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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2009.

or

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

For the transition period from to

Commission File Number: 0-17196

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

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

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

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

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

Common stock, no par value
16,674,655 shares outstanding
as of December 31, 2009

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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 Quarterly Report on Form 10-Q regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements are usually identified by or are associated with such words as "intend," "plan", "believe," "estimate," "expect," "anticipate," "hopeful," "should," "may," "will", "could", "encouraged", "opportunities", "potential" 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) the ability to start up and effectively operate the Illinois Corn Processing, LLC ("ICP") joint venture, (iii) our 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* of our Annual Report on Form 10-K for the fiscal year ended June 30, 2009.

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

	Quarter Ended		Year to Date Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Net sales	**$ 44,672**	$ 73,242	**$ 91,756**	$ 172,262
Cost of sales	**36,162**	96,890	**73,409**	212,597
Gross profit	**8,510**	(23,648)	**18,347**	(40,335)
Selling, general and administrative expenses	**5,004**	5,737	**9,600**	11,852
Impairment of long lived assets	—	8,931	—	8,931
Severance and early retirement costs	—	3,288	—	3,288
Loss on joint venture formation	**3,047**	—	**3,047**	—
Gain on sale of assets	**(500)**	—	**(700)**	—
Other restructuring costs	**455**	5,241	**1,252**	5,241
Income (loss) from operations	**504**	(46,845)	**5,148**	(69,647)
Other income (expense), net	**2**	33	**23**	74
Interest expense	**(537)**	(797)	**(1,326)**	(1,525)
Joint venture operations	**150**	(18)	**102**	(34)
Income (loss) before income taxes	**119**	(47,627)	**3,947**	(71,132)
Provision (benefit) for income taxes	**(4,659)**	(4,911)	**(4,569)**	(11,173)
Net income (loss)	**4,778**	(42,716)	**8,516**	(59,959)
Other comprehensive income (loss), net of tax:	**3**	(675)	**3**	(2,177)
Comprehensive income (loss)	**$ 4,781**	$ (43,391)	**$ 8,519**	$ (62,136)
Per Share Data				
Total basic earnings (loss) per common share	**$ 0.29**	$ (2.58)	**$ 0.51**	$ (3.62)
Total diluted earnings (loss) per common share	**$ 0.28**	$ (2.58)	**$ 0.50**	$ (3.62)

See accompanying notes to the unaudited condensed consolidated financial statements

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

	December 31, 2009	June 30, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ —	$ 178
Restricted cash	34	203
Receivables (less allowance for doubtful accounts: December 31, 2009 - $378 and June 30, 2009 -$388)	16,760	18,403
Receivables from affiliate	1,716	—
Inventory	15,248	20,400
Prepaid expenses	2,545	980
Deposits	1,367	980
Deferred income taxes	1,085	1,218
Refundable income taxes	5,034	6,045
Assets held for sale	—	32,380
Total current assets	43,789	80,787
Property and equipment, at cost	163,460	163,345
Less accumulated depreciation	(104,164)	(100,036)
Property and equipment, net	59,296	63,309
Investment in joint ventures	14,727	238
Other assets	1,063	798
Total assets	$ 118,875	$ 145,132
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 2,606	$ 3,147
Liabilities related to assets held for sale	—	2,725
Revolving credit facility	2,936	17,833
Accounts payable	10,634	19,864
Accounts payable to affiliate	88	—
Accrued expenses	5,678	5,976
Total current liabilities	21,942	49,545
Long-Term debt	5,423	9,632
Deferred credit	5,783	6,190
Accrued retirement benefits	9,157	8,799
Other non-current liabilities	2,949	5,864
Noncurrent deferred income taxes	1,085	1,218
Total liabilities	46,339	81,248
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	11,465	11,572
Retained earnings	71,206	62,690
Accumulated other comprehensive loss	(2,308)	(2,311)
Treasury stock, at cost		
Common; December 31, 2009 – 2,855,689 shares, and June 30, 2009 - 2,931,759 shares	(14,546)	(14,786)
Total stockholders' equity	72,536	63,884
Total liabilities and stockholders' equity	$ 118,875	$ 145,132

