent otherwise required by the laws of the jurisdiction where the Property is located. This Security Instrument is complete and fully integrated. This Security Instrument may not be amended or modified by oral agreement. Any section in this Security Instrument, attachments, or any agreement related to the Secured Debt that conflicts with applicable law will not be effective, unless that law expressly or impliedly permits the variations by written agreement. If any section of this Security Instrument cannot be enforced according to its terms, that section will be severed and will not affect the enforceability of the remainder of this Security Instrument. Whenever used, the singular shall include the plural and the plural the singular. The captions and headings of the sections of this Security Instrument are for convenience only and are not to be used to interpret or define the terms of this Security Instrument. Time is of the essence in this Security Instrument.
- 26. NOTICE.** Unless otherwise required by law, any notice shall be given by delivering it or by mailing it by first class mail to the appropriate party's address on page 1 of this Security Instrument, or to any other address designated in writing. Notice to one mortgagor will be deemed to be notice to all mortgagors.
- 27. WAIVERS.** Except to the extent prohibited by law, Mortgagor waives all appraisal, homestead exemption, and redemption rights relating to the Property. However, the waiver of redemption is not applicable to that portion of the Property that covers agricultural land or a single or two-family dwelling owned by or held in trust for a natural person.
- 28. U.C.C. PROVISIONS.** If checked, the following are applicable to, but do not limit, this Security Instrument:
- ☐ **Construction Loan.** This Security Instrument secures an obligation incurred for the construction of an improvement on the Property.
 - ☒ **Fixture Filing.** Mortgagor grants to Lender a security interest in all goods that Mortgagor owns now or in the future and that are or will become fixtures related to the Property.

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- ☐ **Crops; Timber; Minerals; Rents, Issues and Profits.** Mortgagor grants to Lender a security interest in all crops, timber and minerals located on the Property as well as all rents, issues, and profits of them including, but not limited to, all Conservation Reserve Program (CRP) and Payment in Kind (PIK) payments and similar governmental programs (all of which shall also be included in the term "Property").
 - ☐ **Personal Property.** Mortgagor grants to Lender a security interest in all personal property located on or connected with the Property, including all farm products, inventory, equipment, accounts, documents, instruments, chattel paper, general intangibles, and all other items of personal property Mortgagor owns now or in the future and that are used or useful in the construction, ownership, operation, management, or maintenance of the Property (all of which shall also be included in the term "Property"). The term "personal property" specifically excludes that property described as "household goods" secured in connection with a "consumer" loan as those terms are defined in applicable federal regulations governing unfair and deceptive credit practices.
 - ☐ **Filing As Financing Statement.** Mortgagor agrees and acknowledges that this Security Instrument also suffices as a financing statement and any carbon, photographic or other reproduction may be filed of record for purposes of Article 9 of the Uniform Commercial Code.
- 29. OTHER TERMS.** If checked, the following are applicable to this Security Instrument:
- ☐ **Line of Credit.** The Secured Debt includes a revolving line of credit provision. Although the Secured Debt may be reduced to a zero balance, this Security Instrument will remain in affect until released.
 - ☐ **Agricultural Property.** Mortgagor covenants and warrants that the Property will be used principally for agricultural or farming purposes and that Mortgagor is an individual or entity allowed to own agricultural land as specified by law.
 - ☐ **Purchase Money Mortgage.** The Secured Debt includes money which is used in whole or in part to purchase the Property.
 - ☐ **Separate Assignment.** The Mortgagor has executed or will execute a separate assignment of leases and rents. If the separate assignment of leases and rents is properly executed and recorded, then the separate assignment will supersede this Security Instrument's "Assignment of Leases and Rents" section.
 - ☐ **Additional Terms.**
- 30. WAIVER OF JURY TRIAL.** To the extent not prohibited by law, Mortgagor and Lender knowingly and intentionally waive the right, which the party may have, to a trial by jury with respect to any litigation arising from the Secured Debt, or any other agreement executed in conjunction with the Evidence of Debt and this Mortgage. Mortgagor and Lender each acknowledge that this section has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.

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SIGNATURES: By signing below, Mortgagor agrees to the terms and covenants contained in this Security Instrument and in any attachments. Mortgagor also acknowledges receipt of a copy of this Security Instrument on the date stated on page 1.

Entity Name: MGP INGREDIENTS, INC.

Entity Name: _____

/s/ Timothy Wl Newkirk
(Signature) Timothy W. Newkirk, Pres. & CEO
(Date)

(Date) (Signature)

(Signature) (Date)

(Signature) (Date)

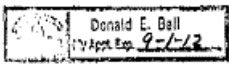
ACKNOWLEDGMENT:

(Individual) STATE OF _____, COUNTY OF _____) ss.
This Instrument was acknowledged before me this _____ day of _____
by _____
My commission expires: _____

(Notary Public)

(Business or Entity Acknowledgment) STATE OF KANSAS, COUNTY OF ATCHISON) ss.
This Instrument was acknowledged before me this 31st day of March 2009 by Timothy W. Newkirk, President & CEO (Title(s)) of **MGP INGREDIENTS, INC.** (Name of Business or Entity) a **Kansas Corporation** on behalf of the business or entity.
My commission expires: 9-1-12

/s/ Donald E. Bell
(Notary Public)



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**LEGAL DESCRIPTION
SCHEDULE "A"
MARCH 31, 2009**

Tract 1: The North One Hundred Ten feet (N. 110') of Lots Eleven (11) to Twenty-one (21) inclusive, in Block Thirty-Two (32), L.C. Challiss Addition to the City of Atchison, Atchison County, Kansas, According to the Plat thereof on file and of record in the office of the register of deeds of said Atchison County, including the following portions of vacated street adjacent thereto, viz.: The vacated South Eleven and One half feet (S. 11 1/2') of Main Street from the center of 11th street to the East line of Lot Eleven (11) in said Block and the vacated portion of 11th Street from Main Street to the South line of said 110' foot strip.

Tract 2: The North One Hundred Ten feet (N. 110') of Lots One (1) to Twenty-four (24), inclusive, in Block Forty-one (41), L. C. Challiss Addition to the City of Atchison, Atchison County, Kansas, According to the Plat thereof on file and of record in the office of the register of deeds of said Atchison County, including the following portions of vacated streets and alleys adjacent thereto, viz: The vacated alley from Main Street to the South line of said 110 foot strip between Lots Nineteen (19) and Twenty (20) in said Block Forty-One (41), the vacated South Eleven and One-half (11 1/2) feet of Main Street from the center of 11th Street to the Center of 12th Street, The vacated West half of 11th Street from Main Street to the South line of said 110 foot strip and the vacated East half of 12th Street from Main Street to the South line of said 110 foot strip.

Tract 3: A tract of land located in the Northeast Quarter of the Southeast Quarter of Section 34, Township 6 South, Range 11 East of the 6th P. M., in Pottawatomie County, Kansas, more particularly described as follows: Commencing at the point of intersection of the center line of the Union Pacific Railroad Company main track, as located in August 1988 with the East Right-of-Way line of Leonard Street, a public street; thence along the East Right-of-Way line of said Leonard Street South 394.00 feet to the Northwest corner of the Kermit Fairbanks tract as described on Page 144 of Book 164 at the Pottawatomie County Register of Deeds; thence along the Northerly line or extended Northerly line of the said Fairbanks tract and the Northerly line of the Onaga Area Community Center Fund tract as described on Page 355 of Book 228 at the Pottawatomie County Register of Deeds, being the Southerly line of the Onaga Waterworks Tract, S 82°52'25" E 280.00 feet to the point of beginning, being corner 1, marked by a 1/2" iron bar; said corner 1 being the Southeast corner of the said Onaga City Waterworks Tract; thence continuing along the Northerly line of said Onaga Area Community Center Fund Tract, S 82°52'25" E, 35.54 feet to the Northeast corner of the said Onaga Area Community Center Fund Tract, being corner 2, marked by a 1/2" iron bar; thence along the Easterly line of the said Onaga Area Community Center Fund Tract, being parallel to and 214.00 feet perpendicular from the Easterly line of the said Fairbanks Tract South 382.01 feet to the Northerly Right-of-Way line of a public road, known as the John Selbach Road, being corner 3 marked by a 1/2" iron bar; thence traversing along the Northerly Right-of-Way line of said John Selbach Road the following three courses:

- (1) S 64°27'15" E, 312.76 feet to corner 4, marked by a 1/2" iron bar;
- (2) on a curve to the left with a radius of 640.87 feet an arc length of 209.85 feet, chord of said curve bears S 73°50'04" E, 208.91 feet to corner 5, marked by a 1/2" iron bar;
- (3) S 83°12'53" E, 123.97 feet to the Southwesterly Right-of-Way line of the Union Pacific Railroad Company, being corner 8, marked by a 1/2" iron bar, said corner 6 being 740.27 feet S0°11'13" W, 387.41 feet N 89°48'47" W from the East Quarter of said Section 34; thence along the Southwesterly Right-of-Way line of the Union Pacific Railroad Company on a curve to the left with a radius of 3762.74 feet (chord definition) an arc length of 938.82 feet, chord of said curve bears N 43°19'52" W, 934.40 feet to corner 7, marked by a 1/2" iron bar, said corner 7 being on the Easterly line of the said Onaga City Waterworks tract; thence along the Easterly line of the said Onaga City Waterworks tract South 85.58 feet to the point of beginning.

MGP INGREDIENTS, INC. (TIN:48-0531200)
PO Box 130
Atchison, KS 66002

Union State Bank of Everest DBA Bank of Atchison USB
701 Kansas Avenue
Atchison, KS 66002

Loan Number BOA92377
Date 07/20/09
Maturity Date 07/25/16
Loan Amount \$ 2,000,000.00
Renewal Of New

BORROWER'S NAME AND ADDRESS

"I" includes each borrower above, jointly and severally

LENDER'S NAME AND ADDRESS

"You" means the lender, its successors and assigns.

For value received, I promise to pay to you, or your order, at your address listed above the PRINCIPAL sum of **Two Million and 00/100**
Dollars **\$2,000,000.00**

☒ **Single Advance:** I will receive all of this principal sum on **July 20, 2009**. No additional advances are contemplated under this note.

☐ **Multiple Advance:** The principal sum shown above is the maximum amount of principal I can borrow under this note. On _____ I will receive the amount of \$ _____ and future principal advances are contemplated.

Conditions: The conditions for future advances are

☐ **Open End Credit:** You and I agree that I may borrow up to the maximum amount of principal more than one time. This feature is subject to all other conditions and expires on _____.

☒ **Closed End Credit:** You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

INTEREST: I agree to pay interest on the outstanding principal balance from **July 20, 2009** at the rate of **7.500%** per year until **October 25, 2009**.

☒ **Variable Rate:** This rate may then change as stated below.

☒ **index Rate:** The future rate will be **6.000% over** the following index rate: **Three Year Treasury**

☐ **No Index:** The future rate will not be subject to any internal or external index. It will be entirely in your control.

☒ **Frequency and Timing:** The rate on this note may change as often as **every three months beginning October 25, 2009**. A change in the interest rate will take effect **Oct. 25th, 2009 and every third month thereafter**.

☐ **Limitations:** During the term of this loan, the applicable annual interest rate will not be more than _____ % or less than _____ %. The rate may not change more than _____ % each _____.

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:

☐ The amount of each scheduled payment will change. ☐ The amount of the final payment will change.

☐

ACCRUAL METHOD: Interest will be calculated on a **Actual/360 Day** basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:

☒ on the same fixed or variable rate basis in effect before maturity (as indicated above).

☐ at a rate equal to _____

☒ **LATE CHARGE:** If a payment is made more than **10** days after it is due, I agree to pay a late charge of **5% of the late payment with a minimum of \$1,000 and a maximum of \$1,500**

☐ **ADDITIONAL CHARGES:** In addition to interest, I agree to pay the following charges which ☐ are ☐ are not included in the principal amount above:

PAYMENTS: I agree to pay this note as follows:

☐ **Interest:** I agree to pay accrued interest

☐ **Principal:** I agree to pay the principal

☒ **Installments:** I agree to pay this note in **84** payments. The first payment will be in the amount of **\$32,000.00** and will be due **August 25, 2009**. A payment of **\$32,000.00** will be due **on the 25th day of each month** thereafter. The final payment of the entire unpaid balance of principal and interest will be due **July 25th 2016**.

ADDITIONAL TERMS:

Borrower agrees to the following: 1) Provide unedited Monthly financial statements, profit & loss and Cash flow projections within 30 days after Month end. 2) Provide the Bank with adequate insurance coverage on mortgaged assets to include Flood Insurance in the designated areas. 3) Pay all fees associated with this loan-see work sheet dated 7-20-09. 4) A prepayment fee of 3% of the balance, based on the regular scheduled payment of \$32,000 a month. This prepayment penalty is for the 1st Five years, ending July 25th, 2014. Bank will waive the prepayment fee, if Bank is a party to a renewal of this note. 5) Provide bank with all monitoring results for the active 'LUST' as identified in the Phase 1 environmental study dated March 2009 by URS. 6) All terms are subject to the Intercreditor agreement dated July 20th 2009. Borrower and Lender acknowledge the existence of recognizable environmental conditions (RECs) as disclosed in the "Phase 1 Environmental Site Assessment" dated March 2009, completed by URS. Lender accepts this as full disclosure of known RECs by borrower.

☒ **SECURITY:** This note is separately secured by (describe separate document by type and date):

Security agreement dated 7-20-09 and Real estate mortgage dated 7-20-09

(This section is for your internal use. Failure to list a separate security document does not mean the agreement will not secure this note.)

Signature for Lender

/s/ Donald E. Ball

Donald E. Ball, Senior Vice President

PURPOSE: The purpose of this loan is **working capital**

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON PAGE 2). I have received a copy on today's date.
MGP INGREDIENTS, INC.

/s/ Timothy W. Newkirk

Timothy W. Newkirk, President & CEO

UNIVERSAL NOTE

Exempt © 1984, 1991 Bankers Systems, Inc., St. Cloud, MN Form UN 3/4/2002
13623.CV (8/05) BOA92377

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DEFINITIONS: As used on page 1, "I" means the terms that apply to this loan. "I," "me" or "my" means each Borrower who signs this note and each other person or legal entity (including guarantors, endorser, and sureties) who agrees to pay this note (together referred to as "us"). "You" or "your" means the Lender and its successors and assigns.

APPLICABLE LAW: The law of the state in which you are located will govern this note. Any term of this note which is contrary to applicable law will not be effective, unless the law permits you and me to agree to such a variation. If any provision of this agreement cannot be enforced according to its terms, this fact will not affect the enforceability of the remainder of this agreement. No modification of this agreement may be made without your express written consent. Time is of the essence in this agreement.

COMMISSIONS OR OTHER REMUNERATION: I understand and agree that any insurance premiums paid to insurance companies as part of this note will involve money retained by you or paid back to you as commissions or other remuneration.

In addition, I understand and agree that some other payments to third parties as part of this note may also involve money retained by you or paid back to you as commissions or other remuneration.

PAYMENTS: Each payment I make on this note will first reduce the amount I owe you for charges which are neither interest nor principal. The remainder of each payment will then reduce accrued unpaid interest, and then unpaid principal. If you and I agree to a different application of payments, we will describe our agreement on this note. I may prepay a part of, or the entire balance of this loan without penalty, unless we specify to the contrary on this note. Any partial prepayment will not excuse or reduce any later scheduled payment until this note is paid in full (unless, when I make the prepayment, you and I agree in writing to the contrary).

INTEREST: Interest accrues on the principal remaining unpaid from time to time, until paid in full. If I receive the principal in more than one advance, each advance will start to earn interest only when I receive the advance. The interest rate in effect on this note at any given time will apply to the entire principal advanced at that time. Notwithstanding anything to the contrary, I do not agree to pay and you do not intend to charge any rate of interest that is higher than the maximum rate of interest you could charge under applicable law for the extension of credit that is agreed to here (either before or after maturity). If any notice of interest accrual is sent and is in error, we mutually agree to correct it, and if you actually collect more interest than allowed by law and this agreement, you agree to refund it to me.

INDEX RATE: The index will serve only as a device for setting the rate on this note. You do not guarantee by selecting this index, or the margin, that the rate on this note will be the same rate you charge on any other loans or class of loans to me or other borrowers.

ACCRUAL METHOD: The amount of interest that I will pay on this loan will be calculated using the interest rate and accrual method stated on page 1 of this note. For the purpose of interest calculation, the accrual method will determine the number of days in a "year." If no accrual method is stated, then you may use any reasonable accrual method for calculating interest.

POST MATURITY RATE: For purposes of deciding when the "Post Maturity Rate" (shown on page 1) applies, the term "maturity" means the date of the last scheduled payment indicated on page 1 of this note or the date you accelerate payment on the note, whichever is earlier.

SINGLE ADVANCE LOANS: If this is a single advance loan, you and I expect that you will make only one advance of principal. However, you may add other amounts to the principal if you make any payments described in the "PAYMENTS BY LENDER" paragraph below.

MULTIPLE ADVANCE LOANS: If this is a multiple advance loan, you and I expect that you will make more than one advance of principal. If this is closed end credit, repaying a part of the principal will not entitle me to additional credit.

PAYMENTS BY LENDER: If you are authorized to pay, on my behalf, charges I am obligated to pay (such as property insurance premiums), then you may treat those payments made by you as advances and add them to the unpaid principal under this note, or you may demand immediate payment of the charges.

SET-OFF: I agree that you may set off any amount due and payable under this note against any right I have to receive money from you.

"Right to receive money from you" means:

- (1) any deposit account balance I have with you;
- (2) any money owed to me on an item presented to you or in your possession for collection or exchange; and
- (3) any repurchase agreement or other nondeposit obligation.

"Any amount due and payable under this note" means the total amount of which you are entitled to demand payment under the terms of this note at the time you set off. This total includes any balance due the due date for which you properly accelerate under this note.

If my right to receive money from you is also owned by someone who has not agreed to pay this note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement. Your right of set-off does not apply to an account or other obligation where my rights are only as a representative. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set off this debt against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

REAL ESTATE OR RESIDENCE SECURITY: If this note is secured by real estate or a residence that is personal property, the existence of a default and your remedies for such a default will be determined by applicable law, by the terms of any separate instrument creating the security interest and, to the extent not prohibited by law and not contrary to the terms of the separate security instrument, by the "Default" and "Remedies" paragraphs herein.

DEFAULT: I will be in default if any one or more of the following occur: (1) I fail to make a payment on time or in the amount due; (2) I fail to keep the property insured, if required; (3) I fail to pay, or keep any promise, on any debt or agreement I have with you; (4) any other creditor of mine attempts to collect any debt I owe him through court proceedings; (5) I die, am declared incompetent, make an assignment for the benefit of creditors, or become insolvent (either because my liabilities exceed my assets or I am unable to pay my debts as they become due); (6) I make any written statement or provide any financial information that is untrue or inaccurate at the time it was provided; (7) I do or fail to do something which causes you to believe that you will have difficulty collecting the amount I owe you; (8) any collateral securing this note is used in a manner or for a purpose which threatens confiscation by a legal authority; (9) I change my name or assume an additional name without first notifying you before making such a change; (10) I fail to plant, cultivate and harvest crops in due season if I am a producer of crops; (11) any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

REMEDIES: If I am in default on this note you have, but are not limited to, the following remedies:

- (1) You may demand immediate payment of all I owe you under this note (principal, accrued unpaid interest and other accrued charges).
- (2) You may set off this debt against any right I have to the payment of money from you, subject to the terms of the "Set-Off" paragraph herein.
- (3) You may demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy.
- (4) You may refuse to make advances to me or allow purchases on credit by me.
- (5) You may use any remedy you have under state or federal law.

By selecting any one or more of these remedies you do not give up your right to later use any other remedy. By waiving your right to declare an event to be a default, you do not waive your right to later consider the event as a default if it continues or happens again.

COLLECTION COSTS AND ATTORNEY'S FEES: I agree to pay all costs of collection, replevin or any other or similar type of cost if I am in default. In addition, if you hire an attorney to collect this note, I also agree to pay any fee you incur with such attorney plus court costs (except where prohibited by law). To the extent permitted by the United States Bankruptcy Code, I also agree to pay the reasonable attorney's fees and costs you incur to collect this debt as awarded by any court exercising jurisdiction under the Bankruptcy Code.

WAIVER: I give up my rights to require you to do certain things. I will not require you to:

- (1) demand payment of amounts due (presentment);
- (2) obtain official certification of nonpayment (protest); or
- (3) give notice that amounts due have not been paid (notice of dishonor).

I waive any defenses I have based on suretyship or impairment of collateral.

OBLIGATIONS INDEPENDENT: I understand that I must pay this note even if someone else has also agreed to pay it (by, for example, signing this form or a separate guarantee or endorsement). You may sue me alone, or anyone else who is obligated on this note, or any number of us together, to collect this note. You may do so without any notice that it has not been paid (notice of dishonor). You may without notice release any party to this agreement without releasing any other party. If you give up any of your rights, with or without notice, it will not affect my duty to pay this note. Any extension of new credit to any of us, or renewal of this note by all or less than all of us will not release me from my duty to pay it. (Of course, you are entitled to only one payment in full.) I agree that you may at your option extend this note or the debt represented by this note, or any portion of the note or debt, from time to time without limit or notice and for any term without affecting my liability for payment of the note. I will not assign my obligation under this agreement without your prior written approval.

FINANCIAL INFORMATION: I agree to provide you, upon request, any financial statement or information you may deem necessary. I warrant that the financial statements and information I provide to you are or will be accurate, correct and complete.

NOTICE: Unless otherwise required by law, any notice to me shall be given by delivering it or by mailing it by first class mail addressed to me at my last known address. My current address is on page 1. I agree to inform you in writing of any change in my address. I will give any notice to you by mailing it first class to your address stated on page 1 of this agreement, or to any other address that you have designated.

DATE OF TRANSACTION	PRINCIPAL ADVANCE	BORROWER'S INITIALS (not required)	PRINCIPAL PAYMENTS	PRINCIPAL BALANCE	INTEREST RATE	INTEREST PAYMENTS	INTEREST PAID THROUGH:
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
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	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	

DEBTOR NAME AND ADDRESS

MGP INGREDIENTS, INC.
PO Box 130
Atchison, KS 66002

SECURED PARTY NAME AND ADDRESS

Union State Bank of Everest DBA Bank of Atchison USB
701 Kansas Avenue
Atchison, KS 66002

Type: ☐ individual ☐ partnership ☒ corporation ☐
State of organization/registration (if applicable) **Kansas**
☐ If checked, refer to addendum for additional Debtors and signatures.

COMMERCIAL SECURITY AGREEMENT

The date of this Commercial Security Agreement (Agreement) is July 20, 2009

SECURED DEBTS. This Agreement will secure all sums advanced by Secured Party under the terms of this Agreement and the payment and performance of the following described Secured Debts that (check one) ☒ Debtor ☐

(Borrower) owes to Secured Party:

☐ **Specific Debts.** The following debts and all extensions, renewals, refinancings, modifications, and replacements (describe):

☒ **All Debts.** All present and future debts, even if this Agreement is not referenced, the debts are also secured by other collateral, or the future debt is unrelated to or of a different type than the current debt. Nothing in this Agreement is a commitment to make future loans or advances.

SECURITY INTEREST. To secure the payment and performance of the Secured Debts, Debtor gives Secured Party a security interest in all of the Property described in this Agreement that Debtor owns or has sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accessions to the Property; any original evidence of title or ownership; and all obligations that support the payment or performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property; any rights and claims arising from the Property; and any collections and distributions on account of the Property. This Agreement remains in effect until terminated in writing, even if the Secured Debts are paid and Secured Party is no longer obligated to advance funds to Debtor or Borrower.

PROPERTY DESCRIPTION. The Property is described as follows:

- ☐ **Accounts and Other Rights to Payment:** All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which Debtor may have by law or agreement against any account debtor or obligor of Debtor.
- ☐ **Inventory:** All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in Debtor's business.
- ☐ **Equipment:** All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts, and tools. The Property includes any equipment described in a list or schedule Debtor gives to Secured Party, but such a list is not necessary to create a valid security interest in all of Debtor's equipment.
- ☐ **Instruments and Chattel Paper:** All instruments, including negotiable instruments and promissory notes and any other writings or records that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.
- ☐ **General Intangibles:** All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use Debtor's name.
- ☐ **Documents:** All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.
- ☐ **Farm Products and Supplies:** All farm products including, but not limited to, all poultry and livestock and their young, along with their produce, products, and replacements; all crops, annual or perennial, and all products of the crops; and all feed, seed, fertilizer, medicines, and other supplies used or produced in Debtor's farming operations.
- ☐ **Government Payments and Programs:** All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government program.
- ☐ **Investment Property:** All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.
- ☐ **Deposit Accounts:** All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.
- ☒ **Specific Property Description:** The Property includes, but is not limited by, the following (if required, provide real estate description):

All equipment, parts, accessories, repairs, replacements, substitutions and improvements of and to such Equipment and all proceeds of the foregoing located upon the Flour Mill Real Estate, Onaga Real Estate and Atchison Plant Real Estate located on the North side of the 1100 block of Main, the North & South side of 1200 and 1300 main street Atchison Kansas.

USE OF PROPERTY. The Property will be used for ☐ personal ☒ business ☐ agricultural ☐ purposes.

SIGNATURES. Debtor agrees to the terms on pages 1 and 2 of this Agreement and acknowledges receipt of a copy of this Agreement.

DEBTOR

MGP INGREDIENTS, INC.

/s/ Timothy W. Newkirk
Timothy W. Newkirk, President and CEO

SECURED PARTY

Union State Bank of Everest DBA Bank of Atchison USB

/s/ Donald E. Ball
Donald E. Ball, Senior Vice President

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GOTO(00170de8)

GENERAL PROVISIONS. Each Debtor's obligations under this Agreement are independent of the obligations of any other Debtor. Secured Party may sue each Debtor individually or together with any other Debtor. Secured Party may release any part of the Property and Debtor will remain obligated under this Agreement. The duties and benefits of this Agreement will bind the successors and assigns of Debtor and Secured Party. No modification of this Agreement is effective unless made in writing and signed by Debtor and Secured Party. Whenever used, the plural includes the singular and the singular includes the plural. Time is of the essence.

APPLICABLE LAW. This Agreement is governed by the laws of the state in which Secured Party is located. In the event of a dispute, the exclusive forum, venue, and

place of jurisdiction will be the state in which Secured Party is located, unless otherwise required by law. If any provision of this Agreement is unenforceable by law, the unenforceable provision will be severed and the remaining provisions will still be enforceable.

NAME AND LOCATION. Debtor's name indicated on page 1 is Debtor's exact legal name. If Debtor is an individual, Debtor's address is Debtor's principal residence. If Debtor is not an individual, Debtor's address is the location of Debtor's chief executive offices or sole place of business. If Debtor is an entity organized and registered under state law, Debtor has provided Debtor's state of registration on page 1. Debtor will provide verification of registration and location upon Secured Party's request. Debtor will provide Secured Party with at least 30 days notice prior to any change in Debtor's name, address, or state of organization or registration.

WARRANTIES AND REPRESENTATIONS. Debtor has the right, authority, and power to enter into this Agreement. The execution and delivery of this Agreement will not violate any agreement governing Debtor or Debtor's property, or to which Debtor is a party. Debtor makes the following warranties and representations which continue as long as this Agreement is in effect:

- (1) Debtor is duly organized and validly existing in all jurisdictions in which Debtor does business;
- (2) the execution and performance of the terms of this Agreement have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law or order;
- (3) other than previously disclosed to Secured Party, Debtor has not changed Debtor's name or principal place of business within the last 10 years and has not used any other trade or fictitious name; and
- (4) Debtor does not and will not use any other name without Secured Party's prior written consent.

Debtor owns all of the Property, and Secured Party's claim to the Property is ahead of the claims of any other creditor, except as otherwise agreed and disclosed to Secured Party prior to any advance on the Secured Debts. The Property has not been used for any purpose that would violate any laws or subject the Property to forfeiture or seizure.

DUTIES TOWARD PROPERTY. Debtor will protect the Property and Secured Party's interest against any competing claim. Except as otherwise agreed, Debtor will keep the Property in Debtor's possession at the address indicated on page 1 of this Agreement. Debtor will keep the Property in good repair and use the Property only for purposes specified on page 1. Debtor will not use the Property in violation of any law and will pay all taxes and assessments levied or assessed against the Property. Secured Party has the right of reasonable access to inspect the Property, including the right to require Debtor to assemble and make the Property available to Secured Party. Debtor will immediately notify Secured Party of any loss or damage to the Property. Debtor will prepare and keep books, records, and accounts about the Property and Debtor's business, to which Debtor will allow Secured Party reasonable access.

Debtor will not sell, offer to sell, license, lease, or otherwise transfer or encumber the Property without Secured Party's prior written consent. Any disposition of the Property will violate Secured Party's rights, unless the Property is inventory sold in the ordinary course of business at fair market value. If the Property includes chattel paper or instruments, either as original collateral or as proceeds of the Property, Debtor will record Secured Party's interest on the face of the chattel paper or instruments. If the Property includes accounts, Debtor will not settle any account for less than the full value, dispose of the accounts by assignment, or make any material change in the terms of any account without Secured Party's prior written consent. Debtor will collect all accounts in the ordinary course of business, unless otherwise required by Secured Party. Debtor will keep the proceeds of the accounts, and any goods returned to Debtor, in trust for Secured Party and will not commingle the proceeds or returned goods with any of Debtor's other property. Secured Party has the right to require Debtor to pay Secured Party the full price on any returned items. Secured Party may require account debtors to make payments under the accounts directly to Secured Party. Debtor will deliver the accounts to Secured Party at Secured Party's request. Debtor will give Secured Party all statements, reports, certificates, lists of account debtors (showing names, addresses, and amounts owing), invoices applicable to each account, and any other data pertaining to the accounts as Secured Party requests.

If the Property includes farm products, Debtor will provide Secured Party with a list of the buyers, commission merchants, and selling agents to or through whom Debtor may sell the farm products. Debtor authorizes Secured Party to notify any additional parties regarding Secured Party's interest in Debtor's farm products, unless prohibited by law. Debtor agrees to plant, cultivate, and harvest crops in due season. Debtor will be in default if any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetland to produce or to make possible the production of an agricultural commodity, further explained in 7 CFR Part 1940, Subpart G, Exhibit M. If Debtor pledges the Property to Secured Party (delivers the Property into the possession or control of Secured Party or a designated third party), Debtor will, upon receipt, deliver any proceeds and products of the Property to Secured Party. Debtor will provide Secured Party with any notices, documents, financial statements, reports, and other information relating to the Property Debtor receives as the owner of the Property.

PERFECTION OF SECURITY INTEREST. Debtor authorizes Secured Party to file a financing statement covering the Property. Debtor will comply with, facilitate, and otherwise assist Secured Party in connection with obtaining possession or control over the Property for purposes of perfecting Secured Party's interest under the Uniform Commercial Code.

INSURANCE. Debtor agrees to keep the Property insured against the risks reasonably associated with the Property until the Property is released from this Agreement. Debtor will maintain this insurance in the amounts Secured Party requires. Debtor may choose the insurance company, subject to Secured Party's approval, which will not be unreasonably withheld. Debtor will have the insurance provider name Secured Party as loss payee on the insurance policy. Debtor will give Secured Party and the insurance provider immediate notice of any loss. Secured Party may apply the insurance proceeds toward the Secured Debts. Secured Party may require additional security as a condition of permitting any insurance proceeds to be used to repair or replace the Property. If Secured Party acquires the Property in damaged condition, Debtor's rights to any insurance policies and proceeds will pass to Secured Party to the extent of the Secured Debts. Debtor will immediately notify Secured Party of the cancellation or termination of insurance. If Debtor fails to keep the Property insured, or fails to provide Secured Party with proof of insurance, Secured Party may obtain insurance to protect Secured Party's interest in the Property. The insurance may include coverages not originally required of Debtor, may be written by a company other than one Debtor would choose, and may be written at a higher rate than Debtor could obtain if Debtor purchased the insurance.

AUTHORITY TO PERFORM. Debtor authorizes Secured Party to do anything Secured Party deems reasonably necessary to protect the Property and Secured Party's interest in the Property. If Debtor fails to perform any of Debtor's duties under this Agreement, Secured Party is authorized, without notice to Debtor, to perform the duties or cause them to be performed. These authorizations include, but are not limited to, permission to pay for the repair, maintenance, and preservation of the Property and take any action to realize the value of the Property. Secured Party's authority to perform for Debtor does not create an obligation to perform, and Secured Party's failure to perform will not preclude Secured Party from exercising any other rights under the law or this Agreement.

If Secured Party performs for Debtor, Secured Party will use reasonable care. Reasonable care will not include any steps necessary to preserve rights against prior parties or any duty to take action in connection with the management of the Property.

If Secured Party comes into possession of the Property, Secured Party will preserve and protect the Property to the extent required by law. Secured Party's duty of care with respect to the Property will be satisfied if Secured Party exercises reasonable care in the safekeeping of the Property or in the selection of a third party in possession of the Property.

Secured Party may enforce the obligations of an account debtor or other person obligated on the Property. Secured Party may exercise Debtor's rights with respect to the account debtor's or other person's obligations to make payment or otherwise render performance to Debtor, and enforce any security interest that secures such obligations.

PURCHASE MONEY SECURITY INTEREST. If the Property includes items purchased with the Secured Debts, the Property purchased with the Secured Debts will remain subject to Secured Party's security interest until the Secured Debts are paid in full. Payments on any non-purchase money loan also secured by this Agreement will not be applied to the purchase money loan. Payments on the purchase money loan will be applied first to the non-purchase money portion of the loan, if any, and then to the purchase money portion in the order in which the purchase money Property was acquired. If the purchase money Property was acquired at the same time, payments will be applied in the order Secured Party selects. No security interest will be terminated by application of this formula.

DEFAULT. Debtor will be in default if any of the following occurs and Debtor fails to cure the same within five (5) days:

- (1) Debtor (or Borrower, if not the same) fails to make a payment in full when due;
- (2) Debtor fails to perform any condition or keep any covenant on this or any debt or agreement Debtor has with Secured Party;
- (3) a default occurs under the terms of any instrument or agreement as evidencing or pertaining to the Secured Debts;
- (4) anything else happens that either causes Secured Party to reasonably believe that Secured Party will have difficulty in collecting the Secured Debts or significantly impairs the value of the Property.

REMEDIES. After Debtor defaults, and after Secured Party gives any legally required notice and opportunity to cure the default, Secured Party may at Secured Party's option do any one or more of the following:

- (1) make all or any part of the Secured Debts immediately due and accrue interest at the highest post-maturity interest rate;
- (2) require Debtor to gather the Property and make it available to Secured Party in a reasonable fashion;
- (3) enter upon Debtor's premises and take possession of all or any part of Debtor's property for purposes of preserving the Property or its value and use and operate Debtor's property to protect Secured Party's interest, all without payment or compensation to Debtor;
- (4) use any remedy allowed by state or federal law, or provided in any agreement evidencing or pertaining to the Secured Debts.

If Secured Party repossesses the Property or enforces the obligations of an account debtor, Secured Party may keep or dispose of the Property as provided by law. Secured Party will apply the proceeds of any collection or disposition first to Secured Party's expenses of enforcement, which includes reasonable attorneys' fees and legal expenses to the extent not prohibited by law, and then to the Secured Debts. Debtor (or Borrower, if not the same) will be liable for the deficiency, if any.

By choosing any one or more of these remedies, Secured Party does not give up the right to use any other remedy. Secured Party does not waive a default by not using a remedy.

WAIVER. Debtor waives all claims for damages caused by Secured Party's acts or omissions where Secured Party acts in good faith.

NOTICE AND ADDITIONAL DOCUMENTS. Where notice is required, Debtor agrees that 10 days prior written notice will be reasonable notice to Debtor under the Uniform Commercial Code. Notice to one party is notice to all parties. Debtor agrees to sign, deliver, and file any additional documents and certifications Secured Party considers necessary to perfect, continue, or preserve Debtor's obligations under this Agreement and to confirm Secured Party's lien status on the Property.

Return To: **Union State Bank of Everest DBA Bank of Atchison USB**
701 Kansas Avenue
 Prepared By: **Donald E. Ball**

State of Kansas

Space Above This Line For Recording Data

REAL ESTATE MORTGAGE
 (With Future Advance Clause)

1. **DATE AND PARTIES.** The date of this Mortgage (Security Instrument) is **July 20, 2009** and the parties, their addresses and tax identification numbers, if required, are as follows:

MORTGAGOR:
MGP INGREDIENTS, INC. a Kansas Corporation
PO Box 130
Atchison, KS 66002

☐ If checked, refer to the attached Addendum incorporated herein, for additional Mortgagors, their signatures and acknowledgments.

LENDER:
Union State Bank of Everest DBA Bank of Atchison USB, organized and existing under the laws of Kansas
701 Kansas Avenue
Atchison, KS 66002


Taxpayer ID #: 48-0456400

2. **CONVEYANCE.** For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debt (defined below) and Mortgagor's performance under this Security Instrument, Mortgagor grants, bargains, conveys, mortgages and warrants to Lender the following described property:

See schedule "A"

KANSAS - AGRICULTURAL/COMMERCIAL REAL ESTATE SECURITY INSTRUMENT

(NOT FOR FNMA, FHLMC, FHA OR VA USE, AND NOT FOR CONSUMER PURPOSES)

 © 1993, 2001 Bankers Systems, Inc., St. Cloud, MN Form AGCO-RESI-KS 11/25/2003

13615.CV (1/04) BOA92377

GOTO(00170de6)

The property is located in	Atchison	at	1300 Main
	(County)		
		Atchison	66002
		, Kansas	(Zip Code)
(Address)		(City)	

Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, crops, timber, all diversion payments or third party payments made to crop producers, all water and riparian rights, wells, ditches, reservoirs, and water stock and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the real estate described above (all referred to as "Property").

3. **MAXIMUM OBLIGATION LIMIT.** The total principal amount secured by this Security Instrument at any one time shall not exceed **\$3,500,000.00**. This limitation of amount does not include interest and other fees and charges validly made pursuant to this Security Instrument. Also, this limitation does not apply to advances made under the terms of this Security Instrument to protect Lender's security and to perform any of the covenants contained in this Security Instrument. The limitation is for the purposes set forth in K.S.A. § 9-1101, § 58-2336 and § 79-3102.
4. **SECURED DEBT AND FUTURE ADVANCES.** The term "Secured Debt" is defined as follows:
- A. Debt incurred under the terms of all promissory note(s), contract(s), guaranty(ies) or other evidence of debt described below and all their extensions, renewals, modifications or substitutions. *(When referencing the debts below it is suggested that you include items such as borrowers' names, note amounts, interest rates, maturity dates, etc.)*
Note dated July 20th 2009.
 - B. All future advances from Lender to Mortgagor or other future obligations of Mortgagor to Lender under any promissory note, contract, guaranty, or other evidence of debt existing now or executed after this Security Instrument whether or not this Security Instrument is specifically referenced, or such future advances or future obligations are incurred for any purpose that was related or unrelated to the purpose of the Security Instrument. If more than one person signs this Security Instrument, each Mortgagor agrees that this Security Instrument will secure all future advances and future obligations that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagor and others. All future advances and other future obligations are secured by this Security Instrument even though all or part may not yet be advanced. All future advances and other future obligations are secured as if made on the date of this Security Instrument. Nothing in this Security Instrument shall constitute a commitment to make additional or future loans or advances in any amount. Any such commitment must be agreed to in a separate writing.
 - C. All obligations Mortgagor owes to Lender, which now exist or may later arise, to the extent not prohibited by law, including, but not limited to, liabilities for overdrafts relating to any deposit account agreement between Mortgagor and Lender.
 - D. All additional sums advanced and expenses incurred by Lender for insuring, preserving or otherwise protecting the Property and its value and any other sums advanced and expenses incurred by Lender under the terms of this Security Instrument.

This Security Instrument will not secure any other debt if Lender fails to give any required notice of the right of rescission.

5. **PAYMENTS.** Mortgagor agrees that all payments under the Secured Debt will be paid when due and in accordance with the terms of the Secured Debt and this Security Instrument.
6. **WARRANTY OF TITLE.** Mortgagor warrants that Mortgagor is or will be lawfully seized of the estate conveyed by this Security Instrument and has the right to grant, bargain, convey, sell, mortgage and warrant the Property. Mortgagor also warrants that the Property is unencumbered, except for encumbrances of record.
7. **PRIOR SECURITY INTERESTS.** With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or

encumbrance on the Property, Mortgagor agrees:

- A. To make all payments when due and to perform or comply with all covenants.
- B. To promptly deliver to Lender any notices that Mortgagor receives from the holder.
- C. Not to allow any modification or extension of, nor to request any future advances under any note or agreement secured by the lien document without Lender's prior written consent.

- 8. CLAIMS AGAINST TITLE.** Mortgagor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property when due. Lender may require Mortgagor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Mortgagor's payment. Mortgagor will defend title to the Property against any claims that would impair the lien of this Security Instrument. Mortgagor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses Mortgagor may have against parties who supply labor or materials to maintain or improve the Property.
- 9. DUE ON SALE OR ENCUMBRANCE.** Lender may, at its option, declare the entire balance of the Secured Debt to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable. This covenant shall run with the Property and shall remain in effect until the Secured Debt is paid in full and this Security Instrument is released.
- 10. TRANSFER OF AN INTEREST IN THE MORTGAGE.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Lender may demand immediate payment if:
- A. A beneficial interest in Mortgagor is sold or transferred.
 - B. There is a change in either the identity or number of members of a partnership or similar entity.
 - C. There is a change in ownership of more than 25 percent of the voting stock of a corporation or similar entity.

However, Lender may not demand payment in the above situations if it is prohibited by law as of the date of this Security Instrument.

- 11. ENTITY WARRANTIES AND REPRESENTATIONS.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Mortgagor makes to Lender the following warranties and representations which shall continue as long as the Secured Debt remains outstanding:
- A. Mortgagor is duly organized and validly existing in Mortgagor's state of incorporation or organization. Mortgagor is in good standing in all states in which Mortgagor transacts business. Mortgagor has the power and authority to own the Property and to carry on its business as now being conducted and, as applicable, is qualified to do so in each state in which Mortgagor operates.
 - B. The execution, delivery and performance of this Security Instrument by Mortgagor and the obligations evidenced by the Secured Debt are within the power of Mortgagor, have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law, or order of court or governmental agency.
 - C. Other than previously disclosed in writing to Lender, Mortgagor has not changed its name within the last ten years and has not used any other trade or fictitious name. Without Lender's prior written consent, Mortgagor does not and will not use any other name and will preserve its existing name, trade names and franchises until the Secured Debt is satisfied.
- 12. PROPERTY CONDITION, ALTERATIONS AND INSPECTION.** Mortgagor will keep the Property in good condition and make all repairs that are reasonably necessary. Mortgagor shall not commit or allow any waste, impairment, or deterioration of the Property. Mortgagor will keep the Property free of noxious weeds and grasses. Mortgagor agrees that the nature of the occupancy and use will not substantially change without Lender's prior written consent. Mortgagor will not permit any change in any license, restrictive covenant or easement without Lender's prior written consent. Mortgagor will notify Lender of all demands, proceedings, claims, and actions against Mortgagor, and of any loss or damage to the Property.

