

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 8-K**

**CURRENT REPORT**

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

Date of Report (Date of earliest event reported) **November 11, 2009**

**MGP Ingredients, Inc.**

(Exact name of registrant as specified in its charter)

**KANSAS**  
(State or other jurisdiction  
of incorporation)

**0-17196**  
(Commission  
File Number)

**48-0531200**  
(IRS Employer  
Identification No.)

**Cray Business Plaza  
100 Commercial Street  
Box 130  
Atchison, Kansas 66002**  
(Address of principal executive offices) (Zip Code)

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

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(c) (1) On December 10, 2009, the Human Resources and Compensation Committee recommended and the Board of Directors approved termination of the Company's annual cash incentive plan that was adopted in June 2007 and adoption of a new annual cash incentive plan that will apply to the current fiscal year and future fiscal years.

Under the new plan, annual awards will be a percentage of base pay set by the Committee and will be based on improvements in what we call modified economic profit, or "MEP". MEP equals adjusted net income from operations (net income from operations, plus depreciation less capital expenditures), net of taxes paid during the specified fiscal year ("Adjusted NOPAT"), minus a charge representing the weighted economic cost of capital ("C") to the Company multiplied by the sum of average monthly total funded indebtedness plus average monthly total equity ("TC"). The formula we use for determining MEP is:  $MEP = \text{Adjusted NOPAT} - (C \times TC)$ . The Human Resources and Compensation Committee may determine whether any non-recurring or extraordinary item will be included in income from operations.

For fiscal 2010, growth in MEP will be measured from the fourth quarter of fiscal 2009, annualized, adjusted to eliminate assets then held for sale. The actual amount of awards that may be paid with respect to fiscal 2010 will depend on the extent to which improvement in MEP during fiscal 2010 over the base period meets or exceeds targeted growth. No incentive will be paid to participants if growth is less than 80% of target. If growth exceeds 110% of target, 125% of the targeted bonus amount may be paid to participants. Participation levels of named executive officers at the target level, as a percentage of base pay, are as follows: Tim Newkirk (CEO) (100%); Don Tracy (CFO) (70%); and Randy Schrick (70%).

Subject to Committee discretion in the case of terminations without cause, an employee whose employment is terminated during a plan year will not be entitled to incentive compensation under the plan. The plan will terminate upon a change in control and pro rated payments made, based on year-to-date performance through the most recently completed fiscal quarter.

(2) Randy Schrick, who has been serving as Vice President of Engineering in Atchison, has been appointed president of the Company's joint venture, Illinois Corn Processing, LLC, located in Pekin, Illinois. In connection with his appointment, on November 11, the Company agreed to retain Mr. Schrick through June 30, 2012, to reinstate him to his current salary and position if the joint venture replaces him prior to such date and to pay his moving expenses to the Pekin area.

**Item 9.01 Financial Statements and Exhibits.**

(d) *Exhibits.*

10.1 MGP Ingredients, Inc. Short Term Incentive Plan for fiscal year 2010 and subsequent years.

**SIGNATURES**

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

**MGP INGREDIENTS, INC.**

Date: December 15, 2009

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

**MGP INGREDIENTS, INC. SHORT-TERM INCENTIVE PLAN**

This MGP INGREDIENTS, INC. SHORT-TERM INCENTIVE PLAN ("Plan") is a program for measuring financial performance in terms of increases in Modified Economic Profit ("MEP"), and providing eligible Employees with incentive compensation based upon MEP results. The objective of the Plan is to encourage initiative, resourcefulness, teamwork, motivation, and efficiency on the part of all Participants that will result in financial success for both the stockholders of the Company and the Participants. The Plan provides annual incentive compensation for eligible Employees who are in a position to make substantial contributions toward achievement of the financial performance goals established pursuant to the Plan. The Plan replaces the Short-Term Incentive Plan which was first effective July 1, 2007 and which is terminated, effective June 30, 2009.

**SECTION 1**  
**ESTABLISHMENT OF PLAN**

**1.1 Plan Document**

This instrument, as amended from time to time, constitutes the governing document of the Plan.