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Year to Date Ended December 31, 2009	Year to Date Ended December 31, 2008
Cash Flows from Operating Activities		
Net income (loss)	$ 8,516	$ (59,959)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,397	6,826
Gain on sale of assets	(700)	(53)
Loss on joint venture formation	3,047	—
Deferred income taxes	—	(7,217)
Loss on impairment of assets	—	8,931
Joint venture operations (gain)	(102)	34
Changes in working capital items:		
Restricted cash	169	(1,358)
Receivables/receivables from affiliate	(73)	7,917
Inventory	2,042	24,219

Prepaid expenses	**(1,565)**	(4,343)
Accounts payable/accounts payable to affiliate	**2,715**	(1,934)
Accrued expenses	**13**	4,563
Accrued natural gas derivative	**—**	5,447
Deferred credit	**(407)**	(440)
Income taxes payable/refundable	**1,011**	3,898
Accrued retirement benefits and other non-current liabilities	**(2,557)**	(89)
Gains previously deferred in other comprehensive income	**—**	(2,149)
Other	**(444)**	(226)
Net cash provided by (used in) operating activities	**16,062**	(15,933)
Cash Flows from Investing Activities		
Additions to property and equipment	**(55)**	(1,994)
Proceeds from sale of interest in joint ventures	**13,951**	—
Proceeds from disposition of property and equipment	**4,163**	460
Net cash provided by (used in) investing activities	**18,059**	(1,534)
Cash Flows from Financing Activities		
Purchase of treasury stock	**—**	(34)
Proceeds from stock plans	**—**	12
Exercise of stock options	**221**	—
Loan fees incurred with borrowings	**(229)**	—
Tax effect of restricted stock awarded	**—**	(205)
Proceeds from long-term debt	**2,032**	150
Principal payments on long-term debt	**(21,121)**	(1,939)
Proceeds from revolving credit facility	**97,726**	61,134
Principal payments on revolving credit facility	**(112,928)**	(41,651)
Net cash provided by (used in) financing activities	**(34,299)**	17,467
Decrease in cash and cash equivalents	**(178)**	—
Cash and cash equivalents, beginning of year	**178**	—
Cash and cash equivalents, end of period	**$ —**	$ —

See accompanying notes to the unaudited condensed consolidated financial statements

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MGP INGREDIENTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise noted)

Note 1. Accounting Policies and Basis of Presentation.

Basis of Presentation

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

Use of Estimates

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

Impairment

The Company tests its long-lived assets for impairment whenever events or conditions and circumstances indicate a carrying amount of an asset may not be recoverable. No events or conditions occurred during the quarterly period ended December 31, 2009 that required the Company to perform a test of its long-lived assets for impairment.

During the first two quarters of fiscal 2009, declines in overall equity values, including the common stock value, and changes in the Company's operations triggered impairment evaluations, which required considerable management judgment. The testing and analysis as of December 31, 2008 identified certain impaired assets (see Note 10 *Fiscal Year 2009 Restructuring Costs and Loss on Impairment of Assets*).

Out-of-Period Adjustments

During the second quarter 2010 management performed a detailed analysis of the accounts payable balance. This analysis indicated certain transactions recorded in the prior fiscal year had been either duplicated or otherwise erroneously recorded. After analysis, the Company determined certain recorded amounts were not owed and adjusted the accounts payable balance in the second quarter to correct this situation. The impact of the correcting adjustment increased reported pretax income in the second quarter by approximately $1,351. Cost of sales was favorably impacted by $733, and the results of joint venture operations was improved by $618. Management does not believe the impact of this out of period adjustment materially impacts the fair presentation of the Company's operating results or financial condition for the periods impacted.