No portion of the Property will be removed, demolished or materially altered without Lender's prior written consent except that Mortgagor has the right to remove items of personal property comprising a part of the Property that become worn or obsolete, provided that such personal property is replaced with other personal property at least equal in value to the replaced personal property, free from any title retention device, security agreement or other encumbrance. Such replacement of personal property will be deemed subject to the security interest created by this Security Instrument. Mortgagor shall not partition or subdivide the Property without Lender's prior written consent.

Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Lender shall give Mortgagor notice at the time of or before an inspection specifying a reasonable purpose for the inspection. Any inspection of the Property shall be entirely for Lender's benefit and Mortgagor will in no way rely on Lender's inspection.

- 13. AUTHORITY TO PERFORM.** If Mortgagor fails to perform any duty or any of the covenants contained in this Security Instrument, Lender may, without notice, perform or cause them to be performed. Mortgagor appoints Lender as attorney in fact to sign Mortgagor's name or pay any amount necessary for performance. Lender's right to perform for Mortgagor shall not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights under the law or this Security Instrument. If any construction on the Property is discontinued or not carried on in a reasonable manner, Lender may take all steps necessary to protect Lender's security interest in the Property, including completion of the construction.
- 14. ASSIGNMENT OF LEASES AND RENTS.** Mortgagor assigns, grants, bargains, conveys, mortgages and warrants to Lender as additional security all the right, title and interest in the following (Property).
- A. Existing or future leases, subleases, licenses, guaranties and any other written or verbal agreements for the use and occupancy of the Property, including but not limited to, any extensions, renewals, modifications or replacements (Leases).
 - B. Rents, issues and profits, including but not limited to, security deposits, minimum rents, percentage rents, additional rents, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Mortgagor may have that in any way pertain to or are on account of the use or occupancy of the whole or any part of the Property (Rents).

In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement.

Mortgagor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed.

Mortgagor may collect, receive, enjoy and use the Rents so long as Mortgagor is not in default. Mortgagor will not collect in advance any Rents due in future lease periods, unless Mortgagor first obtains Lender's written consent. Upon default, Mortgagor will receive any Rents in trust for Lender and Mortgagor will not commingle the Rents with any other funds. When Lender so directs, Mortgagor will endorse and deliver any payments of Rents from the Property to Lender. Amounts collected will be applied at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Mortgagor agrees that this Security Instrument is immediately effective between Mortgagor and Lender and effective as to third parties on the recording of this Assignment.

As long as this Assignment is in effect, Mortgagor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Mortgagor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Mortgagor or any party to the Lease defaults or fails to observe any applicable law, Mortgagor will promptly notify Lender. If Mortgagor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance.

Mortgagor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so require) without Lender's consent. Mortgagor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Mortgagor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases.

15. LEASEHOLDS; CONDOMINIUMS; PLANNED UNIT DEVELOPMENTS. Mortgagor agrees to comply with the provisions of any lease if this Security Instrument is on a leasehold. If the Property includes a unit in a condominium or a planned unit development, Mortgagor will perform all of Mortgagor's duties under the covenants, by-laws, or regulations of the condominium or planned unit development.

16. DEFAULT. Mortgagor will be in default if any of the following occur:

- A. Any party obligated on the Secured Debt fails to make payment when due or within five (5) days thereafter;
- B. A breach of any term or covenant in this Security Instrument or any other document executed for the purpose of creating, securing or guarantying the Secured Debt which is not cured within any grace period provided;
- C. The making or furnishing of any verbal or written representation, statement or warranty to Lender that is false or incorrect in any material respect by Mortgagor or any person or entity obligated on the Secured Debt;

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- D. The death, dissolution, or insolvency of, appointment of a receiver for, or application of any debtor relief law to, Mortgagor or any other person or entity obligated on the Secured Debt;
- E. A good faith belief by Lender at any time that the prospect of any payment is impaired or the value of the Property is impaired;
- F. A material adverse change in Mortgagor's business which Lender in its opinion believes impairs the value of the Property or repayment of the Secured Debt; or
- G. Any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

17. REMEDIES ON DEFAULT. In some instances, federal and state law will require Lender to provide Mortgagor with notice of the right to cure or other notices and may establish time schedules for foreclosure actions. Subject to these limitations, if any, Lender may accelerate the Secured Debt and foreclose this Security Instrument in a manner provided by law if Mortgagor is in default.

At the option of Lender, all or any part of the agreed fees and charges, accrued interest and principal shall become immediately due and payable, after giving notice if required by law, upon the occurrence of a default or anytime thereafter. In addition, Lender shall be entitled to all the remedies provided by law, the terms of the Secured Debt, this Security Instrument and any related documents. All remedies are distinct, cumulative and not exclusive, and the Lender is entitled to all remedies provided at law or equity, whether or not expressly set forth. The acceptance by Lender of any sum in payment or partial payment on the Secured Debt after the balance is due or is accelerated or after foreclosure proceedings are filed shall not constitute a waiver of Lender's right to require complete cure of any existing default. By not exercising any remedy on Mortgagor's default, Lender does not waive Lender's right to later consider the event a default if it continues or happens again.

18. EXPENSES; ADVANCES ON COVENANTS; ATTORNEYS' FEES; COLLECTION COSTS. Except when prohibited by law, Mortgagor agrees to pay all of Lender's expenses if Mortgagor breaches any covenant in this Security Instrument. Mortgagor will also pay on demand any amount incurred by Lender for insuring, inspecting, preserving or otherwise protecting the Property and Lender's security interest. These expenses will bear interest from the date of the payment until paid in full at the highest interest rate in effect as provided in the terms of the Secured Debt. Mortgagor agrees to pay all reasonable costs and expenses incurred by Lender in collecting, enforcing or protecting Lender's rights and remedies under this Security Instrument. This amount may include, but is not limited to, collection agency fees or attorneys' fees, but not both, and other legal costs and expenses incurred by Lender in exercising any remedy under this Loan or under the law, for all persons other than salaried employees of Lender. This Security Instrument shall remain in effect until released.

19. ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES. As used in this section, (1) Environmental Law means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, 42 U.S.C. 9601 et seq.), all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) Hazardous Substance means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substances," "hazardous waste," "hazardous substance" or "regulated substance" under any Environmental Law.

Mortgagor represents, warrants and agrees that, except as disclosed in a Phase I report provided to lender:

- A. Except as previously disclosed and acknowledged in writing to Lender, no Hazardous Substance has been, is, or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property, except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
- B. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has not and will not cause, contribute to, or permit the release of any Hazardous Substance on the Property.
- C. Mortgagor will immediately notify Lender if (1) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (2) there is a violation of any Environmental Law concerning the Property. In such an event, Mortgagor will take all necessary remedial action in accordance with Environmental Law.
- D. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (1) any Hazardous Substance located on, under or about the Property; or (2) any violation by Mortgagor or any tenant of any Environmental Law. Mortgagor will immediately notify Lender in writing as soon as Mortgagor has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Lender has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.

- E. Except as previously disclosed and acknowledged in writing to Lender, Mortgagor and every tenant have been, are and shall remain in full compliance with any applicable Environmental Law.
- F. Except as previously disclosed and acknowledged in writing to Lender, there are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well will be added unless Lender first consents in writing.
- G. Mortgagor will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
- H. Mortgagor will permit, or cause any tenant to permit, Lender or Lender's agent to enter and inspect the Property and review all records at any reasonable time to determine (1) the existence, location and nature of any Hazardous Substance on, under or about the Property; (2) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; or (3) whether or not Mortgagor and any tenant are in compliance with applicable Environmental Law.
- I. Upon Lender's request and at any time, Mortgagor agrees, at Mortgagor's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Lender. The choice of the environmental engineer who will perform such audit is subject to Lender's approval.
- J. Lender has the right, but not the obligation, to perform any of Mortgagor's obligations under this section at Mortgagor's expense.
- K. As a consequence of any breach of any representation, warranty or promise made in this section, (1) Mortgagor will indemnify and hold Lender and Lender's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and attorneys' fees, which Lender and Lender's successors or assigns may sustain; and (2) at Lender's discretion, Lender may release this Security Instrument and in return Mortgagor will provide Lender with collateral of at least equal value to the Property secured by this Security Instrument without prejudice to any of Lender's rights under this Security Instrument.
- L. Notwithstanding any of the language contained in this Security Instrument to the contrary, the terms of this section shall survive any foreclosure or satisfaction of this Security Instrument regardless of any passage of title to Lender or any disposition by Lender of any or all of the Property. Any claims and defenses to the contrary are hereby waived.
- 20. CONDEMNATION.** Mortgagor will give Lender prompt notice of any pending or threatened action, by private or public entities to purchase or take any or all of the Property through condemnation, eminent domain, or any other means, Mortgagor authorizes Lender to intervene in Mortgagor's name in any of the above described actions or claims. Mortgagor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds shall be considered payments and will be applied as provided in this Security Instrument. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.
- 21. INSURANCE.** Mortgagor agrees to maintain insurance as follows:
- A. Mortgagor shall keep the Property insured against loss by fire, flood, theft and other hazards and risks reasonably associated with the Property due to its type and location. This insurance shall be maintained in the amounts and for the periods that Lender requires. What Lender requires pursuant to the preceding two sentences can change during the term of the Secured Debt. The insurance carrier providing the insurance shall be chosen by Mortgagor subject to Lender's approval, which shall not be unreasonably withheld. If Mortgagor fails to maintain the coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property according to the terms of this Security Instrument.
- All insurance policies and renewals shall be acceptable to Lender and shall include a standard "mortgage clause" and, where applicable, "loss payee clause." Mortgagor shall immediately notify Lender of cancellation or termination of the insurance. Lender shall have the right to hold the policies and renewals. If Lender requires, Mortgagor shall immediately give to Lender all receipts of paid premiums and renewal notices. Upon loss, Mortgagor shall give immediate notice to the insurance carrier and Lender. Lender may make proof of loss if not made immediately by Mortgagor.
- Unless otherwise agreed in writing, all insurance proceeds shall be applied to restoration or repair of the Property or to the Secured Debt, whether or not then due, at Lender's option. Any application of proceeds to principal shall not extend or postpone the due date of scheduled payment nor change the amount of any payment. Any excess will be paid to the Mortgagor. If the Property is acquired by Lender, Mortgagor's right to any insurance policies and proceeds resulting from damage to the Property before the acquisition shall pass to Lender to the extent of the Secured Debt immediately before the acquisition.
- B. Mortgagor agrees to maintain comprehensive general liability insurance naming Lender as an additional insured in an amount acceptable to Lender, insuring against claims arising from any accident or occurrence in or on the Property.
-
- C. Mortgagor agrees to maintain rental loss or business interruption insurance, as required by Lender, in an amount equal to at least coverage of one year's debt service, and required escrow account deposits (if agreed to separately in writing), under a form of policy acceptable to Lender.
- 22. ESCROW FOR TAXES AND INSURANCE.** Unless otherwise provided in a separate agreement, Mortgagor will not be required to pay to Lender funds for taxes and insurance in escrow.
- 23. FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Mortgagor will provide to Lender upon request, any financial statement or information Lender may deem reasonably necessary. Mortgagor agrees to sign, deliver, and file any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Mortgagor's obligations under this Security Instrument and Lender's lien status on the Property.
- 24. JOINT AND INDIVIDUAL LIABILITY; CO-SIGNERS; SUCCESSORS AND ASSIGNS BOUND.** All duties under this Security Instrument are joint and individual. If Mortgagor signs this Security Instrument but does not sign an evidence of debt, Mortgagor does so only to mortgage Mortgagor's interest in the Property to secure payment of the Secured Debt and Mortgagor does not agree to be personally liable on the Secured Debt. If this Security Instrument secures a guaranty between Lender and Mortgagor, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation. These rights may include, but are not limited to, any anti-deficiency or one-action laws. Mortgagor agrees that Lender and any party to this Security Instrument may extend, modify or make any change in the terms of this Security Instrument or any evidence of debt without Mortgagor's consent. Such a change will not release Mortgagor from the terms of this Security Instrument. The duties and benefits of this Security Instrument shall bind and benefit the successors and assigns of Mortgagor and Lender.
- 25. APPLICABLE LAW; SEVERABILITY; INTERPRETATION.** This Security Instrument is governed by the laws of the jurisdiction in which Lender is located, except to the extent otherwise required by the laws of the jurisdiction where the Property is located. This Security Instrument is complete and fully integrated. This Security Instrument may not be amended or modified by oral agreement. Any section in this Security Instrument, attachments, or any agreement related to the Secured Debt that conflicts with applicable law will not be effective, unless that law expressly or impliedly permits the variations by written agreement. If any section of this Security Instrument cannot be enforced according to its terms, that section will be severed and will not affect the enforceability of the remainder of this Security Instrument. Whenever used, the singular shall include the plural and the plural the singular. The captions and headings of the sections of this Security Instrument are for convenience only and are not to be used to interpret or define the terms of this Security Instrument. Time is of the essence in this Security Instrument.
- 26. NOTICE.** Unless otherwise required by law, any notice shall be given by delivering it or by mailing it by first class mail to the appropriate party's address on page 1 of this Security Instrument, or to any other address designated in writing. Notice to one mortgagor will be deemed to be notice to all mortgagors.

27. **WAIVERS.** Except to the extent prohibited by law, Mortgagor waives all appraisal, homestead exemption, and redemption rights relating to the Property. However, the waiver of redemption is not applicable to that portion of the Property that covers agricultural land or a single or two-family dwelling owned by or held in trust for a natural person.

28. **U.C.C. PROVISIONS.** If checked, the following are applicable to, but do not limit, this Security Instrument:

- ☐ **Construction Loan.** This Security Instrument secures an obligation incurred for the construction of an improvement on the Property.
- ☒ **Fixture Filing.** Mortgagor grants to Lender a security interest in all goods that Mortgagor owns now or in the future and that are or will become fixtures related to the Property.
- ☐ **Crops; Timber; Minerals; Rents, Issues and Profits.** Mortgagor grants to Lender a security interest in all crops, timber and minerals located on the Property as well as all rents, issues, and profits of them including, but not limited to, all Conservation Reserve Program (CRP) and Payment in Kind (PIK) payments and similar governmental programs (all of which shall also be included in the term "Property").
- ☐ **Personal Property.** Mortgagor grants to Lender a security interest in all personal property located on or connected with the Property, including all farm products, inventory, equipment, accounts, documents, instruments, chattel paper, general intangibles, and all other items of personal property Mortgagor owns now or in the future and that are used or useful in the construction, ownership, operation, management, or maintenance of the Property (all of which shall also be included in the term "Property"). The term "personal property" specifically excludes that property described as "household goods" secured in connection with a "consumer" loan as those terms are defined in applicable federal regulations governing unfair and deceptive credit practices.

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- ☒ **Filing As Financing Statement.** Mortgagor agrees and acknowledges that this Security Instrument also suffices as a financing statement and any carbon, photographic or other reproduction may be filed for record for purposes of Article 9 of the Uniform Commercial Code.

29. **OTHER TERMS.** If checked, the following are applicable to this Security Instrument:

- ☐ **Line of Credit.** The Secured Debt includes a revolving line of credit provision. Although the Secured Debt may be reduced to a zero balance, this Security Instrument will remain in effect until released.
- ☐ **Agricultural Property.** Mortgagor covenants and warrants that the Property will be used principally for agricultural or farming purposes and that Mortgagor is an individual or entity allowed to own agricultural land as specified by law.
- ☐ **Purchase Money Mortgage.** The Secured Debt includes money which is used in whole or in part to purchase the Property.
- ☐ **Separate Assignment.** The Mortgagor has executed or will execute a separate assignment of leases and rents. If the separate assignment of leases and rents is properly executed and recorded, then the separate assignment will supersede this Security Instrument's "Assignment of Leases and Rents" section.
- ☐ **Additional Terms.**

See loan agreement & Loan.

30. **WAIVER OF JURY TRIAL.** To the extent not prohibited by law, Mortgagor and Lender knowingly and intentionally waive the right, which the party may have, to a trial by jury with respect to any litigation arising from the Secured Debt, or any other agreement executed in conjunction with the Evidence of Debt and this Mortgage. Mortgagor and Lender each acknowledge that this section has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.

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SIGNATURES: By signing below, Mortgagor agrees to the terms and covenants contained in this Security Instrument and in any attachments. Mortgagor also acknowledges receipt of a copy of this Security Instrument on the date stated on page 1.

Entity Name: MGP INGREDIENTS, INC. Entity Name: _____

/s/ Timothy W. Newkirk
(Signature) **Timothy W. Newkirk, President and CEO** (Date) (Signature) _____ (Date)

(Signature) (Date) (Signature) _____ (Date)

ACKNOWLEDGMENT:

(Individual) STATE OF _____ COUNTY OF _____ } ss.
This instrument was acknowledged before me this day of _____
by _____ day of _____
My commission expires: _____

(Notary Public)

(Business or Entity Acknowledgment) STATE OF **Kansas**, COUNTY OF **Atchison** } ss.
This instrument was acknowledged before me this day of **20th** day of **July 2009** by **Timothy W. Newkirk, President & CEO** (Title(s)) of **MGP INGREDIENTS, INC.** (Name of Business or Entity) a **Kansas Corporation** on behalf of the business or entity.
My commission expires: 9/1/12

/s/ Donald E. Ball

(Notary Public)

Schedule "A"
MGP Ingredients, Inc.
July 20, 2009

Parcel 1:

(Intentionally omitted)

Parcel 2:

(Intentionally omitted)

Parcel 3:

West Thirty-five feet (35') of Lot Three (3), Block twenty and one-half (201/2), in West Atchison, an addition to the City of Atchison.

Parcel 4:

The West Half of Lot two (2), in Block twenty and one-half (201/2), in West Atchison, an addition to the City of Atchison.

Parcel 5:

Lot One (1) and the East Half of Lot Two (2), in Block twenty and one-half (201/2), in West Atchison, an addition to the City of Atchison.

Parcel 6:

The East Thirty-eight and three-fourths feet (E 38.75') of Lot Three (3), Block twenty and one-half (201/2), in that part of the City of Atchison known and designated as West Atchison.

Parcel 7:

The East one-half (E1/2) of Lot Four (4), Block twenty and one-half (201/2) in West Atchison, an addition to the City of Atchison.

Parcel 8:

The West one-half (W1/2) of Lot Four (4), Block twenty and one-half (201/2), in West Atchison, an addition to the City of Atchison.

Parcel 9:

Lot Five (5) in Block twenty and one-half (201/2), in West Atchison, an addition to the City of Atchison.

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Parcel 10:

The South Thirty feet (30') of Lot Six (6), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 11:

The North Ninety feet of Lot six (6), in Block Twenty (20) in West Atchison, an addition to the City of Atchison, Kansas, together with the West vacated Thirty feet of Roberts Street, which abut on the East of said North Ninety feet of Lot six.

Parcel 12:

The East (E) Forty (40) feet of Lot Seven (7), in Block twenty (Blk 20), in West Atchison (WA), an addition to the City of Atchison.

Parcel 13:

The West Thirty-three and three-fourths feet (33 3/4') of Lot Seven (7), the East Eleven and One-fourth feet (11 1/4') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 14:

The East thirty feet (30') of the West sixty-two and one-half feet (62W) of Lot Eight (8), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 15:

All of the West Thirty-two and one-half feet (W 32 1/2') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 16:

The East Forty-seven feet (47') of Lot Ten (10), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 17:

The North Thirty feet (30') of the South sixty feet (60') of Lot Six (6), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 18:

The East Fifty Eight feet (E 58') of Lot Eight (8), Block twenty and one-half (201/2), in West Atchison, an addition to the City of Atchison.

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Parcel 19:

The East (E) Seventy-three and one-third (73 1/3) feet of Lot Seven (LT 7), and the West (W) Fifty-two (52) feet of Lot Eight (LT 8), Block twenty and one-half (201/2) in West Atchison, an addition to the City of Atchison.

Parcel 20:

The East Three feet (E 3') and Nine inches (9") of Lot six (6) and the West thirty-six feet (W 36') and Eight inches (8") of Lot Seven (7), all in Block twenty and one-half (201/2) in West Atchison, an addition to the City of Atchison.

Parcel 21:

The West Eighty-five feet (W 85') of Lot six (LT 6), in Block twenty and one-half (Blk 201/2), in West Atchison, an addition to the City of Atchison.

Parcel 22:

Lot Eleven (Lt 11) and the West (W) Thirty (30) feet of vacated Roberts Street, all in Block twenty (Blk 20), in West Atchison, an addition to the City of Atchison, Kansas.

Parcel 23:

Tract No. 1

Lots 1 to 16, both inclusive, Block 211/2, West Atchison, an addition to the City of Atchison, Kansas, together with all adjacent tracts out of the streets and alleys adjoining said Lots heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 2

Lots 9, 10, and 11, Block 21, West Atchison, an addition to the City of Atchison, Kansas, and the West 30 feet of vacated Roberts Street East of and adjoining said Lot 11, excepting the following described tract:

Beginning at a point 14 feet East of the Southeast corner of said Lot 11; thence East 16 feet to the center line of Roberts Street (now vacated); thence North along said center line 30 feet; thence southwesterly 34 feet to the point of beginning, together with all adjacent tracts out of the streets and alleys adjoining the tract above described heretofore acquired, by reversion, upon the vacation of said streets and alleys.

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Tract No. 3

Lot 6, Block 21, West Atchison, an addition to the City of Atchison, Kansas, and the West 30 feet of vacated Roberts Street East of and adjoining said Lot, except the following described tract:

Beginning at the Northwest corner of said Lot 6; thence East along the North line of said Lot and the Easterly continuation thereof 100 feet; thence South 100 feet; thence West 100 feet to a point on the West line of said Lot 6; thence North 100 feet to the point of beginning. Together with all adjacent tracts out of the streets and alleys adjoining the tract above described heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 4

Lots 1 to 8, both inclusive, Block 50, L. C. Challiss Addition, an addition to the City of Atchison, Kansas, together with all adjacent tracts out of the streets and alleys adjoining said lots heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 5

All that part of Block 28, John Roberts' Third Addition, now vacated together with a portion of Utah Avenue adjacent thereto, now vacated, in West Atchison, an addition to the City of Atchison, Kansas, described as follows:

Beginning at the point on the South line of Utah Avenue (now vacated) approximately 165 feet West of the Northeast corner of said Block 28, measured along the North line of said Block (said point being 9 feet Northwesterly of, measured at right angles to, the center line of the Missouri Pacific Railroad Co. Track No. 17-137); thence Southwesterly along a line making a Southwest angle of 54°14' with said North line of said Block 28 a distance of 70 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track 17-137); thence Northwesterly at right angles to the last described course 10 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of the Missouri Pacific Railroad Co. Tract No. 17-138); thence Southwesterly along a line turning an angle of 82°53' to the left of the last described course 80 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 10°03' to the right of the last described course 67.5 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 9°32' to the right of the last described course 67.5 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 5° to the right of the last described course 136 feet, more or less, to a point on the West line of said Block 28 (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Northwesterly along the West line of said Block 28 and the extension thereof 285 feet, more or

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less, to the center line of vacated Utah Avenue; thence East along the center line of vacated Utah Avenue 445 feet, thence Southwesterly along a line turning an angle of 114°18' to the right of the last described course 44.6 feet, more or less, to the point of beginning.

Parcel 24:

Lot 8, in Block 21, in that part of the City of Atchison usually known and designated as West Atchison, an Addition to the City of Atchison.

Parcel 25:

The North One Hundred feet (N 100') of Lot Seven (7), in Block twenty-one (21), in West Atchison, an addition to the City of Atchison.

Parcel 26:

The South (S) Fifty (50) feet of Lot Seven (Lt 7), Block Twenty-one (Blk 21), in West Atchison (WA), an addition to the City of Atchison, Atchison County, Kansas, according to the Recorded Plat Thereof.

Parcel 27:

The East Fifty-six feet (56') of Lot Twenty (20), in Block Twenty-Two (22), in West Atchison, an addition to the City of Atchison.

Parcel 28:

The East Twenty-six feet Ten inches (26'10") of Lot Seventeen (17), Block Twenty-two (22), West Atchison, an addition to the City of Atchison.

Parcel 29:

The North Eighty-seven and one-half feet (N 87W) of Lots One (1) and Two (2), in Block Twenty-two (22), in West Atchison, an addition to the City of Atchison.

Parcel 30:

The South sixty-two and one-half feet (62 1/2') of Lot One (1) and the South sixty-two and one-half feet (62W) of Lot Two (2), Except the West twenty-five feet (25') of said Lot Two (2), all in Block Twenty-two (22), in West Atchison, an addition to the City of Atchison.

Parcel 31: (Intentionally omitted)

Parcel 32: (Intentionally omitted)

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Parcel 33:

(Intentionally omitted)

Parcel 34:

(Intentionally omitted)

Parcel 35:

Tracts No 1, 2 and 3 Intentionally omitted.

Tract No 4

All of Lots Twenty-five (25) and Twenty-six (26) and the West 0.50 feet of Lot Twenty- seven (27), in Block Forty (40), in L. C. Challiss Addition to the City of Atchison.

Parcel 36:

The South 76 feet of Lots One (1) and Two (2), in Block Forty (40), in L. C. Challiss Addition, an addition to the City of Atchison.

Parcel 37:

Lots Fifteen (15) and Sixteen (16), in Block Forty (40), L. C. Challiss Addition, an addition to the City of Atchison.

Parcel 38:

Lot Seventeen (17), and the East Ten (10) feet of Lot Eighteen (18), Block Forty (40) in the L. C. Challiss Addition to the City of Atchison.

Parcel 39:

Lot Nineteen (19) and the West Fifteen feet (W 15') of Lot Eighteen (18), in Block Forty (40), in L. C. Challiss Addition to the City of Atchison.

Parcel 40:

All of Lots 35 to 38 inclusive, in Block 40, L. C. Challiss Addition to the City of Atchison, Atchison County, Kansas, Except that part of the same that is South of the Most Northwesternly right of way line of the Missouri Pacific Railroad Co. and running through said Lots in Block 40, L. C. Challiss Addition.

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Parcel 41:

(Intentionally omitted) Same description as Parcel 36.

Parcel 42:

All of Lots 39 and 40 of Block 40 of the L. C. Challiss Addition to the City of Atchison, Atchison County, Kansas, and all those portions of Lots 31, 32, 33, 34, 35, 36, 37 and 38 of said Block 40 that lie Southeasterly and Easterly of the Southeasterly line of that certain strip of land described in General Warranty Deed dated October 14, 1929, from Missouri Pacific Railroad Company to Pillsbury Flour Mills Company, identified in the Missouri Pacific Railroad Deed Records as Document No. 1600306 #3-2.

Also the North 30 feet of Lot 42 of Block 40 of the L. C. Challiss Addition to the City of Atchison.

Parcel 43:

(Intentionally omitted)

Parcel 44:

Lots One (1) through Sixteen (16), inclusive, and Lot Twenty-two (22), in Block Forty- eight (48), in L. C. Challiss' Addition to the City of Atchison, Atchison County, Kansas; and

A tract in the Southeast Quarter (SE%) of the Northwest Quarter (NW') of Section One (1), Township Six (6), Range Twenty (20), described as follows:

Beginning at a point in the West line of Thirteenth Street in the City of Atchison, 320 feet Northwardly from the intersection of said West line with the East and West center line of said Section 1, thence Southwardly along said West line 15 feet more or less to a point in the Northwesterly line of a tract of land condemned by the City of Atchison pursuant to Ordinance No. 3966, Report of Condemnation being recorded in Book 234, Page 523, of the Register of Deeds' office for Atchison County, thence Southwestwardly along said Northwesterly line to a point in the prolongation Southerly of the East line of Fourteenth Street, thence Northwardly along said prolongation 390 feet more or less to an intersection with the Southeasterly line of property of the Atchison, Topeka and Santa Fe Railway Company, thence Northeastwardly along said Southeasterly line 610 feet more or less to a point in the West line of Thirteenth Street vacated Under Ordinance No. 3192, dated May 24, 1915, thence Eastwardly by a straight line at right angles to said West line of Thirteenth Street 30 feet to the center line of said Thirteenth Street vacated, thence Southwardly along said center line 400 feet more or less to the Southerly line of that part of Thirteenth Street vacated under said Ordinance, thence Westwardly along said Southerly line 30 feet to the point of beginning, Containing 5.85 acres more or less.

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Parcel 45:

Lots One and Two (1 & 2) and the North Sixty Five feet (N 65') and the East Half (E1/2) of the South eighty-five feet (S 85') of Lot Three (3) in Block Fifty-one (51), in L. C. Challiss Addition to the City of Atchison.

Parcel 46:

Lots Thirteen and Fourteen (Lts 13 & 14), Block Fifty-one (Blk 51), in L. Challiss' Addition to the City of Atchison.

Parcel 47:

All of Lots Twenty-three (23) and Twenty-four (24), in Block Fifty-one (51) in that part of the City of Atchison known and designated as L. C. Challiss Addition.

Parcel 48:

Lots Nineteen (19), Twenty (20), Twenty-one (21) and Twenty-two (22), Block Fifty-one (51), L. C. Challiss Addition to the City of Atchison.

Parcel 49:

Lots Fifteen (15), Sixteen (16), Seventeen (17) and Eighteen (18), Block Fifty-one (51) in L. C. Challiss Addition to the City of Atchison.

Parcel 50:

(Intentionally omitted)

All in Atchison County, Kansas.

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INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT (the “**Intercreditor Agreement**” or “**Agreement**”) dated effective as of July 21, 2009, is by and among WELLS FARGO BANK, NATIONAL ASSOCIATION, acting through its Wells Fargo Business Credit operating division (together with its successors and/or assigns, “**WFBC**”), and UNION STATE BANK OF EVEREST, d/b/a Bank of Atchison (“**Bank of Atchison**”) with respect to certain financing arrangements with MGP INGREDIENTS, INC., a Kansas corporation (the “**Borrower**”).

BACKGROUND

A. Pursuant to a certain Credit and Security Agreement dated on or about the date hereof, by and between WFBC and Borrower and certain instruments, documents and other agreements related thereto, defined therein or contemplated thereby (the foregoing, together with all amendments, modifications and restatements thereof now and from time to time hereafter entered into between WFBC and Borrower are individually or collectively referred to as the “**WFBC Agreements**”), WFBC proposes to extend credit to the Borrower in an original principal amount of up to \$25,000,000.00.

B. Pursuant to a certain (i) Promissory Note dated as of March 31, 2009 and (ii) promissory note dated as of July 17, 2009, each by Borrower in favor of Bank of Atchison and certain agreements, instruments, documents and other agreements related thereto, defined therein or contemplated thereby (the foregoing, together with all amendments and modifications thereof now and from time to time hereafter entered into between Bank of Atchison and Borrower are individually or collectively referred to as the “**Bank of Atchison Agreements**”), Bank of Atchison agreed to extend credit to the Borrower in the aggregate original principal amount of \$3,500,000.

C. WFBC and Bank of Atchison desire to agree to the relative priority of their respective security interests in and liens on the Collateral (defined below) and certain other rights, priorities and interests.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, it is hereby agreed as follows:

1. DEFINITIONS

1.1 Account, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Electronic Chattel Paper, Equipment, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter-of-Credit Right, Proceeds, Supporting Obligations and Tangible Chattel Paper have the respective meanings assigned to such terms, as of the date of this Agreement, in the Minnesota Uniform Commercial Code.

1.2 WFBC Claim shall mean all obligations or indebtedness of the Borrower, now or in the future owing to WFBC, as set forth in the WFBC Agreements, including but not

limited to, all sums loaned and advanced to or for the benefit of Borrower at any time under the terms of the WFBC Agreements, any interest thereon, any future advances, any costs of collection or enforcement, including reasonable attorneys’ and paralegal costs, costs, fees, and any prepayment penalties.

1.3 Bank of Atchison Claim shall mean all obligations or indebtedness of the Borrower now or in the future owing, to Bank of Atchison as set forth in the Bank of Atchison Agreements, including but not limited to, all sums loaned and advanced to or for the benefit of Borrower at any time under the terms of the Bank of Atchison Agreements, any interest thereon, any future advances, any costs of collection or enforcement, including reasonable attorneys’ fees and paralegals’ costs, fees and any prepayment penalties.

1.4 Collateral shall mean all of the Borrower’s now owned or hereafter acquired interest in all assets of every kind or nature, whether now owned or hereafter acquired, including without limitation, all of Borrower’s real and personal property and specifically including without limitation, the property or interests in all and any of the property defined in paragraph 1.1 above, whether now owned or hereafter acquired, and the proceeds and products thereof, and where applicable, the proceeds of insurance or escrow accounts covering any such property.

1.5 WFBC Senior Collateral shall mean the Collateral in which WFBC has a senior lien or security interest as described in and provided by paragraph 2.1(a).

1.6 Bank of Atchison Senior Collateral shall mean the Collateral in which Bank of Atchison has a senior lien or security interest as described in and provided by paragraph 2.1(b). Bank of Atchison acknowledges and agrees that except for the Bank of Atchison Senior Collateral, Bank of Atchison does not claim or hold a security interest or lien of any kind on any of the assets of Borrower.

1.7 Enforcement shall mean, collectively or individually for one or both of WFBC and Bank of Atchison to make demand for payment or accelerate the indebtedness of the Borrower, repossess any material amount of Collateral or commence the judicial or non-judicial enforcement of any of the rights and remedies under the WFBC Agreements, the Bank of Atchison Agreements, any related agreements or applicable law.

1.8 Enforcement Notice shall mean a written notice delivered, at a time when a “Default” or an “Event of Default” (as defined in the WFBC Agreements or the Bank of Atchison Agreements, respectively and if not so defined, the occurrence of any event or material default under any of such agreements, giving rise to the exercise of any Enforcement right or action by WFBC and Bank of Atchison, respectively) has occurred and is continuing, by WFBC or Bank of Atchison, to another Party hereto, specifying the relevant Default or Event of Default, stating the current balance of the WFBC Claim or Bank of Atchison Claim, as appropriate, and requesting the current balance of the other parties’ claims.

1.9 Insolvency Proceeding means any receivership, conservatorship, general meeting of creditors, insolvency or bankruptcy proceeding, assignment for the benefit of

creditors, or any proceeding or action by or against the Borrower for any relief under any bankruptcy or insolvency law or other laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, dissolution, liquidation, compositions or extensions, or the appointment of any receiver, intervenor or conservator of, or trustee, or similar officer for, the Borrower or any substantial part of its properties or assets, including, without limitation, proceedings under the Bankruptcy Code, or under other federal, state or local statute, laws, rules and regulations, all whether now or hereafter in effect.

1.10 Parties shall mean WFBC and Bank of Atchison, and Party shall mean either WFBC or Bank of Atchison as the context indicates.

1.11 The word “senior”, when used in conjunction with the words “Collateral”, “collateral”, “priority”, and/or “lien” shall mean and refer to the relative perfection and priority of liens and security interests among the Parties established by the agreement of the Parties in Section 2.1 of this Agreement.

2. INTERCREDITOR AGREEMENT

2.1 **Lien Priorities.** Notwithstanding the date, manner or order of attachment or perfection of the security interests and liens granted to WFBC or Bank of Atchison by Borrower and notwithstanding any provisions of the Uniform Commercial Code, the United States Bankruptcy Code (the “**Bankruptcy Code**”) or any applicable law or decision or the WFBC Agreements or the Bank of Atchison Agreements, or whether WFBC or Bank of Atchison holds possession of all or any part of the Collateral, the following, as between WFBC and Bank of Atchison, shall be the relative priority of the security interests and liens of WFBC and Bank of Atchison in the Collateral:

- (a) WFBC shall have a first and prior security interest and lien in all property and collateral described on Schedule 2.1(a) hereto (the “**WFBC Senior Collateral**”); and
- (b) Bank of Atchison shall have a first and prior security interest in all property and collateral described on Schedule 2.1(b) hereto (the “**Bank of Atchison Senior Collateral**”).
- (c) WFBC shall have a second and junior security interest in all property and collateral described on Schedule 2.1(c) hereto (“**WFBC Junior Collateral**”).
- (d) The priorities established hereunder are only as between WFBC and Bank of Atchison and to the extent that the operation of the foregoing provisions would otherwise entitle any other person (including a trustee in bankruptcy) to either a priority over the parties herein or a right to avoid the lien of the other Party, then (and only to such extent) this paragraph shall be null and void and WFBC and Bank of Atchison shall, from the proceeds received from the other Party’s senior Collateral, sell and/or purchase participation interests in the WFBC Claim or the Bank of Atchison

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Claim to effectuate, to the maximum extent possible, the allocative purposes of this Section 2.1 and to maximize the recovery for WFBC with respect to WFBC Senior Collateral and Bank of Atchison with respect to the Bank of Atchison Senior Collateral in accordance with and pursuant to the other terms and provisions of this Agreement.

- (e) Each Party agrees it will execute any and all agreements and documents which the other Party may reasonably request to evidence the subordination and priority of liens and security interests as established by this Section 2.1 in this Agreement.
- (f) (g) Subject only to the relative priorities set forth in this Section 2.1 (including without limitation, the provisions of subsection 2.1(d)), each of the Parties agrees that it will not contest or challenge the validity, legality, enforceability, perfection or avoidability of the respective security interest in, rights or lien of the other Party as set forth in Sections 2.1(a), (b), and (c) above on the Collateral (or any other collateral) of the other Party in any proceeding for any reason. Each Party acknowledges that a breach of this covenant is likely to cause irreparable harm to the other and shall be specifically enforceable.
- (g) The lien and security interest priorities (collectively, the “**lien priorities**”) provided in this Agreement shall not be altered or otherwise affected by any amendment, modification, supplement, extension, renewal, restatement or refinancing of either the WFBC Agreements or the Bank of Atchison Agreements, nor by any action or inaction which the WFBC, Bank of Atchison or the Borrower may take or fail to take in respect of the Collateral, nor by the institution or pendency of any Insolvency Proceeding.
- (h) The undertakings and agreements set forth in this Agreement are solely for the benefit of the Parties and there are no other parties (including, without limitation, the Borrower and affiliates of Borrower) who are intended to be benefited in any way by this Agreement. Except as otherwise expressly set forth in this Agreement, nothing contained in this Agreement is intended to limit in any way the rights and remedies of the WFBC or Bank of Atchison under the WFBC Agreements or Bank of Atchison Agreements, respectively.
- (i) Until the payment or satisfaction in full of the WFBC Claims and Bank of Atchison Claims, respectively, each Party further agrees that it shall not make any election, give any consent, commence any action or file any motion or take any other action in any case by or against the Borrower under the Bankruptcy Code which would result in the payment or distribution of the Collateral or other assets of the Borrower contrary to the express provisions of this Agreement, without the prior written consent of the other Party, which consent may be withheld in each others Party’s sole and absolute discretion, provided, however, that the notifying Party shall have the right, at any time and in its sole discretion, to file a proof of claim and defend or refute any objection to such claim in any Insolvency Proceeding.

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- (j) Notwithstanding anything to the contrary contained herein, Bank of Atchison represents and warrants that if does not have any UCC filings against Borrower which cover, in whole or in part, the WFBC Senior Collateral, other than those filings listed on Schedule 2.1(j) hereof (the “**Bank of Atchison Filings**”).

2.2 **Distribution of Proceeds of Collateral.** At any time (whether or not following an Enforcement Notice), all proceeds of Collateral shall be distributed in accordance with the following procedure:

- (a) The WFBC Senior Collateral and all proceeds of the WFBC Senior Collateral shall be applied to the WFBC Claim.
- (b) The Bank of Atchison Senior Collateral and all proceeds of the Bank of Atchison Senior Collateral shall be applied to the Bank of Atchison Claim. After the Bank of Atchison Claim is indefeasibly paid in full and the Bank of Atchison Agreements are terminated and indefeasibly fully paid or otherwise satisfied in Bank of Atchison’s sole discretion, any remaining proceeds of the Bank of Atchison Senior Collateral shall be applied to the WFBC Claim in accordance with their lien priorities set out in 2.1(a) and 2.1(b), as appropriate.

After the WFBC Claim and the Bank of Atchison Claim have been paid or satisfied in full, the balance of proceeds of Collateral, if any, shall be paid to Borrower or as otherwise required by applicable law.

2.3 **Enforcement Actions.** Bank of Atchison agrees not to commence Enforcement until one hundred eighty (180) days after an Enforcement Notice has been given to WFBC (“**Bank of Atchison Standstill Period**”). WFBC agrees not to commence Enforcement against the Bank of Atchison Senior Collateral until an Enforcement Notice has been given to Bank of Atchison. Subject to the foregoing, WFBC and Bank of Atchison agree that from and after the receipt of an Enforcement Notice, and until such time as Borrower has cured such Default or an Event of Default (if permitted to do so by the relevant document), or Bank of Atchison or WFBC, as applicable, has waived such Default or Event of Default, and any and all conditions to such waiver have been satisfied:

(a) WFBC may, at its option, take any action to accelerate payment of the WFBC Claim and to foreclose or realize upon or enforce any of its rights with respect to the WFBC Senior Collateral, without the prior written notice to or consent of Bank of Atchison, and with Bank of Atchison hereby waiving any rights (to the extent it has such rights) to a "commercially reasonable sale" under the Uniform Commercial Code; and further provided, that Bank of Atchison shall not take any action to foreclose or realize upon or to enforce any of their rights with respect to any of the Collateral in which they have a lien or security interest junior to WFBC or without WFBC's prior written consent.

(b) Bank of Atchison may, following the Bank of Atchison Standstill Period, at its option, take any action to accelerate payment of the Bank of Atchison Claim and to foreclose or realize upon or enforce any of its rights with respect to the Bank of

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Atchison Senior Collateral, without the prior written consent of WFBC, and with WFBC hereby waiving any rights (to the extent it has such rights) to a "commercially reasonable sale" under the Uniform Commercial Code; and further provided, that WFBC shall not take any action to foreclose or realize upon or to enforce any of its rights with respect to any of the Collateral in which it has a lien or security interest junior to Bank of Atchison without Bank of Atchison's prior written consent.

(c) If WFBC and Bank of Atchison elect to proceed with Enforcement under the WFBC Agreements and the Bank of Atchison Agreements, respectively, in each case, in accordance with the terms of this Agreement, then each shall proceed with the Enforcement of any security interests in or liens on any Collateral in which it has a senior lien or security interest, but, except as otherwise provided in Section 2.4 below, not against that portion in which it has only a junior and inferior lien and security interest.