**1.2 Effective Dates**

The effective date of the Plan is July 1, 2009. The Plan will apply for Fiscal Year 2010 and each year thereafter, unless otherwise determined by the Committee.

**1.3 Incentive Compensation Plan**

The Plan is an annual compensation program for eligible Employees. Because the Plan does not provide welfare benefits and does not provide for the deferral of compensation to termination of employment, it is established with the intent and understanding that it is not an employee benefit plan within the meaning of the employee Retirement Income Security Act of 1974, as amended. It is intended that any award under the Plan will not be subject to Section 409A of the Code.

**SECTION 2**  
**DEFINITIONS**

The following terms shall have the definition stated, unless the context requires a different meaning:

**2.1 Beneficiary**

"Beneficiary" means the individual, trust, or other entity designated by the Participant to receive any incentive compensation payable to the Participant under the Plan in the event of the Participant's death. A Participant may designate or change a Beneficiary by filing a signed designation with the Secretary of the Company in a form approved by the Committee.

If a designation has not been completed properly and filed with the Company or is ineffective for any other reason, the Beneficiary shall be the Participant's Surviving Spouse. If there is no effective designation and the Participant does not have a Surviving Spouse, the remaining benefits, if any, shall be paid to the Participant's estate.

**2.2 Board of Directors**

"Board" or "Board of Directors" means the Board of Directors of the Company.

**2.3 Code**

"Code" means the Internal Revenue Code of 1986, as amended.

**2.4 Change in Control**

A Change in Control shall mean:

(i) The acquisition (other than from the Company) by any Person, entity or "group," within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (excluding, for this purpose, the Company or its subsidiaries, any employee benefit plan of the Company or its subsidiaries, trustees of the MGP Ingredients, Inc. Voting Trust or of the Cray Family Trust, or any person who acquires Common or Preferred Stock from Cloud L. Cray, Jr. or from any trust controlled by or for the benefit of Cloud L. Cray, Jr. prior to or as a result of his death) of Beneficial Ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of at least 30% of the then outstanding shares of common stock and 50% of the then outstanding shares of preferred stock, par value \$10 per share, or 30% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(ii) Individuals who, as of the date hereof, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any Person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company) shall be, for purposes of this Plan, considered as though such Person were a member of the Incumbent Board; or

(iii) Approval by the stockholders of the Company of a reorganization, merger, consolidation, in each case, with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own collectively as a group more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

If any of the events enumerated in clauses (i) through (iii) occur, the Board shall

**2.5 Committee**

“Committee” means the Human Resources and Compensation Committee of the Board of Directors and shall be comprised entirely of Directors who are considered “outside directors” under Section 162(m) of the Code.

**2.6 Company**

“Company” means MGP Ingredients, Inc., a Kansas corporation.

**2.7 Director**

“Director” means any individual who is a member of the Board.

**2.8 Employee**

“Employee” means a salaried, full-time Employee of the Company.

**2.9 Fiscal Year**

“Fiscal Year” means the financial reporting and taxable year of MGP Ingredients, Inc.

**2.10 MEP**

“MEP” refers to Modified Economic Profit and means adjusted net income from operations (net income from operations, plus depreciation less capital expenditures), net of taxes paid during the specified Fiscal Year (“Adjusted NOPAT”), minus a charge representing the weighted economic cost of capital (“C”) to the Company multiplied by the sum of average monthly total funded indebtedness plus average monthly total equity (“TC”). The formula for determining MEP is:  $MEP = \text{Adjusted NOPAT} - (C \times TC)$ . MEP for a Fiscal Year shall be based upon the audited financial statements of the Company for the Fiscal Year; provided, the Committee may determine in its sole discretion whether the calculation of MEP should include or exclude, in whole or in part, any unusual or non-recurring item or adjusted to reflect any unusual or non-recurring item.

**2.11 Participant**

“Participant” means an Employee designated to participate in this Plan for a Plan Year pursuant to Section 4.

**2.12 Plan Year**

“Plan Year” means the Fiscal Year of the Company, as in effect at the time.