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Recently Issued Accounting Pronouncements

Accounting Standards Codification — In June 2009, the Financial Accounting Standards Board ("FASB") issued a standard that established the FASB Accounting Standards Codification (the "ASC"), which effectively amended the hierarchy of U.S. generally accepted accounting principles ("GAAP") and established only two levels of GAAP, authoritative and nonauthoritative. All previously existing accounting standard documents were superseded, and the ASC became the single source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission ("SEC"), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the ASC became nonauthoritative. The ASC was intended to provide access to the authoritative guidance related to a particular topic in one place. New guidance issued subsequent to June 30, 2009 will be communicated by the FASB through Accounting Standards Updates. The ASC was effective for financial statements for interim or annual reporting periods ending after September 15, 2009. We adopted and applied the provisions of the ASC for our first fiscal quarter ended September 30, 2009, and have eliminated references to pre-ASC accounting standards throughout our consolidated financial statements. Our adoption of the ASC did not have a material impact on our consolidated financial statements.

Consolidation of Variable Interest Entities — In June 2009, the FASB issued new guidance on the consolidation of variable interest entities ("VIE") in response to concerns about the application of certain key provisions of pre-existing guidance, including those regarding the transparency of the involvement with a VIE. Specifically, this new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, this new guidance requires additional disclosures about the involvement with a VIE and any significant changes in risk exposure due to that involvement. This new guidance is effective for fiscal years beginning after November 15, 2009. We plan to adopt the new guidance in fiscal year 2011 and do not expect a material impact on our consolidated financial statements.

Transfers of Financial Assets — In June 2009, the FASB issued new guidance on accounting for transfers of financial assets which eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. This new guidance is effective for fiscal years beginning after November 15, 2009. We plan to adopt the new guidance on July 1, 2010.

Note 2. Indebtedness.

The Company paid $6,267 to Central Illinois Light Company ("CILCO") on November 20, 2009. This payment satisfied all of the Company's obligations to CILCO under a promissory note dated August 14, 2009. The Company has secured a release of the related mortgage on the alcohol production facility in Pekin, Illinois held by CILCO.

The Company also paid $2,811 to Exchange National Bank ("Exchange") on November 20, 2009. This payment satisfied all of the Company's obligations to Exchange under a promissory note dated April 15, 2009. The Company has secured releases of the mortgages held by Exchange on the Pekin plant and on the Company headquarters leasehold interest.

On November 20, 2009, the Company's other lenders holding liens on the Pekin plant property, Wells Fargo Bank, National Association, and the Cloud L. Cray, Jr. Trust, also released their liens on the Pekin plant property in connection with the consummation of the formation of the joint venture (See Note 3. *Formation of Joint Venture*).

On December 21, 2009, the Company paid $2,102 to the Cray Trust in full payment of all amounts remaining due on its note to the Cray Trust and obtained the release of the related lien on the Atchison plant.

On December 21, 2009, the Company paid $450 to Union Pacific Corporation ("UPC") in full payment of its note to UPC.

Note 3. Formation of Joint Venture.

The Company completed a series of related transactions on November 20, 2009 pursuant to which the Company has contributed its Pekin plant and certain maintenance and repair materials to a newly-formed company, Illinois Corn Processing, LLC ("ICP"), and then sold 50% of the membership interest in ICP to Illinois Corn Processing Holdings, LLC ("ICPH"), an affiliate of SEACOR Energy Inc., for proceeds of $15,000, less closing costs of $1,049. Another affiliate of SEACOR Energy Inc., will provide funding to ICP through two loans secured by all the assets of ICP, including the Plant, but which are non-recourse to the Company. ICP will reactivate distillery operations at the Pekin facility. The Company will market food-grade and industrial-grade alcohol products manufactured by ICP, and SEACOR Energy Inc. will market ethanol products manufactured by ICP. In connection with these transactions, the Company entered into the following agreements:

1) Contribution Agreement**.** The Company and ICP entered into a Contribution Agreement dated November 20, 2009 pursuant to which the Company contributed the Pekin plant to ICP at an agreed value of $30,000, consisting of land and fixed assets valued at $29,063 and materials and supply inventory valued at $937.

2) LLC Interest Purchase Agreement. The Company and ICPH entered into an LLC Interest Purchase Agreement dated November 20, 2009 (the "IPA") pursuant to which ICPH acquired 50% of the membership interest in ICP for a purchase price of $15,000. The IPA also provides ICPH with the option to purchase up to an additional 20% of the membership interest in ICP at any time between the second and fifth anniversary of the closing date for a fixed price. The LLC Agreement contains additional buy-sell provisions.