(d) Bank of Atchison agrees to execute (as applicable) and deliver to WFBC, promptly upon WFBC's request, appropriate UCC termination statements or partial releases, or satisfactions or discharges of liens, with respect to any of the WFBC Senior Collateral being sold or otherwise disposed of in the ordinary course of Borrower's continuing business or in connection with the liquidation of Borrower's assets upon or after the declaration of a Default or an Event of Default by WFBC pursuant to the WFBC Agreements and otherwise in accordance with this Agreement. The proceeds of any WFBC Senior Collateral so sold or disposed of shall be applied, after the deduction of any and all costs relating to such sale or disposition (including attorneys' fees, advertising costs and auctioneer's fees) to any and all outstanding WFBC Claims as WFBC may, in its discretion, determine and, only if all WFBC Claims are indefeasibly paid in full, then to all or any part of the Bank of Atchison Claim.

(e) WFBC agrees to execute and deliver to Bank of Atchison, promptly upon Bank of Atchison's request, appropriate UCC termination statements or partial releases, or satisfactions or discharges of liens, with respect to any of the Bank of Atchison Senior Collateral being sold or otherwise disposed of in the ordinary course of Borrower's continuing business or in connection with the liquidation of Borrower's assets upon or after the declaration of a Default or an Event of Default by Bank of Atchison pursuant to the Bank of Atchison Agreements and otherwise in accordance with this Agreement. The proceeds of any Bank of Atchison Senior Collateral so sold or disposed of shall be applied, after the deduction of any and all costs relating to such sale or disposition (including attorneys' fees, advertising costs and auctioneer's fees) to any and all outstanding Bank of Atchison Claims as Bank of Atchison may, in its discretion, determine and, only if all Bank of Atchison Claims are indefeasibly paid in full, then to all or any part of the WFBC Claim.

(f) The parties hereto shall execute and deliver such additional documents and take such additional action as may be reasonably necessary to effectuate the provisions and purposes of this Agreement. If requested, the parties shall authorize filings to be recorded in accordance with Uniform Commercial Code provisions in the appropriate locations reflecting the provisions of this Agreement.

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(g) If WFBC or Bank of Atchison has any security interest in or lien on any of the Collateral as security for payment of any indebtedness of Borrower or of any other party, other than indebtedness incurred pursuant to the WFBC Agreements or the Bank of Atchison Agreements, then WFBC or Bank of Atchison, as the case may be, may not apply the proceeds of any of the Collateral to satisfy such other indebtedness until the WFBC Claim and the Bank of Atchison Claim are paid in full or otherwise satisfied.

2.4 Junior Lien Enforcement. WFBC shall not participate in an Enforcement against the WFBC Junior Collateral unless WFBC has previously commenced an Enforcement against the WFBC Senior Collateral otherwise in accordance with the terms hereof.

2.5 Additional Credit Extensions and Agreements by Bank of Atchison; Modification of WFBC Agreements

(a) Bank of Atchison shall not, unless it has first obtained the written consent of WFBC, except as required (in the reasonable discretion of Bank of Atchison) for the express limited purpose of preserving and protecting its security interest in the Bank of Atchison Senior Collateral extend additional credit to Borrower beyond the amounts advance to Borrower under the Bank of Atchison Agreements as of the date hereof.

(b) WFBC may at any time and from time to time without the consent of or notice to Bank of Atchison, without incurring liability to Bank of Atchison and without impairing or releasing the obligations of Bank of Atchison under this Agreement, change the manner or place of payment or extend the time of payment of or renew or alter any of the terms of the WFBC Agreements, or amend in any manner any agreement, note, guaranty or other instrument evidencing or securing or otherwise relating to the WFBC Claim.

2.6 Accountings. WFBC and Bank of Atchison each agree upon request to provide information to the other reasonably sufficient to track and demonstrate the application to the indebtedness of Borrower of payments received by or on behalf of Borrower to the other Party hereto upon request, giving effect to the application of proceeds of Collateral as hereinbefore provided.

2.7 Notices of Defaults. Bank of Atchison agrees to give WFBC copies of any notice of the occurrence or existence of an Event of Default sent to Borrower simultaneously with the sending of such notice to Borrower. The sending of such notice shall give WFBC the right but not the obligation to cure such Event of Default.

2.8 Agency for Perfection. WFBC and Bank of Atchison each hereby appoint each other as agent solely for purposes of perfecting the respective security interests and liens on the Collateral. To the extent that any Party obtains possession of the other Party's senior Collateral, the Party having possession shall notify the other Party of such fact and shall deliver such Collateral to the senior Party upon request of the senior Party.

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2.9 Actions Upon Repayment of Claims. If the WFBC Claim or the Bank of Atchison Claim is paid in full, but the Claims of the other Party has not

been paid in full, then each Party whose Claim is thus fully paid shall transfer any Collateral (but not any guaranties given to WFBC or Bank of Atchison) or proceeds therefrom held by it to the other Party, unless otherwise required to remit the proceeds according to law, and shall assign its security interest and all of its rights under financing statements to the other Party hereto, unless otherwise agreed to in writing by the other Party. Any such transfer or assignment shall be without recourse or warranty.

2.10 Insurance. Notwithstanding anything to the contrary herein, Borrower shall obtain satisfactory lender's Loss Payable Endorsement(s) naming WFBC and Bank of Atchison, as their interests may appear, with respect to policies which insure Collateral hereunder, or with such other designation as the parties hereto may agree. The Party having a senior security interest or lien in the Collateral shall, subject to such parties rights under its agreements with Borrower, have the sole and exclusive right, as against the other parties, to adjust settlement of such insurance policy in the event of any loss. All proceeds of such policy for any portion of Collateral shall be paid to the Party having the senior priority with respect to such Collateral under this Agreement. After payment of such senior Party's Claim and all expenses of collection, including reasonable attorneys' and costs, fees and expenses, any remaining proceeds shall be promptly remitted to the other Party or parties hereto for application on their Claim(s).

2.11 UCC Notices. In the event that WFBC or Bank of Atchison shall be required by the Uniform Commercial Code or any other applicable law to give notice to the other of intended disposition of Collateral, such notice shall be given in accordance with paragraph 3.1 hereof and ten (10) days' notice shall be deemed to be commercially reasonable.

2.12 Insolvency Proceeding. In the event of an Insolvency Proceeding, no Party shall (i) object to or oppose any efforts by the other Party to obtain relief from the automatic stay under Section 362 of the Bankruptcy Code, (ii) seek to cause the Borrower's bankruptcy estate to abandon that portion of the Collateral (or any portion thereof) in which the other Party has a first and senior priority position under Section 2.1 above; (iii) vote in any Insolvency Proceeding in favor of any plan of reorganization or liquidation that contains any provision inconsistent with the priority as provided in Section 2.1 of this Agreement; or (iv) seek the substantive consolidation of the assets of the Borrower with the assets of any affiliate of the Borrower; provided that nothing in this clause (iv) shall prohibit the other Party from exercising its remedies under the Bank of Atchison Agreements and WFBC Agreements against any guarantor in the event of any Insolvency Proceeding.

In the event a Party is required, under the Bankruptcy Code or any similar bankruptcy or insolvency law, to return to the Borrower, the estate in bankruptcy thereof, any trustee, receiver or other similar representative of the Borrower, any payment or distribution of assets, whether in cash, property or securities previously received by such Party on account of any portion of the Collateral in which it holds a first and senior priority under Section 2.1 (a "**Reinstatement Distribution**"), then to the maximum extent permitted by law, this Agreement and the priority and subordination provisions of Section 2.1 and any lien or security interest

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securing it shall be reinstated with respect to any such Reinstatement Distribution.

2.13 Liquidations. In the event of any distribution of the assets or readjustments of the obligations and indebtedness of the Borrower whether by reason of sale, liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other similar action or proceeding, or the application of the assets of the Borrower to the payment or liquidation thereof, WFBC shall not be entitled to any proceeds of the WFBC Junior Collateral unless and until the Bank of Atchison Claims have been paid and performed in full; provided, however, that each Party shall be entitled to retain all assets (including cash, securities, notes or other properties) that it receives pursuant to a confirmed plan of reorganization under Chapter 11 of the United States Bankruptcy Code or liquidation of the Borrower. In the event that a Party shall have received in any such proceedings any payment or distribution of assets in violation of the preceding sentence, such payment or distribution shall be held in trust for the other Party and shall promptly be paid or given over to such Party by the other Party in exactly the form received.

3. MISCELLANEOUS

3.1 Notices. All notices hereunder shall be effective upon receipt, and shall be in writing and sent by either certified mail, return receipt requested, or overnight courier of national reputation,, to the addresses as set forth above, but to the attention of the following at the addresses set forth herein: (a) Wells Fargo Bank, National Association, Attention: Tom Hedberg, MAC-N9312-040 4th Floor, 109 S. 7th St, Roanoke Bldg, Minneapolis, Minnesota 55479; with a copy to Bryan Cave LLP, Attn: Christopher Fisher, 1200 Main Street, Suite 3500, Kansas City, Missouri 64105, and (b) Bank of Atchison, 701 Kansas Avenue, Atchison, Kansas 66002, Attn: Jeff Caudle, or to such other address or person as any of the parties hereto may designate in writing to the other parties. Notice shall be deemed received upon actual receipt.

3.2 Contesting Liens or Security Interests. WFBC and Bank of Atchison shall not contest the validity, perfection, priority or enforceability of any lien or security interest granted to any other Party hereto and each Party agrees to cooperate in the defense of any action contesting the validity, perfection, priority or enforceability of such liens or security interest.

3.3 No Additional Rights for Borrower Hereunder. If any Party hereto shall enforce its rights or remedies in violation of the terms of this Agreement, Borrower (and each party designated a Borrower) agrees that it shall not use such violation as a defense to the Enforcement by any Party hereto under the WFBC Agreements and/or the Bank of Atchison Agreements nor assert such violation as a counterclaim or basis for setoff or recoupment against any Party hereto provided only that such lender who fails to give such notice may, if required by the other two lenders entitled to receive such notice, be liable to such other lender(s) to the extent of any actual monetary damages suffered by reason of such failure to give such notice and opportunity to cure.

3.4 Independent Credit Investigations. None of the parties hereto nor any of their respective directors, officers, agents, attorneys or employees shall be responsible to any other or to any other person, firm or corporation, for Borrower's solvency, financial condition or

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ability to repay the WFBC Claim or the Bank of Atchison Claim, or for statements of Borrower, oral or written, or for the validity, sufficiency or enforceability of the WFBC or the Bank of Atchison Claim, the WFBC Agreements and the Bank of Atchison Agreements, or any liens or security interests granted by Borrower to the parties hereto in connection therewith. Each Party hereto has entered into its respective financing agreements with Borrower based upon its own independent investigation, and makes no warranty or representation to any other Party hereto nor does it rely upon any representation of any other Party hereto with respect to matters identified or referred to in this paragraph.

3.5 Limitation on Liability of Parties to Each Other. Except as provided in this Agreement, none of the Parties shall have any liability to the other Party except for gross negligence or willful misconduct.

3.6 Amendments to Financing Arrangements or to this Agreement. WFBC and Bank of Atchison shall use their best efforts to notify the other Party hereto of any amendment or modification in the WFBC Agreements or the Bank of Atchison Agreements, but the failure to do so shall not create a cause of action against the Party failing to give such notice or create any claim or right on behalf of any third party. WFBC and Bank of Atchison shall, upon request of the other Party, provide copies of all such modifications or amendments and copies of all other documentation relevant to the Collateral hereunder. All modifications or amendments of this Agreement must be in writing and duly executed by an authorized officer of each Party to be binding and enforceable.

3.7 Marshalling of Assets. WFBC hereby waives any and all rights to have the Bank of Atchison Senior Collateral, or any part hereof, marshaled upon any foreclosure of any of the Bank of Atchison liens. Bank of Atchison hereby waives any and all rights to have the WFBC Senior Collateral, or any part thereof,

marshaled upon any foreclosure of any of the WFBC liens.

3.8 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of all of the Parties hereto, but does not otherwise create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

3.9 Governing Law, Jurisdiction, Jury Trial Waiver, Etc. This Agreement shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Minnesota. The parties hereto hereby (i) consent to the personal jurisdiction of the state and federal courts located in the State of Minnesota in connection with any controversy related to this Agreement; (ii) waive any argument that venue in any such forum is not convenient, (iii) agree that any litigation initiated by WFBC or Bank of Atchison in connection with this Agreement may be venued in either the State or Federal courts located in Hennepin County, Minnesota; and (iv) agree that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

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3.10 Schedules. The terms and conditions of all Schedules attached hereto and described herein are, by this reference incorporated herein as if fully set forth.

3.11 Schedules Attached. The following Schedules are attached hereto and by this reference incorporated herein:

Schedule 2.1(a)
Schedule 2.1(b)
Schedule 2.1(c)
Schedule 2.1 (j)

3.12 Bankruptcy Survival. This Agreement shall remain in full force and effect notwithstanding the filing of any petition by or against the Borrower under the federal Bankruptcy Code, and the priority of payments as between the Parties shall continue to be made on the same basis that payments were to be applied prior to the date of filing the petition.

3.13 No Fiduciary Duties. Except as expressly set forth in this Agreement, neither Party shall have any duty or obligation to the other Party, and neither Party shall have a fiduciary relationship in respect of the other Party.

3.14 Miscellaneous.

- a. The section titles contained in this Agreement are and shall be without substance or meaning and are not a part of the agreement between the Parties. This Agreement contains the entire agreement between the Parties with respect to the matters set forth herein and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any Party be waived, released or discharged except in a writing executed by all Parties.
- b. This Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and assigns.
- c. This Agreement is the entire agreement of the Parties and may not be amended or modified except by an instrument in writing signed by WFBC and Bank of Atchison.
- d. If any provision of this Agreement or the application thereof is held invalid or unenforceable, the remainder of this Agreement will not be affected thereby.
- e. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced because of any law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible.

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f. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

g. The exchange of copies of this Agreement and of signature pages by PDF through email or facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Electronic signatures of the parties transmitted as set forth herein shall be deemed to be original signatures for all purposes.

h. THE PARTIES EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the lender parties have executed this Agreement as of the day and year first above written.

**WELLS FARGO BANK,
NATIONAL ASSOCIATION**
acting through its Wells Fargo Business Credit operating division

By: /s/ Becky A. Koehler

Name: Becky A. Koehler

Its: Vice President

UNION STATE BANK OF EVEREST, D/B/A BANK OF ATCHISON USB

By: /s/ Steven J. Handke

Name: Steven J. Handke

Its: President, CEO

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(WFBC/BANK OF ATCHISON)
(Intercreditor Agreement)

Acknowledgment of Borrower

The undersigned acknowledges and agrees to the foregoing terms and provisions of the Intercreditor Agreement as they relate solely to the rights, duties and obligations of WFBC and Bank of Atchison as between such parties. By executing this Agreement, the undersigned agrees to be bound by the provisions of such Intercreditor Agreement as they relate to the relative rights of WFBC and Bank of Atchison as between such parties; provided, however, that nothing in the Intercreditor Agreement shall amend, modify, change or supersede the respective terms of the WFBC Agreements or the Bank of Atchison Agreements (or any other document to which the undersigned may be a party) as between the parties and the undersigned, and in the event of any conflict or inconsistency between the terms of this Intercreditor Agreement and the WFBC Agreements or the Bank of Atchison Agreements (or any such other documents as the case may be), the terms of the WFBC Agreements and the Bank of Atchison Agreements (and such other documents) shall govern. The undersigned further agrees that the terms of the Intercreditor Agreement shall not give the undersigned any substantive rights vis-à-vis WFBC or Bank of Atchison and shall not give WFBC or Bank of Atchison any substantive rights vis-à-vis the undersigned.

BORROWER:

MGP INGREDIENTS, INC.,
a Kansas corporation

By: /s/ Timothy W. Newkirk

Print Name: Timothy W. Newkirk

Title: President & CEO

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Schedule 2.1(a)

WFBC Senior Collateral

All of Borrower's assets, real and personal of every kind or nature whether now owned or hereafter acquired, including without limitation, all of the Borrower's Accounts, Chattel Paper, Tangible Chattel Paper, Investment Property, Deposit Accounts, Documents, Equipment, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter-of-Credit rights, letters of credit, Proceeds, Supporting Obligations, all sums on deposit in any collateral account, and any items in any lockbox; together with (i) all substitutions and replacements for and products of any of the foregoing; (ii) in the case of all Goods, all accessions; (iii) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed to or used in connection with any goods; (iv) all warehouse receipts, bills of lading and other documents of title now or hereafter covering such goods; (v) all collateral subject to the lien of any Security Document (as defined in the WFBC Agreements); (vi) any money, or other assets of the Borrower that now or hereafter come into the possession, custody, or control of WFBC; (vii) all sums on deposit in the Special Account (as defined in the WFBC Agreements); (viii) any life insurance policies to which Borrower is a beneficiary; (ix) proceeds of any and all of the foregoing; (x) books and records of the Borrower, including all mail or electronic mail addressed to the Borrower (subject to Borrower's normal and customary retention procedures); and (xi) all of the foregoing, whether now owned or existing or hereafter acquired or arising or in which the Borrower now has or hereafter acquires any rights, EXCEPT that the Bank of Atchison Senior Collateral described on Schedule 2.1(b) of this Agreement is expressly excluded from the WFBC Senior Collateral.

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Schedule 2.1(b)

Bank of Atchison Senior Collateral

1. Real Estate Mortgage dated March 31, 2009, recorded April 1, 2009 in Book 571, Page 782 of the office of the Register of Deeds of Atchison County, Kansas, covering certain premises and fixtures commonly known as the Borrower's Flour Mill located in Atchison County, Kansas (the "**Flour Mill Real Estate**").
2. Real Estate Mortgage dated March 31, 2009, recorded April 9, 2009 in Book 553, Page 100 of the office of the Register of Deeds of Pottawatomie County, Kansas, covering certain premises and fixtures on certain property commonly known as the Borrower's Onaga Plant located in Pottawatomie County, Kansas (the "**Onaga Real Estate**").
3. Real Estate Mortgage dated July 17, 2009, recorded July , 2009 in Book , Page of the office of the Register of Deeds of Atchison County, Kansas, covering certain premises and fixtures on certain property commonly known as the Borrower's Atchison Plant located in Atchison County, Kansas (the "**Atchison Plant Real Estate**").
4. All Equipment, parts, accessories, repairs, replacements, substitutions and improvements of and to such Equipment and all proceeds of the foregoing located upon the Flour Mill Real Estate, Onaga Real Estate and Atchison Plant Real Estate.

For purposes of clarity, Bank of Atchison expressly acknowledges and agrees that the Bank of Atchison Senior Collateral expressly excludes any and all of (i) Borrower’s Accounts, Goods and Inventory and (ii) Borrower’s Equipment other than Equipment located upon the Flour Mill Real Estate, Onaga Real Estate or the Atchison Plant Real Estate.

Schedule 2.1(c)

WFBC Junior Collateral

The WFBC Junior Collateral is the Bank of Atchison Senior Collateral.

Schedule 2.1(j)

<u>Jurisdiction</u>	<u>Date Filed</u>	<u>Filing Number</u>
State of Kansas	4/2/2009	6582787

SUBORDINATED SECURED PROMISSORY NOTE

\$2,000,000.00

March 27, 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

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.

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BORROWERS:

MGP INGREDIENTS, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk

Name: Timothy W. Newkirk

Title: President and CEO

MIDWEST GRAIN PIPELINE, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk

Name: Timothy W. Newkirk

Title: President and CEO

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

ACKNOWLEDGED AND AGREED TO BY LENDER:

/s/ Cloud L. Cray, Jr. TTEE

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

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THE INDEBTEDNESS EVIDENCED HEREBY IS SUBJECT TO THE PROVISIONS OF A SUBORDINATION AGREEMENT DATED JULY , 2009 BETWEEN LENDER AND WELLS FARGO BANK NATIONAL ASSOCIATION

**AMENDMENT NO. 1
TO
SUBORDINATED SECURED PROMISSORY NOTE**

THIS AMENDMENT NO. 1 TO SUBORDINATED SECURED PROMISSORY NOTE dated as of July 20, 2009 (this "**Amendment**"), is entered into by and among **MGP INGREDIENTS, INC.**, a Kansas corporation and **MIDWEST GRAIN PIPELINE, INC.**, a Kansas corporation (each a "**Borrower**" and collectively the "**Borrowers**"), and the **CLOUD L. CRAY, JR. TRUST** under agreement dated October 25, 1983 (together with its successors and assigns, the "**Lender**").

RECITALS

- A.** The Borrowers and the Lender have entered into that certain Subordinated Secured Promissory Note dated March 27, 2009 (as renewed, amended or otherwise modified, the "**Note**").
- B.** The Borrowers and the Lender desire to amend the Note to, among other things, extend the Maturity Date.
- C.** Subject to the representations and warranties of the Borrowers and upon the terms and conditions set forth in this Amendment, the Lender is willing to grant such amendment as more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, and to induce the Lender to enter into this Amendment, the Borrowers and the Lender hereby agree as follows:

SECTION 1. DEFINED TERMS. Capitalized terms used herein but not otherwise defined herein shall have the meaning assigned to such terms in the Note.

SECTION 2. AMENDMENT. Section 2 of the Note is amended and restated in its entirety to read as follows:

"2. MATURITY DATE.

The "**Maturity Date**" of this Note shall be the earlier of: (a) March 27, 2011; or (b) the acceleration of the Loan by the Lender upon the occurrence of an Event of Default."

1

SECTION 3. LIMITATIONS ON AMENDMENTS.

3.1 The amendment set forth in **Sections 2** above is effective for the purposes set forth herein and will be limited precisely as written and will not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of the Note, (b) otherwise prejudice any right or remedy which the Lender may now have or may have in the future under or in connection with the Note or (c) be a consent to any future amendment, waiver or modification of any other term or condition of the Note.

3.2 This Amendment is to be construed in connection with and as part of the Note and all terms, conditions, representations, warranties, covenants and agreements set forth in the Note, except as herein amended, will remain in full force and effect.

SECTION 4. REPRESENTATIONS AND WARRANTIES. In order to induce the Lender to enter into this Amendment, the Borrowers represent and warrant to the Lender as follows:

4.1 Immediately after giving effect to this Amendment no Event of Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Amendment; and

4.2 The execution, delivery and performance by the Borrowers of this Amendment are within the Borrowers' powers, have been duly authorized by all necessary action.

SECTION 5. EFFECTIVENESS. This Amendment will become effective as of the date hereof upon the execution and delivery of this Amendment, whether the same or different copies, by the Borrowers and the Lender.

SECTION 6. This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts will be deemed an original of this Amendment.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

BORROWERS:

MGP INGREDIENTS, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: Pres. & CEO

MIDWEST GRAIN PIPELINE, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk

Name: Timothy W. Newkirk

Title: Pres. & CEO

LENDER:

/s/ Cloud L. Cray, Jr. TTEE

Cloud L. Cray, Jr., as Trustee of the **CLOUD L.**

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

Amendment to \$20 million Promissory Note

**MORTGAGE, ASSIGNMENT OF LEASES,
 SECURITY AGREEMENT
 AND FIXTURE FILING FINANCING STATEMENT**

THIS MORTGAGE, ASSIGNMENT OF LEASES, SECURITY AGREEMENT AND FIXTURE FILING FINANCING STATEMENT made this 27 day of March, 2009, by **MGP INGREDIENTS, INC.**, a Kansas corporation, whose address is c/o Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002 (the "**Mortgagor**"), to the **CLOUD L. CRAY, JR. TRUST** under agreement dated October 25, 1983, whose address is 20045 266th Road, Atchison, Kansas 66002 (the "**Mortgagee**").

1. **Granting of Property.** Mortgagor, for and in consideration of the debt and trust hereinafter described and created, and of ten Dollars and No Cents (\$10.00) paid to Mortgagor by Mortgagee, the receipt of which is hereby acknowledged, hereby GRANTS, BARGAINS, REMISES, RELEASES, SELLS, CONVEYS and CONFIRMS to Mortgagee, its successors and assigns forever, all of Mortgagor's estate, right, title and interest in, to and under, and grants to Mortgagee a security interest in, any and all of the following described property which is (except where the context otherwise requires) herein collectively called the "**Property**", whether now owned or held or hereafter acquired, such term also referring to any part or parcel hereof:

- (a) all of the real estate and property legally described in **Exhibit "a"** attached hereto and by this reference made a part hereof (hereinafter called the "**Real Estate**"); and
 - (b) all right, title and interest of Mortgagor, including any after-acquired title or reversion, in and to the beds of the ways, streets, avenues and alleys adjoining the Real Estate and in and to any strips, gaps or gores adjoining the Real Estate on all sides thereof; and
 - (c) all of the tenements, hereditaments, easements, appurtenances, passages, waters, water rights, water courses, riparian rights and other rights, liberties and privileges thereof now or hereafter appertaining to the Real Estate, including any homestead or other claim at law or in equity, any after-acquired title, franchises, licenses, and any reversions and remainders thereof; and
-
- (d) Mortgagor's interest in all buildings and improvements of every kind and description now or hereafter erected or placed on the Real Estate (the "**Improvements**"); all materials intended for construction, reconstruction, alterations and repairs of the Improvements (whether stored or located on site or stored off site), all of which materials shall be deemed to be included within the Property hereby conveyed immediately upon the delivery thereof to the Real Estate; all fixtures and articles of personal property now or hereafter owned by Mortgagor and attached to or used in connection with Real Estate and Improvements (and the lessee's interest in any personal property leased by Mortgagor from third parties), including but not limited to all furniture and furnishings, apparatus, machinery, motors, elevators, fittings, radiators, gas ranges, mechanical refrigerators, awnings, shades, screens, office equipment, blinds, carpeting and other furnishings, and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning, central energy and sprinkler equipment and fixtures and appurtenances thereto; and all renewals or replacements of any of the foregoing, whether or not the same are or shall be attached to the Improvements; except that the foregoing shall not include any trade fixtures, personal property or moveable equipment owned by tenants occupying any part of the Property. All of such personal property to be deemed to be real property and be a part of the realty. This Mortgage is hereby deemed to be as well a security agreement as well as a mortgage for the purpose of creating hereby a security interest in the personal property securing the indebtedness (hereafter defined in Section 3) for the benefit of the Mortgagee; and
 - (e) all of the rents, issues, proceeds and profits accruing or to accrue from the Real Estate or arising from the use or enjoyment of all or any portion thereof or from any lease or agreement pertaining thereto; and all right, title and interest of Mortgagor in and to all leases of the Real Estate now or hereafter existing; including without limitation all deposits made thereunder to secure performance by the tenants of their obligations thereunder; and
 - (f) all goodwill, trademarks, trade names, option rights, purchase contracts, books and records and general intangibles of Mortgagor relating to the Real Estate or the Improvements including, without limitation, all rights of Mortgagor under or with respect to all accounts, contract rights, instruments, chattel paper and other rights of Mortgagor for payment of money for property sold, rented or lent, for services rendered, for money lent, or advances or deposits made, and any other intangible property of Mortgagor related to the Real Estate or the Improvements; and
 - (g) all rights, including all copyrights, of Mortgagor to plans and specifications, designs, drawings and other matters prepared for any construction on or renovation or alteration of the Real Estate and Improvements; and
 - (h) all proceeds (including claims or demands thereto) of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including without limitation all proceeds of insurance (including unearned premiums) and condemnation awards including interest thereon,

subject, however, to liens securing that certain Credit Agreement dated as of May 5, 2008 (as amended from time to time), by and among Mortgagor, commerce Bank, N.A., as Agent, Issuing Bank and Swingline Lender, and the financial institutions party thereto, including that certain

mortgage dated November 7, 2008 and recorded December 12, 2008 from Mortgagor to Commerce Bank, N.A., recorded under recording no. 41241, in Book 560 at Page 19.

2. **Security for Promissory Note; indebtedness.** This Mortgage secures the payment of (a) the Subordinated Secured Promissory Note ("**Note**") from Mortgagor to Mortgagee, dated this same date, in the original principal amount of two Million and No/100 Dollars (\$2,000,000.00); (b) all indebtedness and obligations arising under the provisions of this Mortgage; (c) all indebtedness and obligations arising pursuant to and any and all other agreements or assignments securing the Note (hereinafter collectively the "**Loan Documents**"); (d) all indebtedness and obligations arising pursuant to any instrument evidencing the advance of additional sums at Mortgagee's sole option, by Mortgagee to Mortgagor; (e) any and all renewals or extensions of any such item of indebtedness or obligation or any part thereof; (f) any future advances which may be made by Mortgagee to Mortgagor, whether made to protect the security or otherwise, and whether or not evidenced by additional promissory note or other evidences of indebtedness (but nothing in this Mortgage shall be interpreted to require Mortgagee to make any future advances); and (g) all interest due on all of the same (all of the above are hereinafter collectively the "**indebtedness**", which term shall also include any part or portion thereof). Nothing in this Mortgage shall be construed to obligate Mortgagee to make any renewals or additional loans or advances.

3. **Warranty of Title.** Mortgagor warrants to Mortgagee good title to the Property and warrants and agrees that the same is free from all liens except as set forth in Section 1 above; that Mortgagor has good and legal right, power and authority to so convey the Property to Mortgagee; that Mortgagor and its successors in interest will forever warrant and defend the title of the Property as represented above and the estate and priority of this Mortgage against the lawful claims and demands of all persons whomsoever claiming through Mortgagor; and that Mortgagor will execute, acknowledge and deliver all and every such further assurances to the Mortgagee of the title to all

the Property. All of these covenants shall run with the land.

4. **Payment of the Note and indebtedness.** Mortgagor agrees to pay promptly the principal of and all interest on the Note and other indebtedness at the times and in the manner provided in the Note and the other Loan Documents.

5. **Maintenance and Repairs; Compliance with Laws.**

(a) Mortgagor shall (i) not permit, commit or suffer to exist any waste, impairment or deterioration of the Property (except normal wear and tear); (ii) keep and maintain the Property and every part thereof and the fixtures, machinery and appurtenances in working condition; (iii) effect such repairs and make all needed and proper replacements so that the Improvements, fixtures, equipment, goods, machinery and appurtenances will at all times be in working condition; (iv) make such repairs as Mortgagee may reasonably require so that the Property is in working condition; (v) fully comply with all statutes, laws, ordinances, regulations, requirements, orders or decrees relating to Property enacted or imposed by any federal, state or municipal authority, including courts and administrative agencies of competent jurisdiction; (vi) observe and fully comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including but not limited to zoning variances, special

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exceptions and nonconforming uses), privileges, franchises and concessions which are applicable to the Property or which have been granted to or contracted for by Mortgagor in connection with any existing or presently contemplated use of the Property; and (vii) permit Mortgagee or its agents, at all reasonable times, to enter upon and inspect the Property, subject to the rights of tenants.

(b) Mortgagee shall have the right, at any time and from time to time, to engage an independent party to determine whether the Property is being maintained so that it is in working condition. If the maintenance is determined to be inadequate, such party shall determine the estimated cost of such repairs and replacements as are necessary to place the Property in working condition, and Mortgagor shall promptly perform the repairs and replacements. Mortgagor acknowledges that upon such a determination the security of this Mortgage will be impaired to the extent of the estimated cost of such repairs and replacements. In such event, Mortgagor shall also reimburse Mortgagee for the reasonable costs of such inspection, and the same shall be a part of the indebtedness secured hereby. If the independent party determines the Property is in working condition, then the inspection shall be at Mortgagee's expense.

6. **Taxes.** Mortgagor agrees to:

(a) pay, before delinquency and before any penalty for nonpayment attaches thereto, all taxes, assessments, water rates, sewer rentals and other governmental, municipal or public dues, charges, fines or impositions which are or may be levied against the Property or any part thereof; to deliver to Mortgagee, at least ten (10) days before delinquency, receipted bills evidencing payment thereof; or to pay, in full, under protest and in the manner provided by statute, any tax, assessment, rate, rental, charge, fine or imposition which Mortgagee may desire to contest; and

(b) if the state where the Property is located enacts any law imposing in any manner a tax upon this Mortgage, Mortgagor shall immediately pay the indebtedness in full, except that this provision will not apply in the event Mortgagor lawfully pays in full any such tax or assessment; and

(c) keep the Property free from statutory liens of every kind.

7. **Casualty insurance.**

(a) Mortgagor agrees to keep the Improvements insured against loss or damage by, or abatement of rental income resulting from, fire and such other hazards, casualties and contingencies (including, but not limited to, vandalism, malicious mischief and so-called "all risk" coverage, if available at a reasonable premium) in such amounts as may reasonably be required by Mortgagee. Mortgagor will pay promptly when due any premiums on such insurance. All such insurance shall be carried with companies approved by Mortgagee and lawfully operating in the state where the Property is located. The policies and renewals thereof or certificates respecting such policies and renewals shall be deposited with and held by Mortgagee, shall evidence full payment of the premiums therefor, and shall (i) name Mortgagee

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as an additional insured, with a separation of insureds clause, sometimes also called a "severability of insureds" or "cross liability" clause; and shall include (ii) an agreed amount endorsement; (iii) a replacement cost endorsement; (iv) an inflation guard endorsement; and (v) a standard waiver of subrogation endorsement, if available, all in form acceptable to Mortgagee. Mortgagor shall not carry separate insurance, concurrent in kind or form and contributing in the event of loss with any insurance required hereunder, unless Mortgagee is included as a mortgagee thereunder pursuant to the type of clause described in clause (i) above. All policies shall provide for at least thirty (30) days' advance written notice to Mortgagee prior to any cancellation or material modification thereof.

(b) In the event of a change in ownership of or occupancy of the Property (except for ordinary changes in tenant occupancy), Mortgagor shall immediately deliver notice by mail to all insurers.

(c) In the event of a loss to the Property exceeding \$500,000 in damage amount, Mortgagor will give immediate notice to Mortgagee, whereupon Mortgagee may at its option assume the right to settle and adjust any such claim under such policies without consent of Mortgagor (although Mortgagee will endeavor to contact Mortgagor and obtain Mortgagor's consent to any such settlement or adjustment). Mortgagee shall notify Mortgagor of whether it elects to take action within twenty (20) days after Mortgagee receives Mortgagor's notice. If Mortgagee sends Mortgagor no such notification, then Mortgagor shall be allowed to adjust the loss itself, with Mortgagee reserving the later right to take over the process if it so elects. After deducting all costs of collection, the proceeds of any insurance shall be applied, at the option of Mortgagee, as follows: (i) as a credit upon any portion of the indebtedness, as selected by Mortgagee; or (ii) to restoring the Improvements, at the direction of Mortgagee. If Mortgagor is not then in default under any of the Loan Documents, Mortgagee shall allow the proceeds to be applied as specified in alternative (ii) of the above sentence, with any excess proceeds remaining after restoration of the Improvements to be applied as specified in alternative (i).

(d) In the event Mortgagee elects to allow insurance proceeds to be disbursed for restoration of the Improvements (or such disbursement is required above), the insurance proceeds shall be paid to Mortgagee for Mortgagee to hold and disburse in accordance with this Section. Mortgagor shall provide Mortgagee with a good faith estimate by a third party of the costs of completing the work. If the estimated cost of completing the work exceeds the amount of insurance proceeds, then Mortgagor shall deposit with Mortgagee additional funds from Mortgagor or other sources which shall be sufficient to make up the difference. The insurance proceeds shall be disbursed by Mortgagee from time to time upon the Mortgagee being furnished with (i) satisfactory evidence that the insurance proceeds, together with any additional funds which may be provided by Mortgagor, continue to constitute sufficient amounts to fully pay the estimated costs of completion of such work; and (ii) such architect's certificates, waivers of lien, contractor's sworn statements and such other evidences of costs and of payment as the Mortgagee may reasonably require and approve. Mortgagee may, in any event, require that all plans and specifications for such restoration, repair, replacement and rebuilding be submitted to and approved by the Mortgagee prior to commencement of work. No payment made prior to the final completion of the work shall exceed ninety percent (90%) of the cost of the work performed. Funds other than proceeds of insurance shall be disbursed prior to disbursement of

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insurance proceeds. Any insurance proceeds and other funds paid over to the Mortgagee to be applied to the work shall be invested for the account of the Mortgagor, in an interest bearing account with Mortgagee (or another account or which shall be mutually satisfactory to both Mortgagee and Mortgagor), and the interest earned on such account or instrument shall be held in such account and applied in the same manner as the principal.

(e) In the event of a foreclosure of this Mortgage or other transfer of title to the Property extinguishing the indebtedness or the lien of this Mortgage, all right, title and interest of Mortgagor in and to any insurance policies then in force shall pass to and are hereby assigned by Mortgagor to the purchaser or grantee.

8. **Public Liability insurance.** Mortgagor agrees to carry and maintain liability and indemnity insurance, including without limitation water damage insurance and the so-called assumed and contractual liability coverage, in forms, in such amounts and with such insurers as may be reasonably required from time to time by Mortgagee. Certificates of such insurance, evidencing full payment of the premiums, shall be deposited with Mortgagee and shall contain provisions for thirty (30) days' written notice to Mortgagee prior to any cancellation or modification of the policies.

9. **Alterations, Removal and Demolition.** No Improvements shall be altered, except in the ordinary course of business, or removed or demolished and no fixtures, equipment or appliances on, in or about the Improvements having an aggregate value in excess of \$50,000 shall be severed or removed, except in the ordinary course of business, or sold or mortgaged, without the prior written consent of Mortgagee, which shall not be unreasonably withheld. In the event all or any part of the fixtures, appliances equipment or other goods are demolished or destroyed, Mortgagor shall promptly replace the same with similar fixtures and appliances at least equal in quality and condition to those replaced, free from any security interest in or any encumbrance thereon or reservation of title thereto except as noted in paragraph 1 (however, if any such items were originally leased or encumbered, the replacements may be so leased or encumbered).

10. **Mechanic's Liens.**

(a) Mortgagor will keep the Property free from any mechanic's liens, other statutory liens or claims, and any other claims of all persons supplying labor or materials which enter into the construction, alteration, repair or replacement of any and all Improvements.

(a) Notwithstanding the above provisions, Mortgagor shall have the right to contest any such lien or claim of any person supplying such labor or materials. However, within thirty (30) days after the filing of any mechanic's lien or other statutory claim which Mortgagor may desire to contest, Mortgagor shall furnish Mortgagee with cash, a bond (in statutory form or such other form as Mortgagee may find reasonably satisfactory), an irrevocable unconditional letter of credit in favor of Mortgagee, or other security as Mortgagee may find reasonably satisfactory, in an amount equal to one and one half times the amount of such lien. Mortgagee may also require an endorsement to its mortgagee policy of title insurance insuring over such lien. Any such

contest shall not otherwise create or result in a failure on the part of Mortgagor to comply with the terms, provisions and conditions hereof.

(b) Mortgagor shall in any event, including under the circumstances described in the above subsection, pay in full any such mechanic's lien or other statutory lien or claim prior to any foreclosure of the same or other event which would jeopardize Mortgagor's title to the Property or the lien of this Mortgage.

11. **Documentary Stamps.** If at any time the United States government, or any other governmental authority, requires internal revenue or other documentary stamps hereon or on the Note or any of the other Loan Documents, or requires payment of an interest equalization tax upon all or any part of the indebtedness, then the indebtedness shall be and become due and payable at the election of Mortgagee ninety (90) days after Mortgagee mails a notice of such election to Mortgagor. However, Mortgagee shall have no such election and the Note and this Mortgage shall remain in effect if Mortgagor lawfully may pay for such stamps or such tax and does in fact pay such tax when the same is due and payable. Mortgagor further agrees to deliver to Mortgagee, at any time upon written demand, evidence of citizenship and such other evidence as may be required by any government agency having jurisdiction, in order to determine whether the obligation secured hereby is subject to or exempt from any such tax.

12. **Indemnification of Mortgagee Against Costs.** Mortgagor agrees to save Mortgagee harmless from all costs and expenses, including reasonable attorneys' fees and expenses and all costs of a title search and preparation of a survey, incurred by reason of any action, suit, proceeding, hearing, motion or application before any court or administrative body (including an action to foreclose or to collect the indebtedness) in and to which Mortgagee may be or become a party by reason of this Mortgage, including but not limited to condemnation, bankruptcy, probate and administration proceedings, as well as any other of the foregoing in which a proof of claim is by law required to be filed or in which it becomes necessary to defend or uphold the terms of this Mortgage. All funds paid or expended by Mortgagee in that regard, together with interest thereon from date of such payment at the rate set forth in the Note, shall be a part of the indebtedness and shall upon notice to Mortgagor be immediately due and payable by Mortgagor to the Mortgagee. Any amounts not paid within ten (10) days after a statement therefor has been sent to Mortgagor, shall earn interest at the Default Rate stated in the Note, until the same is paid.

13. **Eminent Domain.**

(a) All compensation, proceeds and awards paid to or received by Mortgagor in any taking by eminent domain or conveyance in lieu thereof that may affect all or any part of or interest in the Property (whether permanently or temporarily), including severance and consequential damages and damages from a change in the grade of any street, are hereby assigned to Mortgagee subject to the terms hereof. Mortgagor hereby appoints Mortgagee as its attorney-in-fact, coupled with an interest, to collect and receive the proceeds thereof and to give proper receipts therefor. Mortgagor authorizes and empowers Mortgagee, as such attorney-in-fact, at Mortgagee's option, on behalf of Mortgagor (notwithstanding the fact that the indebtedness may not then be due and payable or that the indebtedness is otherwise adequately

secured), to adjust or join with Mortgagor in adjusting or compromising the claim for any such compensation, proceeds or awards. After deducting all costs of collection, such compensation, proceeds and awards shall be applied, at the option of Mortgagee, as follows: (i) as a credit upon any portion of the indebtedness, as selected by Mortgagee; or (ii) to restoring the Improvements, at the direction of Mortgagor. If Mortgagor is not then in default under any of the Loan Documents, Mortgagee shall allow the proceeds to be applied as specified in alternative (ii) of the above sentence, with any excess proceeds remaining after restoration of the Improvements to be applied as specified in alternative (i).

(b) In the event Mortgagee elects not to apply such compensation, proceeds or awards to the indebtedness (or such application is not permitted above), Mortgagee shall release any such amounts in the same manner and under the same conditions as are specified above for the disbursement of insurance proceeds received in the event of casualty loss to the Property.

(c) Mortgagor agrees to give Mortgagee immediate notice of the actual or threatened commencement of any such eminent domain proceeding, and agrees to promptly send to Mortgagee copies of any and all papers served or received by Mortgagor in connection with any such proceedings. Mortgagor also agrees to make, execute and deliver to Mortgagee at any time or times, upon request, free, clear and discharged of any encumbrance of any kind whatsoever, any and all further assignments

and/or other instruments which are deemed necessary by Mortgagee for the purpose of validly and sufficiently assigning to Mortgagee all such compensation, proceeds and awards to Mortgagee.