**2.13 Surviving Spouse**

“Surviving Spouse” means the spouse of the Participant at the time of the Participant’s death who survives the Participant. If the Participant and spouse die under circumstances that make the order of their deaths uncertain, it shall be presumed for purposes of this Plan that the Participant survived the spouse.

**SECTION 3  
ADMINISTRATION OF PLAN**

**3.1 Administration of Plan by Committee**

The Plan shall be administered by the Committee. The Committee shall have full discretionary authority in the operation and administration of the Plan. The Committee must approve any award under the Plan and, subject to the limitations set forth below, may modify any award prior to its payment. The Committee shall act by vote or consent of a majority of its members. To the extent necessary or appropriate, the Committee will adopt rules, policies, and forms for the administration, interpretation, and implementation of the Plan. The Committee may delegate administrative authority and responsibility from time to time to and among other committees approved by the Committee and individual Employees of the Company, but all actions taken pursuant to delegated authority and responsibility shall be subject to review and change by the Committee.

A member of the Committee or individual or group to whom authority is delegated shall not participate in any action of the Committee directly affecting that member, individual or group.

**3.2 Responsibility; Indemnification**

The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company’s independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified, held harmless and protected by the Company with respect to any such action or determination.

**SECTION 4  
ELIGIBILITY**

**4.1 Participation**

An Employee shall be a Participant in the Plan for a Plan Year upon designation as a Participant for that year by the Committee. When deemed appropriate by the Committee, the Committee may designate an effective date for the commencement of participation by an Employee that is subsequent to the first day of the Plan Year.

## 4.2 Continuing Participation

Designation as a Participant for a Plan Year will continue in effect for each succeeding Plan Year that the Plan is in effect until participation is terminated by the Committee. The Committee may terminate participation by an Employee at any time with or without cause.

## **SECTION 5** **MEASUREMENT OF COMPANY PERFORMANCE**

### 5.1 MEP Performance

For purposes of the Plan, financial performance of the Company shall be measured by MEP. In general, the Plan shall be administered so that the incentive compensation provided to a Participant under the Plan for each Plan Year is based on improved MEP performance relative to prior MEP performance, initially measured for the Fourth Quarter of Fiscal 2009 (adjusted to eliminate assets held for sale and determined on an annualized basis).

### 5.2 Determination of MEP

MEP shall be determined for each Fiscal Year by the Committee, subject to Section 5.4.

### 5.3 MEP Growth Target

The MEP growth performance targets for each Plan Year shall be determined by the Committee and communicated to Participants.

### 5.4 Adjustments

The Committee may determine, in its sole discretion, whether the calculation of MEP should include or exclude, in whole or in part, any unusual or non-recurring item or adjusted to reflect any unusual or non-recurring item and may make such other adjustments as permitted by Section 9.

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## **SECTION 6** **INCENTIVE COMPENSATION TARGETS**

### 6.1 Target Incentive Compensation

The target annual incentive compensation for each Participant for each Plan Year shall be determined by the Committee for each Plan Year in accordance with Section 7.2(a).

## **SECTION 7** **DETERMINATION AND PAYMENT OF INCENTIVE AMOUNTS**

### 7.1 Plan Year MEP

MEP and MEP growth performance, including any necessary or appropriate adjustments required or permitted hereunder, shall be determined as soon as administratively practicable following the availability of financial results for the Plan Year.

### 7.2 Determination of Incentive Compensation

Under rules established by the Committee, the incentive compensation for each Participant for each Plan Year shall be calculated by the following steps:

- (a) Targeted annual incentive compensation for each Participant for the Plan Year shall be determined based upon a point system or a percentage of base pay, as determined by the Committee. If a Participant's base pay changes during a Plan Year, proportionate annual compensation shall be calculated, under the rules established by the Committee, for each period of the Plan Year that each level of base pay was in effect. The proportionate targeted incentive compensation for each level of base pay shall be calculated by annualizing that level of base pay, multiplying by the applicable annual incentive percentage for that level of base pay, and then multiplying the resulting amount by a fraction, the numerator of which is the number of days during the Plan Year that the level of base pay was in effect and the denominator of which is the number of days in the Plan Year.
- (b) Growth in MEP shall initially be measured from MEP for the Fourth Quarter of Fiscal Year ending June 30, 2009, as provided in Section 5.1. The amount of actual incentive compensation payable to Participants with respect to Fiscal Year 2010 and subsequent Fiscal Years that the Plan is in effect will be determined as follows.
  - If growth in MEP is less than 80% of the growth target, no incentive compensation will be paid.
  - If growth in MEP is equal to or greater than 80% and less than or equal to 90% of the growth target, 75% of targeted incentive compensation will be paid.

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- If growth in MEP is greater than 90% and less than or equal to 98% of the growth target, 85% of targeted incentive compensation will be paid.
- If growth in MEP is greater than 98% and less than or equal to 102% of growth target, 100% of targeted incentive compensation will be paid.
- If growth in MEP is greater than 102% and less than or equal to 110% of the growth target, 115% of targeted incentive compensation will be paid.
- If growth in MEP exceeds 110% of the growth target, 125% of targeted incentive compensation will be paid.

### 7.3 Payment of Incentive Amounts

The dollar amount of the annual incentive compensation for a Plan Year shall be paid in a lump sum to the Participant as soon as feasible following the completion of the incentive compensation calculations for the Plan Year, but in no event later than two and one-half months following the end of the calendar year in which occurs the end

of the Company's applicable Fiscal Year.

#### **7.4 Partial Year Participation, Employment Changes and Forfeitures**

- (a) **Partial Year Participation.** If an Employee is designated to become a Participant in a Plan Year as of a date other than the first day of the Plan Year, the Participant's incentive compensation for the Plan Year shall be determined on the basis of the Participant's time of participation during the Plan Year.
- (b) **Employment Changes.** Target incentive percentages and incentive awards for a Participant for a Plan Year will be prorated in the event of any change in compensation or employment status or location, or any other change that would effect the determination for the Plan Year, in proportion to the duration of each applicable factor during the Plan Year.
- (c) **Termination of Employment.** Upon termination of a Participant's employment during a Plan Year for any reason, the Participant shall not be entitled to the payment of incentive compensation for the Plan Year. Notwithstanding the preceding sentence, the Committee shall have full discretion to determine that payment of a prorated annual component may be made when termination of the Participant's employment results from job elimination, reduction in work force or other similar Company initiative or is otherwise without cause, or is encouraged or induced by incentives offered by the Company.

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### **SECTION 8 CHANGE IN CONTROL**

Upon a Change in Control, the Plan shall terminate. The Committee will determine MEP on an annualized basis, based on the Company's performance through the most recently completed fiscal quarter for which financial results are available. Incentive compensation will be paid on a pro rata basis (measured through the end of such fiscal quarter) in accordance with the guidelines set forth in Section 7.2(b).

### **SECTION 9 COMMITTEE DISCRETION**

The Committee shall exercise all of its power and duties as the Committee deems appropriate in its sole and absolute discretion. All decisions of the Committee shall be final and binding on all Participants and their respective heirs and representatives. In the event it is determined, in the judgment and discretion of the Committee, that any factor applicable in the ultimate determination of incentive compensation under the Plan for a Plan Year is not appropriate with respect to one or more Participants due to unusual events, unforeseen circumstances, or other factors deemed material and relevant, the applicable factor or the amount of the resulting incentive compensation may be adjusted or modified in any manner deemed appropriate by the Committee.

### **SECTION 10 AMENDMENT AND TERMINATION**

The Plan may be amended in any manner or terminated at any time by action of the Board of Directors.

### **SECTION 11 GENERAL PROVISIONS**

#### **11.1 Benefits Not Guaranteed**

Neither the establishment nor maintenance of the Plan nor participation in the Plan shall provide any guarantee or other assurance that incentive compensation will be payable under the Plan. The success of MGP Ingredients, Inc., as determined hereunder, and adjusted as provided herein, and application of the administrative rules and determinations by the Committee shall determine the extent to which Participants are entitled to receive incentive compensation payments hereunder.