3) LLC Agreement. The Company and ICPH entered into a Limited Liability Company Agreement dated November 20, 2009 (the "LLC Agreement"). Pursuant to the LLC Agreement, the Company and ICPH each have 50% of the voting and equity interests in ICP. Day to day management of ICP is retained by the members. The LLC Agreement also provides for the creation of an advisory board consisting of three advisors appointed by the Company and three advisors appointed by ICPH. ICP's limited liability company agreement gives either member certain rights to shut down the plant if it operates at a loss. Such rights are conditional in certain instances but absolute if losses exceed $1,500 over any three consecutive quarters or if ICP's net working capital is less than $2,500.

4) Marketing Agreements. The Company and ICP entered into a Marketing Agreement dated November 20, 2009, pursuant to which ICP will manufacture and supply food-grade and industrial-use alcohol products for the Company, and the Company will purchase, market and sell such products. Pursuant to the Marketing Agreement, the Company will share margin

realized from the sale of the products under the agreement with ICP. The Marketing Agreement has an initial term of one year but automatically renews for one year terms thereafter, subject to specified exceptions. SEACOR Energy Inc. has entered into a similar agreement with ICP with respect to the marketing of ethanol.

The LLC Agreement permits the Company to pledge its interest in ICP to secure the Company's obligations under its credit facility with Wells Fargo Bank, National Association, and the Company has done so as of November 20, 2009. The Company also agreed that by February 15, 2010 it would grant to Wells Fargo Bank a mortgage or leasehold mortgage on the Company's headquarters and technical center in Atchison, Kansas that previously were mortgaged to Exchange National Bank.

The Company recognized a charge of $3,047 in the second quarter of the current fiscal year related to the completion of these transactions that has been included in the Company's Condensed Consolidated Statement of Income as "Loss on joint venture formation". The charge consists of $1,998 to adjust the book value of the Pekin plant balance sheet assets contributed to the joint venture to the implied value and $1,049 for professional fees associated with the transaction.

On December 31, 2009, the Company received consent from Wells Fargo Bank under the Company's Credit and Security Agreement permitting the Company to make an additional investment of up to $2,500 in Illinois Corn Processing, LLC in order to fund one-half (SEACOR Energy Inc. will contribute the remaining half) of the purchase from a third party of the steam boiler located at the Pekin, Illinois plant now owned by Illinois Corn Processing, LLC.

Subsequent to December 31, 2009, ICP purchased a boiler for approximately $5,000. The Company and ICPH each contributed $1,000 to acquire this asset and will fund the balance of the purchase price over the next two years. ICP took steps to begin production at the Pekin facility, which is expected to be fully operational by the end of the third quarter.

The Contribution Agreement and the LLC Interest Purchase Agreement require the Company to indemnify ICP and ICPH from and against any damages or liabilities arising from a breach of the Company's representations and warranties in the Contribution Agreement and the IPA and also with respect to certain environmental damages or liabilities related to the recommencement of production at the Pekin plant or to operations at the Pekin plant prior to the closing. The amount of damages, with the exception of taxes and environmental matters, is limited to a maximum of $30 million.

Note 4. Sale of Facilities.

On August 21, 2009, the Company sold its Kansas City, Kansas, facility for proceeds of $3,585, less closing costs, with potential additional payments over the next three years based on the buyer's income from sales of the Company's existing products to the Company's existing customers during that period. The sale included all equipment used for the production and packaging of pet-related products, which principally include extruded plant-based resins and finished pet treats. The Company retained 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 has been leased to the Company for a period of three years and is operated by a subsidiary of the buyer under a toll manufacturing arrangement. In connection with the sale of the Kansas City, Kansas facility, liabilities related to these assets held for sale as of June 30, 2009, totaling $2,725 were paid down to zero with the sale proceeds.

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On December 23, 2009, the Company sold certain assets from its flour mill facility in Atchison, Kansas for proceeds of $500. A gain of $500 was also recorded for this sale. In addition, the Company recognized a gain of $200 during the first quarter of the current fiscal year, for certain other asset sales. The gains have been included in the Company's Condensed Consolidated Statements of Income as "Gain on sale of assets".