14. Advances by Mortgagee to Protect Security.

(a) Upon default by Mortgagor in performance of any of the terms, covenants or conditions in this Mortgage, or upon a default of any party obligated under the Note or other Loan Documents in the performance of any terms, covenants or conditions in such documents, Mortgagee may, at its option and whether or not it elects to declare the indebtedness due and payable, pay such amounts and take such actions as Mortgagee may deem necessary or appropriate to cure the default or protect the value of the security for the Note. Mortgagee may take such actions and make such payments without the same being a waiver of any other remedy. In connection with any such advance, Mortgagee, at its option, may and is hereby authorized to obtain a report of title prepared by a title insurance company, the cost of which shall be paid by Mortgagor upon demand. Any amounts so paid by Mortgagee, all costs incurred by Mortgagee under the authorizations contained in this Section, and any other costs, charges or expenses incurred by Mortgagee in the protection of the Property, with interest at the Default Rate stated in the Note, shall be payable by Mortgagor to Mortgagee upon notice, and shall be additional indebtedness secured by this Mortgage.

(b) In making any payment authorized above relating to taxes, assessments, water rates, sewer rentals and other governmental or municipal charges, fines, impositions or liens, Mortgagee may rely upon any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement or estimate, and without inquiring into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim

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thereof. Mortgagee, in making such a payment relating to any apparent or threatened adverse title, lien, statement of lien, encumbrance, claim or charge, shall be the sole judge of the legality or validity of same.

(c) Notwithstanding the above provisions, in the event that Mortgagee wishes to pay under authority of this Section any lien, charge or other such amount, Mortgagee shall give to Mortgagor at least ten (10) days' notice prior to making any such advances, except in the case of emergency or where the prior conduct of Mortgagor indicates that there is not a reasonable possibility that Mortgagor would respond to the notice. If Mortgagor, after receiving such notice, (i) advises Mortgagee in writing within five (5) days after the date of the notice of Mortgagor's intent to contest its obligation to pay the liens, charges or other amounts which Mortgagee proposes to pay; and (ii) Mortgagor furnishes Mortgagee with cash, a bond, an irrevocable unconditional letter of credit or other security satisfactory to Mortgagee in an amount equal to one and one-half times the amount of such contested lien or charge, then in such event Mortgagee shall not advance payment of such contested amounts. In any event, if Mortgagor contests the payment of such amounts, the amounts shall be paid prior to any foreclosure of the lien or charge and prior to any other event which would jeopardize Mortgagor's title to the Property or the lien of this Mortgage.

15. Mortgage Subordinate at Option of Mortgagee. At the sole option of Mortgagee, this Mortgage shall become subject and subordinate, in whole or in part, to any or all leases of all or any part of the Property, upon the execution and recording by Mortgagee of a unilateral declaration to that effect. The subordination shall apply only with respect to the leases specifically described by Mortgagee, shall not apply to other interests in the Property, and specifically shall not apply to the priority of this Mortgage over or any judgment liens, mechanic's liens, tax liens or other liens or charges affecting the Property after the date hereof. In addition, the subordination to such leases shall in no manner apply with respect to Mortgagee's entitlement to any insurance proceeds or any payments, awards or compensation made in any eminent domain or condemnation proceedings or any payment received as a result of a conveyance in lieu of condemnation.

16. Proceeds Subrogated. If any indebtedness advanced by Mortgagee to Mortgagor is used, directly or indirectly, to pay off, discharge or satisfy, in whole or in part, any prior lien or encumbrance upon the Property or any part thereof, then Mortgagee shall be subrogated to any security held by the holder of such other lien or encumbrance, notwithstanding any release of the same from the public records.

17. Partial Releases by Mortgagee. Mortgagee, without notice to Mortgagor, without regard to the consideration, if any, paid therefor, and notwithstanding the existence at that time of any inferior deeds of trust or other liens on the Property, may release any part of the Property or other security described in the Loan Documents and may release any person liable for any indebtedness without in any way affecting the priority of this Mortgage, to the full extent of the remaining indebtedness, on the remainder of the Property. Mortgagee may also agree with any party obligated for the indebtedness or having any interest in the Property or other security for the indebtedness to extend the time for payment of any part or all of the indebtedness or to modify the terms for the payment thereof, or take additional security for the payment of the

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indebtedness. No such action or agreement will release or impair the lien or effect of this Mortgage or bar Mortgagee from exercising any right, power or privilege granted in this Mortgage or in any of the other Loan Documents, in the event of any default or any subsequent default.

18. Usury. Nothing contained in this Mortgage or the other Loan Documents shall be construed or shall so operate either presently or prospectively to require Mortgagor to pay interest at a rate greater than the rate which is now lawful for transactions of this kind in the state identified on the first page, or require Mortgagor to make any payment or do any act contrary to law. If the interest rate exceeds any applicable law relating to interest, then this Mortgage and the Loan Documents shall be interpreted and construed to require payment of interest only to the extent of such maximum lawful rate, not to exceed the rate set forth in the Note or in this Mortgage, where applicable.

19. Actions and Proceedings. Mortgagee shall have the right (but not the obligation) to appear in and defend any proceeding or action with respect to the Property, and to bring any action or proceeding respecting the Property as Mortgagee reasonably deems advisable, either in its own name or in the name of and on behalf of Mortgagor.

20. Sale of Property

(a) Mortgagor understands that Mortgagee, in making the loan evidenced by the Note, is relying to a material extent upon the business expertise and net worth of Mortgagor and upon its continuing interest in the Property. Accordingly, Mortgagor shall not, without Mortgagee's prior written consent (which Mortgagee may withhold in its sole and unfettered discretion), either directly or indirectly, voluntarily or involuntarily:

(i) sell, assign, transfer, convey, or dispose of the Property, by installment sale contract or otherwise, or grant any option for the purchase of the Property or any part thereof;

(ii) lease the Property, other than individual tenant leases granted in the ordinary course of business, or lease the Property (whether or not in the ordinary course of business) with an option to purchase;

(iv) further encumber the Property, voluntarily or involuntarily, or by operation of law, or allow to exist against the Property any lien, mortgage, deed of trust, or other financial encumbrance; or

(v) create or allow the creation of any lien or security interest in any personal property, fixtures or equipment included within the Property,

except as referred to in paragraph 1.

(b) Any action described in the above subsection shall be an Event of Default hereunder (as hereafter defined), for which Mortgagee will be entitled to its remedies for default,

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as provided herein. The word “**Property**” as used herein shall have the full meaning earlier given, and specifically shall include any parts or portions of the Property.

(c) Whether or not Mortgagee’s consent has been obtained, Mortgagor shall give immediate written notice to Mortgagee of any conveyance, transfer or change of ownership of the Property or of any interest described in this Section.

21. **Notices.** Any notice required or permitted to be given hereunder must be in writing and given (a) by depositing same in the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested; (b) by delivering the same in person to such party; (c) by transmitting a facsimile copy to the correct facsimile phone number of the intended recipient; or (d) by depositing the same into the custody of a nationally recognized overnight delivery service addressed to the party to be notified. In the event of mailing, notices shall be deemed effective three (3) days after posting; in the event of overnight delivery, notices shall be deemed effective on the next business day following deposit with the delivery service; in the event of personal service or facsimile transmissions, notices shall be deemed effective when delivered. For purposes of notice, the addresses of the parties shall be as set forth on the first page of this Mortgage. From time to time either party may designate another or additional addresses for all purposes of this Mortgage by giving the other party no less than ten (10) days’ advance notice of such change of address in accordance with the notice provisions hereof.

22. **Assignment of Leases, Rents and Profits.**

(a) Subject to any prior liens of lenders referred to in paragraph 1, Mortgagor hereby assigns, transfers and conveys to Mortgagee, as primary security for repayment of the Note and satisfaction of Mortgagor’s obligations under the Loan Documents, all right, title and interest of Mortgagor in and to all leases affecting the Property, including any occupancy or residency agreements or assisted living or care agreements (all of the above are collectively the “**Leases**”) and all rents, income, receipts, revenues, issues and profits from or due or arising out of the Property.

(b) Mortgagor (i) will not execute any further assignment of any of its right, title or interest in any Leases, rents, contracts and profits; (ii) will enforce the performance and observance of the substantial and material covenants and obligations of the tenants under any Leases; (iii) will not, except where Mortgagor is the landlord and the tenant is in default thereunder, terminate or consent to the cancellation or surrender of any Lease now existing or hereafter to be made (except that any such Lease may be cancelled if promptly after the cancellation Mortgagor as landlord enters into a new Lease with a new tenant having a credit standing, in the reasonable judgment of Mortgagee, at least equivalent to that of the tenant whose Lease was cancelled, on terms not less favorable to Mortgagor than those contained in the cancelled Lease); (iv) will not modify any such Lease where Mortgagor is the landlord to shorten the unexpired Lease term decrease the amount of the rent and other charges payable by the tenant thereunder; (v) will not accept prepayments of any installments of rent to become due under any of Leases in excess of one month, except prepayments in the nature of security for the performance of the lessees’ obligations thereunder; (vi) will not in any other manner impair the

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value of the Property or the security of this Mortgage; (vii) will observe and perform each and every term to be observed or performed by Mortgagor pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property; and (viii) will not permit any Lease to be subordinated to any deed of trust which is subordinate to this Mortgage.

23. **Restrictions and Other Private Property Interests.**

(a) Mortgagor represents and warrants that to the best of Mortgagor’s knowledge neither this Mortgage, the Property, nor the contemplated use of the Improvements, constitute a breach of, or a violation of, any covenants, conditions, easements or restrictions, whether of record or not, affecting or binding upon the Property, or alternatively that such breach or violation has been approved or waived by all parties required by law to so approve or waive such breach or violation. Mortgagor covenants and agrees that it will take all action necessary to prevent any such breach or violation from hereafter occurring, and defend and indemnify Mortgagee from any consequences of such a breach or violation.

(b) Mortgagor shall at all times faithfully and timely perform or cause to be performed all of the terms, covenants and conditions on Mortgagor’s part to be performed, which are contained in any restriction, agreement, easement, permit or other document affecting the Property. Mortgagor covenants and agrees that it will not waive or modify any of the material terms of any of the restrictions, agreements, easements, permits or other instruments, or the rights or easements created thereby, or cancel or surrender same, or release or discharge any party thereunder or person bound thereby of or from terms, covenants or conditions thereof, or permit the release or discharge of any party thereunder, without the prior written consent of Mortgagee. Mortgagor shall take all necessary action to enforce the performance of all of the obligations of the other parties to and the persons bound by such restrictions, agreements, easements, or permits, or other documents.

(c) Mortgagor will promptly send to Mortgagee copies of all notices, advices, demands, requests, consents, statements, approvals, disapprovals, authorizations, determinations, satisfactions, waivers, designations, refusals, confirmations or denials which it shall give or receive under any of the aforesaid agreements, easements, permits and other documents.

24. **Changes in Zoning.** Mortgagor covenants not to initiate, join in, or consent to any change in any zoning ordinance, private restrictive covenants, or other public or private restriction changing, limiting or restricting the uses which may be made of the Property, without the prior written consent of Mortgagee in each instance, which consent shall not be unreasonably withheld if such change is not inconsistent with the current use of the Property and does not in Mortgagee’s sole judgment diminish the security for the indebtedness.

25. **Covenants to Run with Land.** All covenants contained in this Mortgage shall run with the land until this Mortgage is released of record.

26. **Default and Remedies.**

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(a) Each of the following occurrences shall be a default hereunder (an “**Event of Default**”):

(i) Failure of Mortgagor to make any payment of interest or principal on the Note when the same is due, whether at maturity or by acceleration or otherwise.

(ii) Failure of Mortgagor within ten (10) days after the date of a written notice from Mortgagee of such breach, to promptly and completely observe and perform each and every other obligation, covenant and agreement contained in the Note, in the Mortgage, or in any of the other Loan Documents. If the breach is intrinsically incapable of being cured within such time, then in such case the breach shall constitute an Event of Default only if Mortgagor does not (1) commence actions to cure the breach within ten (10) days after the date of Mortgagee's notice and (2) diligently pursue the cure to completion thereafter. Nothing in the preceding sentence, however shall be interpreted to require Mortgagee to send a notice with regard to satisfaction by Mortgagor of any requirements set forth herein pertaining to insurance or taxes.

(iii) Failure of Mortgagor to promptly and completely observe and perform all of the terms, covenants and conditions to be observed or performed by Mortgagor under any of the other Loan Documents beyond the applicable grace periods specified therein, if any.

(iv) A trustee, receiver or liquidator of the Property or of Mortgagor is appointed by order of a court of competent jurisdiction and the appointment is not withdrawn or the party dismissed within thirty days of the date of the appointment.

(v) The filing by any of the creditors of Mortgagor of a petition in bankruptcy against Mortgagor or for the reorganization of Mortgagor pursuant to the Federal Bankruptcy Code or any similar law, federal or state, and the same is not discharged within sixty (60) days after the date of filing thereof.

(vi) Mortgagor takes or permits any of the following actions: (1) files a petition in bankruptcy or, for an arrangement, or for reorganization pursuant to the federal Bankruptcy Code or any similar law, federal or state; (2) files a petition or answer consenting to, or acquiescing in, a reorganization, arrangement, adjustment, composition, liquidation, dissolution or similar relief, under any present or future statute, law or regulation; (3) is adjudicated as a bankrupt; (4) is determined to be insolvent by a decree of a court of competent jurisdiction; (5) makes an assignment for the benefit of creditors; (6) admits its inability to pay its debts generally as they become due; or (7) consents to the appointment of a receiver or receivers of all or any part of its assets.

(vii) The granting or entry of a final judgment, order or decree for the payment of money against Mortgagor, and Mortgagor's failure to stay or discharge the same or cause it to be stayed or discharged within thirty days after the date of a written notice from Mortgagee, if in the judgment of Mortgagee the granting or entry adversely affects Mortgagee's security interest in the Property or Mortgagor's ability to manage and operate the Property.

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(viii) The continuation of a default (after the expiration of any applicable grace period) under any security or loan document evidencing or securing any junior financing to which Mortgagee has previously given its consent.

(ix) The continuation of a default (after the expiration of any applicable grace period) under any security or loan document evidencing or securing any senior financing to which Mortgagee has previously given its consent.

(b) During any time an Event of Default exists, Mortgagor will pay to Mortgagee, upon written demand by Mortgagee, the entire principal of the Note then outstanding, and all accrued and unpaid interest thereon, and any other amounts payable hereunder or under any of the Loan Documents, and also interest at the default rate on the then unpaid principal of the Note and on all amounts Mortgagor is required to pay pursuant to any provision of this Mortgage or any of the Loan Documents. In addition thereto, Mortgagor shall pay such further amounts as shall be sufficient to cover the reasonable costs and expenses of collection. In the event Mortgagor fails to pay such amounts upon such demand, Mortgagee shall be entitled and empowered, subject to the limitations, if any, set forth herein, to institute such action or proceedings at law or in equity as may be necessary or desirable to Mortgagee for the collection of the amounts due, and may prosecute any such action or proceedings to judgment or final decree. Mortgagee may enforce any such judgment or final decree against Mortgagor and collect, out of the property of Mortgagor wherever situated, as well as out of the Property in any manner provided by law, monies adjudged or decreed to be payable.

(c) Mortgagee shall be entitled to recover judgment against Mortgagor before, after or during any proceedings for the foreclosure of this Mortgage, and the right of Mortgagee to recover such judgment shall not be affected by any entry or sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of Mortgagee's remedies under this Mortgage. In case of proceedings against Mortgagor in insolvency or bankruptcy, or any proceedings for Mortgagor's reorganization or involving the liquidation of Mortgagor's assets, then Mortgagee shall be entitled to prove the whole amount of principal and interest due upon the Note and other indebtedness to the full amount thereof, without deducting therefrom any proceeds obtained from the sale of the whole or any part of the Property. However, in no case shall Mortgagee receive from the aggregate amount of the proceeds of the sale of the Property and the proceeds of any other actions a greater amount than the amount of the indebtedness due from Mortgagor, including all principal, interest, and reimbursements which constitute parts of the indebtedness.

(d) During all times during which an Event of Default exists, Lender shall have the following rights and remedies:

(i) Lender may declare the entire principal amount of the Note then outstanding, together with accrued and unpaid interest thereon, and all other items of indebtedness hereunder, to be due and payable immediately, even if the same are not then due and payable.

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(ii) Regardless of whether Lender accelerates the indebtedness as authorized above, Lender in person or by agent may (1) enter upon, take possession of, manage and operate the Property; (2) make or enforce (or if the same be subject to modification or cancellation, modify or cancel) any or all of the Leases and Contracts (the capitalized terms as used in this Section shall have the same meanings as such terms are used in the Assignment of Leases, Rents and Profits recorded simultaneously herewith) upon such terms or conditions as Lender deems proper; (3) sign new Leases and Contracts in the name of Lender or Borrower, evict existing tenants, and fix or modify rents and payments under Contracts; (4) make repairs and alterations and do any acts which Lender deems proper to protect the security hereof; (5) without taking possession, in its own name or in the name of Borrower, sue for or otherwise collect and receive the Rents and Profits, including those past due and unpaid. During the time of Lender's actions as permitted herein, Lender shall collect the Rents and Profits of the Property and apply the same, less the costs and expenses of operation and collection (including reasonable attorneys' fees and expenses), to the indebtedness, in such order as Lender may determine.

(iii) Upon request of Lender, Borrower shall assemble and make available to Lender at the Real Estate any of the Property which has been removed from the Real Estate. The entering upon and taking possession of the Property, the collection of any Rents and Profits, and the application of the same as provided herein, shall not operate to cure or waive any default previously or subsequently occurring, or affect any notice of default delivered by Lender hereunder, or invalidate any act done pursuant to any such notice.

(iv) Notwithstanding possession of the Property by Lender or a receiver, and the collection, receipt and application of Rents and Profits as described above, Lender shall be entitled to exercise every right contained in this Mortgage or by law upon or after the occurrence of a default. Any of the actions described herein may be taken by Lender either in person or by agent, with or without bringing any action, and may be taken regardless of whether any notice of default or election to sell has been given hereunder, and without regard to the adequacy of the security for the indebtedness.

(v) Lender shall be entitled to the appointment of a receiver by a court having jurisdiction, who shall be entitled without notice to take possession of and protect the Property, operate the same, collect the Rents and Profits therefrom, and otherwise exercise any rights or authority granted to Lender in this

Mortgage. Lender's right to the appointment of a receiver shall continue regardless of the value of the Property as security for the indebtedness or the solvency of any person or corporation liable for the payment of such amount, and shall exist to the full extent provided by law. Notwithstanding the appointment of any receiver, liquidator or trustee for Borrower, or of any of its property, or of the Property, Lender shall be entitled to retain possession and control of all Property now or hereafter held under this Mortgage, including, but not limited to, the Rents and Profits.

(vi) Lender may, at its option, bring an action in any court of competent jurisdiction to foreclose this instrument or to enforce any of the covenants and agreements hereof.

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(vii) Lender may, at its option, cause this Mortgage to be foreclosed in the manner prescribed by law.

(viii) All of the remedies of Lender hereunder or otherwise provided by law shall be concurrent and cumulative, and may be exercised together or independently. Expenses incurred by Lender, including reasonable attorneys' fees and expenses, shall be additions to the indebtedness secured hereby. The rights and powers in this Section shall be irrevocable and shall continue after sale hereunder if Borrower continues to have any redemption rights with respect to the Property (to the extent redemption rights are permitted hereunder).

(ix) The failure of Lender to exercise its right to accelerate the maturity of the indebtedness or to exercise any remedies hereunder in any one or more instances, or acceptance by Lender of partial payments, shall not constitute a waiver of any default or extend or affect the grace period, if any, provided herein. Lender shall continue to have all of its remedies as long as an Event of Default exists. Acceleration of maturity, once claimed hereunder by Lender, may, at the option of Lender, be rescinded by written acknowledgment to that effect to Borrower by Lender, but the tender and acceptance of partial payments alone shall not in any way affect or rescind such acceleration of maturity, nor extend or affect the grace period, if any.

(x) No recovery of any judgment by Lender and no levy of an execution under any judgment upon the Property shall affect, in any manner or to any extent, the lien of this Mortgage upon the Property, and any liens, rights, powers and remedies of Lender shall continue unimpaired as before.

(xi) In exercising the remedies herein described or taking any of the actions which are authorized herein, Lender will be acting solely and exclusively as agent for Borrower in attempting to realize the maximum return from the Property and in attempting to obtain payment to Lender of the amounts which Lender is to receive pursuant to the Note. The parties acknowledge that in so doing, Lender will not be or be deemed to be an "owner" or "operator" of the Property under any environmental statute, law, regulation or ordinance, and will not be assuming any obligations of Borrower to fully comply with all such statutes, laws, regulations or ordinances, as more particularly described in this Mortgage. Borrower will specifically defend and indemnify Lender against any such liability, cost, loss or expense.

(xii) Should Lender cause any of the Property to be sold as personal property, Lender may dispose of any part thereof in any manner now or hereafter permitted by the Uniform Commercial Code of the state of Illinois or in accordance with any other remedy provided by law. Any such disposition may be conducted by an employee or agent of Lender. Both Borrower and Lender shall be eligible to purchase any part or all of such property at any such disposition. Any such disposition may be either public or private as Lender may so elect, subject to the provisions of the Uniform Commercial Code of Illinois. Expenses of retaking, holding, preparing for sale, selling or the like shall include Lender's reasonable attorneys' fees and legal expenses. Upon such default Borrower, upon demand of Lender, shall assemble such personal property and make it available to Lender at the Real Estate, which Borrower and Lender agree is a place which is deemed reasonably convenient to them. Lender shall give Borrower at

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least five (5) days' prior written notice of the time and place of any public sale or other disposition of such property, or of the time at or after which any private sale or any other intended disposition is to be made, and if such notice is sent to Borrower in the manner notices are sent herein, it shall be deemed to constitute reasonable notice to Borrower.

(xiii) Should there be a foreclosure sale of the Property or any part thereof which is real property or which Lender has elected to treat as real property, the Lender shall receive the proceeds of said sale out of which Lender shall pay (a) the costs and expenses of foreclosing this Mortgage, and a reasonable attorneys' fee; (b) to the Borrower, its endorsees or assigns, upon the usual vouchers therefor, any money required to be paid by Borrower under this Mortgage including, without limitation, money advanced for ground rents, taxes, insurance, repairs, judgments upon statutory lien claims and any other advances hereunder and interest thereon at the Default Rate as defined in the Note; (c) the amount unpaid on the Note, together with the interest accrued thereon at the Default Rate, and all charges provided for herein; (d) all the other amounts secured by this Mortgage and (e) the balance of such proceeds, if any, shall be paid to the Borrower. The purchaser at any foreclosure sale shall not be obliged to look to the application of the proceeds thereof. If the Lender, at its option, shall set aside any declared acceleration of maturity of the Note, the terms and provisions therein stated and the covenants, terms and conditions in the Note and this Mortgage shall revive and continue with the same force and effect as if such acceleration had not occurred.

(xiv) The purchaser at any foreclosure sale hereunder may disaffirm any easement granted or rental or lease contract made in violation of any provision of this Mortgage, and may take immediate possession of the Property free from, and despite the terms of, such grant of easement and rental or lease contract.

(xv) Borrower hereby expressly waives any right which it may have to direct the order in which any of the Property shall be sold in the event of any sale or sales pursuant hereto.

(xvi) To the extent permitted by law with respect to the indebtedness or any renewals or extensions thereof, Borrower waives and renounces any and all homestead and exemption rights; the benefit of all valuation and appraisal privileges; any rights under stay or redemption statutes; and any moratoriums under or by virtue of the constitution and laws of the state where the Property is located or of the United States now existing or hereafter enacted.

27. Environmental Representations and Warranties of Mortgagor.

(a) Mortgagor covenants, represents and warrants to Mortgagee that to its actual knowledge:

(i) The Property is not being used to refine, produce, store, handle, transfer, process or transport Hazardous Material or any pollutant or contaminate as those terms are defined above or in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U.S.C.A. § 9601 (14);

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(ii) Mortgagor shall not in the future use all or any part of the Property for the purpose of refining, producing, storing, handling, transferring, processing, or transporting any pollutants or contaminants or any Hazardous Material or petroleum products in any manner which would result in a release or threatened

release which could require response under applicable Environmental Regulations, nor shall Mortgagor permit or suffer any other party to use all or any part of its Property for any purpose forbidden herein.

(iii) No violation of any Environmental Regulations now exists regarding the Property.

(b) As used herein, the term “**Hazardous Material**” means any radioactive, hazardous, or toxic substance, material, waste, chemical, or similar item, the presence of which on the Property, or the discharge, emission, release, or threat of release of which on or from the Property, is prohibited or otherwise regulated by any laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States, the State of , and all local or governmental or regulatory authorities exercising jurisdiction over Mortgagor or the Property, or which require special handling in collection, storage, treatment, or disposal by any such laws or requirements. The term Hazardous Material includes, but is not limited to, any material, substance, waste or similar item which is now or hereafter defined as a hazardous material, substance or term of similar meaning under the laws of the State of , the Federal Water Pollution Control Act (33 U.S.C. Section 1317), the Federal Resource Conservation and Recovery Act (RCRA) (42 U.S.C. Section 6901, *et seq.*), the Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and (SARA) (42 U.S.C. Section 9601, *et seq.*), any rules or regulations adopted by any administrative agency, including, but not limited to, the Environmental Protection Agency, the Department of Transportation, and any similar state or local agency having jurisdiction over the Property or the Hazardous Material, whether or not such rules and regulations have the force of law. The term “**Environmental Regulations**” as used herein means any federal, state or local laws, statutes, codes, ordinances, regulations, requirements or rules relating to any environmental matters, including the removal, handling, and disposal of hazardous or toxic waste materials.

28. Environmental Covenants of Mortgagor.

(a) Mortgagor shall furnish to the United States Environmental Protection Agency or any lawful authority all information lawfully requested by them with respect to the operations of the Property. However, nothing herein shall operate to prevent Mortgagor from contesting any such information request by all lawful means.

(b) Mortgagor shall operate its business on the Property in a careful and prudent manner, and shall require the tenants or occupants to avoid and prevent any “release,” as defined in CERCLA § 9601 (22), of any Hazardous Material on or about the Property into any waters or onto any lands, or air unless such release or disposal is pursuant to and in compliance with all applicable Environmental Regulations.

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(c) Mortgagor shall give written notice to Mortgagee immediately upon Mortgagor’s acquiring knowledge of the presence of any Hazardous Material on the Property or of any Hazardous Material contamination thereon, with a full description thereof.

(d) Mortgagor shall immediately advise Mortgagee in writing of any notices received by Mortgagor or its agents, contractors, authorized representatives and employees, alleging that the Property contains Hazardous Material or contamination thereof, or that a violation or potential violation of any Environmental Regulation laws, ordinances, rules or regulations exists on or at the Property, or because of actions by Mortgagor, any tenants, or the agents of the same.

(e) Mortgagor shall immediately advise Mortgagee in writing of all claims made or threatened by any third party against Mortgagor, its agents, contractors, authorized representatives and employees, or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Material pertaining to the Property.

(f) Mortgagor shall immediately advise Mortgagee in writing upon Mortgagor’s acquiring knowledge of any discovery by Mortgagor’s agents, contractors, authorized representatives or employees, of any occurrence or condition on the Property or on any real property adjoining or in the vicinity of the Property which does or could cause the Property to contain Hazardous Material or otherwise be in violation of any Environmental Regulations, or cause the Property to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Environmental Regulations.

(g) At any time, and from time to time, during the term of this Mortgage, Mortgagee may notify Mortgagor in writing that it desires a site assessment or environmental audit (“**Audit**”) of the Property to be made. At any time thereafter Mortgagor shall cause such an Audit to be made of the Property at Mortgagor’s sole expense. Such Audit(s) shall be performed in a manner reasonably calculated to confirm and verify compliance with the provisions of this Mortgage. Mortgagor covenants to reasonably cooperate with the persons conducting the Audit to allow entry and reasonable access to all portions of the Property for the purpose of the Audit, to supply the auditors with all available historical and operational information regarding the Property as may reasonably be requested by the auditors, and to make available for meetings with the auditors appropriate personnel and tenants having knowledge of the matters relevant to the Audit. Mortgagor covenants to comply, at its own cost and expense, with all recommendations contained in the Audit, including any recommendation for additional testing and studies to detect the presence of Hazardous Material, or to otherwise confirm and verify Mortgagor’s compliance with the provisions of this Mortgage, to the extent required by Mortgagee.

29. Mortgagor’s Obligations to Remedy Environmental Matters.

(a) In the event any local governmental authority, any state or the federal government, or any agency of either, including, but not limited to, the United States Environmental Protection Agency, notifies Mortgagor that an investigation is being or will be conducted regarding the Property or that any “removal” or “remedial action” (as these terms are

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defined in 42 U.S.C. §§ 9601 (23) and (24) (or successor legislation), or any clean-up operations of any kind or nature are necessary to be performed on the Property, or in the event any of such authorities commence, perform or complete any clean-up operation, then Mortgagor shall notify Mortgagee thereof and the Mortgagor shall have the right to contest, by any lawful means, (a) the determination of such governmental authority that such clean-up operation is necessary, (b) the means or methods of clean-up proposed, ordered or undertaken by such governmental authority, (c) the extent of the clean-up proposed, ordered or undertaken by such governmental authority, or (d) any other matter respecting or relating to the clean-up proposed, ordered or undertaken by such governmental authority. However, prior to Mortgagor’s commencement of such contest Mortgagor shall notify Mortgagee of its intent to contest such items, and Mortgagee shall determine whether such contest may cause sufficient risk to either the environment or the impairment of the Property. Mortgagor may proceed with such contest pending Mortgagee’s determination, but if Mortgagee determines that it is necessary to insure the protection of environment or the Property during such contest, Mortgagor shall provide to Mortgagee an amount sufficient to perform and complete the work, and to reimburse Mortgagee for any clean-up operations which has been or may be required to be performed. These funds shall be held in an interest bearing escrow account, with the interest to be accumulated in the account until the work is completed. In lieu of such a cash deposit, the Mortgagor may provide a bond satisfactory to Mortgagee, or other security as Mortgagee may find satisfactory.

(b) Mortgagor shall also have the right to seek contribution, indemnity or any other legal right, remedy or recourse which Mortgagor has or may have against any party except Mortgagee or its officers, agents or employees. Upon the entry of any final, nonappealable judgment (or the execution of a consent decree or other agreement between Mortgagor and such governmental authority) requiring Mortgagor to perform any clean-up operation on the Property, or in the event Mortgagor does not contest the clean-up ordered or undertaken by such governmental authority, then Mortgagor shall begin the clean-up operation and notify Mortgagee of the same, within five (5) days after (i) Mortgagor’s receipt of notice from such governmental authority that such clean-up is required, (ii) the commencement of such clean-up operation by such governmental authority, whichever is earlier, or (iii) the time periods set forth in the judgment, consent decree or other agreement. Mortgagor shall promptly do the following as appropriate:

- (c) begin performance of the clean-up operation;
- (d) cooperate with any governmental authority conducting any clean-up operation and reimburse said authority for the cost thereof if required by law to do so; and
- (e) fully reimburse any other party in accordance with said final nonappealable judgment for any clean up operation performed as required by law and obtain a release from such party and furnish Mortgagee a copy of such release.
- (f) If Mortgagor fails to remove any Hazardous Material or otherwise comply with the Environmental Regulations, Mortgagee may, after notice to Mortgagor and the expiration of any cure period provided in this Mortgage, declare an Event of Default of this Mortgage and do whatever is necessary to either eliminate such Hazardous Material from the

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Property or otherwise cause compliance with the Environmental Regulations, in addition to exercising the other remedies of Mortgagee hereunder for a breach of this Mortgage. All losses, costs, damages, claims, and expenses incurred by Mortgagee on account of Mortgagor's failure to perform the obligations described in this Mortgage shall be immediately due and payable with interest thereon at the Default Rate specified in the Note.

(g) Mortgagor acknowledges that in the event any Hazardous Material is removed from the Property by either Mortgagor or by Mortgagee, the Environmental Protection Agency Generatory Identification Number used on the waste manifest such Hazardous Material shall be in the name of the Mortgagor, or Mortgagor's agent (other than Mortgagee), shall assume all of Mortgagee's potential and actual liability for the removal and disposal of such Hazardous Material. Mortgagor shall give and hereby grants to Mortgagee, its agents and employees access to the Property, and hereby specifically grants the Mortgagee a license, effective upon expiration of the applicable cure period, if any, to remove such materials in order to comply with Environmental Regulations. Notwithstanding the foregoing, Mortgagor shall not be in default hereunder, and the Mortgagee shall not have the right to accelerate the indebtedness, so long as Mortgagor commences the clean-up operation within the time periods set forth above and thereafter diligently prosecutes such clean-up operation to completion.

(h) In exercising any of the remedies provided herein or taking any of the actions which are authorized herein, Mortgagee will be acting solely and exclusively as agent for Mortgagor in attempting to realize the maximum return from the Property and in attempting to obtain payment to Mortgagee of the amounts which Mortgagee is to receive pursuant to the Note. the parties acknowledge that in so doing, Mortgagee will not be or be deemed to be an "owner" or "operator" of the Property under any Environmental Regulation, and will not be assuming any obligations of Mortgagor to fully comply with the Environmental Regulations. Mortgagor will specifically defend and indemnify Mortgagee against any such liability, cost, loss or expense.

30. **Environmental indemnification.** Mortgagor hereby agrees to defend, indemnify and hold Mortgagee (including its successors, assigns, employees, contractors, agents, officers and directors) harmless from, any and all actions, loss, liability, damage, cost or expense occasioned by, resulting from, or consequent to any Hazardous Material or Hazardous Material contamination on the Property; any releases or discharges of Hazardous Material from the Property; any manufacturing, treating, storing, maintaining, holding, handling, transporting, spilling, leaking or dumping of Hazardous Material on, from or at the Property; any other violation of Hazardous Material laws, ordinances, rules and regulations; any claim or assertion that any Hazardous Material or Hazardous Material contamination is located on the Property; any claim that any such activities or violations have been, or are being, engaged in on the Property; or any other failure or alleged failure of Mortgagor, Mortgagor's agents, contractors, authorized representatives or employees, the Property, to comply with the provisions of this Agreement. This indemnity shall be enforceable notwithstanding any attempts by Mortgagor to exercise due diligence in ascertaining whether or not any of the events outlined above affect the Property. The loss, liability, damage, cost, or expense which is covered by this indemnity shall include, without limitation, all foreseeable consequential damages; the costs of any required or necessary repair, cleanup or detoxification of the Property, including the soil and ground water thereof, and the preparation and implementation of any closure, remedial or other required plans;

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damage to any natural resources; and all reasonable costs and expenses incurred by Mortgagee in connection with the above, including but not limited to attorneys' and consultants' fees. It is the intent of Mortgagor and Mortgagee that Mortgagee shall have no liability or responsibility for damage or injury to human health, the environment or natural resources caused by, for abatement and/or clean-up of, or otherwise with respect to Hazardous Material by virtue of the interest of Mortgagee in the Property created hereby, or as the result of Mortgagee exercising any of its remedies hereunder, including but not limited to Mortgagee's becoming the owner of the Property by foreclosure or conveyance in lieu of foreclosure. Any amounts covered by the foregoing indemnification shall be added to the indebtedness otherwise secured by the Mortgage and shall bear interest from the date incurred at the Default Rate as defined in the Note, and shall be payable on demand and be a part of the indebtedness secured hereby. Such expenses shall be reimbursed by Mortgagor to Mortgagee as and when such expenses are incurred, and Mortgagee shall not be required to wait until such losses, costs, damages, liabilities or expenses have been reduced to judgment.

31. **Uniform Commercial Code Security Agreement.** This Mortgage is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and Mortgagor hereby grants Mortgagee a security interest in said items. Borrower agrees that Mortgagee may file this Mortgage, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Property, and Mortgagor hereby authorizes Mortgagee to do so. Any reproduction of this Mortgage or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Mortgagor hereby authorizes Mortgagee to prepare and file any and all financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Mortgage in such form as Mortgagee may require, to perfect a security interest with respect to said items in any public offices or records as Mortgagee may determine. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements which Mortgagee may reasonably require. Without the prior written consent of Mortgagee, Mortgagor shall not create or suffer to be created pursuant to the Uniform Commercial Code any other security interest in said items, including replacements and additions thereto. Upon Mortgagor's breach of any covenant or agreement of Mortgagor contained in this Mortgage including the covenants to pay when due all sums secured by this Mortgage, Mortgagee shall have the remedies of a secured party under the Uniform Commercial Code and, at Mortgagee's option, may also invoke the remedies provided in this Mortgage as to such items. In exercising any of said remedies, Mortgagee may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order whatsoever, without in any way affecting the availability of Mortgagee's remedies under the Uniform Commercial Code or of the remedies provided in this Mortgage.

32. **Merger.** There shall be no merger of this Mortgage or any other document securing the Note with the fee estate of the Real Estate by reason of the fact that the same party may hold or acquire, directly or indirectly, the Note, this Mortgage or any other document securing the Note and at the same time be the owner of the fee estate of the Property or thereafter

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acquire the fee estate of the Real Estate, or by reason of the fact that the same party may hold or acquire, directly or indirectly, the fee estate of the Real Estate and at the same

time be the owner and holder of the Note, this Mortgage or any other instruments securing the Note or thereafter acquire the Note, this Mortgage or any other instrument securing the Note.

33. **Miscellaneous.**

(a) In the event of a conflict between the terms, covenants and conditions of this Mortgage and those of any other Loan Document, the terms, covenants and conditions of the document which shall enlarge the interest of Mortgagee in the Property, afford the Mortgagee greater financial security in the Property and/or assure payment of the indebtedness in full, shall control.

(b) The headings and captions of various paragraphs of this Mortgage are for convenience only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

(c) In the event any one or more of the provisions contained in this Mortgage or in the Note or in the Loan Documents shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Mortgage or Note or other Loan Document, but this Mortgage or Note or other Loan Document shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

(d) This Mortgage, and the rights of enforcement hereunder shall, without regard to the place of contract or payment, be construed and enforced according to the laws of the state where the Property is located.

(e) Time is of the essence of this Mortgage, and the waiver of the options or obligations secured hereby shall not at any time thereafter be held to be an abandonment of such rights. Notice of the exercise of any option granted to Mortgagee herein, or in the Note, is not required to be given, except as otherwise provided herein.

(f) The covenants herein contained are joint and several and shall bind, and the benefits and advantages thereof shall also inure to the benefit of, the respective successors and assigns of the parties.

(g) Whenever used, the singular number shall include the plural, the plural the singular and the use of any gender shall include all genders.

34. **Loss of Note.** In the event the Note is mutilated, destroyed, lost or stolen, Mortgagor shall deliver to Mortgagee in substitution therefor a new promissory note containing the same terms and conditions as the Note, with a notation thereon of the unpaid principal and accrued but unpaid interest. Mortgagor shall be furnished with reasonably satisfactory evidence of the mutilation, destruction, loss or theft of the Note, and also such security of indemnity as may be reasonably requested by Mortgagor.

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35. **Waiver of Trial by Jury.** To the extent permitted by law, Mortgagor and Mortgagee hereby waive trial by jury in any action, proceeding or counterclaim brought by either party against the other on any matter arising out of or in any way connected with this Mortgage, and any other loan or security document given in connection herewith, the relationship of Mortgagor and Mortgagee, or Mortgagor's use and occupancy of the Property.

NOW, THEREFORE, if the Note and the interest thereon and the indebtedness be paid when due and the said agreements be faithfully performed as aforesaid, then these presents, including the lease hereinabove set forth, shall cease and be void, and the Property shall be released at the cost of the Mortgagor.

IN WITNESS WHEREOF, the undersigned has executed this Mortgage or caused this Mortgage to be executed by their duly authorized representatives the day and year first above written.

Mortgagor:

MGP INGREDIENTS, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk
Print Name: Timothy W. Newkirk
Print Title: President & CEO

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STATE OF KANSAS)
) ss.
COUNTY OF ATCHISON)

BE IT REMEMBERED, that on this 27th day of March, 2009, before me the undersigned, a Notary Public in and for said County and State, personally appeared Timothy W. Newkirk, to me personally known, who being by me duly sworn, did say that he is the President & CEO of MGP ingredients, inc., a Kansas corporation, that said instrument was signed on behalf of said corporation, and said Timothy W. Newkirk acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in Atchison, Kansas, the day and year last above written.

/s/ Marta L. Myers
Notary Public in and for said County and State

Marta L. Myers
(Type, print or stamp the Notary's name.)

My Commission Expires:

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Legal Description of Atchison, Kansas Property
Mortgage from MGP ingredients, inc. to Cloud L. Cray, Jr.

Parcel 1:

[Intentionally omitted]

Parcel 2:

[Intentionally omitted]

Parcel 3:

West Thirty-Five feet (35') of Lot Three (3), Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 4:

the West Half of Lot two (2), in Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 5:

Lot One (1) and the East Half of Lot two (2), in Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 6:

the East Thirty-Eight and Three-Fourths feet (E38.75') of Lot Three (3), Block twenty and one-half(20½), in that part of the City of Atchison known and designated as West Atchison.

Parcel 7:

the East one-half(E½) of Lot Four (4), Block twenty and one-half(20½) in West Atchison, an addition to the City of Atchison.

Parcel 8:

the West one-half(W½) of Lot Four (4), Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

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Parcel 9:

Lot Five (5) in Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 10:

the South Thirty feet (30') of Lot six (6), Block twenty, West Atchison, an addition to the City of Atchison.

Parcel 11:

the North Ninety feet of Lot six, in Block twenty in West Atchison, an addition to the City of Atchison, Kansas, together with the West vacated Thirty feet of Roberts Street, which abut on the East of said North Ninety feet of Lot six.

Parcel 12:

the East (E) Forty (40) feet of Lot Seven (7), in Block twenty (Blk 20), in West Atchison (WA), an addition to the City of Atchison, Atchison County, Kansas.

Parcel 13:

the West Thirty-Three and Three-Fourths feet (33¾) of Lot Seven (7), the East Eleven and One-Fourth feet (11¼') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the CITY of Atchison.

Parcel 14:

the East Thirty feet (30') of the West sixty-two and one-half feet (62½') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 15:

All of the West Thirty-two and one-half feet (32-½') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the City of Atchison, Atchison County, Kansas.

Parcel 16:

the East Forty-Seven feet (47') of Lot ten (10), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 17:

North Thirty feet (30') of the South sixty feet (60') of Lot six (6), Block twenty (20), West Atchison, an addition to the City of Atchison.

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Parcel 18:

the East Fifty-Eight feet (E 58') of Lot Eight (8), Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 19:

the East (E) Seventy-Three and One-Third (73 1/3 RD) feet of Lot Seven (LT 7), and the West (W) Fifty-two (52) feet of Lot Eight (LT 8), Block twenty and one-half(20 ½) in West Atchison, an addition to the City of Atchison, Atchison County, Kansas.