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#### **11.2 No Right to Participate**

Nothing in this Plan shall be deemed or interpreted to provide a Participant or any non-participating Employee with any contractual right to participate in or receive benefits of the Plan. No designation of an Employee as a Participant for all or any part of a Plan Year shall create a right to incentive compensation or other benefits of the Plan for any other Plan Year.

#### **11.3 No Employment Right**

Participation in this Plan shall not be construed as constituting a commitment, guarantee, agreement, or understanding of any kind that the Company will continue to employ an individual, and this Plan shall not be construed or applied as any type of employment contract or obligation. Nothing herein shall abridge or diminish the rights of the Company to determine the terms and conditions of employment of any Participant or other employee or to terminate the employment of any Participant or other Employee with or without cause at any time.

#### **11.4 No Assignment or Transfer**

Neither a Participant nor any beneficiary or other representative of a Participant shall have any right to assign, transfer, attach, or hypothecate any incentive compensation amount or credit, potential payment, or right to future payments of any incentive compensation amount or credit, or any other benefit provided under this Plan. Payment of any amount due or to become due under this Plan shall not be subject to the claims of creditors of the Participant or to execution by attachment or garnishment or any other legal or equitable proceeding or process.

#### **11.5 Withholding and Payroll Taxes**

The Company shall deduct from any payment made under this Plan all amounts required by federal, state, and local tax laws to be withheld and shall subject any payments made under the Plan to all applicable payroll taxes and assessments.

#### **11.6 Incompetent Payee**

If the Committee determined that a person entitled to a payment hereunder is incompetent, it may cause benefits to be paid to another person for the use or benefit of the Participant or the Participant's Beneficiary at the time or times otherwise payable hereunder, in total discharge of the Plan's obligations to the Participant or Beneficiary.

**11.7 Section 409A**

It is intended that the Plan and awards issued hereunder will be exempt from Section 409A of the Code (and any regulations and guidelines issued thereunder) because the Plan and the awards do not provide for the deferral of compensation, and the Plan and such awards shall be interpreted on a basis consistent with such intent. The Plan and any award agreements issued thereunder may be amended in any respect deemed by the Board or the Committee to be necessary in order to preserve exemption with Section 409A of the Code.

**11. Governing Law**

The provisions of the Plan shall be construed and governed under the laws of the State of Kansas.

**11.9 Construction**

The singular includes the plural, and the plural includes the singular, and terms connoting gender include both the masculine and feminine, unless the context clearly indicates the contrary. Capitalized terms, except those at the beginning of a sentence or part of a heading, have the meaning defined in the Plan.

**SECTION 11**  
**EXECUTION**

IN WITNESS WHEREOF, MGP Ingredients, Inc. has caused this Plan to be executed by its duly authorized officer this 10th of December, 2009.

MGP INGREDIENTS, INC.

/s/ Timothy W. Newkirk  
By: Timothy W. Newkirk  
Title: President and CEO

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November 11, 2009

Randy Schrick  
100 Commercial St.  
Atchison, KS 66002

Dear Randy:

Please accept this letter as our mutual understanding of your status with MGP Ingredients, Inc. during our joint venture at the Pekin, IL facility.

- The minimum term of your employment would be through June 30, 2012.
- If your position at Pekin does not work to the joint venture's satisfaction prior to the above date or a permanent replacement is hired, you would be reinstated to your October 2009 salary and corporate position of VP Engineering.
- You will continue to participate in the MGPI executive stock incentive plan, participate in the MEP bonus plan, ESOP and 401k plans, the Health & Dental program, long term care plan, long term disability plan, and existing base salary.
- Moving expenses to the Pekin area will be provided by MGP Ingredients.
- You will have use of the company vehicle while in Pekin.

We look forward to making this joint venture a tremendous success for all parties involved.

Sincerely,

/s/ Tim Newkirk

Tim Newkirk  
CEO and President

/s/ John Speirs

John Speirs  
Chairman

Accepted: /s/ Randy Schrick

Randy Schrick

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