Parcel 20:

the East Three feet (E 3') and Nine inches (9") of Lot six (6) and the West Thirty-six feet (W 36') and Eight inches (8") of Lot Seven (7), all in Block twenty and one-half(20 ½) in West Atchison, an addition to the City of Atchison.

Parcel 21:

the West Eighty-Five feet (W 85') of Lot six (LT 6), in Block twenty and one-half(BLK 20 ½), in West Atchison, an addition to the City of Atchison.

Parcel 22:

Lot Eleven (LT 11) and the West (W) Thirty (30) feet of vacated Roberts Street, all in Block twenty (Blk 20), in West Atchison, an addition to the City of Atchison, Kansas.

Parcel 23:

Tract No. 1

Lots 1 to 16, both inclusive, Block 21½, West Atchison, an addition to the City of Atchison, Kansas, together with all adjacent tracts out of the streets and alleys adjoining said Lots heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 2

Lots 9, 10 and 11, Block 21, West Atchison, an addition to the City of Atchison, Kansas, and the West 30 feet of vacated Roberts Street East of and adjoining said Lot 11, except the following described tract:

Beginning at a point 14 feet East of the Southeast corner of said Lot 11; thence East 16 feet to the center line of Roberts Street (now vacated); thence North along said center line 30 feet; thence southwesterly 34 feet to the point of beginning, together with all adjacent tracts out of the streets and alleys adjoining the tract above described heretofore acquired, by reversion, upon the vacation of said streets and alleys.

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Tract No. 3

Lot 6, Block 21, West Atchison, an addition to the City of Atchison, Kansas, and the West 30 feet of vacated Roberts Street East of and adjoining said Lot, except the following described tract:

Beginning at the Northwest corner of said Lot 6; thence East along the North line of said Lot and the Easterly continuation thereof 100 feet; thence South 100 feet; thence West 100 feet to a point on the West line of said Lot 6; thence North 100 feet to the point of beginning. Together with all adjacent tracts out of the streets and alleys adjoining the tract above described heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 4

Lots 1 to 8, both inclusive, Block 50, L.C. Challiss Addition, an addition to the City of Atchison, Kansas, together with all adjacent tracts out of the streets and alleys adjoining said lots heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 5

All that part of Block 28, John Roberts' Third Addition, now vacated, together with a portion of Utah Avenue adjacent thereto, now vacated, in West Atchison, an addition to the City of Atchison, Kansas, described as follows:

Beginning at the point on the South line of Utah Avenue (now vacated) approximately 165 feet West of the Northeast Corner of said Block 28, measured along the North line of said Block (said point being 9 feet Northwesterly of, measured at right angles to, the center line of the Missouri Pacific Railroad Co. Track No. 17-137); thence Southwesterly along a line making a Southwest angle of 54°14' with said North line of said Block 28 a distance of 70 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track 17-137); thence Northwesterly at right angles to the last described course 10 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of the Missouri Pacific Railroad Co. Track No. 17-138); thence Southwesterly along a line turning an angle of 82°53' to the left of the last described course 80 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 10°03' to the right of the last described course 67.5 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 9°32' to the right of the last described course 67.5 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 5° to the right of the last described course 136 feet, more or less, to a point on the West line of said Block 28 (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Northwesterly along the West line of said Block 28 and the extension thereof 285 feet, more or

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less, to the center line of vacated Utah Avenue; thence East along the center line of vacated Utah Avenue 445 feet, thence Southwesterly along a line turning an angle of 114°18' to the right of the last described course 44.6 feet, more or less, to the point of beginning.

Parcel 24:

Lot 8, in Block 21, and that part of the City of Atchison usually known and designated as West Atchison, an Addition to the City of Atchison, Kansas, Atchison County, Kansas.

Parcel 25:

The North One Hundred feet (N 100') of Lot Seven (7), in Block twenty-One (21), in West Atchison, an Addition to the City of Atchison.

Parcel 26:

The South (S) Fifty (50) feet of Lot Seven (Lt 7), Block Twenty-One (Blk 21), in West Atchison (WA), an Addition to the City of Atchison, Atchison County, Kansas, according to the Recorded Plat Thereof.

Parcel 27:

The East Fifty-Six feet (56') of Lot Twenty (20), in Block Twenty-Two (22), in West Atchison, an Addition to the City of Atchison.

Parcel 28:

The East twenty-six feet ten inches (26'10") of Lot Seventeen (17), Block Twenty-Two (22), West Atchison, an Addition to the City of Atchison.

Parcel 29:

The North Eighty-Seven and one-half feet (N 87 1/2') of Lots One (1) and Two (2), in Block Twenty-Two (22), in West Atchison.

Parcel 30:

The South sixty-two and one-half feet (62½') of Lot One (1) and the South sixty-two and one-half feet (62½') of Lot Two (2), Except the West twenty-five feet (25') of said Lot Two (2), all in Block Twenty-Two (22), in West Atchison, an Addition to the City of Atchison.

Parcel 31:

[Intentionally omitted]

Parcel 32:

[Intentionally Omitted]

Parcel 33:

Intentionally Omitted]

Parcel 34:

The South Fifty feet (S. 50') of Lots Thirty-six (36), Thirty-Seven (37), Thirty-Eight (38) and Thirty-Nine (39), in Block Thirty-Nine (39), in L.C. Challiss, an Addition to the City of Atchison.

Parcel 35

All of Lots Twenty-Five (25) and Twenty-Six (26) and the West 0.50 feet of Lot Twenty-Seven (27), in Block Forty (40), in L.C. Challiss Addition to the City of Atchison, Atchison County, Kansas.

Parcel 36:

The South 76 feet of Lots One (1) and Two (2), in Block Forty (40), in L.C. Challis Addition, an Addition to the City of Atchison, Atchison County, Kansas.

Parcel 37:

Lots Fifteen (15) and Sixteen (16), in Block Forty (40), L.C. Challiss Addition, an Addition to the City of Atchison.

Parcel 38:

Lot Seventeen (17), and the East Ten (10) feet of Lot Eighteen (18), Block Forty (40) in the L.C. Challis Addition to the City of Atchison.

Parcel 39:

Lot Nineteen (19) and the West Fifteen feet (W. 15') of Lot Eighteen (18), in Block Forty (40), in L.C. Challiss Addition to the City of Atchison.

Parcel 40:

All of Lots 35 to 38 inclusive, in Block 40, L.C. Challiss Addition to the City of Atchison, Atchison County, Kansas , Except that part of the same that is South of the most Northwesternly right of way line of the Missouri Pacific Railroad Co. and running through said Lots in Block 40, L.C. Challiss Addition.

Parcel 41:

The South 76 feet of Lots One (1) and Two (2), in Block Forty (40), in L.C. Challis Addition, an Addition to the City of Atchison, Atchison County, Kansas.

Parcel 42:

All of Lots 39 and 40 of Block 40 of the L.C. Challis Addition to the City of Atchison, Atchison County, Kansas, and all those portions of Lots 31, 32, 33, 34, 35, 36, 37 and 38 of said Block 40 that Lie Southeasterly and Easterly of the Southeasterly line of that certain strip of land described in General Warranty Deed dated October 14, 1929, from Missouri Pacific Railroad Company to Pillsbury Flour Mills Company, identified in the Missouri Pacific Railroad Deed Records as Document No. 1600306 #3-2.

Also the North 30 feet of Lot 42 of Block 40 of the L.C. Challis Addition to the City of Atchison, Atchison County, Kansas.

Parcel 43:

Lots Five, Six, Seven, Eight, Nine and Ten (5, 6, 7, 8, 9 and 10), Block Forty-Three (43), in L.C. Challiss Addition to the City of Atchison, except that part thereof described as follows;

Commencing at the Southwest Corner of said Lot Ten (10), Block Forty-Three (43), L.C. Challiss Addition, thence East along the South line of Lots Ten (10) to Five (5), inclusive to the Southeast Corner of said Lot Five (5), Block Forty-Three (43), L.C. Challiss Addition, thence North along the East line of said Lot Five (5), a distance of Seventy-Five and six-tenths (75.6) feet, thence Southwest to the place of beginning. and all of Lots Eleven, Twelve, Thirteen, Fourteen and Fifteen (11, 12, 13, 14 and 15), Block Forty-Three (43), L.C. Challiss Addition to the City of Atchison.

Parcel 44:

Lots One (1) through Sixteen (16), inclusive, and Lot Twenty-Two (22), in Block Forty-Eight (48), in L.C. Challiss' Addition to the City of Atchison, Atchison County, Kansas; and

A Tract in the Southeast Quarter (SE ¼) of the Northwest Quarter (NW ¼) of Section One (1), Township Six (6), Range Twenty (20), described as follows:

Beginning at a point in the West line of Thirteenth Street in the City of Atchison, 320 feet Northwardly from the intersection of said West line with the East and West center line of said Section 1, thence Southwardly along said West line 15 feet more or less to a point in the Northwesterly line of a tract of land condemned by the City of Atchison pursuant to Ordinance No. 3966, Report of Condemnation being recorded in Book 234, Page 523, of the Register of Deeds' Office for Atchison County, thence Southwestwardly along said Northwesterly line to a point in the prolongation Southerly of the East line of Fourteenth Street, thence Northwardly along said prolongation 390' more or less to an intersection with the Southeasterly line of property of the Atchison, Topeka and Santa Fe Railway Company, thence Northeastwardly along said Southeasterly line 610 feet more or less to a point in the West line of Thirteenth Street vacated Under Ordinance No. 3192 Dated May 24, 1915, thence Eastwardly by a straight line at

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right angles to said West line of Thirteenth Street 30 feet to the center line of said Thirteenth Street vacated, thence Southwardly along said center line 400 feet more or less to the Southerly line of that part of Thirteenth Street vacated under said Ordinance, thence Westwardly along said Southerly line 30 feet to the point of beginning, Containing 5.85 acres more or less.

Parcel 45:

Lots One and Two (1 & 2) and the North Sixty-Five feet (N 65') and the East Half (E ½) of the South Eighty-Five feet (S 85') of Lot Three (3) in Block Fifty-One (51), in L.C. Challiss Addition to the City of Atchison.

Parcel 46:

Lots Thirteen and Fourteen (Lts 13 & 14), Block Fifty-One (Blk 51), in L.C. Challiss' Addition to the City of Atchison, Atchison County, Kansas.

Parcel 47:

All of Lots twenty Three (23) and twenty Four (24), in Block Fifty-One (51) in that part of the City of Atchison known and designated as L.C. Challiss Addition.

Parcel 48:

Lots Nineteen (19) , Twenty (20) , Twenty-One (21) and Twenty-Two (22), Block Fifty-One (51), L.C. Challiss Addition to the City of Atchison, Atchison County, Kansas.

Parcel 49:

Lots Fifteen (15), sixteen (16), Seventeen (17) and Eighteen (18), Block Fifty-One (51) in L.C. Challiss Addition to the City of Atchison.

Parcel 50:

[Intentionally Omitted]

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**MORTGAGE, ASSIGNMENT OF LEASES,
SECURITY AGREEMENT
AND FIXTURE FILING FINANCING STATEMENT**

THIS MORTGAGE, ASSIGNMENT OF LEASES, SECURITY AGREEMENT AND FIXTURE FILING FINANCING STATEMENT made this 27 day of March, 2009, by **MGP INGREDIENTS, INC.**, a Kansas corporation, whose address is c/o Cray Business Plaza, 100 Commercial Street, Atchison, Kansas 66002 (the "**Mortgagor**"), to the **CLOUD L. CRAY, JR. TRUST** under agreement dated October 25, 1983, whose address is 20045 266th Road, Atchison, Kansas 66002 (the "**Mortgagee**").

1. **Granting of Property.** Mortgagor, for and in consideration of the debt and trust hereinafter described and created, and of Ten Dollars and No Cents (\$10.00) paid to Mortgagor by Mortgagee, the receipt of which is hereby acknowledged, hereby GRANTS, BARGAINS, REMISES, RELEASES, SELLS, CONVEYS and CONFIRMS to Mortgagee, its successors and assigns forever, all of Mortgagor's estate, right, title and interest in, to and under, and grants to Mortgagee a security interest in, any and all of the following described property which is (except where the context otherwise requires) herein collectively called the "**Property**", whether now owned or held or hereafter acquired, such term also referring to any part or parcel hereof:

- (a) all of the real estate and property legally described in **Exhibit "A"** attached hereto and by this reference made a part hereof (hereinafter called the "**Real Estate**"); and
- (b) all right, title and interest of Mortgagor, including any after-acquired title or reversion, in and to the beds of the ways, streets, avenues and alleys adjoining the Real Estate and in and to any strips, gaps or gores adjoining the Real Estate on all sides thereof; and
- (c) all of the tenements, hereditaments, easements, appurtenances, passages, waters, water rights, water courses, riparian rights and other rights, liberties and privileges thereof now or hereafter appertaining to the Real Estate, including any homestead or other claim at law or in equity, any after-acquired title, franchises, licenses, and any reversions and remainders thereof; and
- (d) Mortgagor's interest in all buildings and improvements of every kind and description now or hereafter erected or placed on the Real Estate (the "**Improvements**"); all materials intended for construction, reconstruction, alterations and repairs of the Improvements (whether stored or located on site or stored off site), all of which materials shall be deemed to be included within the Property hereby conveyed immediately upon the delivery thereof to the Real Estate; all fixtures and articles of personal property now or hereafter owned by Mortgagor and attached to or used in connection with Real Estate and Improvements (and the lessee's interest in any personal property leased by Mortgagor from third parties), including but not limited to all furniture and furnishings, apparatus, machinery, motors, elevators, fittings, radiators, gas ranges, mechanical refrigerators, awnings, shades, screens, office equipment, blinds, carpeting and other furnishings, and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning, central energy and sprinkler equipment and fixtures and appurtenances thereto; and all renewals or replacements of any of the foregoing, whether or not the same are or shall be attached to the Improvements; except that the foregoing shall not include any trade fixtures, personal property or moveable equipment owned by tenants occupying any part of the Property. All of such personal property to be deemed to be real property and be a part of the realty. This Mortgage is hereby deemed to be as well a security agreement as well as a mortgage for the purpose of creating hereby a security interest in the personal property securing the Indebtedness (hereafter defined in Section 3) for the benefit of the Mortgagee; and
- (e) all of the rents, issues, proceeds and profits accruing or to accrue from the Real Estate or arising from the use or enjoyment of all or any portion thereof or from any lease or agreement pertaining thereto; and all right, title and interest of Mortgagor in and to all leases of the Real Estate now or hereafter existing; including without limitation all deposits made thereunder to secure performance by the tenants of their obligations thereunder; and
- (f) all goodwill, trademarks, trade names, option rights, purchase contracts, books and records and general intangibles of Mortgagor relating to the Real Estate or the Improvements including, without limitation, all rights of Mortgagor under or with respect to all accounts, contract rights, instruments, chattel paper and other rights of Mortgagor for payment of money for property sold, rented or lent, for services rendered, for money lent, or advances or deposits made, and any other intangible property of Mortgagor related to the Real Estate or the Improvements; and
- (g) all rights, including all copyrights, of Mortgagor to plans and specifications, designs, drawings and other matters prepared for any construction on or renovation or alteration of the Real Estate and Improvements; and
- (h) all proceeds (including claims or demands thereto) of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including without limitation all proceeds of insurance (including unearned premiums) and condemnation awards including interest thereon,

subject, however, to liens securing that certain Credit Agreement dated as of May 5, 2008 (as amended from time to time), by and among Mortgagor, Commerce Bank, N.A., as Agent, Issuing Bank and Swingline Lender, and the financial institutions party thereto, including that certain

mortgage dated September 3, 2008 and recorded September 8, 2008 from Mortgagor to Commerce Bank, N.A., recorded under recording no. 200800019473.

2. **Security for Promissory Note; Indebtedness.** This Mortgage secures the payment of (a) the Subordinated Secured Promissory Note ("**Note**") from Mortgagor to Mortgagee, dated this same date, in the original principal amount of Two Million and No/100 Dollars (\$2,000,000.00); (b) all indebtedness and obligations arising under the provisions of this Mortgage; (c) all indebtedness and obligations arising pursuant to and any and all other agreements or assignments securing the Note (hereinafter collectively the "**Loan Documents**"); (d) all indebtedness and obligations arising pursuant to any instrument evidencing the advance of additional sums at Mortgagee's sole option, by Mortgagee to Mortgagor; (e) any and all renewals or extensions of any such item of indebtedness or obligation or any part thereof; (f) any future advances which may be made by Mortgagee to Mortgagor, whether made to protect the security or otherwise, and whether or not evidenced by additional promissory note or other evidences of indebtedness (but nothing in this Mortgage shall be interpreted to require Mortgagee to make any future advances); and (g) all interest due on all of the same (all of the above are hereinafter collectively the "**Indebtedness**", which term shall also include any part or portion thereof). Nothing in this Mortgage shall be construed to obligate Mortgagee to make any renewals or additional loans or advances.

3. **Warranty of Title.** Mortgagor warrants to Mortgagee good title to the Property and warrants and agrees that the same is free from all liens except as set forth in Section 1 above; that Mortgagor has good and legal right, power and authority to so convey the Property to Mortgagee; that Mortgagor and its successors in interest will forever warrant and defend the title of the Property as represented above and the estate and priority of this Mortgage against the lawful claims and demands of all persons whomsoever claiming through Mortgagor; and that Mortgagor will execute, acknowledge and deliver all and every such further assurances to the Mortgagee of the title to all the Property. All of these covenants shall run with the land.

4. **Payment of the Note and Indebtedness.** Mortgagor agrees to pay promptly the principal of and all interest on the Note and other Indebtedness at the times and in the manner provided in the Note and the other Loan Documents.

5. **Maintenance and Repairs; Compliance With Laws.**

(a) Mortgagor shall (i) not permit, commit or suffer to exist any waste, impairment or deterioration of the Property (except normal wear and tear); (ii) keep and maintain the Property and every part thereof and the fixtures, machinery and appurtenances in working condition; (iii) effect such repairs and make all needed and proper replacements so that the Improvements, fixtures, equipment, goods, machinery and appurtenances will at all times be in working condition; (iv) make such repairs as Mortgagee may reasonably require so that the Property is in working condition; (v) fully comply with all statutes, laws, ordinances, regulations, requirements, orders or decrees relating to Property enacted or imposed by any federal, state or municipal authority, including courts and administrative agencies of competent jurisdiction; (vi) observe and fully comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including but not limited to zoning variances, special

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exceptions and nonconforming uses), privileges, franchises and concessions which are applicable to the Property or which have been granted to or contracted for by Mortgagor in connection with any existing or presently contemplated use of the Property; and (vii) permit Mortgagee or its agents, at all reasonable times, to enter upon and inspect the Property, subject to the rights of tenants.

(b) Mortgagee shall have the right, at any time and from time to time, to engage an independent party to determine whether the Property is being maintained so that it is in working condition. If the maintenance is determined to be inadequate, such party shall determine the estimated cost of such repairs and replacements as are necessary to place the Property in working condition, and Mortgagor shall promptly perform the repairs and replacements. Mortgagor acknowledges that upon such a determination the security of this Mortgage will be impaired to the extent of the estimated cost of such repairs and replacements. In such event, Mortgagor shall also reimburse Mortgagee for the reasonable costs of such inspection, and the same shall be a part of the Indebtedness secured hereby. If the independent party determines the Property is in working condition, then the inspection shall be at Mortgagee's expense.

6. **Taxes.** Mortgagor agrees to:

(a) pay, before delinquency and before any penalty for nonpayment attaches thereto, all taxes, assessments, water rates, sewer rentals and other governmental, municipal or public dues, charges, fines or impositions which are or may be levied against the Property or any part thereof; to deliver to Mortgagee, at least ten (10) days before delinquency, receipted bills evidencing payment thereof; or to pay, in full, under protest and in the manner provided by statute, any tax, assessment, rate, rental, charge, fine or imposition which Mortgagor may desire to contest; and

(b) if the state where the Property is located enacts any law imposing in any manner a tax upon this Mortgage, Mortgagor shall immediately pay the Indebtedness in full, except that this provision will not apply in the event Mortgagor lawfully pays in full any such tax or assessment; and

(c) keep the Property free from statutory liens of every kind.

7. **Casualty Insurance.**

(a) Mortgagor agrees to keep the Improvements insured against loss or damage by, or abatement of rental income resulting from, fire and such other hazards, casualties and contingencies (including, but not limited to, vandalism, malicious mischief and so-called "all risk" coverage, if available at a reasonable premium) in such amounts as may reasonably be required by Mortgagee. Mortgagor will pay promptly when due any premiums on such insurance. All such insurance shall be carried with companies approved by Mortgagor and lawfully operating in the state where the Property is located. The policies and renewals thereof or certificates respecting such policies and renewals shall be deposited with and held by Mortgagee, shall evidence full payment of the premiums therefor, and shall (i) name Mortgagee

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as an additional insured, with a separation of insureds clause, sometimes also called a "severability of insureds" or "cross liability" clause; and shall include (ii) an agreed amount endorsement; (iii) a replacement cost endorsement; (iv) an inflation guard endorsement; and (v) a standard waiver of subrogation endorsement, if available, all in form acceptable to Mortgagee. Mortgagor shall not carry separate insurance, concurrent in kind or form and contributing in the event of loss with any insurance required hereunder, unless Mortgagee is included as a mortgagee thereunder pursuant to the type of clause described in clause (i) above. All policies shall provide for at least thirty (30) days' advance written notice to Mortgagee prior to any cancellation or material modification thereof.

(b) In the event of a change in ownership of or occupancy of the Property (except for ordinary changes in tenant occupancy), Mortgagor shall immediately deliver notice by mail to all insurers.

(c) In the event of a loss to the Property exceeding \$500,000 in damage amount, Mortgagor will give immediate notice to Mortgagee, whereupon Mortgagee may at its option assume the right to settle and adjust any such claim under such policies without consent of Mortgagor (although Mortgagee will endeavor to contact Mortgagor and obtain Mortgagor's consent to any such settlement or adjustment). Mortgagee shall notify Mortgagor of whether it elects to take action within twenty (20) days after Mortgagee receives Mortgagor's notice. If Mortgagee sends Mortgagor no such notification, then Mortgagor shall be allowed to adjust the loss itself, with Mortgagee reserving the later right to take over the process if it so elects. After deducting all costs of collection, the proceeds of any insurance shall be applied, at the option of Mortgagee, as follows: (i) as a credit upon any portion of the Indebtedness, as selected by Mortgagee; or (ii) to restoring the Improvements, at the direction of Mortgagor. If Mortgagor is not then in default under any of the Loan Documents, Mortgagee shall allow the proceeds to be applied as specified in alternative (ii) of the above sentence, with any excess proceeds remaining after restoration of the Improvements to be applied as specified in alternative (i).

(d) In the event Mortgagee elects to allow insurance proceeds to be disbursed for restoration of the Improvements (or such disbursement is required above), the insurance proceeds shall be paid to Mortgagee for Mortgagee to hold and disburse in accordance with this Section. Mortgagor shall provide Mortgagee with a good faith estimate by a third party of the costs of completing the work. If the estimated cost of completing the work exceeds the amount of insurance proceeds, then Mortgagor shall deposit with Mortgagee additional funds from Mortgagor or other sources which shall be sufficient to make up the difference. The insurance proceeds shall be disbursed by Mortgagee from time to time upon the Mortgagee being furnished with (i) satisfactory evidence that the insurance proceeds, together with any additional funds which may be provided by Mortgagor, continue to constitute sufficient amounts to fully pay the estimated costs of completion of such work; and (ii) such architect's certificates, waivers of lien, contractor's sworn statements and such other evidences of costs and of payment as the Mortgagee may reasonably require and approve. Mortgagee may, in any event, require that all plans and specifications for such restoration, repair, replacement and rebuilding be submitted to and approved by the Mortgagee prior to commencement of work. No payment made prior to the final completion of the work shall exceed ninety percent (90%) of the cost of the work performed. Funds other than proceeds of insurance shall be disbursed prior to disbursement of

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insurance proceeds. Any insurance proceeds and other funds paid over to the Mortgagee to be applied to the work shall be invested for the account of the Mortgagor, in an interest bearing account with Mortgagee (or another account or which shall be mutually satisfactory to both Mortgagee and Mortgagor), and the interest earned on such account or instrument shall be held in such account and applied in the same manner as the principal.

(c) In the event of a foreclosure of this Mortgage or other transfer of title to the Property extinguishing the Indebtedness or the lien of this Mortgage, all right, title and interest of Mortgagee in and to any insurance policies then in force shall pass to and are hereby assigned by Mortgagor to the purchaser or grantee.

8. **Public Liability Insurance.** Mortgagor agrees to carry and maintain liability and indemnity insurance, including without limitation water damage insurance and the so-called assumed and contractual liability coverage, in forms, in such amounts and with such insurers as may be reasonably required from time to time by Mortgagee. Certificates of such insurance, evidencing full payment of the premiums, shall be deposited with Mortgagee and shall contain provisions for thirty (30) days' written notice to Mortgagee prior to any cancellation or modification of the policies.

9. **Alterations, Removal and Demolition.** No Improvements shall be altered, except in the ordinary course of business, or removed or demolished and no fixtures, equipment or appliances on, in or about the Improvements having an aggregate value in excess of \$50,000 shall be severed or removed, except in the ordinary course of business, or sold or mortgaged, without the prior written consent of Mortgagee, which shall not be unreasonably withheld. In the event all or any part of the fixtures, appliances equipment or other goods are demolished or destroyed, Mortgagor shall promptly replace the same with similar fixtures and appliances at least equal in quality and condition to those replaced, free from any security interest in or any encumbrance thereon or reservation of title thereto except as noted in paragraph 1 (however, if any such items were originally leased or encumbered, the replacements may be so leased or encumbered).

10. **Mechanic's Liens.**

(a) Mortgagor will keep the Property free from any mechanic's liens, other statutory liens or claims, and any other claims of all persons supplying labor or materials which enter into the construction, alteration, repair or replacement of any and all Improvements.

(a) Notwithstanding the above provisions, Mortgagor shall have the right to contest any such lien or claim of any person supplying such labor or materials. However, within thirty (30) days after the filing of any mechanic's lien or other statutory claim which Mortgagor may desire to contest, Mortgagor shall furnish Mortgagee with cash, a bond (in statutory form or such other form as Mortgagee may find reasonably satisfactory), an irrevocable unconditional letter of credit in favor of Mortgagee, or other security as Mortgagee may find reasonably satisfactory, in an amount equal to one and one half times the amount of such lien. Mortgagee may also require an endorsement to its mortgagee policy of title insurance insuring over such lien. Any such

contest shall not otherwise create or result in a failure on the part of Mortgagor to comply with the terms, provisions and conditions hereof.

(b) Mortgagor shall in any event, including under the circumstances described in the above subsection, pay in full any such mechanic's lien or other statutory lien or claim prior to any foreclosure of the same or other event which would jeopardize Mortgagor's title to the Property or the lien of this Mortgage.

11. **Documentary Stamps.** If at any time the United States government, or any other governmental authority, requires internal revenue or other documentary stamps hereon or on the Note or any of the other Loan Documents, or requires payment of an interest equalization tax upon all or any part of the Indebtedness, then the Indebtedness shall be and become due and payable at the election of Mortgagee ninety (90) days after Mortgagee mails a notice of such election to Mortgagor. However, Mortgagee shall have no such election and the Note and this Mortgage shall remain in effect if Mortgagor lawfully may pay for such stamps or such tax and does in fact pay such tax when the same is due and payable. Mortgagor further agrees to deliver to Mortgagee, at any time upon written demand, evidence of citizenship and such other evidence as may be required by any government agency having jurisdiction, in order to determine whether the obligation secured hereby is subject to or exempt from any such tax.

12. **Indemnification of Mortgagee Against Costs.** Mortgagor agrees to save Mortgagee harmless from all costs and expenses, including reasonable attorneys' fees and expenses and all costs of a title search and preparation of a survey, incurred by reason of any action, suit, proceeding, hearing, motion or application before any court or administrative body (including an action to foreclose or to collect the Indebtedness) in and to which Mortgagee may be or become a party by reason of this Mortgage, including but not limited to condemnation, bankruptcy, probate and administration proceedings, as well as any other of the foregoing in which a proof of claim is by law required to be filed or in which it becomes necessary to defend or uphold the terms of this Mortgage. All funds paid or expended by Mortgagee in that regard, together with interest thereon from date of such payment at the rate set forth in the Note, shall be a part of the Indebtedness and shall upon notice to Mortgagor be immediately due and payable by Mortgagor to the Mortgagee. Any amounts not paid within ten (10) days after a statement therefor has been sent to Mortgagor, shall earn interest at the Default Rate stated in the Note, until the same is paid.

13. **Eminent Domain.**

(a) All compensation, proceeds and awards paid to or received by Mortgagor in any taking by eminent domain or conveyance in lieu thereof that may affect all or any part of or interest in the Property (whether permanently or temporarily), including severance and consequential damages and damages from a change in the grade of any street, are hereby assigned to Mortgagee subject to the terms hereof. Mortgagor hereby appoints Mortgagee as its attorney-in-fact, coupled with an interest, to collect and receive the proceeds thereof and to give proper receipts therefor. Mortgagor authorizes and empowers Mortgagee, as such attorney-in-fact, at Mortgagee's option, on behalf of Mortgagor (notwithstanding the fact that the Indebtedness may not then be due and payable or that the Indebtedness is otherwise adequately

secured), to adjust or join with Mortgagor in adjusting or compromising the claim for any such compensation, proceeds or awards. After deducting all costs of collection, such compensation, proceeds and awards shall be applied, at the option of Mortgagee, as follows: (i) as a credit upon any portion of the Indebtedness, as selected by Mortgagee; or (ii) to restoring the Improvements, at the direction of Mortgagee. If Mortgagor is not then in default under any of the Loan Documents, Mortgagee shall allow the proceeds to be applied as specified in alternative (ii) of the above sentence, with any excess proceeds remaining after restoration of the Improvements to be applied as specified in alternative (i).

(b) In the event Mortgagee elects not to apply such compensation, proceeds or awards to the Indebtedness (or such application is not permitted above), Mortgagee shall release any such amounts in the same manner and under the same conditions as are specified above for the disbursement of insurance proceeds received in the event of casualty loss to the Property.

(c) Mortgagor agrees to give Mortgagee immediate notice of the actual or threatened commencement of any such eminent domain proceeding, and agrees to promptly send to Mortgagee copies of any and all papers served or received by Mortgagor in connection with any such proceedings. Mortgagor also agrees to make, execute and deliver to Mortgagee at any time or times, upon request, free, clear and discharged of any kind whatsoever, any and all further assignments and/or other instruments which are deemed necessary by Mortgagee for the purpose of validly and sufficiently assigning to Mortgagee all such compensation, proceeds and awards to Mortgagee.

14. **Advances by Mortgagee to Protect Security.**

(a) Upon default by Mortgagor in performance of any of the terms, covenants or conditions in this Mortgage, or upon a default of any party obligated under the Note or other Loan Documents in the performance of any terms, covenants or conditions in such documents, Mortgagee may, at its option and whether or not it elects to declare the Indebtedness due and payable, pay such amounts and take such actions as Mortgagee may deem necessary or appropriate to cure the default or protect the value of the security for the Note. Mortgagee may take such actions and make such payments without the same being a waiver of any other remedy. In connection with any such advance, Mortgagee, at its option, may and is hereby authorized to obtain a report of title prepared by a title insurance company, the cost of which shall be paid by Mortgagor upon demand. Any amounts so paid by Mortgagee, all costs incurred by Mortgagee under the authorizations contained in this Section, and any other costs, charges or expenses incurred by Mortgagee in the protection of the Property, with interest at the Default Rate stated in the Note, shall be payable by Mortgagor to Mortgagee upon notice, and shall be additional Indebtedness secured by this Mortgage.

(b) In making any payment authorized above relating to taxes, assessments, water rates, sewer rentals and other governmental or municipal charges, fines, impositions or liens, Mortgagee may rely upon any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement or estimate, and without inquiring into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim

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thereof. Mortgagee, in making such a payment relating to any apparent or threatened adverse title, lien, statement of lien, encumbrance, claim or charge, shall be the sole judge of the legality or validity of same.

(c) Notwithstanding the above provisions, in the event that Mortgagee wishes to pay under authority of this Section any lien, charge or other such amount, Mortgagee shall give to Mortgagor at least ten (10) days' notice prior to making any such advances, except in the case of emergency or where the prior conduct of Mortgagor indicates that there is not a reasonable possibility that Mortgagor would respond to the notice. If Mortgagor, after receiving such notice, (i) advises Mortgagee in writing within five (5) days after the date of the notice of Mortgagor's intent to contest its obligation to pay the liens, charges or other amounts which Mortgagee proposes to pay; and (ii) Mortgagor furnishes Mortgagee with cash, a bond, an irrevocable unconditional letter of credit or other security satisfactory to Mortgagee in an amount equal to one and one-half times the amount of such contested lien or charge, then in such event Mortgagee shall not advance payment of such contested amounts. In any event, if Mortgagor contests the payment of such amounts, the amounts shall be paid prior to any foreclosure of the lien or charge and prior to any other event which would jeopardize Mortgagor's title to the Property or the lien of this Mortgage.

15. **Mortgage Subordinate at Option of Mortgagee.** At the sole option of Mortgagee, this Mortgage shall become subject and subordinate, in whole or in part, to any or all leases of all or any part of the Property, upon the execution and recording by Mortgagee of a unilateral declaration to that effect. The subordination shall apply only with respect to the leases specifically described by Mortgagee, shall not apply to other interests in the Property, and specifically shall not apply to the priority of this Mortgage over or any judgment liens, mechanic's liens, tax liens or other liens or charges affecting the Property after the date hereof. In addition, the subordination to such leases shall in no manner apply with respect to Mortgagee's entitlement to any insurance proceeds or any payments, awards or compensation made in any eminent domain or condemnation proceedings or any payment received as a result of a conveyance in lieu of condemnation.

16. **Proceeds Subrogated.** If any Indebtedness advanced by Mortgagee to Mortgagor is used, directly or indirectly, to pay off, discharge or satisfy, in whole or in part, any prior lien or encumbrance upon the Property or any part thereof, then Mortgagee shall be subrogated to any security held by the holder of such other lien or encumbrance, notwithstanding any release of the same from the public records.

17. **Partial Releases by Mortgagee.** Mortgagee, without notice to Mortgagor, without regard to the consideration, if any, paid therefor, and notwithstanding the existence at that time of any inferior deeds of trust or other liens on the Property, may release any part of the Property or other security described in the Loan Documents and may release any person liable for any Indebtedness without in any way affecting the priority of this Mortgage, to the full extent of the remaining Indebtedness, on the remainder of the Property. Mortgagee may also agree with any party obligated for the Indebtedness or having any interest in the Property or other security for the Indebtedness to extend the time for payment of any part or all of the Indebtedness or to modify the terms for the payment thereof, or take additional security for the payment of the

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Indebtedness. No such action or agreement will release or impair the lien or effect of this Mortgage or bar Mortgagee from exercising any right, power or privilege granted in this Mortgage or in any of the other Loan Documents, in the event of any default or any subsequent default.

18. **Usury.** Nothing contained in this Mortgage or the other Loan Documents shall be construed or shall so operate either presently or prospectively to require Mortgagor to pay interest at a rate greater than the rate which is now lawful for transactions of this kind in the state identified on the first page, or require Mortgagor to make any payment or do any act contrary to law. If the interest rate exceeds any applicable law relating to interest, then this Mortgage and the Loan Documents shall be interpreted and construed to require payment of interest only to the extent of such maximum lawful rate, not to exceed the rate set forth in the Note or in this Mortgage, where applicable.

19. **Actions and Proceedings.** Mortgagee shall have the right (but not the obligation) to appear in and defend any proceeding or action with respect to the Property, and to bring any action or proceeding respecting the Property as Mortgagee reasonably deems advisable, either in its own name or in the name of and on behalf of Mortgagor.

20. **Sale of Property**

(a) Mortgagor understands that Mortgagee, in making the loan evidenced by the Note, is relying to a material extent upon the business expertise and net worth of Mortgagor and upon its continuing interest in the Property. Accordingly, Mortgagor shall not, without Mortgagee's prior written consent (which Mortgagee may withhold in its sole and unfettered discretion), either directly or indirectly, voluntarily or involuntarily:

(i) sell, assign, transfer, convey, or dispose of the Property, by installment sale contract or otherwise, or grant any option for the purchase of the Property or any part thereof;

(ii) lease the Property, other than individual tenant leases granted in the ordinary course of business, or lease the Property (whether or not in the ordinary course of business) with an option to purchase;

(iv) further encumber the Property, voluntarily or involuntarily, or by operation of law, or allow to exist against the Property any lien, mortgage, deed of trust, or other financial encumbrance; or

(i) create or allow the creation of any lien or security interest in any personal property, fixtures or equipment included within the Property, except as referred to in paragraph 1.

(b) Any action described in the above subsection shall be an Event of Default hereunder (as hereafter defined), for which Mortgagee will be entitled to

as provided herein. The word “**Property**” as used herein shall have the full meaning earlier given, and specifically shall include any parts or portions of the Property.

(c) Whether or not Mortgagee’s consent has been obtained, Mortgagor shall give immediate written notice to Mortgagee of any conveyance, transfer or change of ownership of the Property or of any interest described in this Section.

21. **Notices.** Any notice required or permitted to be given hereunder must be in writing and given (a) by depositing same in the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested; (b) by delivering the same in person to such party; (c) by transmitting a facsimile copy to the correct facsimile phone number of the intended recipient; or (d) by depositing the same into the custody of a nationally recognized overnight delivery service addressed to the party to be notified. In the event of mailing, notices shall be deemed effective three (3) days after posting; in the event of overnight delivery, notices shall be deemed effective on the next business day following deposit with the delivery service; in the event of personal service or facsimile transmissions, notices shall be deemed effective when delivered. For purposes of notice, the addresses of the parties shall be as set forth on the first page of this Mortgage. From time to time either party may designate another or additional addresses for all purposes of this Mortgage by giving the other party no less than ten (10) days’ advance notice of such change of address in accordance with the notice provisions hereof.

22. **Assignment of Leases, Rents and Profits.**

(a) Subject to any prior liens of lenders referred to in paragraph 1, Mortgagor hereby assigns, transfers and conveys to Mortgagee, as primary security for repayment of the Note and satisfaction of Mortgagor’s obligations under the Loan Documents, all right, title and interest of Mortgagor in and to all leases affecting the Property, including any occupancy or residency agreements or assisted living or care agreements (all of the above are collectively the “**Leases**”) and all rents, income, receipts, revenues, issues and profits from or due or arising out of the Property.

(b) Mortgagor (i) will not execute any further assignment of any of its right, title or interest in any Leases, rents, contracts and profits; (ii) will enforce the performance and observance of the substantial and material covenants and obligations of the tenants under any Leases; (iii) will not, except where Mortgagor is the landlord and the tenant is in default thereunder, terminate or consent to the cancellation or surrender of any Lease now existing or hereafter to be made (except that any such Lease may be cancelled if promptly after the cancellation Mortgagor as landlord enters into a new Lease with a new tenant having a credit standing, in the reasonable judgment of Mortgagee, at least equivalent to that of the tenant whose Lease was cancelled, on terms not less favorable to Mortgagor than those contained in the cancelled Lease); (iv) will not modify any such Lease where Mortgagor is the landlord to shorten the unexpired Lease term decrease the amount of the rent and other charges payable by the tenant thereunder; (v) will not accept prepayments of any installments of rent to become due under any of Leases in excess of one month, except prepayments in the nature of security for the performance of the lessees’ obligations thereunder; (vi) will not in any other manner impair the

value of the Property or the security of this Mortgage; (vii) will observe and perform each and every term to be observed or performed by Mortgagor pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property; and (viii) will not permit any Lease to be subordinated to any deed of trust which is subordinate to this Mortgage.

23. **Restrictions and Other Private Property Interests.**

(a) Mortgagor represents and warrants that to the best of Mortgagor’s knowledge neither this Mortgage, the Property, nor the contemplated use of the Improvements, constitute a breach of, or a violation of, any covenants, conditions, easements or restrictions, whether of record or not, affecting or binding upon the Property, or alternatively that such breach or violation has been approved or waived by all parties required by law to so approve or waive such breach or violation. Mortgagor covenants and agrees that it will take all action necessary to prevent any such breach or violation from hereafter occurring, and defend and indemnify Mortgagee from any consequences of such a breach or violation.

(b) Mortgagor shall at all times faithfully and timely perform or cause to be performed all of the terms, covenants and conditions on Mortgagor’s part to be performed, which are contained in any restriction, agreement, easement, permit or other document affecting the Property. Mortgagor covenants and agrees that it will not waive or modify any of the material terms of any of the restrictions, agreements, easements, permits or other instruments, or the rights or easements created thereby, or cancel or surrender same, or release or discharge any party thereunder or person bound thereby of or from terms, covenants or conditions thereof, or permit the release or discharge of any party thereunder, without the prior written consent of Mortgagee. Mortgagor shall take all necessary action to enforce the performance of all of the obligations of the other parties to and the persons bound by such restrictions, agreements, easements, or permits, or other documents.

(c) Mortgagor will promptly send to Mortgagee copies of all notices, advices, demands, requests, consents, statements, approvals, disapprovals, authorizations, determinations, satisfactions, waivers, designations, refusals, confirmations or denials which it shall give or receive under any of the aforesaid agreements, easements, permits and other documents.

24. **Changes in Zoning.** Mortgagor covenants not to initiate, join in, or consent to any change in any zoning ordinance, private restrictive covenants, or other public or private restriction changing, limiting or restricting the uses which may be made of the Property, without the prior written consent of Mortgagee in each instance, which consent shall not be unreasonably withheld if such change is not inconsistent with the current use of the Property and does not in Mortgagee’s sole judgment diminish the security for the Indebtedness.

25. **Covenants to Run With Land.** All covenants contained in this Mortgage shall run with the land until this Mortgage is released of record.

26. **Default and Remedies.**

(a) Each of the following occurrences shall be a default hereunder (an “**Event of Default**”):

(i) Failure of Mortgagor to make any payment of interest or principal on the Note when the same is due, whether at maturity or by acceleration or otherwise.

(ii) Failure of Mortgagor within ten (10) days after the date of a written notice from Mortgagee of such breach, to promptly and completely observe and perform each and every other obligation, covenant and agreement contained in the Note, in the Mortgage, or in any of the other Loan Documents. If the breach is

inherently incapable of being cured within such time, then in such case the breach shall constitute an Event of Default only if Mortgagor does not (1) commence actions to cure the breach within ten (10) days after the date of Mortgagee's notice and (2) diligently pursue the cure to completion thereafter. Nothing in the preceding sentence, however shall be interpreted to require Mortgagee to send a notice with regard to satisfaction by Mortgagor of any requirements set forth herein pertaining to insurance or taxes.

(iii) Failure of Mortgagor to promptly and completely observe and perform all of the terms, covenants and conditions to be observed or performed by Mortgagor under any of the other Loan Documents beyond the applicable grace periods specified therein, if any.

(iv) A trustee, receiver or liquidator of the Property or of Mortgagor is appointed by order of a court of competent jurisdiction and the appointment is not withdrawn or the party dismissed within thirty days of the date of the appointment.

(v) The filing by any of the creditors of Mortgagor of a petition in bankruptcy against Mortgagor or for the reorganization of Mortgagor pursuant to the Federal Bankruptcy Code or any similar law, federal or state, and the same is not discharged within sixty (60) days after the date of filing thereof.

(vi) Mortgagor takes or permits any of the following actions: (1) files a petition in bankruptcy or, for an arrangement, or for reorganization pursuant to the federal Bankruptcy Code or any similar law, federal or state; (2) files a petition or answer consenting to, or acquiescing in, a reorganization, arrangement, adjustment, composition, liquidation, dissolution or similar relief, under any present or future statute, law or regulation; (3) is adjudicated as a bankrupt; (4) is determined to be insolvent by a decree of a court of competent jurisdiction; (5) makes an assignment for the benefit of creditors; (6) admits its inability to pay its debts generally as they become due; or (7) consents to the appointment of a receiver or receivers of all or any part of its assets.

(vii) The granting or entry of a final judgment, order or decree for the payment of money against Mortgagor, and Mortgagor's failure to stay or discharge the same or cause it to be stayed or discharged within thirty days after the date of a written notice from Mortgagee, if in the judgment of Mortgagee the granting or entry adversely affects Mortgagee's security interest in the Property or Mortgagor's ability to manage and operate the Property.

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(viii) The continuation of a default (after the expiration of any applicable grace period) under any security or loan document evidencing or securing any junior financing to which Mortgagee has previously given its consent.

(ix) The continuation of a default (after the expiration of any applicable grace period) under any security or loan document evidencing or securing any senior financing to which Mortgagee has previously given its consent.

(b) During any time an Event of Default exists, Mortgagor will pay to Mortgagee, upon written demand by Mortgagee, the entire principal of the Note then outstanding, and all accrued and unpaid interest thereon, and any other amounts payable hereunder or under any of the Loan Documents, and also interest at the default rate on the then unpaid principal of the Note and on all amounts Mortgagor is required to pay pursuant to any provision of this Mortgage or any of the Loan Documents. In addition thereto, Mortgagor shall pay such further amounts as shall be sufficient to cover the reasonable costs and expenses of collection. This shall include all amounts due under to 735 ILCS 5/15-1510 and 1512. In the event Mortgagor fails to pay such amounts upon such demand, Mortgagee shall be entitled and empowered, subject to the limitations, if any, set forth herein, to institute such action or proceedings at law or in equity as may be necessary or desirable to Mortgagee for the collection of the amounts due, and may prosecute any such action or proceedings to judgment or final decree. Mortgagee may enforce any such judgment or final decree against Mortgagor and collect, out of the property of Mortgagor wherever situated, as well as out of the Property in any manner provided by law, monies adjudged or decreed to be payable.

(c) Mortgagee shall be entitled to recover judgment against Mortgagor before, after or during any proceedings for the foreclosure of this Mortgage, and the right of Mortgagee to recover such judgment shall not be affected by any entry or sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of Mortgagee's remedies under this Mortgage. In case of proceedings against Mortgagor in insolvency or bankruptcy, or any proceedings for Mortgagor's reorganization or involving the liquidation of Mortgagor's assets, then Mortgagee shall be entitled to prove the whole amount of principal and interest due upon the Note and other Indebtedness to the full amount thereof, without deducting therefrom any proceeds obtained from the sale of the whole or any part of the Property. However, in no case shall Mortgagee receive from the aggregate amount of the proceeds of the sale of the Property and the proceeds of any other actions a greater amount than the amount of the Indebtedness due from Mortgagor, including all principal, interest, and reimbursements which constitute parts of the Indebtedness.

(d) During all times during which an Event of Default exists, Lender shall have the following rights and remedies:

(i) Lender may declare the entire principal amount of the Note then outstanding, together with accrued and unpaid interest thereon, and all other items of Indebtedness hereunder, to be due and payable immediately, even if the same are not then due and payable.

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(ii) Regardless of whether Lender accelerates the Indebtedness as authorized above, Lender in person or by agent may (1) enter upon, take possession of, manage and operate the Property; (2) make or enforce (or if the same be subject to modification or cancellation, modify or cancel) any or all of the Leases and Contracts (the capitalized terms as used in this Section shall have the same meanings as such terms are used in the Assignment of Leases, Rents and Profits recorded simultaneously herewith) upon such terms or conditions as Lender deems proper; (3) sign new Leases and Contracts in the name of Lender or Borrower, evict existing tenants, and fix or modify rents and payments under Contracts; (4) make repairs and alterations and do any acts which Lender deems proper to protect the security hereof; (5) without taking possession, in its own name or in the name of Borrower, sue for or otherwise collect and receive the Rents and Profits, including those past due and unpaid. During the time of Lender's actions as permitted herein, Lender shall collect the Rents and Profits of the Property and apply the same, less the costs and expenses of operation and collection (including reasonable attorneys' fees and expenses), to the Indebtedness, in such order as Lender may determine.

(iii) Upon request of Lender, Borrower shall assemble and make available to Lender at the Real Estate any of the Property which has been removed from the Real Estate. The entering upon and taking possession of the Property, the collection of any Rents and Profits, and the application of the same as provided herein, shall not operate to cure or waive any default previously or subsequently occurring, or affect any notice of default delivered by Lender hereunder, or invalidate any act done pursuant to any such notice.

(iv) Notwithstanding possession of the Property by Lender or a receiver, and the collection, receipt and application of Rents and Profits as described above, Lender shall be entitled to exercise every right contained in this Mortgage or by law upon or after the occurrence of a default. Any of the actions described herein may be taken by Lender either in person or by agent, with or without bringing any action, and may be taken regardless of whether any notice of default or election to sell has been given hereunder, and without regard to the adequacy of the security for the Indebtedness.

(v) Lender shall be entitled to the appointment of a receiver by a court having jurisdiction, who shall be entitled without notice to take possession of and protect the Property, operate the same, collect the Rents and Profits therefrom, and otherwise exercise any rights or authority granted to Lender in this Mortgage. Lender's right to the appointment of a receiver shall continue regardless of the value of the Property as security for the Indebtedness or the solvency of any person or corporation liable for the payment of such amount, and shall exist to the full extent provided by law. Notwithstanding the appointment of any receiver, liquidator or trustee for Borrower, or of any of its property, or of the Property, Lender shall be entitled to retain possession and control of all Property now or hereafter held under this Mortgage,

including, but not limited to, the Rents and Profits.

(vi) Lender may, at its option, bring an action in any court of competent jurisdiction to foreclose this instrument or to enforce any of the covenants and agreements hereof.

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(vii) Lender may, at its option, cause this Mortgage to be foreclosed in the manner prescribed by law.

(viii) All of the remedies of Lender hereunder or otherwise provided by law shall be concurrent and cumulative, and may be exercised together or independently. Expenses incurred by Lender, including reasonable attorneys' fees and expenses, shall be additions to the Indebtedness secured hereby. The rights and powers in this Section shall be irrevocable and shall continue after sale hereunder if Borrower continues to have any redemption rights with respect to the Property (to the extent redemption rights are permitted hereunder).

(ix) The failure of Lender to exercise its right to accelerate the maturity of the Indebtedness or to exercise any remedies hereunder in any one or more instances, or acceptance by Lender of partial payments, shall not constitute a waiver of any default or extend or affect the grace period, if any, provided herein. Lender shall continue to have all of its remedies as long as an Event of Default exists. Acceleration of maturity, once claimed hereunder by Lender, may, at the option of Lender, be rescinded by written acknowledgment to that effect to Borrower by Lender, but the tender and acceptance of partial payments alone shall not in any way affect or rescind such acceleration of maturity, nor extend or affect the grace period, if any.

(x) No recovery of any judgment by Lender and no levy of an execution under any judgment upon the Property shall affect, in any manner or to any extent, the lien of this Mortgage upon the Property, and any liens, rights, powers and remedies of Lender shall continue unimpaired as before.

(xi) In exercising the remedies herein described or taking any of the actions which are authorized herein, Lender will be acting solely and exclusively as agent for Borrower in attempting to realize the maximum return from the Property and in attempting to obtain payment to Lender of the amounts which Lender is to receive pursuant to the Note. The parties acknowledge that in so doing, Lender will not be or be deemed to be an "owner" or "operator" of the Property under any environmental statute, law, regulation or ordinance, and will not be assuming any obligations of Borrower to fully comply with all such statutes, laws, regulations or ordinances, as more particularly described in this Mortgage. Borrower will specifically defend and indemnify Lender against any such liability, cost, loss or expense.

(xii) Should Lender cause any of the Property to be sold as personal property, Lender may dispose of any part thereof in any manner now or hereafter permitted by the Uniform Commercial Code of the state of Illinois or in accordance with any other remedy provided by law. Any such disposition may be conducted by an employee or agent of Lender. Both Borrower and Lender shall be eligible to purchase any part or all of such property at any such disposition. Any such disposition may be either public or private as Lender may so elect, subject to the provisions of the Uniform Commercial Code of Illinois. Expenses of retaking, holding, preparing for sale, selling or the like shall include Lender's reasonable attorneys' fees and legal expenses. Upon such default Borrower, upon demand of Lender, shall assemble such personal property and make it available to Lender at the Real Estate, which Borrower and Lender agree is a place which is deemed reasonably convenient to them. Lender shall give Borrower at

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least five (5) days' prior written notice of the time and place of any public sale or other disposition of such property, or of the time at or after which any private sale or any other intended disposition is to be made, and if such notice is sent to Borrower in the manner notices are sent herein, it shall be deemed to constitute reasonable notice to Borrower.

(xiii) Should there be a foreclosure sale of the Property or any part thereof which is real property or which Lender has elected to treat as real property, the Lender shall receive the proceeds of said sale out of which Lender shall pay (a) the costs and expenses of foreclosing this Mortgage, and a reasonable attorneys' fee; (b) to the Borrower, its endorsees or assigns, upon the usual vouchers therefor, any money required to be paid by Borrower under this Mortgage including, without limitation, money advanced for ground rents, taxes, insurance, repairs, judgments upon statutory lien claims and any other advances hereunder and interest thereon at the Default Rate as defined in the Note; (c) the amount unpaid on the Note, together with the interest accrued thereon at the Default Rate, and all charges provided for herein; (d) all the other amounts secured by this Mortgage and (e) the balance of such proceeds, if any, shall be paid to the Borrower. The purchaser at any foreclosure sale shall not be obliged to look to the application of the proceeds thereof. If the Lender, at its option, shall set aside any declared acceleration of maturity of the Note, the terms and provisions therein stated and the covenants, terms and conditions in the Note and this Mortgage shall revive and continue with the same force and effect as if such acceleration had not occurred.

(xiv) The purchaser at any foreclosure sale hereunder may disaffirm any easement granted or rental or lease contract made in violation of any provision of this Mortgage, and may take immediate possession of the Property free from, and despite the terms of, such grant of easement and rental or lease contract.

(xv) Borrower hereby expressly waives any right which it may have to direct the order in which any of the Property shall be sold in the event of any sale or sales pursuant hereto.

(xvi) To the extent permitted by law with respect to the Indebtedness or any renewals or extensions thereof, Borrower waives and renounces any and all homestead and exemption rights; the benefit of all valuation and appraisal privileges; any rights under stay or redemption statutes; and any moratoriums under or by virtue of the constitution and laws of the state where the Property is located or of the United States now existing or hereafter enacted. This waiver includes a waiver of all rights of redemption pursuant to 735 ILCS 5/15-1601b and 735 ILCS 5/15-1602.

27. Environmental Representations and Warranties of Mortgagor.

(a) Mortgagor covenants, represents and warrants to Mortgagee that to its actual knowledge:

(i) The Property is not being used to refine, produce, store, handle, transfer, process or transport Hazardous Material or any pollutant or contaminate as those terms

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are defined above or in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U.S.C.A. § 9601 (14);

(ii) Mortgagor shall not in the future use all or any part of the Property for the purpose of refining, producing, storing, handling, transferring, processing, or transporting any pollutants or contaminants or any Hazardous Material or petroleum products in any manner which would result in a release or threatened release which could require response under applicable Environmental Regulations, nor shall Mortgagor permit or suffer any other party to use all or any part of its Property

for any purpose forbidden herein.

(iii) No violation of any Environmental Regulations now exists regarding the Property.

(b) As used herein, the term “**Hazardous Material**” means any radioactive, hazardous, or toxic substance, material, waste, chemical, or similar item, the presence of which on the Property, or the discharge, emission, release, or threat of release of which on or from the Property, is prohibited or otherwise regulated by any laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States, the State of, and all local or governmental or regulatory authorities exercising jurisdiction over Mortgagor or the Property, or which require special handling in collection, storage, treatment, or disposal by any such laws or requirements. The term Hazardous Material includes, but is not limited to, any material, substance, waste or similar item which is now or hereafter defined as a hazardous material, substance or term of similar meaning under the laws of the State of, the Federal Water Pollution Control Act (33 U.S.C. Section 1317), the Federal Resource Conservation and Recovery Act (RCRA) (42 U.S.C. Section 6901, *et seq.*), the Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and (SARA) (42 U.S.C. Section 9601, *et seq.*), any rules or regulations adopted by any administrative agency, including, but not limited to, the Environmental Protection Agency, the Department of Transportation, and any similar state or local agency having jurisdiction over the Property or the Hazardous Material, whether or not such rules and regulations have the force of law. The term “**Environmental Regulations**” as used herein means any federal, state or local laws, statutes, codes, ordinances, regulations, requirements or rules relating to any environmental matters, including the removal, handling, and disposal of hazardous or toxic waste materials.

28. **Environmental Covenants of Mortgagor.**

(a) Mortgagor shall furnish to the United States Environmental Protection Agency or any lawful authority all information lawfully requested by them with respect to the operations of the Property. However, nothing herein shall operate to prevent Mortgagor from contesting any such information request by all lawful means.

(b) Mortgagor shall operate its business on the Property in a careful and prudent manner, and shall require the tenants or occupants to avoid and prevent any “release,” as defined in CERCLA § 9601 (22), of any Hazardous Material on or about the Property into any waters or onto any lands, or air unless such release or disposal is pursuant to and in compliance with all applicable Environmental Regulations.

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(c) Mortgagor shall give written notice to Mortgagee immediately upon Mortgagor’s acquiring knowledge of the presence of any Hazardous Material on the Property or of any Hazardous Material contamination thereon, with a full description thereof.

(d) Mortgagor shall immediately advise Mortgagee in writing of any notices received by Mortgagor or its agents, contractors, authorized representatives and employees, alleging that the Property contains Hazardous Material or contamination thereof, or that a violation or potential violation of any Environmental Regulation laws, ordinances, rules or regulations exists on or at the Property, or because of actions by Mortgagor, any tenants, or the agents of the same.

(e) Mortgagor shall immediately advise Mortgagee in writing of all claims made or threatened by any third party against Mortgagor, its agents, contractors, authorized representatives and employees, or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Material pertaining to the Property.

(f) Mortgagor shall immediately advise Mortgagee in writing upon Mortgagor’s acquiring knowledge of any discovery by Mortgagor’s agents, contractors, authorized representatives or employees, of any occurrence or condition on the Property or on any real property adjoining or in the vicinity of the Property which does or could cause the Property to contain Hazardous Material or otherwise be in violation of any Environmental Regulations, or cause the Property to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Environmental Regulations.

(g) At any time, and from time to time, during the term of this Mortgage, Mortgagee may notify Mortgagor in writing that it desires a site assessment or environmental audit (“**Audit**”) of the Property to be made. At any time thereafter Mortgagor shall cause such an Audit to be made of the Property at Mortgagor’s sole expense. Such Audit(s) shall be performed in a manner reasonably calculated to confirm and verify compliance with the provisions of this Mortgage. Mortgagor covenants to reasonably cooperate with the persons conducting the Audit to allow entry and reasonable access to all portions of the Property for the purpose of the Audit, to supply the auditors with all available historical and operational information regarding the Property as may reasonably be requested by the auditors, and to make available for meetings with the auditors appropriate personnel and tenants having knowledge of the matters relevant to the Audit. Mortgagor covenants to comply, at its own cost and expense, with all recommendations contained in the Audit, including any recommendation for additional testing and studies to detect the presence of Hazardous Material, or to otherwise confirm and verify Mortgagor’s compliance with the provisions of this Mortgage, to the extent required by Mortgagee.

29. **Mortgagor’s Obligations to Remedy Environmental Matters.**

(a) In the event any local governmental authority, any state or the federal government, or any agency of either, including, but not limited to, the United States Environmental Protection Agency, notifies Mortgagor that an investigation is being or will be conducted regarding the Property or that any “removal” or “remedial action” (as these terms are

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defined in 42 U.S.C. §§ 9601 (23) and (24) (or successor legislation), or any clean-up operations of any kind or nature are necessary to be performed on the Property, or in the event any of such authorities commence, perform or complete any clean-up operation, then Mortgagor shall notify Mortgagee thereof and the Mortgagor shall have the right to contest, by any lawful means, (a) the determination of such governmental authority that such clean-up operation is necessary, (b) the means or methods of clean-up proposed, ordered or undertaken by such governmental authority, (c) the extent of the clean-up proposed, ordered or undertaken by such governmental authority, or (d) any other matter respecting or relating to the clean-up proposed, ordered or undertaken by such governmental authority. However, prior to Mortgagor’s commencement of such contest Mortgagor shall notify Mortgagee of its intent to contest such items, and Mortgagee shall determine whether such contest may cause sufficient risk to either the environment or the impairment of the Property. Mortgagor may proceed with such contest pending Mortgagee’s determination, but if Mortgagee determines that it is necessary to insure the protection of environment or the Property during such contest, Mortgagor shall provide to Mortgagee an amount sufficient to perform and complete the work, and to reimburse Mortgagee for any clean-up operations which has been or may be required to be performed. These funds shall be held in an interest bearing escrow account, with the interest to be accumulated in the account until the work is completed. In lieu of such a cash deposit, the Mortgagor may provide a bond satisfactory to Mortgagee, or other security as Mortgagee may find satisfactory.

(b) Mortgagor shall also have the right to seek contribution, indemnity or any other legal right, remedy or recourse which Mortgagor has or may have against any party except Mortgagee or its officers, agents or employees. Upon the entry of any final, nonappealable judgment (or the execution of a consent decree or other agreement between Mortgagor and such governmental authority) requiring Mortgagor to perform any clean-up operation on the Property, or in the event Mortgagor does not contest the clean-up ordered or undertaken by such governmental authority, then Mortgagor shall begin the clean-up operation and notify Mortgagee of the same, within five (5) days after (i) Mortgagor’s receipt of notice from such governmental authority that such clean-up is required, (ii) the commencement of such clean-up operation by such governmental authority, whichever is earlier, or (iii) the time periods set forth in the judgment, consent decree or other agreement. Mortgagor shall promptly do the following as appropriate:

- (c) begin performance of the clean-up operation;
- (d) cooperate with any governmental authority conducting any clean-up operation and reimburse said authority for the cost thereof if required by law to do so; and
- (e) fully reimburse any other party in accordance with said final nonappealable judgment for any clean up operation performed as required by law and obtain a release from such party and furnish Mortgagee a copy of such release.
- (f) If Mortgagor fails to remove any Hazardous Material or otherwise comply with the Environmental Regulations, Mortgagee may, after notice to Mortgagor and the expiration of any cure period provided in this Mortgage, declare an Event of Default of this Mortgage and do whatever is necessary to either eliminate such Hazardous Material from the

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Property or otherwise cause compliance with the Environmental Regulations, in addition to exercising the other remedies of Mortgagee hereunder for a breach of this Mortgage. All losses, costs, damages, claims, and expenses incurred by Mortgagee on account of Mortgagor's failure to perform the obligations described in this Mortgage shall be immediately due and payable with interest thereon at the Default Rate specified in the Note.

(g) Mortgagor acknowledges that in the event any Hazardous Material is removed from the Property by either Mortgagor or by Mortgagee, the Environmental Protection Agency Generator Identification Number used on the waste manifest such Hazardous Material shall be in the name of the Mortgagor, or Mortgagor's agent (other than Mortgagee), shall assume all of Mortgagee's potential and actual liability for the removal and disposal of such Hazardous Material. Mortgagor shall give and hereby grants to Mortgagee, its agents and employees access to the Property, and hereby specifically grants the Mortgagee a license, effective upon expiration of the applicable cure period, if any, to remove such materials in order to comply with Environmental Regulations. Notwithstanding the foregoing, Mortgagor shall not be in default hereunder, and the Mortgagee shall not have the right to accelerate the Indebtedness, so long as Mortgagor commences the clean-up operation within the time periods set forth above and thereafter diligently prosecutes such clean-up operation to completion.

(h) In exercising any of the remedies provided herein or taking any of the actions which are authorized herein, Mortgagee will be acting solely and exclusively as agent for Mortgagor in attempting to realize the maximum return from the Property and in attempting to obtain payment to Mortgagee of the amounts which Mortgagee is to receive pursuant to the Note. The parties acknowledge that in so doing, Mortgagee will not be or be deemed to be an "owner" or "operator" of the Property under any Environmental Regulation, and will not be assuming any obligations of Mortgagor to fully comply with the Environmental Regulations. Mortgagor will specifically defend and indemnify Mortgagee against any such liability, cost, loss or expense.

30. **Environmental Indemnification.** Mortgagor hereby agrees to defend, indemnify and hold Mortgagee (including its successors, assigns, employees, contractors, agents, officers and directors) harmless from, any and all actions, loss, liability, damage, cost or expense occasioned by, resulting from, or consequent to any Hazardous Material or Hazardous Material contamination on the Property; any releases or discharges of Hazardous Material from the Property; any manufacturing, treating, storing, maintaining, holding, handling, transporting, spilling, leaking or dumping of Hazardous Material on, from or at the Property; any other violation of Hazardous Material laws, ordinances, rules and regulations; any claim or assertion that any Hazardous Material or Hazardous Material contamination is located on the Property; any claim that any such activities or violations have been, or are being, engaged in on the Property; or any other failure or alleged failure of Mortgagor, Mortgagor's agents, contractors, authorized representatives or employees, the Property, to comply with the provisions of this Agreement. This indemnity shall be enforceable notwithstanding any attempts by Mortgagor to exercise due diligence in ascertaining whether or not any of the events outlined above affect the Property. The loss, liability, damage, cost, or expense which is covered by this indemnity shall include, without limitation, all foreseeable consequential damages; the costs of any required or necessary repair, cleanup or detoxification of the Property, including the soil and ground water thereof, and the preparation and implementation of any closure, remedial or other required plans;

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damage to any natural resources; and all reasonable costs and expenses incurred by Mortgagee in connection with the above, including but not limited to attorneys' and consultants' fees. It is the intent of Mortgagor and Mortgagee that Mortgagee shall have no liability or responsibility for damage or injury to human health, the environment or natural resources caused by, for abatement and/or clean-up of, or otherwise with respect to Hazardous Material by virtue of the interest of Mortgagee in the Property created hereby, or as the result of Mortgagee exercising any of its remedies hereunder, including but not limited to Mortgagee's becoming the owner of the Property by foreclosure or conveyance in lieu of foreclosure. Any amounts covered by the foregoing indemnification shall be added to the Indebtedness otherwise secured by the Mortgage and shall bear interest from the date incurred at the Default Rate as defined in the Note, and shall be payable on demand and be a part of the Indebtedness secured hereby. Such expenses shall be reimbursed by Mortgagor to Mortgagee as and when such expenses are incurred, and Mortgagee shall not be required to wait until such losses, costs, damages, liabilities or expenses have been reduced to judgment.

31. **Uniform Commercial Code Security Agreement.** This Mortgage is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and Mortgagor hereby grants Mortgagee a security interest in said items. Borrower agrees that Mortgagee may file this Mortgage, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Property, and Mortgagor hereby authorizes Mortgagee to do so. Any reproduction of this Mortgage or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Mortgagor hereby authorizes Mortgagee to prepare and file any and all financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Mortgage in such form as Mortgagee may require, to perfect a security interest with respect to said items in any public offices or records as Mortgagee may determine. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements which Mortgagee may reasonably require. Without the prior written consent of Mortgagee, Mortgagor shall not create or suffer to be created pursuant to the Uniform Commercial Code any other security interest in said items, including replacements and additions thereto. Upon Mortgagor's breach of any covenant or agreement of Mortgagor contained in this Mortgage including the covenants to pay when due all sums secured by this Mortgage, Mortgagee shall have the remedies of a secured party under the Uniform Commercial Code and, at Mortgagee's option, may also invoke the remedies provided in this Mortgage as to such items. In exercising any of said remedies, Mortgagee may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order whatsoever, without in any way affecting the availability of Mortgagee's remedies under the Uniform Commercial Code or of the remedies provided in this Mortgage.

32. **Merger.** There shall be no merger of this Mortgage or any other document securing the Note with the fee estate of the Real Estate by reason of the fact that the same party may hold or acquire, directly or indirectly, the Note, this Mortgage or any other document securing the Note and at the same time be the owner of the fee estate of the Property or thereafter

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acquire the fee estate of the Real Estate, or by reason of the fact that the same party may hold or acquire, directly or indirectly, the fee estate of the Real Estate and at the same time be the owner and holder of the Note, this Mortgage or any other instruments securing the Note or thereafter acquire the Note, this Mortgage or any other instrument

securing the Note.

33. **Miscellaneous.**

(a) In the event of a conflict between the terms, covenants and conditions of this Mortgage and those of any other Loan Document, the terms, covenants and conditions of the document which shall enlarge the interest of Mortgagee in the Property, afford the Mortgagee greater financial security in the Property and/or assure payment of the Indebtedness in full, shall control.

(b) The headings and captions of various paragraphs of this Mortgage are for convenience only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

(c) In the event any one or more of the provisions contained in this Mortgage or in the Note or in the Loan Documents shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Mortgage or Note or other Loan Document, but this Mortgage or Note or other Loan Document shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

(d) This Mortgage, and the rights of enforcement hereunder shall, without regard to the place of contract or payment, be construed and enforced according to the laws of the state where the Property is located.

(e) Time is of the essence of this Mortgage, and the waiver of the options or obligations secured hereby shall not at any time thereafter be held to be an abandonment of such rights. Notice of the exercise of any option granted to Mortgagee herein, or in the Note, is not required to be given, except as otherwise provided herein.

(f) The covenants herein contained are joint and several and shall bind, and the benefits and advantages thereof shall also inure to the benefit of, the respective successors and assigns of the parties.

(g) Whenever used, the singular number shall include the plural, the plural the singular and the use of any gender shall include all genders.

34. **Loss of Note.** In the event the Note is mutilated, destroyed, lost or stolen, Mortgagor shall deliver to Mortgagee in substitution therefor a new promissory note containing the same terms and conditions as the Note, with a notation thereon of the unpaid principal and accrued but unpaid interest. Mortgagor shall be furnished with reasonably satisfactory evidence of the mutilation, destruction, loss or theft of the Note, and also such security of indemnity as may be reasonably requested by Mortgagee.

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35. **Waiver of Trial by Jury.** To the extent permitted by law, Mortgagor and Mortgagee hereby waive trial by jury in any action, proceeding or counterclaim brought by either party against the other on any matter arising out of or in any way connected with this Mortgage, and any other loan or security document given in connection herewith, the relationship of Mortgagor and Mortgagee, or Mortgagor's use and occupancy of the Property.

36. **Illinois Collateral Protection Act.** Pursuant to the requirements of the Illinois Collateral Protection Act, Mortgagor is hereby notified as follows: Unless Mortgagor provides Mortgagee with notice of the insurance coverage required by this Mortgage, Mortgagee may purchase insurance at Mortgagor's expense to protect Mortgagee's interest in the Property. This insurance may, but need not, protect Mortgagor's interests. The coverage that Mortgagee purchases may not pay any claim that Mortgagor may make or any claim that is made against Mortgagor in connection with the Property. Mortgagor may cancel any insurance purchased by Mortgagee, but only after providing Mortgagee with evidence that Mortgagor has obtained insurance as required by this Mortgage. If Mortgagee purchases insurance for the Property, Mortgagor will be responsible for the costs of that insurance, including interest and any other charges that Mortgagee may impose in connection with the placement of such insurance, until the effective date of the cancellation or expiration of any such insurance. Without limitation of any other provision in this Mortgage, the cost of such insurance shall be added to the obligations secured hereby. The cost of such insurance may be more than the cost of insurance Mortgagor may be able to obtain on its own.

NOW, THEREFORE, if the Note and the interest thereon and the Indebtedness be paid when due and the said agreements be faithfully performed as aforesaid, then these presents, including the lease hereinabove set forth, shall cease and be void, and the Property shall be released at the cost of the Mortgagor.

IN WITNESS WHEREOF, the undersigned has executed this Mortgage or caused this Mortgage to be executed by their duly authorized representatives the day and year first above written.

Mortgagor:

MGP INGREDIENTS, INC., a Kansas corporation

By: /s/ Timothy W. Newkirk

Print Name: Timothy W. Newkirk

Print Title: President & CEO

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STATE OF KANSAS)
) ss.
COUNTY OF ATCHISON)

I, Marta L. Myers a Notary Public in and for the said County, in the State aforesaid, DO HEREBY CERTIFY that _____, personally known to me to be the Timothy W. Newkirk of MGP Ingredients, Inc., a Kansas corporation which is authorized to do business in Illinois, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such officer, he signed and delivered the said instrument, pursuant to authority, given by the board of directors of the corporation as his free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and official seal, this 27th day of March, 2009.

/s/ Marta L. Myers
Notary Public

Commission expires:

Exhibit "A"**Legal Description of Pekin, Illinois Property
Mortgage from MGP Ingredients, Inc. to Cloud L. Cray, Jr.**

Real property in the County of Tazewell, State of Illinois, described as follows:

Tract I:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded on page 57 of Plat Book "B", in the Recorder's Office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois, and more particularly described as follows:

Commencing at the Northeast corner of said Northeast Quarter of Fractional Section 9; thence South 89 degrees 29 minutes 14 seconds West, along the North line of said Fractional Section 9, a distance of 1,629.48 feet to the place of beginning; thence from said place of beginning South 20 degrees 05 minutes 14 seconds West a distance of 13.41 feet; thence South 86 degrees 48 minutes 22 seconds East a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West a distance of 159.82 feet to the North line of The Quaker Oats Company by deed recorded in Book 2045, page 72, of the Tazewell County Recorder's Office; thence South 89 degrees 27 minutes 16 seconds West along said North line a distance of 104.33 feet; thence South 00 degrees 56 minutes 03 seconds West along the West line of The Quaker Oats Company property as described in aforementioned deed, a distance of 253.00 feet to the South line of The American Distilling Company property; thence South 89 degrees 27 minutes 16 seconds West along the South line of The American Distilling property, a distance of 850.76 feet to the Southeast corner of a parcel conveyed by The American Distilling Company to Pekin River and Warehouse Terminal, Inc. by deed recorded in Book 2351, page 208, of the Tazewell County Recorder's Office; thence North 25 degrees 40 minutes 22 seconds West along Easterly line of said parcel, a distance of 371.70 feet, thence North 00 degrees 02 minutes 54 seconds West along Easterly line of said parcel, a distance of 106.63 feet to the South line of said Fractional Section 4; thence continuing North 00 degrees 02 minutes 54 seconds along Easterly line of said parcel 77.64 feet to the Northerly corner of Pekin River and Warehouse Terminal Inc. property, and also being a point on the Northwesterly line of Lot 8 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 46 degrees 59 minutes 11 seconds East along the Northwesterly line, of said Lot 8 a distance of 1,110.92 feet; thence South 43 degrees 00 minutes 54 seconds East a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, a distance of 188.94 feet; thence South 19 degrees 51 minutes 12 seconds West, a distance of 276.07 feet; thence South 69 degrees 54 minutes 46 seconds East, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, a distance of 182.59 feet to the place of beginning; situate, lying and being in the County of Tazewell and State of Illinois.

Tract II:

A part of the Northeast Quarter of Fractional Section 9, and a part of Lots 6 and 8 in the Southeast Quarter of Fractional Section 4, said Lots 6 and 8 being shown on plat recorded in page 57 of Plat Book "B" in the Recorder's Office of Tazewell County, Illinois, all being in Township 24 North, Range 5 West of the Third Principal Meridian, Tazewell County, Illinois and more particularly described as follows:

Commencing at the Southeast corner of the Southeast Quarter of said Fractional Section 4; thence South 89 degrees 29 minutes 14 seconds West, along the South line of the Southeast Quarter of said Fractional Section 4, a distance of 1,020.92 feet to a concrete monument being the Place of Beginning for the Tract herein being described; thence North 37 degrees 03 minutes 04 seconds East a distance of 1,013.11 feet; thence North 57 degrees 55 minutes West a distance of 292.65 feet to the Northwesterly right-of-way line of South Front Street; thence North 29 degrees 56 minutes 48 seconds East, along the Northeasterly right-of-way line of South Front Street, a distance of 481.39 feet to a concrete monument; thence North 46 degrees 54 minutes 36 seconds West a distance of 263.31 feet to a point on the Northeasterly line of Lot 6 as recorded in Plat Book "B", page 57, of the Tazewell County Recorder's Office; thence North 24 degrees 46 minutes 48 seconds West, along the Northeasterly line of said Lot 6 a distance of 35.6 feet; thence North 87 degrees 04 minutes 48 seconds West a distance of 214.55 feet to a point on the Northwesterly line of said Lot 6; said point being 200 feet from the Northerly corner of said Lot 6; thence South 46 degrees 59 minutes 11 seconds West, along the Northwesterly line of said Lot 6 and Lot 8 as recorded in Plat Book "B", page 57 of the Tazewell County Recorder's Office, a distance of 1,146.23 feet to the Northerly corner of Tract I previously described; thence South 43 degrees 00 minutes 54 seconds East, along said Tract I, a distance of 280.47 feet; thence South 42 degrees 00 minutes 08 seconds West, along said Tract I, a distance of 188.94 feet; thence South 19 degrees 51 minutes 12 seconds West, along said Tract I, a distance of 276.97 feet; thence South 69 degrees 54 minutes 46 seconds East, along said Tract I, a distance of 148.90 feet; thence South 20 degrees 05 minutes 14 seconds West, along said Tract I, a distance of 196.00 feet; thence South 86 degrees 48 minutes 22 seconds East, along said Tract I, a distance of 267.42 feet; thence South 00 degrees 56 minutes 03 seconds West, along said Tract I, a distance of 159.82 feet to the property line of Quaker Oats Company; thence North 89 degrees 27 minutes 16 seconds East, along said property line a distance of 345.67 feet; thence North 00 degrees 56 minutes 03 seconds East, along said property line, a distance of 189.47 feet of the Place of Beginning; situate, lying and being in the County of Tazewell and State of Illinois.

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT ("Agreement"), dated as of July 17, 2009, is made by and between the CLOUD L. CRAY, JR. TRUST, under an agreement dated October 25, 1983 (the "Subordinated Creditor"), and UNION STATE BANK OF EVEREST DBA BANK OF ATCHISON USB (with its successors and assigns, the "Senior Lender").

MGP Ingredients, Inc., a Kansas corporation ("Ingredients"), is now or hereafter may be indebted to the Senior Lender on account of loans or the other extensions of credit or financial accommodations from the Senior Lender to Ingredients, or to any other person under the guaranty or endorsement of Ingredients.

The Subordinated Creditor has entered into certain financial accommodations with Ingredients and Midwest Grain Pipeline, Inc., a Kansas corporation, a wholly owned subsidiary of Ingredients ("Pipeline").

As a condition to making any loan or extension of credit to Ingredients, the Senior Lender has required that the Subordinated Creditor (i) subordinate the payment of the Subordinated Note and the Subordinated Creditor's other financial accommodations to the payment of any and all indebtedness of Ingredients to the Senior Lender and (ii) subordinate its Liens in the Senior Collateral to the Liens of the Senior Lender in the Senior Collateral. Assisting Ingredients in obtaining credit accommodations from the Senior Lender and subordinating his interests pursuant to the terms of this Agreement are in the Subordinated Creditor's best interest.

ACCORDINGLY, in consideration of the loans and other financial accommodations that have been made and may hereafter be made by the Senior Lender for the benefit of Ingredients, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Subordinated Creditor hereby agrees as follows:

1. Definitions. As used herein, the following terms have the meanings set forth below:

"**Borrower Default**" means a Default or Event of Default as defined in any agreement or instrument evidencing, governing, or issued in connection with Senior Lender Indebtedness, or any default under or breach of any such agreement or instrument.

"**Cray Collateral**" means all collateral now or hereafter securing payment of the Subordinated Indebtedness, including all proceeds thereof.

"**Cray Filing**" shall mean any UCC-1 filed with the Kansas Secretary of State which shows Ingredients as "Debtor" and Subordinated Creditor as "Secured Party and that certain Mortgage, Assignment of Leases, Security Agreement and Fixture Filing Financing Statement given by Ingredients to Subordinated Creditor related to certain property in Atchison, Kansas described in Exhibit A attached hereto and incorporated

herein by this reference, which was recorded 3/30/09 in the office of the Recorder of Deeds in Atchison County, Kansas, book 571, page 615-647.

"**Lien**" means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a person, whether now owned or hereafter acquired and whether arising by agreement or operation of law.

"**Senior Collateral**" means all collateral now or hereafter securing payment of the Senior Lender Indebtedness, including all proceeds thereof.

"**Senior Lender Indebtedness**" is used herein in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of Ingredients to the Senior Lender, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement at any time entered into by the Ingredients with the Senior Lender, and whether Ingredients may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

"**Subordinated Indebtedness**" means all obligations arising under the Subordinated Note and each and every other debt, liability and obligation of every type and description which Ingredients may now or at any time hereafter owe to the Subordinated Creditor, whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.

"**Subordinated Note**" means the Subordinated Secured Promissory Note made by Ingredients and Pipeline dated March 27, 2009, payable to the order of the Subordinated Creditor in the original principal amount of \$2,000,000, together with all amendments, renewals, extensions and modifications thereof and any note or notes issued in substitution therefore.

2. Subordination. The Subordinated Creditor hereby agrees that the payment and performance of all of the Subordinated Indebtedness is hereby expressly subordinated to the payment and performance of the Senior Lender Indebtedness and regardless of any priority otherwise available to the Subordinated Creditor by law or by agreement, the Senior Lender shall hold a first priority Lien in the Senior Collateral, and any Lien claimed therein by the Subordinated Creditor, including but not limited to the Liens evidenced by the Cray Filing, shall be and remain fully subordinate for all purposes to the Lien of the Senior Lender in the Senior Collateral for all purposes whatsoever. The Subordinated Indebtedness shall continue to be

subordinated to the Senior Lender Indebtedness even if the Senior Lender Indebtedness is deemed unsecured, under-secured, subordinated, avoided or disallowed under the United States Bankruptcy Code or other applicable law. Notwithstanding the forgoing the Subordinated Creditor's Lien in any Cray Collateral (other than the Senior Collateral) is not subordinated hereunder nor is the Subordinated Creditor's right to received any proceeds therefrom.

3. Payments. Until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Senior Collateral, the Subordinated Creditor shall not, without the Senior Lender's prior written consent, demand, receive or accept any payment (whether of principal, interest or otherwise) from Ingredients in respect of the Subordinated Indebtedness, or exercise any right of or permit any setoff in respect of the Subordinated Indebtedness except that:

(i) the Subordinated Creditor may accept scheduled, current (but not past due), non-accelerated payments (but not prepayments) of principal and interest required to be paid under the Subordinated Note; and

(ii) the Subordinated Creditor may exercise any remedies it may have against the Cray Collateral (other than the Senior Collateral) and accept proceeds therefrom to be applied against the Subordinated Indebtedness upon the earlier to occur of the follow events (each a "**Remedies Event**");

(A) any filing of a petition by or against Ingredients under the United States Bankruptcy Code or any other bankruptcy, insolvency, liquidation or similar proceeding or the appointment of a trustee, receiver or similar officer for Ingredients or a substantial portion of its assets; or

(B) 120 days after any other event constituting a Borrower Default.

4. Receipt of Prohibited Payments. If the Subordinated Creditor receives any payment on the Subordinated Indebtedness that the Subordinated Creditor is not entitled to receive under Section 3, the Subordinated Creditor will hold the amount so received in trust for the Senior Lender and will forthwith turn over such payment to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to then-existing Senior Lender Indebtedness (whether or not due), in such manner of application as the Senior Lender may deem appropriate. If the Subordinated Creditor exercises any right of setoff which the Subordinated Creditor is not permitted to exercise under the provisions of this Agreement, the Subordinated Creditor will promptly pay over to the Senior Lender, in immediately available funds, an amount equal to the amount of the claims or obligations offset. If the Subordinated Creditor fails to make any endorsement required under this Agreement, the Senior Lender, or any of its officers or employees or agents on behalf of the Senior Lender, is hereby irrevocably appointed as the attorney-in-fact (which appointment is coupled with an interest) for the Subordinated Creditor to make such endorsement in the Subordinated Creditor's name.

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5. Action on Subordinated Indebtedness. Unless and until the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral:

(a) The Subordinated Creditor will not commence any action or proceeding against Ingredients to recover all or any part of the Subordinated Indebtedness, or join with any creditor (unless Senior Lender shall so join) in bringing any proceeding against Ingredients under any bankruptcy, reorganization, readjustment of debt, arrangement of debt receivership, liquidation or insolvency law or statute of the federal or any state government other than after the occurrence of a Remedies Event; and

(b) The Subordinated Creditor will not commence any action or proceeding with respect to the Senior Collateral or against Ingredients, will not take possession of, sell or dispose of, or otherwise deal with, the Senior Collateral, and will not exercise or enforce any other right or remedy which may be available to the Subordinated Creditor against Ingredients or with respect to the Senior Collateral.

6. Action Concerning Collateral and Restrictions on Liens

(a) Subordinated Creditor represents, warrants, covenants, promises and agrees to and with Senior Lender that unless and until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral the Subordinated Creditor will not modify, amend, restate or otherwise change the Subordinated Note or any documents, agreements or instruments representing or related to any Subordinated Indebtedness other than extending the maturity date thereof from time to time;

(b) Senior Lender may take possession of, sell, dispose of, and otherwise deal with all or any part of the Senior Collateral, and may enforce any right or remedy available to it with respect to Ingredients or the Senior Collateral, all without notice to or consent of the Subordinated Creditor except as specifically required by applicable law. In addition, and without limiting the generality of the foregoing, if (i) a Borrower Default has occurred and is continuing, (ii) Ingredients or the Senior Lender intends to sell or otherwise dispose of any Senior Collateral to an unrelated third party outside the ordinary course of business, (iii) Senior Lender has given written notice thereof to the Subordinated Creditor, and (iv) the Subordinated Creditor has failed, within ten (10) days after receipt of such notice, to purchase for cash the Senior Lender Indebtedness for the full amount thereof, the Subordinated Creditor shall be deemed to have consented to such sale or disposition, to have released any Lien it may have in such Collateral and to have authorized Senior Lender or its agents to file partial releases (and any related financing statements such as "in lieu" financing statements under Part 7 of Article 9 of the Uniform Commercial Code) with respect to such Collateral; provided that Subordinated Creditor shall be entitled to any proceeds in excess of the amount necessary to satisfy the Senior Lender Indebtedness.

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(c) The Senior Lender shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Senior Collateral or any other property or assets of Ingredients, and in no event shall the Senior Lender be deemed the Subordinated Creditor's agent with respect to the Senior Collateral. All proceeds received by the Senior Lender with respect to any Senior Collateral may be applied, first, to pay or reimburse the Senior Lender for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Lender in connection with the collection of such proceeds, and, second, to any Senior Lender Indebtedness secured by the Senior Lender's Lien in that Senior Collateral in any order that it may choose.

(d) Nothing contained herein will prevent Ingredients and Senior Lender from amending, modifying, restating and otherwise dealing with the Senior Lender Indebtedness in any manner Ingredients and Senior Lender deem necessary and/or desirable without notice to or consent of the Subordinated Creditor (the "**Modified Senior Lender Indebtedness**"). This Agreement shall remain fully applicable to such Modified Senior Lender Indebtedness and the Modified Senior Lender Indebtedness will be deemed the "Senior Lender Indebtedness" for all purposes hereunder.

7. Bankruptcy and Insolvency. In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, whether or not pursuant to bankruptcy law, the sale of all or substantially all of the assets of Ingredients, dissolution, liquidation or any other marshalling of the assets or liabilities of Ingredients, the Subordinated Creditor will file all claims, proofs of claim or other instruments of similar character necessary to enforce the obligations of Ingredients in respect of the Subordinated Indebtedness and except as otherwise provided in Section 3 will hold in trust for the Senior Lender and promptly pay over to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to the then-existing Senior Lender Indebtedness, any and all moneys, dividends or other assets received in any such proceedings on account of the Subordinated Indebtedness, unless and until the Senior Lender Indebtedness has been paid in full and the Senior Lender's Lien in the Senior Collateral has been terminated. If the Subordinated Creditor shall fail to take any such action, the Senior Lender, as attorney-in-fact for the Subordinated Creditor, may take such action on the Subordinated Creditor's behalf. The Subordinated Creditor hereby irrevocably appoints the Senior Lender, or any of its officers or employees on behalf of the Senior Lender, as the attorney-in-fact for the Subordinated Creditor (which appointment is coupled with an interest) with the power but not the duty to demand, sue for, collect and receive any and all such moneys, dividends or other assets and give acquittance therefor and to file any claim, proof of claim or other instrument of similar character, to vote claims comprising Subordinated Indebtedness to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension and to take such other action in the Senior Lender's own name or in the name of the Subordinated Creditor as the Senior Lender may deem necessary or advisable for the enforcement of the agreements contained herein; and the Subordinated Creditor will execute and deliver to the Senior Lender such other and further powers-of-attorney or instruments as the Senior Lender may request in order to accomplish the foregoing. If the Senior Lender desires to permit the use of cash collateral or to provide post-petition financing to Ingredients, the

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Subordinated Creditor shall not object to the same or assert that its interests are not being adequately protected.

8. Continuing Effect. This Agreement shall constitute a continuing agreement of subordination, and the Senior Lender may, without notice to or consent by the Subordinated Creditor, modify any term of the Senior Lender Indebtedness in reliance upon this Agreement. Without limiting the generality of the foregoing, the Senior Lender may, at any time and from time to time, without the consent of or notice to the Subordinated Creditor and without incurring responsibility to the Subordinated Creditor or impairing or releasing any of the Senior Lender's rights or any of the Subordinated Creditor's obligations hereunder:

- (a) change the interest rate or change the amount of payment or extend the time for payment or renew or otherwise alter the terms of any Senior Lender Indebtedness or any instrument evidencing the same in any manner;
- (b) sell, exchange, release or otherwise deal with any property at any time securing payment of the Senior Lender Indebtedness or any part thereof;
- (c) release anyone liable in any manner for the payment or collection of the Senior Lender Indebtedness or any part thereof;
- (d) exercise or refrain from exercising any right against Ingredients or any other person (including the Subordinated Creditor); and
- (e) apply any sums received by the Senior Lender, by whomsoever paid and however realized, to the Senior Lender Indebtedness in such manner as the Senior Lender shall deem appropriate.

10. No Commitment. None of the provisions of this Agreement shall be deemed or construed to constitute or imply any commitment or obligation on the part of the Senior Lender to make any future loans or other extensions of credit or financial accommodations to Ingredients.

11. Waiver and Consent. Senior Lender shall have no obligation to the Subordinated Creditor with respect to the Senior Collateral or the Senior Lender Indebtedness. Senior Lender may (a) exercise collection rights, (b) take possession of, sell or dispose of, and otherwise deal with, the Senior Collateral, (c) in Senior Lender's name or in Ingredients' name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any account debtor or other obligor of Ingredients; (d) prosecute, settle and receive proceeds on any insurance claims relating to the Senior Collateral, and (e) exercise and enforce any right or remedy available to Senior Lender with respect to the Senior Collateral, whether available before or after the occurrence of any default; all without notice to or consent by anyone except as specifically required by law. Senior Lender may apply the proceeds of the Senior Collateral in any order of application, and may remit or release such proceeds or any other

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sums or amounts to Ingredients without being obligated to assure that any such proceeds or sums are applied to the satisfaction of the Subordinated Creditor's subordinated security interest in any Senior Collateral, except as required by law. The Subordinated Creditor hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or agreement.

12. Notice. All notices and other communications hereunder shall be in writing and shall be (i) personally delivered, (ii) transmitted by registered mail, postage prepaid, or (iii) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth below:

If to the Senior Lender:

Bank of Atchison

Attention:
Telecopier:

If to the Subordinated Creditor:

Cloud Cray, Jr. Trust
20045 266th Road
Atchison, KS 66002
Attention:
Telecopier: ()

or at such other address as may hereafter be designated in writing by that party. All such notices or other communications shall be deemed to have been given on (i) the date received if delivered personally, (ii) the date of posting if delivered by mail, or (iii) the date of transmission if delivered by telecopy.

13. Conflict in Agreements. If the subordination provisions of any instrument evidencing Subordinated Indebtedness conflict with the terms of this Agreement, the terms of this Agreement shall govern the relationship between the Senior Lender and the Subordinated Creditor.

14. No Waiver. No waiver shall be deemed to be made by the Senior Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of the Senior Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Senior Lender or the obligations of the Subordinated Creditor to the Senior Lender in any other respect at any time.

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15. Binding Effect; Acceptance. This Agreement shall be binding upon the Subordinated Creditor and the Subordinated Creditor's heirs, legal representatives, successors and assigns and shall inure to the benefit of the Senior Lender and its participants, successors and assigns irrespective of whether this or any similar agreement is executed by any other creditor of Ingredients. Notice of acceptance by the Senior Lender of this Agreement or of reliance by the Senior Lender upon this Agreement is hereby waived by the Subordinated Creditor.

16. Miscellaneous. The paragraph headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

17. Governing Law; Consent to Jurisdiction and Venue; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Kansas. Each party consents to the personal jurisdiction of the state and federal courts located in the State of

Kansas in connection with any controversy related to this Agreement, waives any argument that venue in any such forum is not convenient, and agrees that any litigation initiated by any of them in connection with this Agreement may be venued in either the state or federal courts located in Atchison County, Kansas. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.**

[Signature Page Follows]

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IN WITNESS WHEREOF, the Subordinated Creditor and the Senior Lender have executed this Agreement as of the date and year first above-written.

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

By: /s/ Cloud L. Cray, Jr. TTEE
Name: Cloud L. Cray, Jr.
Its: Trustee

**UNION STATE BANK OF EVEREST DBA
BANK OF ATCHISON USB**

By: /s/ Jeff Caudle
Name: Jeff Caudle
Its: Vice President

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Acknowledgment by Ingredients

The undersigned, being MGP Ingredients, Inc., hereby (i) acknowledges receipt of a copy thereof, (ii) agrees to all of the terms and provisions thereof, (iii) agrees to and with the Senior Lender that it shall make no payment on the Subordinated Indebtedness that the Subordinated Creditor would not be entitled to receive under the provisions of the Agreement, (iv) agrees that any such payment will constitute a default under the Senior Lender Indebtedness, and (v) agrees to mark its books conspicuously to evidence the subordination of the Subordinated Indebtedness effected hereby.

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President & CEO

STATE OF KANSAS)
) ss.
COUNTY OF ATCHISON)

BE IT REMEMBERED, that on this 17th day of July, 2009, before me the undersigned, a Notary Public in and for said County and State, personally appeared Timothy W. Newkirk to me personally known, who being by me duly sworn, did say that he is the President & CEO of MGP Ingredients, Inc., a Kansas corporation, that said instrument was signed on behalf of said corporation, and said Timothy W. Newkirk acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in Atchison, Kansas, the day and year last above written.

/s/ Marta L. Myers
Notary Public in and for said County and State

Marta L. Myers
(Type, print or stamp the Notary's name.)

My Commission Expires:

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STATE OF KANSAS)

) ss.

COUNTY OF ATCHISON

)

BE IT REMEMBERED, that on this 17th day of July, 2009, before me the undersigned, a Notary Public in and for said County and State, personally appeared Jeff Caudle, to me personally known, who being by me duly sworn, did say that he is the vice President of **UNION STATE BANK OF EVEREST DBA BANK OF ATCHISON USB**, that said instrument was signed on behalf of said corporation, and said Jeff Caudle acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in Atchison, Kansas, the day and year last above written.

/s/ Marta L. Myers

Notary Public in and for said County and State

Marta L. Myers

(Type, print or stamp the Notary's name.)

My Commission Expires:

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STATE OF KANSAS

)

) ss.

COUNTY OF ATCHISON

)

BE IT REMEMBERED, that on this 17th day of July, 2009, before me the undersigned, a Notary Public in and for said County and State, personally appeared Cloud L. Cray, Jr., to me personally known, who being by me duly sworn, did say that he is the Trustee of the CLOUD L. CRAY, JR. TRUST, under an agreement dated October 25, 1983, that said instrument was signed on behalf of said Trust, and said Cloud L. Cray, Jr. acknowledged said instrument to be the free act and deed of said Trust.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in Atchison, Kansas, the day and year last above written.

/s/Marta L. Myers

Notary Public in and for said County and State

Marta L. Myers

(Type, print or stamp the Notary's name.)

My Commission Expires:

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Exhibit "a"

Legal Description of Atchison, Kansas Property

Mortgage from MGP ingredients, Inc. to Cloud L. Cray, Jr.

Parcel 1:

[Intentionally omitted]

Parcel 2:

[Intentionally omitted]

Parcel 3:

West Thirty-Five feet (35') of Lot Three (3), Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 4:

the West Half of Lot two (2), in Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 5:

Lot One (1) and the East Half of Lot two (2), in Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 6:

the East Thirty-Eight and Three-Fourths feet (E38.75') of Lot Three (3), Block twenty and one-half(20½), in that part of the City of Atchison known and designated as West Atchison.

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Parcel 7:

the East one-half(E½) of Lot Four (4), Block twenty and one-half(20½) in West Atchison, an addition to the City of Atchison.

Parcel 8:

the West one-half(W½) of Lot Four (4), Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

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Parcel 9:

Lot Five (5) in Block twenty and one-half(20½), in West Atchison, an addition to the City of Atchison.

Parcel 10:

the South Thirty feet (30') of Lot six (6), Block twenty, West Atchison, an addition to the City of Atchison.

Parcel 11:

the North Ninety feet of Lot six, in Block twenty in West Atchison, an addition to the City of Atchison, Kansas, together with the West vacated Thirty feet of Roberts Street, which abut on the East of said North Ninety feet of Lot six.

Parcel 12:

the East (E) Forty (40) feet of Lot Seven (7), in Block twenty (Blk 20), in West Atchison (WA), an addition to the City of Atchison, Atchison County, Kansas.

Parcel 13:

the West Thirty-Three and Three-Fourths feet (33¾) of Lot Seven (7), the East Eleven and One-Fourth feet (11¼') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the CITY of Atchison.

Parcel 14:

the East Thirty feet (30') of the West sixty-two and one-half feet (62½') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 15:

All of the West Thirty-two and one-half feet (32-½') of Lot Eight (8), Block twenty (20), West Atchison, an addition to the City of Atchison, Atchison County, Kansas.

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Parcel 16:

the East Forty-Seven feet (47') of Lot ten (10), Block twenty (20), West Atchison, an addition to the City of Atchison.

Parcel 17:

North Thirty feet (30') of the South sixty feet (60') of Lot six (6), Block twenty (20), West Atchison, an addition to the City of Atchison.

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Parcel 18:

the East Fifty-Eight feet (E 58') of Lot Eight (8), Block twenty and one-half(20-½), in West Atchison, an addition to the City of Atchison.

Parcel 19:

the East (E) Seventy-Three and One-Third (73 1/3 RD) feet of Lot Seven (LT 7), and the West (W) Fifty-two (52) feet of Lot Eight (LT 8), Block twenty and one-half(20 ½) in West Atchison, an addition to the City of Atchison, Atchison County, Kansas.

Parcel 20:

the East Three feet (E 3') and Nine inches (9") of Lot six (6) and the West Thirty-six feet (W 36') and Eight inches (8") of Lot Seven (7), all in Block twenty and one-half(20 ½) in West Atchison, an addition to the City of Atchison.

Parcel 21:

the West Eighty-Five feet (W 85') of Lot six (LT 6), in Block twenty and one-half(BLK 20 ½), in West Atchison, an addition to the City of Atchison.

Parcel 22:

Lot Eleven (LT 11) and the West (W) Thirty (30) feet of vacated Roberts Street, all in Block twenty (Blk 20), in West Atchison, an addition to the City of Atchison, Kansas.

Parcel 23:

Tract No. 1

Lots 1 to 16, both inclusive, Block 21½, West Atchison, an addition to the City of Atchison, Kansas, together with all adjacent tracts out of the streets and alleys adjoining said Lots heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 2

Lots 9, 10 and 11, Block 21, West Atchison, an addition to the City of Atchison, Kansas, and the West 30 feet of vacated Roberts Street East of and adjoining said Lot 11, except the following described tract:

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Beginning at a point 14 feet East of the Southeast corner of said Lot 11; thence East 16 feet to the center line of Roberts Street (now vacated); thence North along said center line 30 feet; thence southwesterly 34 feet to the point of beginning, together with all adjacent tracts out of the streets and alleys adjoining the tract above described heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 3

Lot 6, Block 21, West Atchison, an addition to the City of Atchison, Kansas, and the West 30 feet of vacated Roberts Street East of and adjoining said Lot, except the following described tract:

Beginning at the Northwest corner of said Lot 6; thence East along the North line of said Lot and the Easterly continuation thereof 100 feet; thence South 100 feet; thence West 100 feet to a point on the West line of said Lot 6; thence North 100 feet to the point of beginning. Together with all adjacent tracts out of the streets and alleys adjoining the tract above described heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 4

Lots 1 to 8, both inclusive, Block 50, L.C. Challiss Addition, an addition to the City of Atchison, Kansas, together with all adjacent tracts out of the streets and alleys adjoining said lots heretofore acquired, by reversion, upon the vacation of said streets and alleys.

Tract No. 5

All that part of Block 28, John Roberts' Third Addition, now vacated, together with a portion of Utah Avenue adjacent thereto, now vacated, in West Atchison, an addition to the City of Atchison, Kansas, described as follows:

Beginning at the point on the South line of Utah Avenue (now vacated) approximately 165 feet West of the Northeast Corner of said Block 28, measured along the North line of said Block (said point being 9 feet Northwesterly of, measured at right angles to, the center line of the Missouri Pacific Railroad Co. Track No. 17-137); thence Southwesterly along a line making a Southwest angle of 54°14' with said North line of said Block 28 a distance of 70 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track 17-137); thence Northwesterly at right angles to the last described course 10 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of the Missouri Pacific Railroad Co. Track No. 17-138); thence Southwesterly along a line turning an angle of 82°53' to the left of the last described course 80 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 10°03' to the right of the last described course 67.5 feet to a point

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(said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 9°32' to the right of the last described course 67.5 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 5°32' to the right of the last described course 67.5 feet to a point (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Southwesterly along a line turning an angle of 5° to the right of the last described course 136 feet, more or less, to a point on the West line of said Block 28 (said point being 9 feet Northwesterly of, measured at right angles to, the center line of said Track No. 17-138); thence Northwesterly along the West line of said Block 28 and the extension thereof 285 feet, more or less, to the center line of vacated Utah Avenue; thence East along the center line of vacated Utah Avenue 445 feet, thence Southwesterly along a line turning an angle of 114°18' to the right of the last described course 44.6 feet, more or less, to the point of beginning.

Parcel 24:

Lot 8, in Block 21, and that part of the City of Atchison usually known and designated as West Atchison, an Addition to the City of Atchison, Kansas, Atchison County, Kansas.

Parcel 25:

The North One Hundred feet (N 100') of Lot Seven (7), in Block twenty-One (21), in West Atchison, an Addition to the City of Atchison.

Parcel 26:

The South (S) Fifty (50) feet of Lot Seven (Lt 7), Block Twenty-One (Blk 21), in West Atchison (WA), an Addition to the City of Atchison, Atchison County, Kansas, according to the Recorded Plat Thereof.

Parcel 27:

The East Fifty-Six feet (56') of Lot Twenty (20), in Block Twenty-Two (22), in West Atchison, an Addition to the City of Atchison.

Parcel 28:

The East twenty-six feet ten inches (26'10") of Lot Seventeen (17), Block Twenty-Two (22), West Atchison, an Addition to the City of Atchison.

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Parcel 29:

The North Eighty-Seven and one-half feet (N 87 1/2') of Lots One (1) and Two (2), in Block Twenty-Two (22), in West Atchison.

Parcel 30:

The South sixty-two and one-half feet (62½') of Lot One (1) and the South sixty-two and one-half feet (62½') of Lot Two (2), Except the West twenty-five feet (25') of said Lot Two (2), all in Block Twenty-Two (22), in West Atchison, an Addition to the City of Atchison.

Parcel 31:

[Intentionally omitted]

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Parcel 32:

[Intentionally Omitted]

Parcel 33:

Intentionally Omitted]

Parcel 34:

The South Fifty feet (S. 50') of Lots Thirty-six (36), Thirty-Seven (37), Thirty-Eight (38) and Thirty-Nine (39), in Block Thirty-Nine (39), in L.C. Challiss, an Addition to the City of Atchison.

Parcel 35

All of Lots Twenty-Five (25) and Twenty-Six (26) and the West 0.50 feet of Lot Twenty-Seven (27), in Block Forty (40), in L.C. Challiss Addition to the City of Atchison, Atchison County, Kansas.

Parcel 36:

The South 76 feet of Lots One (1) and Two (2), in Block Forty (40), in L.C. Challis Addition, an Addition to the City of Atchison, Atchison County, Kansas.

Parcel 37:

Lots Fifteen (15) and Sixteen (16), in Block Forty (40), L.C. Challiss Addition, an Addition to the City of Atchison.

Parcel 38:

Lot Seventeen (17), and the East Ten (10) feet of Lot Eighteen (18), Block Forty (40) in the L.C. Challis Addition to the City of Atchison.

Parcel 39:

Lot Nineteen (19) and the West Fifteen feet (W. 15') of Lot Eighteen (18), in Block Forty (40), in L.C. Challiss Addition to the City of Atchison.

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Parcel 40:

All of Lots 35 to 38 inclusive, in Block 40, L.C. Challiss Addition to the City of Atchison, Atchison County, Kansas, Except that part of the same that is South of the most Northwesterly right of way line of the Missouri Pacific Railroad Co. and running through said Lots in Block 40, L.C. Challiss Addition.

Parcel 41:

The South 76 feet of Lots One (1) and Two (2), in Block Forty (40), in L.C. Challis Addition, an Addition to the City of Atchison, Atchison County, Kansas.

Parcel 42:

All of Lots 39 and 40 of Block 40 of the L.C. Challis Addition to the City of Atchison, Atchison County, Kansas, and all those portions of Lots 31, 32, 33, 34, 35, 36, 37 and 38 of said Block 40 that Lie Southeasterly and Easterly of the Southeasterly line of that certain strip of land described in General Warranty Deed dated October 14, 1929, from Missouri Pacific Railroad Company to Pillsbury Flour Mills Company, identified in the Missouri Pacific Railroad Deed Records as Document No. 1600306 #3-2.

Also the North 30 feet of Lot 42 of Block 40 of the L.C. Challis Addition to the City of Atchison, Atchison County, Kansas.

Parcel 43:

Lots Five, Six, Seven, Eight, Nine and Ten (5, 6, 7, 8, 9 and 10), Block Forty-Three (43), in L.C. Challiss Addition to the City of Atchison, except that part thereof described as follows;

Commencing at the Southwest Corner of said Lot Ten (10), Block Forty-Three (43), L.C. Challiss Addition, thence East along the South line of Lots Ten (10) to Five (5), inclusive to the Southeast Corner of said Lot Five (5), Block Forty-Three (43), L.C. Challiss Addition, thence North along the East line of said Lot Five (5), a distance of Seventy-Five and six-tenths (75.6) feet, thence Southwest to the place of beginning. and all of Lots Eleven, Twelve, Thirteen, Fourteen and Fifteen (11, 12, 13, 14 and 15), Block Forty-Three (43), L.C. Challiss Addition to the City of Atchison.

Parcel 44:

Lots One (1) through Sixteen (16), inclusive, and Lot Twenty-Two (22), in Block Forty-Eight (48), in L.C. Challiss' Addition to the City of Atchison, Atchison County, Kansas; and

A Tract in the Southeast Quarter (SE $\frac{1}{4}$) of the Northwest Quarter (NW $\frac{1}{4}$) of Section One (1), Township Six (6), Range Twenty (20), described as follows:

Beginning at a point in the West line of Thirteenth Street in the City of Atchison, 320 feet Northwardly from the intersection of said West line with the East and West center line of said Section 1, thence Southwardly along said West line 15 feet more or less to a point in the Northwesterly line of a tract of land condemned by the City of Atchison pursuant to Ordinance No. 3966, Report of Condemnation being recorded in Book 234, Page 523, of the Register of Deeds' Office for Atchison County, thence Southwestwardly along said Northwesterly line to a point in the prolongation Southerly of the East line of Fourteenth Street, thence Northwardly along said prolongation 390' more or less to an intersection with the Southeasterly line of property of the Atchison, Topeka and Santa Fe Railway Company, thence Northeastwardly along said Southeasterly line 610 feet more or less to a point in the West line of Thirteenth Street vacated Under Ordinance No. 3192 Dated May 24, 1915, thence Eastwardly by a straight line at right angles to said West line of Thirteenth Street 30 feet to the center line of said Thirteenth Street vacated, thence Southwardly along said center line 400 feet more or less to the Southerly line of that part of Thirteenth Street vacated under said Ordinance, thence Westwardly along said Southerly line 30 feet to the point of beginning, Containing 5.85 acres more or less.

Parcel 45:

Lots One and Two (1 & 2) and the North Sixty-Five feet (N 65') and the East Half (E $\frac{1}{2}$) of the South Eighty-Five feet (S 85') of Lot Three (3) in Block Fifty-One (51), in L.C. Challiss Addition to the City of Atchison.

Parcel 46:

Lots Thirteen and Fourteen (Lts 13 & 14), Block Fifty-One (Blk 51), in L.C. Challiss' Addition to the City of Atchison, Atchison County, Kansas.

Parcel 47:

All of Lots twenty Three (23) and twenty Four (24), in Block Fifty-One (51) in that part of the City of Atchison known and designated as L.C. Challiss Addition.

Parcel 48:

Lots Nineteen (19) , Twenty (20) , Twenty-One (21) and Twenty-Two (22), Block Fifty-One (51), L.C. Challiss Addition to the City of Atchison, Atchison County, Kansas.

Parcel 49:

Lots Fifteen (15), sixteen (16), Seventeen (17) and Eighteen (18), Block Fifty-One (51) in L.C. Challiss Addition to the City of Atchison.

Parcel 50:

[Intentionally Omitted]

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT ("**Agreement**"), dated as of July 16, 2009, is made by the CLOUD L. CRAY, JR. TRUST, under an agreement dated October 25, 1983 (the "**Subordinated Creditor**"), for the benefit of EXCHANGE NATIONAL BANK & TRUST CO. (with its successors and assigns, the "**Senior Lender**").

MGP Ingredients, Inc., a Kansas corporation ("**Ingredients**"), is now or hereafter may be indebted to the Senior Lender on account of loans or the other extensions of credit or financial accommodations from the Senior Lender to Ingredients, or to any other person under the guaranty or endorsement of Ingredients.

The Subordinated Creditor has entered into certain financial accommodations with Ingredients and Midwest Grain Pipeline, Inc., a Kansas corporation, a wholly owned subsidiary of Ingredients ("**Pipeline**"; together with Ingredients, the "**Borrower**").

As a condition to consenting to the imposition of liens in favor of Wells Fargo National Association on certain of the Senior Lender's Senior Collateral pursuant to a Credit and Security Agreement between such bank and Borrower, the Senior Lender has required that the Subordinated Creditor (i) subordinate the payment of the Subordinated Note and the Subordinated Creditor's other financial accommodations to the payment of any and all indebtedness of the Borrower to the Senior Lender and (ii) subordinate its Liens in the Senior Collateral to the Liens of the Senior Lender in the Senior Collateral. Assisting Ingredients in obtaining credit accommodations from the Senior Lender and subordinating his interests pursuant to the terms of this Agreement are in the Subordinated Creditor's best interest.

ACCORDINGLY, in consideration of the loans and other financial accommodations that have been made and may hereafter be made by the Senior Lender for the benefit of the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Subordinated Creditor hereby agrees as follows:

1. Definitions. As used herein, the following terms have the meanings set forth below:

"**Borrower Default**" means a Default or Event of Default as defined in any agreement or instrument evidencing, governing, or issued in connection with Senior Lender Indebtedness, or any default under or breach of any such agreement or instrument.

"**Cray Collateral**" means all collateral now or hereafter securing payment of the Junior Lender Indebtedness, including all proceeds thereof.

"**Cray Filing**" shall mean any UCC-1 filed with the Kansas Secretary of State which shows Ingredients, Pipeline or Borrower as "Debtor" and Subordinated Creditor as "Secured Party."

"**Lien**" means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or hereafter acquired and whether arising by agreement or operation of law.

"**Senior Collateral**" means all collateral now or hereafter securing payment of the Senior Lender Indebtedness, including all proceeds thereof.

"**Senior Lender Indebtedness**" is used herein in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of Ingredients to the Senior Lender, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement at any time entered into by the Ingredients with the Senior Lender, and whether the Borrower may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

"**Subordinated Indebtedness**" means all obligations arising under the Subordinated Note and each and every other debt, liability and obligation of every type and description which the Borrower may now or at any time hereafter owe to the Subordinated Creditor, whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.

"**Subordinated Note**" means the Borrower's Subordinated Secured Promissory Note made by the Borrower dated March 27, 2009, payable to the order of the Subordinated Creditor in the original principal amount of \$2,000,000, together with all amendments, renewals, extensions and modifications thereof and any note or notes issued in substitution thereof.

2. Subordination. The Subordinated Creditor hereby agrees that the payment and performance of all of the Subordinated Indebtedness is hereby expressly subordinated to the payment and performance in full of the Senior Lender Indebtedness and regardless of any priority otherwise available to the Subordinated Creditor by law or by agreement, the Senior Lender shall hold a first priority Lien in the Senior Collateral, and any Lien claimed therein by the Subordinated Creditor, including but not limited to the Lien evidenced by the Cray Filing, shall be and remain fully subordinate for all purposes to the Lien of the Senior Lender in the Senior Collateral for all purposes whatsoever. The Subordinated Indebtedness shall continue to be subordinated to the Senior Lender Indebtedness even if the Senior Lender Indebtedness is

deemed unsecured, under-secured, subordinated, avoided or disallowed under the United States Bankruptcy Code or other applicable law. Notwithstanding the forgoing the Subordinated Lender's Lien in any Cray Collateral (other than the Senior Collateral) is not subordinated hereunder nor is the Subordinated Lender's right to received any proceeds therefrom.

3. Payments. Until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Senior Collateral, the Subordinated Creditor shall not, without the Senior Lender's prior written consent, demand, receive or accept any payment (whether of principal, interest or otherwise) from the Borrower in respect of the Subordinated Indebtedness, or exercise any right of or permit any setoff in respect of the Subordinated Indebtedness except that (i) the Subordinated Creditor may accept scheduled, current (but not past due), non-accelerated payments (but not prepayments) of principal and interest required to be paid under the Subordinated Note, (ii) upon the earlier to occur of the follow events (each a "**Remedies Event**"): (A) any filing of a petition by or against Ingredients under the United States Bankruptcy Code or any other bankruptcy, insolvency, liquidation or similar proceeding or the appointment of a trustee, receiver or similar officer for Ingredients or a substantial portion of its assets or (ii) 120 days after any other event constituting a Borrower Default, the Subordinated Lender may exercise any remedies it may have against the Cray Collateral (other than the Senior Collateral) and accept proceeds therefrom to be applied against the Subordinated Indebtedness.

4. Receipt of Prohibited Payments. If the Subordinated Creditor receives any payment on the Subordinated Indebtedness that the Subordinated

Creditor is not entitled to receive under Section 3, the Subordinated Creditor will hold the amount so received in trust for the Senior Lender and will forthwith turn over such payment to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to then-existing Senior Lender Indebtedness (whether or not due), in such manner of application as the Senior Lender may deem appropriate. If the Subordinated Creditor exercises any right of setoff which the Subordinated Creditor is not permitted to exercise under the provisions of this Agreement, the Subordinated Creditor will promptly pay over to the Senior Lender, in immediately available funds, an amount equal to the amount of the claims or obligations offset. If the Subordinated Creditor fails to make any endorsement required under this Agreement, the Senior Lender, or any of its officers or employees or agents on behalf of the Senior Lender, is hereby irrevocably appointed as the attorney-in-fact (which appointment is coupled with an interest) for the Subordinated Creditor to make such endorsement in the Subordinated Creditor's name.

5. Action on Subordinated Indebtedness. Unless and until the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral:

(a) The Subordinated Creditor will not commence any action or proceeding against the Borrower to recover all or any part of the Subordinated Indebtedness, or join with any creditor (unless Senior Lender shall so join) in bringing any proceeding against the Borrower under any bankruptcy, reorganization, readjustment of debt, arrangement of debt receivership,

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liquidation or insolvency law or statute of the federal or any state government other than after the occurrence of a Remedies Event; and

(b) The Subordinated Creditor will not commence any action or proceeding with respect to the Senior Collateral or against the Borrower, will not take possession of, sell or dispose of, or otherwise deal with, the Senior Collateral, and will not exercise or enforce any other right or remedy which may be available to the Subordinated Creditor against the Borrower or with respect to the Senior Collateral.

6. Action Concerning Collateral and Restrictions on Liens

(a) Subordinated Creditor represents, warrants, covenants, promises and agrees to and with Senior Lender that unless and until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral the Subordinated Creditor will not modify, amend, restate or otherwise change the Subordinated Note or any documents, agreements or instruments representing or related to any Subordinated Indebtedness other than extending the maturity date thereof from time to time;

(b) Senior Lender may take possession of, sell, dispose of, and otherwise deal with all or any part of the Senior Collateral, and may enforce any right or remedy available to it with respect to the Borrower or the Senior Collateral, all without notice to or consent of the Subordinated Creditor except as specifically required by applicable law. In addition, and without limiting the generality of the foregoing, if (i) a Borrower Default has occurred and is continuing, (ii) the Borrower or the Senior Lender intends to sell or otherwise dispose of any Senior Collateral to an unrelated third party outside the ordinary course of business, (iii) Senior Lender has given written notice thereof to the Subordinated Creditor, and (iv) the Subordinated Creditor has failed, within ten (10) days after receipt of such notice, to purchase for cash the Senior Lender Indebtedness for the full amount thereof, the Subordinated Creditor shall be deemed to have consented to such sale or disposition, to have released any Lien it may have in such Collateral and to have authorized Senior Lender or its agents to file partial releases (and any related financing statements such as "in lieu" financing statements under Part 7 of Article 9 of the Uniform Commercial Code) with respect to such Collateral; provided that Subordinated Lender shall be entitled to any proceeds in excess of the amount necessary to satisfy the Senior Lender Indebtedness.

(c) The Senior Lender shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Senior Collateral or any other property or assets of the Borrower, and in no event shall the Senior Lender be deemed the Subordinated Creditor's agent with respect to the Senior Collateral. All proceeds received by the Senior Lender with respect to any Senior Collateral may be applied, first, to pay or reimburse the Senior Lender for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Lender in connection with the

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collection of such proceeds, and, second, to any Senior Lender Indebtedness secured by the Senior Lender's Lien in that Senior Collateral in any order that it may choose.

(d) Nothing contained herein will prevent Ingredients and Senior Lender from amending, modifying, restating and otherwise dealing with the Senior Lender Indebtedness in any manner Ingredients and Senior Lender deem necessary and/or desirable without notice to or consent of the Subordinated Creditor (the "**Modified Senior Lender Indebtedness**"). This Agreement shall remain fully applicable to such Modified Senior Lender Indebtedness and the Modified Senior Lender Indebtedness will be deemed the "Senior Lender Indebtedness" for all purposes hereunder.

7. Bankruptcy and Insolvency. In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, whether or not pursuant to bankruptcy law, the sale of all or substantially all of the assets of the Borrower, dissolution, liquidation or any other marshalling of the assets or liabilities of the Borrower, the Subordinated Creditor will file all claims, proofs of claim or other instruments of similar character necessary to enforce the obligations of the Borrower in respect of the Subordinated Indebtedness and except as otherwise provided in Section 3 will hold in trust for the Senior Lender and promptly pay over to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to the then-existing Senior Lender Indebtedness, any and all moneys, dividends or other assets received in any such proceedings on account of the Subordinated Indebtedness, unless and until the Senior Lender Indebtedness has been paid in full and the Senior Lender's Lien in the Senior Collateral has been terminated. If the Subordinated Creditor shall fail to take any such action, the Senior Lender, as attorney-in-fact for the Subordinated Creditor, may take such action on the Subordinated Creditor's behalf. The Subordinated Creditor hereby irrevocably appoints the Senior Lender, or any of its officers or employees on behalf of the Senior Lender, as the attorney-in-fact for the Subordinated Creditor (which appointment is coupled with an interest) with the power but not the duty to demand, sue for, collect and receive any and all such moneys, dividends or other assets and give acquittance therefor and to file any claim, proof of claim or other instrument of similar character, to vote claims comprising Subordinated Indebtedness to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension and to take such other action in the Senior Lender's own name or in the name of the Subordinated Creditor as the Senior Lender may deem necessary or advisable for the enforcement of the agreements contained herein; and the Subordinated Creditor will execute and deliver to the Senior Lender such other and further powers-of-attorney or instruments as the Senior Lender may request in order to accomplish the foregoing. If the Senior Lender desires to permit the use of cash collateral or to provide post-petition financing to the Borrower, the Subordinated Creditor shall not object to the same or assert that its interests are not being adequately protected.

8. Continuing Effect. This Agreement shall constitute a continuing agreement of subordination, and the Senior Lender may, without notice to or consent by the Subordinated Creditor, modify any term of the Senior Lender Indebtedness in reliance upon this Agreement. Without limiting the generality of the foregoing, the Senior Lender may, at any time

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and from time to time, without the consent of or notice to the Subordinated Creditor and without incurring responsibility to the Subordinated Creditor or impairing or releasing any of the Senior Lender's rights or any of the Subordinated Creditor's obligations hereunder:

- (a) change the interest rate or change the amount of payment or extend the time for payment or renew or otherwise alter the terms of any Senior Lender Indebtedness or any instrument evidencing the same in any manner;
- (b) sell, exchange, release or otherwise deal with any property at any time securing payment of the Senior Lender Indebtedness or any part thereof;
- (c) release anyone liable in any manner for the payment or collection of the Senior Lender Indebtedness or any part thereof;
- (d) exercise or refrain from exercising any right against the Borrower or any other person (including the Subordinated Creditor); and
- (e) apply any sums received by the Senior Lender, by whomsoever paid and however realized, to the Senior Lender Indebtedness in such manner as the Senior Lender shall deem appropriate.

10. No Commitment. None of the provisions of this Agreement shall be deemed or construed to constitute or imply any commitment or obligation on the part of the Senior Lender to make any future loans or other extensions of credit or financial accommodations to the Borrower.

11. Waiver and Consent. Senior Lender shall have no obligation to the Subordinated Creditor with respect to the Senior Collateral or the Senior Lender Indebtedness. Senior Lender may (a) exercise collection rights, (b) take possession of, sell or dispose of, and otherwise deal with, the Senior Collateral, (c) in Senior Lender's name or in Borrower's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any account debtor or other obligor of Ingredients; (d) prosecute, settle and receive proceeds on any insurance claims relating to the Senior Collateral, and (e) exercise and enforce any right or remedy available to Senior Lender with respect to the Senior Collateral, whether available before or after the occurrence of any default; all without notice to or consent by anyone except as specifically required by law. Senior Lender may apply the proceeds of the Senior Collateral in any order of application, and may remit or release such proceeds or any other sums or amounts to the Borrower without being obligated to assure that any such proceeds or sums are applied to the satisfaction of the Subordinated Creditor's subordinated security interest in any Senior Collateral, except as required by law. The Subordinated Creditor hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or agreement.

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12. Notice. All notices and other communications hereunder shall be in writing and shall be (i) personally delivered, (ii) transmitted by registered mail, postage prepaid, or (iii) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth below:

If to the Senior Lender:

Exchange National Bank

Attention:
Telecopier:

If to the Subordinated Creditor:

Cloud Cray, Jr. Trust
20045 266th Road
Atchison, KS 66002
Attention:
Telecopier: ()

or at such other address as may hereafter be designated in writing by that party. All such notices or other communications shall be deemed to have been given on (i) the date received if delivered personally, (ii) the date of posting if delivered by mail, or (iii) the date of transmission if delivered by telecopy.

13. Conflict in Agreements. If the subordination provisions of any instrument evidencing Subordinated Indebtedness conflict with the terms of this Agreement, the terms of this Agreement shall govern the relationship between the Senior Lender and the Subordinated Creditor.

14. No Waiver. No waiver shall be deemed to be made by the Senior Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of the Senior Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Senior Lender or the obligations of the Subordinated Creditor to the Senior Lender in any other respect at any time.

15. Binding Effect; Acceptance. This Agreement shall be binding upon the Subordinated Creditor and the Subordinated Creditor's heirs, legal representatives, successors and assigns and shall inure to the benefit of the Senior Lender and its participants, successors and assigns irrespective of whether this or any similar agreement is executed by any other creditor of the Borrower. Notice of acceptance by the Senior Lender of this Agreement or of reliance by the Senior Lender upon this Agreement is hereby waived by the Subordinated Creditor.

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16. Miscellaneous. The paragraph headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

17. Governing Law; Consent to Jurisdiction and Venue; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Kansas. Each party consents to the personal jurisdiction of the state and federal courts located in the State of Kansas in connection with any controversy related to this Agreement, waives any argument that venue in any such forum is not convenient, and agrees that any litigation initiated by any of them in connection with this Agreement may be venued in either the state or federal courts located in Atchison County, Kansas. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.**

[Signature Page Follows]

IN WITNESS WHEREOF, the Subordinated Creditor has executed this Agreement as of the date and year first above-written.

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

By: _____
Name: _____
Its: _____

Acknowledgment by Borrower

The undersigned, being the Borrower referred to in the foregoing Agreement, hereby (i) acknowledges receipt of a copy thereof, (ii) agrees to all of the terms and provisions thereof, (iii) agrees to and with the Senior Lender that it shall make no payment on the Subordinated Indebtedness that the Subordinated Creditor would not be entitled to receive under the provisions of the Agreement, (iv) agrees that any such payment will constitute a default under the Senior Lender Indebtedness, and (v) agrees to mark its books conspicuously to evidence the subordination of the Subordinated Indebtedness effected hereby.

MIDWEST GRAIN PIPELINE, INC.
a Kansas corporation

By: _____
Name: _____
Its: _____

MGP INGREDIENTS, INC.
a Kansas corporation

By: _____
Name: _____
Its: _____

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT ("**Agreement**"), dated as of July 16, 2009, is made by the CLOUD L. CRAY, JR. TRUST, under an agreement dated October 25, 1983 (the "**Subordinated Creditor**"), for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION (with its participants, successors and assigns, the "**Senior Lender**"), acting through its Wells Fargo Business Credit operating division.

MGP Ingredients, Inc., a Kansas corporation ("**Ingredients**"), is now or hereafter may be indebted to the Senior Lender on account of loans or the other extensions of credit or financial accommodations from the Senior Lender to Ingredients, or to any other person under the guaranty or endorsement of Ingredients.

The Subordinated Creditor has entered into certain financial accommodations with Ingredients and Midwest Grain Pipeline, Inc., a Kansas corporation, a wholly owned subsidiary of Ingredients ("**Pipeline**"; together with Ingredients, the "**Borrower**").

As a condition to making any loan or extension of credit to Ingredients, the Senior Lender has required that the Subordinated Creditor (i) subordinate the payment of the Subordinated Note and the Subordinated Creditor's other financial accommodations to the payment of any and all indebtedness of the Borrower to the Senior Lender and (ii) subordinate its Liens in the Collateral to the Liens of the Senior Lender in the Collateral. Assisting Ingredients in obtaining credit accommodations from the Senior Lender and subordinating his interests pursuant to the terms of this Agreement are in the Subordinated Creditor's best interest.

ACCORDINGLY, in consideration of the loans and other financial accommodations that have been made and may hereafter be made by the Senior Lender for the benefit of the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Subordinated Creditor hereby agrees as follows:

1. Definitions. As used herein, the following terms have the meanings set forth below:

"**Average Excess Availability**" means, as of any date of determination by Senior Lender, the average of Ingredient's Availability (as defined in the Credit Agreement) assuming, for purposes of calculation, that all accounts payable which remain unpaid more than sixty (60) days after the invoice date thereof as the close of business on such date are treated as additional Advances (as defined in the Credit Agreement) outstanding on such date.

"**Borrower Default**" means a Default or Event of Default as defined in any agreement or instrument evidencing, governing, or issued in connection with Senior Lender Indebtedness, including, but not limited to, the Credit Agreement, or any default under or breach of any such agreement or instrument.

"**Collateral**" means all collateral now or hereafter securing payment of the Senior Lender Indebtedness, including all proceeds thereof.

"**Cray Filing**" shall mean any UCC-1 filed with the Kansas Secretary of State which shows Ingredients, Pipeline or Borrower as "Debtor" and Subordinated Creditor as "Secured Party."

"**Credit Agreement**" means that certain Credit and Security Agreement dated as of July , 2009, by and between Ingredients and the Senior Lender as the same may hereafter be amended, supplemented or restated from time to time.

"**Lien**" means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or hereafter acquired and whether arising by agreement or operation of law.

"**Senior Lender Indebtedness**" is used herein in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of Ingredients to the Senior Lender, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement at any time entered into by the Ingredients with the Senior Lender, and whether the Borrower may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

"**Subordinated Indebtedness**" means all obligations arising under the Subordinated Note and each and every other debt, liability and obligation of every type and description which the Borrower may now or at any time hereafter owe to the Subordinated Creditor, whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.

"**Subordinated Note**" means the Borrower's Subordinated Secured Promissory Note made by the Borrower dated March 27, 2009, payable to the order of the Subordinated Creditor in the original principal amount of \$2,000,000, together with all renewals, extensions and modifications thereof and any note or notes issued in substitution therefore.

"**Trade Payable Indebtedness**" means the trade payable indebtedness owed by Borrower to Subordinated Creditor, whether such trade payable debt now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated,

or joint, several or joint and several, which shall not include indebtedness evidenced by the Subordinated Note.

2. Subordination. The Subordinated Creditor hereby agrees that the payment and performance of all of the Subordinated Indebtedness is hereby expressly subordinated to the payment and performance in full of the Senior Lender Indebtedness and regardless of any priority otherwise available to the Subordinated Creditor by law or by agreement, the Senior Lender shall hold a first priority Lien in the Collateral, and any Lien claimed therein by the Subordinated Creditor, including but not limited to the Lien secured by the Cray Filing, shall be and remain fully subordinate for all purposes to the Lien of the Senior Lender in the Collateral for all purposes whatsoever. The Subordinated Indebtedness shall continue to be subordinated to the Senior Lender Indebtedness even if the Senior Lender Indebtedness is deemed unsecured, under-secured, subordinated, avoided or disallowed under the United States Bankruptcy Code or other applicable law.

3. Payments. Until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral, the Subordinated Creditor shall not, without the Senior Lender's prior written consent, demand, receive or accept any payment (whether of principal, interest or otherwise) from the Borrower in respect of the Subordinated Indebtedness, or exercise any right of or permit any setoff in respect of the Subordinated Indebtedness except that the Subordinated Creditor may accept scheduled, current (but not past due), non-accelerated payments (but not prepayments) of principal and interest required to be paid under the Subordinated Note provided (i) no Borrower Default has occurred or would occur as a result of any such payments, (ii) Borrower shall have had Average

Excess Availability of not less than \$5,000,000 for the 60 day period prior to such payment, (iii) after giving effect to such payment Borrower shall have Average Excess Availability of not less than \$3,000,000, and (iv) on the date of such payment, Borrower shall have paid all accounts payable which remain unpaid more than thirty (30) days after the invoice date.

4. Receipt of Prohibited Payments. If the Subordinated Creditor receives any payment on the Subordinated Indebtedness that the Subordinated Creditor is not entitled to receive under the provisions of this Agreement, the Subordinated Creditor will hold the amount so received in trust for the Senior Lender and will forthwith turn over such payment to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to then-existing Senior Lender Indebtedness (whether or not due), in such manner of application as the Senior Lender may deem appropriate. If the Subordinated Creditor exercises any right of setoff which the Subordinated Creditor is not permitted to exercise under the provisions of this Agreement, the Subordinated Creditor will promptly pay over to the Senior Lender, in immediately available funds, an amount equal to the amount of the claims or obligations offset. If the Subordinated Creditor fails to make any endorsement required under this Agreement, the Senior Lender, or any of its officers or employees or agents on behalf of the Senior Lender, is hereby irrevocably appointed as the attorney-in-fact (which appointment is coupled with an interest) for the Subordinated Creditor to make such endorsement in the Subordinated Creditor's name.

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5. Action on Subordinated Indebtedness. Unless and until the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral:

(a) The Subordinated Creditor will not commence any action or proceeding against the Borrower to recover all or any part of the Subordinated Indebtedness, or join with any creditor (unless Senior Lender shall so join) in bringing any proceeding against the Borrower under any bankruptcy, reorganization, readjustment of debt, arrangement of debt receivership, liquidation or insolvency law or statute of the federal or any state government; and

(b) The Subordinated Creditor will not commence any action or proceeding with respect to the Collateral, any collateral which secures the Subordinated Indebtedness or against the Borrower, will not take possession of, sell or dispose of, or otherwise deal with, the Collateral or any collateral which secures the Subordinated Indebtedness, and will not exercise or enforce any other right or remedy which may be available to the Subordinated Creditor against the Borrower or with respect to the Collateral or any collateral which secures the Subordinated Indebtedness.

6. Action Concerning Collateral and Restrictions on Liens

(a) Subordinated Creditor represents, warrants, covenants, promises and agrees to and with Senior Lender that unless and until all of the Senior Lender Indebtedness has been indefeasibly paid and performed in full and the Senior Lender has released its Lien in the Collateral the Subordinated Creditor will not modify, amend, restate or otherwise change the Subordinated Note or any documents, agreements or instruments representing or related to any Subordinated Indebtedness;

(b) Senior Lender may take possession of, sell, dispose of, and otherwise deal with all or any part of the Collateral, and may enforce any right or remedy available to it with respect to the Borrower or the Collateral, all without notice to or consent of the Subordinated Creditor except as specifically required by applicable law. In addition, and without limiting the generality of the foregoing, if (i) a Borrower Default has occurred and is continuing, (ii) the Borrower or the Senior Lender intends to sell or otherwise dispose of any Collateral to an unrelated third party outside the ordinary course of business, (iii) Senior Lender has given written notice thereof to the Subordinated Creditor, and (iv) the Subordinated Creditor has failed, within ten (10) days after receipt of such notice, to purchase for cash the Senior Lender Indebtedness for the full amount thereof, the Subordinated Creditor shall be deemed to have consented to such sale or disposition, to have released any Lien it may have in such Collateral and to have authorized Senior Lender or its agents to file partial releases (and any related financing statements such as "in lieu" financing statements under Part 7 of Article 9 of the Uniform Commercial Code) with respect to such Collateral.

(c) The Senior Lender shall have no duty to preserve, protect, care for, insure, take possession of, collect, dispose of, or otherwise realize upon any of the Collateral or any other property or assets of the Borrower, and in no event shall the Senior Lender be

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deemed the Subordinated Creditor's agent with respect to the Collateral. All proceeds received by the Senior Lender with respect to any Collateral may be applied, first, to pay or reimburse the Senior Lender for all costs and expenses (including reasonable attorneys' fees) incurred by the Senior Lender in connection with the collection of such proceeds, and, second, to any Senior Lender Indebtedness secured by the Senior Lender's Lien in that Collateral in any order that it may choose.

(d) Nothing contained herein will prevent Ingredients and Senior Lender from amending, modifying, restating and otherwise dealing with the Senior Lender Indebtedness in any manner Ingredients and Senior Lender deem necessary and/or desirable without notice to or consent of the Subordinated Creditor (the "**Modified Senior Lender Indebtedness**"). This Agreement shall remain fully applicable to such Modified Senior Lender Indebtedness and the Modified Senior Lender Indebtedness will be deemed the "Senior Lender Indebtedness" for all purposes hereunder.

7. Bankruptcy and Insolvency. In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, whether or not pursuant to bankruptcy law, the sale of all or substantially all of the assets of the Borrower, dissolution, liquidation or any other marshalling of the assets or liabilities of the Borrower, the Subordinated Creditor will file all claims, proofs of claim or other instruments of similar character necessary to enforce the obligations of the Borrower in respect of the Subordinated Indebtedness and will hold in trust for the Senior Lender and promptly pay over to the Senior Lender in the form received (except for the endorsement of the Subordinated Creditor where necessary) for application to the then-existing Senior Lender Indebtedness, any and all moneys, dividends or other assets received in any such proceedings on account of the Subordinated Indebtedness, unless and until the Senior Lender Indebtedness has been paid in full and the Senior Lender's Lien in the Collateral has been terminated. If the Subordinated Creditor shall fail to take any such action, the Senior Lender, as attorney-in-fact for the Subordinated Creditor, may take such action on the Subordinated Creditor's behalf. The Subordinated Creditor hereby irrevocably appoints the Senior Lender, or any of its officers or employees on behalf of the Senior Lender, as the attorney-in-fact for the Subordinated Creditor (which appointment is coupled with an interest) with the power but not the duty to demand, sue for, collect and receive any and all such moneys, dividends or other assets and give acquittance therefor and to file any claim, proof of claim or other instrument of similar character, to vote claims comprising Subordinated Indebtedness to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension and to take such other action in the Senior Lender's own name or in the name of the Subordinated Creditor as the Senior Lender may deem necessary or advisable for the enforcement of the agreements contained herein; and the Subordinated Creditor will execute and deliver to the Senior Lender such other and further powers-of-attorney or instruments as the Senior Lender may request in order to accomplish the foregoing. If the Senior Lender desires to permit the use of cash collateral or to provide post-petition financing to the Borrower, the Subordinated Creditor shall not object to the same or assert that its interests are not being adequately protected.

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8. Restrictive Legend; Transfer of Subordinated Indebtedness; Amendment

(a) The Subordinated Creditor will cause the Subordinated Note and all other notes, bonds, debentures or other instruments evidencing the Subordinated Indebtedness or any part thereof to contain a specific statement thereon to the effect that the indebtedness thereby evidenced is subject to the provisions of this Agreement, and the Subordinated Creditor will mark its books conspicuously to evidence the subordination effected hereby. Attached hereto is a true and correct copy of the Subordinated Note bearing such legend. The Subordinated Creditor shall deposit with the Senior Lender, the Subordinated Note and all of the other notes, bonds, debentures or other instruments evidencing the Subordinated Indebtedness, which notes, bonds, debentures or other instruments may be held by the Senior Lender so long as any Senior Lender Indebtedness remains outstanding or the Senior Lender's Lien in the Collateral has not been terminated. The Subordinated Creditor is the lawful holder of the Subordinated Note and has not transferred any interest therein to any other person or entity. Without the prior written consent of the Senior Lender, the Subordinated Creditor will not assign, transfer or pledge to any other person any of the Subordinated Indebtedness or agree to a discharge or forgiveness of the same.

(b) While this Agreement remains in effect, Subordinated Creditor will cause the following language to be included on the face of all original filings wherein Ingredients, Pipeline or Borrower is "Debtor" and Subordinated Creditor is "Secured Party," including but not limited to the Cray Filing:

"THE SECURITY INTEREST OF SECURED PARTY IN ALL OF THE COLLATERAL DESCRIBED IN THIS FINANCING STATEMENT IS SUBJECT TO A SUBORDINATION AGREEMENT DATED JULY , 2009 BETWEEN SECURED PARTY AND WELLS FARGO BANK, NATIONAL ASSOCIATION ("WFBC"), WHEREIN WFBC AND SECURED PARTY HAVE AGREED, AS BETWEEN WFBC AND SECURED PARTY ONLY, THAT THE PRIORITY OF THE SECURED PARTY'S SECURITY INTERESTS IN THE COLLATERAL DESCRIBED IN THIS FINANCING STATEMENT SHALL AT ALL TIMES BE SUBORDINATE TO WFBC'S SECURITY INTERESTS IN SUCH COLLATERAL, NOTWITHSTANDING THE TIME, ORDER OR MANNER OF FILING OR PERFECTION."

In the event such language is not included on the face of such original filings, without limiting any other remedies of Senior Lender, Subordinated Creditor hereby authorizes Senior Lender to amend such filings consistent with this Agreement.

9. Continuing Effect. This Agreement shall constitute a continuing agreement of subordination, and the Senior Lender may, without notice to or consent by the Subordinated Creditor, modify any term of the Senior Lender Indebtedness in reliance upon this Agreement. Without limiting the generality of the foregoing, the Senior Lender may, at any time and from time to time, without the consent of or notice to the Subordinated Creditor and without incurring responsibility to the Subordinated Creditor or impairing or releasing any of the Senior Lender's rights or any of the Subordinated Creditor's obligations hereunder:

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- (a) change the interest rate or change the amount of payment or extend the time for payment or renew or otherwise alter the terms of any Senior Lender Indebtedness or any instrument evidencing the same in any manner;
 - (b) sell, exchange, release or otherwise deal with any property at any time securing payment of the Senior Lender Indebtedness or any part thereof;
 - (c) release anyone liable in any manner for the payment or collection of the Senior Lender Indebtedness or any part thereof;
 - (d) exercise or refrain from exercising any right against the Borrower or any other person (including the Subordinated Creditor); and
 - (e) apply any sums received by the Senior Lender, by whomsoever paid and however realized, to the Senior Lender Indebtedness in such manner as the Senior Lender shall deem appropriate.

10. No Commitment. None of the provisions of this Agreement shall be deemed or construed to constitute or imply any commitment or obligation on the part of the Senior Lender to make any future loans or other extensions of credit or financial accommodations to the Borrower.

11. Waiver and Consent. Senior Lender shall have no obligation to the Subordinated Creditor with respect to the Collateral or the Senior Lender Indebtedness. Senior Lender may (a) exercise collection rights, (b) take possession of, sell or dispose of, and otherwise deal with, the Collateral, (c) in Senior Lender's name, the Subordinated Creditor's name or in Borrower's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any account debtor or other obligor of the Debtor; (d) prosecute, settle and receive proceeds on any insurance claims relating to the Collateral, and (e) exercise and enforce any right or remedy available to Senior Lender with respect to the Collateral, whether available before or after the occurrence of any default; all without notice to or consent by anyone except as specifically required by law. Senior Lender may apply the proceeds of the Collateral in any order of application, and may remit or release such proceeds or any other sums or amounts to the Borrower without being obligated to assure that any such proceeds or sums are applied to the satisfaction of the Subordinated Creditor's subordinated security interest in any Collateral, except as required by law. The Subordinated Creditor hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or agreement.

12. Notice. All notices and other communications hereunder shall be in writing and shall be (i) personally delivered, (ii) transmitted by registered mail, postage prepaid, or (iii) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth below:

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If to the Senior Lender:

Wells Fargo Bank, National Association
MAC N9312-040
109 South 7th Street, 4th Floor
Minneapolis, MN 55402
Attention: Becky A. Koehler
Telecopier: (612) 341-2472

If to the Subordinated Creditor:

Cloud Cray, Jr. Trust
20045 266th Road
Atchison, KS 66002
Attention:
Telecopier: ()

or at such other address as may hereafter be designated in writing by that party. All such notices or other communications shall be deemed to have been given on (i) the date received if delivered personally, (ii) the date of posting if delivered by mail, or (iii) the date of transmission if delivered by telecopy.

13. Conflict in Agreements. If the subordination provisions of any instrument evidencing Subordinated Indebtedness conflict with the terms of this Agreement, the terms of this Agreement shall govern the relationship between the Senior Lender and the Subordinated Creditor.

14. No Waiver. No waiver shall be deemed to be made by the Senior Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of the Senior Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Senior Lender or the obligations of the Subordinated Creditor to the Senior Lender in any other respect at any time.

15. Binding Effect; Acceptance. This Agreement shall be binding upon the Subordinated Creditor and the Subordinated Creditor's heirs, legal representatives, successors and assigns and shall inure to the benefit of the Senior Lender and its participants, successors and assigns irrespective of whether this or any similar agreement is executed by any other creditor of the Borrower. Notice of acceptance by the Senior Lender of this Agreement or of reliance by the Senior Lender upon this Agreement is hereby waived by the Subordinated Creditor.

16. Miscellaneous. The paragraph headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

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17. Governing Law; Consent to Jurisdiction and Venue; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Minnesota. Each party consents to the personal jurisdiction of the state and federal courts located in the State of Minnesota in connection with any controversy related to this Agreement, waives any argument that venue in any such forum is not convenient, and agrees that any litigation initiated by any of them in connection with this Agreement may be venued in either the state or federal courts located in Hennepin County, Minnesota. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.**

[Signature Page Follows]

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IN WITNESS WHEREOF, the Subordinated Creditor has executed this Agreement as of the date and year first above-written.

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

By: /s/ Cloud L. Cray, Jr., Ttee
Name: Cloud L. Cray, Jr.
Its: Trustee

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Acknowledgment by Borrower

The undersigned, being the Borrower referred to in the foregoing Agreement, hereby (i) acknowledges receipt of a copy thereof, (ii) agrees to all of the terms and provisions thereof, (iii) agrees to and with the Senior Lender that it shall make no payment on the Subordinated Indebtedness that the Subordinated Creditor would not be entitled to receive under the provisions of the Agreement, (iv) agrees that any such payment will constitute a default under the Senior Lender Indebtedness, and (v) agrees to mark its books conspicuously to evidence the subordination of the Subordinated Indebtedness effected hereby.

MIDWEST GRAIN PIPELINE, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President & CEO

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President & CEO

EXHIBIT A

attach copy of Subordinated Note with following legend

"THIS PROMISSORY NOTE IS SUBJECT TO THE TERMS OF A SUBORDINATION AGREEMENT BY CLOUD L. CRAY, JR. TRUST, UNDER AN AGREEMENT DATED OCTOBER 25, 1983 IN FAVOR OF WELLS FARGO BANK, NATIONAL ASSOCIATION, ACTING THROUGH ITS WELLS FARGO BUSINESS CREDIT OPERATING DIVISION, DATED JULY, , 2009."

MORTGAGEE'S CONSENT

To induce Wells Fargo Bank, National Association ("Wells Fargo"), to extend credit and other financial accommodations to or for the benefit of MGP Ingredients, Inc., a Kansas corporation ("Company"), secured by Company's accounts, chattel paper, commercial tort claims, deposit accounts, documents, equipment, farm products, general intangibles, instruments, inventory, investment property, letter-of-credit rights, letters of credit, money and any other personal property (collectively, the "Collateral"), and for other good and valuable consideration, Cloud L. Cray, Jr. Trust, under an agreement dated October 25, 2013, ("Mortgage"), hereby certifies and agrees for the benefit of the Wells Fargo as follows:

1. Premises; Mortgage. Mortgagee holds a mortgage lien on certain premises (the "Premises") located in Atchison County, Kansas and described in Exhibit A attached hereto, pursuant to a mortgage (the "Mortgage"), a true, correct and complete copy of which is attached hereto as Exhibit B. The Mortgage is in full force and effect and Company is not in default of any provision of the Mortgage.
2. Subordination. Mortgagee's interest in the Collateral is subject to a Subordination Agreement dated July 16, 2009 between Wells Fargo and Mortgagee.
3. Notices to Wells Fargo. Mortgagee shall promptly notify Wells Fargo as provided herein of each of the following events:
 - (a) any notice which Mortgagee may give to Company regarding any breach of the Mortgage, or any termination of Company's rights to use, lease or possess the Premises;
 - (b) any legal action which Mortgagee may commence to foreclose Company's interests in the Premises or to appoint a receiver for the Premises;
 - (c) any agreement or proposal for Company to voluntarily convey to Mortgagee title to all or any portion of the Premises; and
 - (d) Mortgagee, or any receiver or agent on its behalf, acquires possession of the Premises through foreclosure, voluntary conveyance by Company, court order or otherwise.

All notices to Wells Fargo shall be deemed given when received by Wells Fargo at:

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Wells Fargo Bank, National Association
 MAC N9312-040
 109 South 7th Street, 4th Floor
 Minneapolis, MN 55402
 Attention: Becky A. Koehler

4. Wells Fargo's Right to Occupy Premises Mortgagee hereby grants Wells Fargo the right to take and remain in possession of the Premises for purposes of holding, processing, manufacturing, selling, using, storing, liquidating, realizing upon or otherwise disposing of the Collateral, and for related and incidental purposes, for up to 105 days from and after the date on which Mortgagee, or any receiver or agent on its behalf, acquires possession of the Premises through foreclosure, voluntary conveyance, court order or otherwise. Mortgagee acknowledges that Wells Fargo shall not be liable for any diminution in value of the Premises during the period of time in which Wells Fargo has physical possession of the Premises.

5. Miscellaneous. This Disclaimer and Consent shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Minnesota. This Disclaimer and Consent may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. No failure on the part of Wells Fargo to exercise, and no delay in exercising any right, power or remedy hereunder shall operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. This Disclaimer and Consent expresses completely, exclusively and finally all the agreements, conditions and covenants of the parties and does not need evidence (written or oral) of prior, contemporaneous or subsequent statements or representations (express or implied) to reflect the intentions of the parties. This Disclaimer and Consent may not be supplemented or modified except in writing. This Disclaimer and Consent inures to the benefit of Wells Fargo and its participants, successors, and assigns, and binds Mortgagee and its respective successors and assigns. Mortgagee will notify any successor or assign of the terms of this Disclaimer and Consent. This Disclaimer and Consent does not imply a commitment to lend and shall be binding as long as any credit facility remains outstanding, or any obligations of Company to Wells Fargo remain outstanding or are subject to being set aside, recovered, rescinded or required to be returned for any reason. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS DISCLAIMER AND CONSENT.**

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IN WITNESS WHEREOF, the undersigned has caused this document to be executed by its respective officer thereunto duly authorized, as of the date first above written.

CLOUD L. CRAY, JR. TRUST
 Under an agreement dated October 25, 2013

By: /s/ Cloud L. Cray, Jr., Ttee
 Name: Cloud L. Cray, Jr.
 Title: Trustee

This instrument was drafted by:

STATE OF KANSAS)
)

COUNTY OF ATCHISON)

The foregoing instrument was acknowledged before me this 15th day of July, 2009, by Cloud L. Cray, Jr., the trustee of Cloud L. Cray, Jr. Trust, a ,
on behalf of said ..



NOTARY PUBLIC - State of Kansas
MARTA L. MYERS
My Appt. Exp. 01/03/2010

/s/ Marta L. Myers

Notary Public

(Signature page to Mortgagee's Disclaimer and Consent)

EXHIBIT A
TO
MORTGAGEE'S DISCLAIMER AND CONSENT

The Premises referred to in the referenced instrument are located in Atchison County, Kansas, and are described as follows:

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EXHIBIT B
TO
MORTGAGEE'S DISCLAIMER AND CONSENT

[COPY OF MORTGAGE]

[Reference is made to Exhibit 4.8.2 in 10-K for fiscal year ended 6/30/09]

B-1

July 17, 2009

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

Re: Stepdown Extensions

Ladies and Gentlemen:

Please refer to 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 by (1) a First Amendment to Credit Agreement dated as of September 3, 2008, (2) a Second Amendment to Credit Agreement dated as of November 7, 2008, (3) a Third Amendment to Credit Agreement dated as of December 19, 2008, (4) a Fourth Amendment to Credit Agreement dated as of February 27, 2009, and a letter agreement dated as of March 11, 2009, (5) a Fifth Amendment to Credit Agreement dated as of March 13, 2009, (6) a Sixth Amendment to Credit Agreement dated as of March 26, 2009 and (7) a Seventh Amendment to Credit Agreement dated as of June 15, 2009 (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.

By executing and delivering this letter, the parties to the Credit Agreement agree that:

1. The definition of Letter of Credit Commitment in Section 1.1 of the Credit Agreement is amended by (a) changing the reference to "July 16, 2009" in subclause (2) thereof to "July 23, 2009" and (b) changing the reference to "July 17, 2009" in subclause (3) thereof to "July 24, 2009".
2. The definition of Revolving Credit Commitment in Section 1.1 of the Credit Agreement is amended by (a) changing the reference to "July 17, 2009" in subclause (2) thereof to "July 23, 2009" and (b) changing the reference to "July 16, 2009" in subclause (3) thereof to "July 24, 2009".
3. The definition of Swingline Loan Commitment in Section 1.1 of the Credit Agreement is amended by (a) changing the reference to "July 16, 2009" in subclause (2) thereof to "July 23, 2009" and (b) changing the reference to "July 16, 2009" in subclause (3) thereof to "July 24, 2009".
4. On the date of this letter, the Borrowers shall jointly and severally pay to the Agent, for distribution to the Banks in accordance with their respective Pro-Rata Shares, the sum of \$10,000, which amount shall be deemed fully-earned and non-refundable on the date of this letter, and which amount shall be in addition to any other amounts the Borrowers have promised to pay pursuant to any of the Credit Documents.

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5. 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 thereto in accordance with their respective terms.
 6. Nothing in this letter constitutes a waiver of any Default or Event of Default that may exist on the date hereof, and nothing in this letter obligates the Agent or the Banks to enter into any alternative arrangements for the satisfaction of the Borrowers' outstanding obligations. Furthermore, nothing in the letter shall obligate the Agent or the Banks to enter into further or future arrangements in the event of other defaults by the Borrowers under their obligations and covenants contained in the Credit Documents or any future agreement or arrangement with the Agent and the Banks.
 7. This letter shall not be effective until each party has signed this letter and delivered it to the Agent. This letter may be validly executed and delivered by fax, e-mail or other electronic means, and by use of multiple counterpart signature pages. This letter shall be governed by the same law that governs the Credit Agreement.

If you are in agreement with the provisions of this letter, please sign this letter in the space provided and return this letter or your signature page to the Agent.

Regards

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

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

AGREED TO:

MGP INGREDIENTS, INC.

BMO CAPITAL MARKETS FINANCING, INC.

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President & CEO

By: /s/ Barry Stratton
Name: Barry Stratton
Title: Senior Vice President

MIDWEST GRAIN PIPELINE, INC.

NATIONAL CITY BANK

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President & CEO

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

MGP INGREDIENTS, INC.
AGREEMENT AS TO AWARD OF RESTRICTED SHARES
GRANTED UNDER THE STOCK INCENTIVE PLAN OF 2004

Date of Grant: **June 11, 2009**
Time of Grant: 12:00 noon

Restricted Shares

In accordance with and subject to the terms and restrictions set forth in the MGP Ingredients, Inc. Stock Incentive Plan of 2004 (the "2004 Plan") and this Agreement, MGP INGREDIENTS, INC., a Kansas corporation (the "Company"), hereby grants to the Participant named below the number of Restricted Shares of Common Stock of the Company as set forth below:

Participant: **Newkirk, Timothy W.**

Number of Restricted Shares under the 2004 Plan: **36,000**

NOW, THEREFORE, the Company and the Participant hereby agree to the following terms and conditions:

1. Issuance of Restricted Shares. The shares described above are being issued by the Company to the Participant as Restricted Shares pursuant to the terms and provisions of the 2004 Plan and of the Guidelines for Issuance of Fiscal 2009 Restricted Share Awards (the "Guidelines") adopted by the Human Resources Committee of the Board of Directors of the Company, true copies of which are attached hereto as Exhibits A and B and incorporated herein by reference. Upon the execution of this Agreement, the Company shall issue in the Participant's name the aggregate number of Restricted Shares described above, subject to the provisions of the Guidelines requiring that such certificate or certificates be held in the custody of the Company.
2. Vesting in Restricted Shares. Subject to the provisions of the Guidelines, Restricted Shares shall vest in the Participant upon the Participant's completion of five (5) full years of employment with the Company commencing on June 11, 2009. Except as provided in the Guidelines, the Restricted Shares issued to the Participant shall be forfeited to the Company if the Participant's employment with the Company is terminated prior to the end of the applicable Restriction Period.
3. Restriction on Transfer. The Participant shall not voluntarily sell, exchange, transfer, pledge, hypothecate, or otherwise dispose of any Restricted Shares to any other person or entity during the applicable Restriction Period. Any disposition or purported disposition made in violation of this paragraph shall be null and void, and the Company shall not recognize or give effect to such disposition on its books and records.
4. Legend on Certificates. In order that all potential transferees and others shall be put on notice of this Agreement and so long as the risk of forfeiture exists under the Plan and Guidelines, each certificate evidencing ownership of the Restricted Shares issued pursuant to the Plan (and any replacements thereto) shall bear a legend in substantially the following form:

"The shares evidenced by this Certificate have been issued pursuant to the MGP Ingredients, Inc. Stock Incentive Plan of 2004 and a related agreement (the "Agreement") between the Company and the registered holder. The holder's rights are subject to the restrictions, terms and conditions of the Plan and to the Agreement, which restricts the transfer of the shares and subjects them to forfeiture to the Company under the circumstances referred to in the Agreement. This legend may be removed when the holder's rights to the shares vest under the Agreement."

5. Controlling Provisions. The provisions of the Guidelines shall apply to the award made under this Agreement. In the event of a conflict between the provisions of this Agreement and the Guidelines, the provisions of the Guidelines will control.

IN WITNESS WHEREOF, this Instrument has been executed as of this 15th day of June, 2009.

MGP INGREDIENTS, INC.

By: /s/ John R. Speirs
John R. Speirs, Lead Director

ACKNOWLEDGEMENT

I understand and agree that the Restricted Shares to be acquired by me are subject to the terms, provisions and conditions hereof and of the Plan and Guidelines, to all of which I hereby expressly assent. This Agreement shall be binding upon and inure to the benefit of the Company, myself, and our respective successors and legal representatives.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and may not be modified, amended, renewed or terminated, nor may any term, condition or breach of any term or condition be waived, except in writing signed by the parties sought to be bound thereby. Any waiver of any term, condition or breach shall not be a waiver of any term or condition of the same term or condition for the future or any subsequent breach. In the event of the invalidity of any part or provision of this Agreement, such invalidity shall not affect the enforceability of any other part or provision of this Agreement.

Signed this 30th of June, 2009

/s/ Timothy W. Newkirk
Signature of Participant

CONSULTATION AND NON-SOLICITATION AGREEMENT

THIS AGREEMENT made as of the 27th day of August, 2009 between **MGP INGREDIENTS, INC.**, a Kansas corporation ("Company") and **LAIDACKER M. SEABERG** ("Seaberg"), a resident of Atchison County, Kansas.

WHEREAS, Seaberg, as a former director and officer of the Company, has valuable knowledge of and experience in the Company's business; and

WHEREAS, the Company wishes to engage Seaberg to provide consulting services for it in connection with the operations of its business; and

WHEREAS, Seaberg agrees to provide consulting services to the Company;

NOW, THEREFORE, for and in consideration of the mutual covenants herein made, Seaberg and the Company agree as follows:

1. Consultation Agreement.

(a) The Company shall pay a retainer to Seaberg in the amount of \$250,000 annually in equal weekly payments, upon and subject to the terms of this Agreement. Seaberg agrees that for a period commencing on the effective date hereof and ending on June 14, 2011 (the "Term"), he will provide the Company's President and Chairman of the Board such assistance, advice and consultation in connection with the Company's business as the Company's President or Chairman of the Board may request from time to time after reasonable notice to Seaberg, such assistance, advice and consultation to include, without limitation, matters involving industry developments, marketing strategy and governmental affairs. In such capacity, Seaberg will use his best efforts, within the bounds of law and ethics, to preserve the good will of the Company with its customers, its employees, the ingredients industry and the general public.

(b) It is also understood that Seaberg's services under this Agreement will be rendered primarily in the Atchison, Kansas area but that upon request Seaberg will travel to such other places outside of Atchison, Kansas as the Company may reasonably request. All expenses incurred by Seaberg in connection with any such travel shall be Seaberg's responsibility.

(c) The hours during which Seaberg performs services hereunder on any given day shall be determined by him, although Seaberg will use reasonable efforts to respond timely to and to accommodate the requests of the Company's President and Chairman of the Board for his services.

(d) As a consultant, Seaberg will be an independent contractor and will not be considered an employee of the Company for any purpose.

(i) Nothing in this Agreement shall be construed as entitling Seaberg to (A) negotiate or enter into any oral or written agreement on behalf of the Company or any of its affiliates, or (B) otherwise act on behalf of or bind the Company or any of its affiliates.

(ii) Seaberg shall file all tax returns and reports required to be filed by Seaberg on the basis that Seaberg is an independent contractor and not an employee of the Company. Seaberg shall timely pay in full all income and employment taxes in connection with Seaberg's engagement and remuneration under this Agreement (including federal, state and local income taxes and self-employment social security (SECA) taxes). The Company shall not pay any unemployment or workers' compensation taxes or premiums on behalf of or regarding Seaberg.

(e) Seaberg may perform services for any other person or firm without the Company's prior consent, provided that in doing so he does not violate this Agreement or any other agreement with the Company.

2. Non-Solicitation; Non-Disparagement

(a) Seaberg acknowledges and agrees that during the Term of this Agreement and for a period of one year thereafter he will not, directly or indirectly, (i) solicit, directly or indirectly, any of the Company's customers, prospects, business or patronage for any competitive business anywhere in the United States, or (ii) solicit, divert, entice or otherwise attempt to take away any customers, active prospects, business, patronage or orders of the Company anywhere in the United States.

(b) During the Term and for a period of one year thereafter, Seaberg shall not, directly or indirectly, (i) solicit or induce or attempt to solicit or induce any employee, representative or agent of the Company to terminate its employment, representation or other association with the Company, or (ii) disparage the Company, or any of its past, present or future agents, officers, shareholders, directors or employees to the public, media, any individual or any other third party.

3. Protection of Confidential Information.

(a) As used in this paragraph 3, the term "Confidential Information" means attorney client or other confidential communications or information protected by the work product doctrine and any of the following, whether historical, current or proposed and whether the Company's or a customer's: customer lists, customer credit information, marketing data, production methods and formulas, recipes, processes, innovations, inventions, strategies, suppliers, pricing and pricing methods, sales techniques, advertising, traveling and canvassing methods, brochures or instructions relating to products, services or business of the Company or any customer of the Company, and any other information which the Company may from time to time identify in writing to Seaberg as information which it wishes to preserve as secret. Such other Confidential Information and the dates on which the Company so advised Seaberg may, but need not be, recorded as an exhibit to be attached to and deemed a part of this Agreement.

(b) By executing this Agreement, Seaberg acknowledges that he has been advised that the Company wishes to preserve Confidential Information as secret.

(c) Unless Seaberg shall first secure the written consent of the Company, Seaberg shall not disclose or use at any time, either during or subsequent to the Term of this Agreement, any Confidential Information, whether or not patentable, of which Seaberg is presently aware or becomes informed during such time, whether or not developed by Seaberg, except as required in the exercise of Seaberg's duties to the Company under this Agreement. This obligation shall not apply to any Confidential Information which is or shall become a part of the public domain through no fault of Seaberg. Seaberg shall not be deemed in breach of this provision for good faith actions undertaken in the performance of duties requested of him by the Company under this Agreement.

(d) Upon the Company's request, Seaberg shall promptly deliver to the Company all manuals, sales materials, letters, notes, notebooks, reports, customer lists, and all copies thereof, and all other materials of a secret or confidential nature related to the business of the Company or any customers of the Company, which are in the possession or under the control of Seaberg.

(c) This paragraph 3 is intended to supplement, but not limit or supplant, any obligation of Seaberg or remedy of the Company which may be otherwise imposed on Seaberg or available to the Company under common law or equity without written agreement.

4. **Other Considerations.**

(a) In the event of Seaberg's death, the payments provided for herein will be made to such person or persons as he may designate in writing and in the absence of such designation to his estate. The Company may provide for such obligation through insurance on the life of Seaberg, and Seaberg agrees to cooperate with the Company if it elects to procure such a policy. Notwithstanding the foregoing, the Company shall have no obligation to pay such amounts if Seaberg violates the terms of this Agreement.

(b) Seaberg acknowledges that his breach of the covenants contained in paragraph 2 or 3 will cause irreparable damage to the Company, and accordingly, Seaberg agrees that in addition to other remedies which it may have hereunder, the Company may seek equitable relief to enforce the obligations imposed hereunder.

5. **Notices.**

Any notice required or permitted to be given hereunder shall be sufficient if in writing and shall be deemed delivered upon the date of mailing if mailed by certified or registered mail, return receipt requested, to the address of Seaberg as reflected in the Company's records, or to the Company to 100 Commercial Street, P.O. Box 130, Atchison, Kansas 66002-0130, Attn: President.

6. **Miscellaneous.** This Agreement constitutes the entire Agreement of the parties hereto respecting the subject matter hereof and supersedes all prior understandings or agreements, oral or written, among all or any of such parties. This Agreement shall not be amended except by a written agreement signed by all of the parties hereto. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their

respective heirs, personal representatives, successors and permitted assigns; in this regard, except as provided herein no rights or obligations of Seaberg under this agreement are assignable without the prior written consent of the Company. This Agreement shall be governed by the laws of the State of Kansas. In the event any one or more of the provisions contained in this Agreement or any application thereof shall be held to be illegal, the enforceability of the remaining provisions of this Agreement or any other application thereof shall not in any way be affected or impaired thereby. No delay or failure on the part of any party hereto in exercising any rights hereunder, and no partial or single exercise thereof, shall constitute a waiver of any other rights hereunder. Whenever the context hereof shall require, the use of any gender shall include all genders and the singular shall include the plural, and vice versa.

"COMPANY"

(CORPORATE SEAL)

MGP INGREDIENTS, INC.

ATTEST:

/s/ Marta M. Myers
Marta M. Myers
Secretary

By: /s/ John Speirs
John Speirs
Chairman of the Board

"SEABERG"

/s/ Laidacker M. Seaberg
Laidacker M. Seaberg

**MGP INGREDIENTS, INC.
AGREEMENT AS TO AWARD OF RESTRICTED SHARES
GRANTED UNDER THE NON-EMPLOYEE
DIRECTORS' RESTRICTED STOCK PLAN**

Date of Grant: October 17, 2008
Time of Grant: Close Market

Restricted Shares

In accordance with and subject to the terms and restrictions set forth in the MGP Ingredients, Inc. Non-Employee Directors' Restricted Stock Plan (the "Plan") and this Agreement, MGP INGREDIENTS, INC., a Kansas corporation (the "Company"), hereby grants to the Director named below ("Participant") the number of Restricted Shares of Common Stock of the Company as set forth below:

Participant: John Speirs
Number of Restricted Shares under the Plan: 5,274

NOW, THEREFORE, the Company and the Participant hereby agree to the following terms and conditions:

1. Issuance of Restricted Shares. The shares described above are being issued by the Company to the Participant as restricted shares pursuant to the terms and provisions of the Plan, a true copy of which is attached hereto as Exhibit A and incorporated herein by reference. Upon the execution of this Agreement, the Company shall issue in the Participant's name the aggregate number of restricted shares described above, subject to the provisions of the Plan requiring that such certificate or certificates be held in the custody of the Company.
2. Vesting in Restricted Shares. Subject to the provisions of the Plan, restricted shares shall vest in the Participant upon the Participant's completion of three (3) full years of service on the Board of Directors of the Company ("Vesting Period") commencing on October 17, 2008. The restricted shares issued to the Participant shall be forfeited to the Company if the Participant resigns as a director during his or her term and prior to the end of the Vesting Period. The restricted shares are subject to accelerated vesting as provided in the Plan.
3. Restriction on Transfer. The Participant may not sell, assign, transfer, pledge, hypothecate, or otherwise dispose of any restricted shares to any other person or entity during the Vesting Period. Any disposition or purported disposition made in violation of this paragraph shall be null and void, and the Company shall not recognize or give effect to such disposition on its books and records.
4. Legend on Certificates. In order that all potential transferees and others shall be put on notice of this Agreement and so long as the risk of forfeiture exists under the Plan, each certificate evidencing ownership of the restricted shares issued pursuant to the Plan (and any replacements thereto) shall bear a legend in substantially the following form:

"The shares evidenced by this Certificate have been issued pursuant to the MGP Ingredients, Inc. Non-Employee Directors' Restricted Stock Plan and a related agreement (the "Agreement") between the Company and the registered holder. The holder's rights are subject to the restrictions, terms and conditions of the Plan, which restricts the transfer of the shares and subjects them to forfeiture to the Company under the circumstances referred to in the Agreement. This legend may be removed when the holder's rights to the shares vest under the Plan."

5. Controlling Provisions. The provisions of the Plan shall apply to the award made under this Agreement. In the event of a conflict between the provisions of this Agreement and the Plan, the provisions of the Plan will control.

IN WITNESS WHEREOF, this Instrument has been executed as of this 16th day of February, 2009.

MGP INGREDIENTS, INC.

By:



Timothy W. Newkirk
President and Chief Executive Officer

ACKNOWLEDGEMENT

I understand and agree that the Restricted Shares to be acquired by me are subject to the terms, provisions and conditions hereof and of the Plan, to all of which I hereby expressly assent. This Agreement shall be binding upon and inure to the benefit of the Company, myself, and our respective successors and legal representatives.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and may not be modified, amended, renewed or terminated, nor may any term, condition or breach of any term or condition be waived, except in writing signed by the parties sought to be bound thereby. Any waiver of any term, condition or breach shall not be a waiver of any term or condition of the same term or condition for the future or any subsequent breach. In the event of the invalidity of any part or provision of this Agreement, such invalidity shall not affect the enforceability of any other part or provision of this Agreement.

Signed this day of February, 2009.

Signature of Participant

Consent of Independent Registered Public Accounting Firm

The Audit Committee and Board of Directors
MGP Ingredients, Inc.
Atchison, Kansas

We consent to the incorporation by reference in Registration Statement No. 333-51849 on Form S-8 and the related Prospectus dated January 29, 2004, in Registration Statement No. 333-119860 on Form S-8 and the related Prospectus dated December 23, 2004, and in Registration Statement No. 333-137593 on Form S-8 of MGP Ingredients, Inc. of our report dated September 11, 2008, on our audit of the consolidated balance sheet of MGP Ingredients, Inc. as of June 30, 2008, and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended June 30, 2008, and our report dated September 11, 2008, on the financial statement schedule for the year ended June 30, 2008, which reports are included in the Annual Report on Form 10-K of MGP Ingredients, Inc. for the fiscal year ended June 30, 2009. We also consent to the reference to our firm under the heading "Experts" in the Prospectus to the Registration Statement.

/s/ BKD, LLP

Kansas City, Missouri
September 10, 2009

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
MGP Ingredients, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-51849, 333-119860, and 333-137593) on Forms S-8 of MGP Ingredients, Inc. of our report dated September 10, 2009, with respect to the consolidated balance sheet of MGP Ingredients, Inc. and subsidiaries as of June 30, 2009, and related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows the year ended June 30, 2009, and Schedule II — Consolidated Valuation and Qualifying Accounts, and the effectiveness of internal control over financial reporting as of June 30, 2009, which appears in the June 30, 2009 annual report on Form 10-K of MGP Ingredients, Inc.

/s/ KPMG, LLP

Kansas City, Missouri
September 10, 2009

CERTIFICATION

I, Timothy W. Newkirk, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 10, 2009

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

CERTIFICATION

I, David Harbert, certify that:

1. I have reviewed this annual report on Form 10-K 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: September 10, 2009

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

CERTIFICATION
OF
PERIODIC REPORT

I, Timothy W. Newkirk, President and Chief Executive 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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 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: September 10, 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.]

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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 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: September 10, 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.]