Note 5. Earnings 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.

	Quarter Ended		Year to Date	
Weighted average shares:	**December 31, 2009**	**December 31, 2008**	**December 31, 2009**	**December 31 2008**
Basic and Diluted Shares:	**16,673,189**	16,582,063	**16,638,080**	16,572,353
Additional weighted average shares attributable to:				
Stock options:	**12,213**	—(1)	**2,410**	—(1)
Unvested restricted stock awards:	**400,757**	—(1)	**262,165**	—(1)
Potentially Diluted Shares	**17,086,159**	16,582,063	**16,902,655**	16,572,353

(1) The stock options and the restricted stock awards were not dilutive due to the loss experienced in this period.

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 the 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. Derivative Instruments and Fair Value Measurements.

Derivative Instruments. In connection with the purchase of raw materials, principally corn, flour and natural gas, 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 its established risk management policies.

Certain commodities the Company uses in its production process are exposed to market price risks due to volatility in the prices for those commodities. Currently, the Company uses derivative instruments to reduce the risk related to price volatility for corn, flour and natural gas. The Company manages its exposure through a combination of 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 Condensed Consolidated Statements of Income. Since these derivatives

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are not accounted for as hedges, fluctuations in the related commodity prices could have a material impact on earnings in any given period. The Company recorded a $1 mark to market gain as of December 31, 2009, to costs of goods sold related to corn derivatives.

With the temporary shutdown of the Company's Pekin plant during fiscal 2009, commitments for the purchase of natural gas through the remainder of the fiscal year under a single contract for 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 recorded a charge of $5,447 for unrealized losses as of December 31, 2008, to cost of sales for settlements of contract related to unused gas resulting from the temporary shutdown.

Fair Value Measurements. The Company applies the provisions of the Fair Value Measurement and Disclosures Topic of the FASB ASC for our financial and non-financial assets and liabilities which the Company has recognized or disclosed at fair value on a recurring basis. The Fair Value Measurement and Disclosures Topic 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. This Topic 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 Company enters into commodity derivative contracts through a broker with a diversified group of counterparties. Under the terms of the Company's account with its broker, it is required to maintain a cash margin account as collateral to cover any shortfall in the market value of derivatives, which has been accounted for as restricted cash in the condensed consolidated balance sheets.

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2009 and 2008.

	Classified	Fair Value Measurements	Level 1	Level 2	Level 3
December 31, 2009					
Assets					
Corn Derivatives	Restricted Cash	$ 32	$ 32	$ —	$ —
June 30, 2009					
Liabilities					
Corn Derivatives	Inventory	$ 268	$ 268	$ —	$ —

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Note 8. 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 products segment comprises resins and plant-based polymers and composites manufactured through the further processing of certain of our proteins and starches and wood. For the quarter and year to date period ended December 31, 2009, revenues from products in the other segment represent less than 2.0 percent of the Company's consolidated revenues. As noted in Note 10, during the second quarter of fiscal 2009 the Company closed the flour mill at the Atchison facility and ceased protein and starch production operations at its Pekin, Illinois plant. Other than the production of fuel alcohol as a by-product of high quality alcohol, the Company ceased production of fuel alcohol in the third quarter of fiscal 2009. Under a marketing agreement with ICP, ICP will manufacture and supply food-grade and industrial-use alcohol products for us, and we will purchase, market and sell such products. Pursuant to the marketing agreement, we will share margin realized from the sale of the products under the agreement with ICP. SEACOR Energy Inc. has entered into a similar agreement with ICP with respect to the marketing of the ethanol produced at the Pekin plant.

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

	Quarter Ended		Year to Date Ended	
(in thousands)	**December 31, 2009**	**December 31, 2008**	**December 31, 2009**	**December 31, 2008**
Sales to Customers				
Ingredient solutions	**$ 15,124**	$ 22,455	**$ 30,183**	$ 48,352
Distillery products	**28,954**	49,733	**60,328**	121,115
Other	**594**	1,054	**1,245**	2,795
Total	**44,672**	73,242	**91,756**	172,262
Depreciation and amortization				
Ingredient solutions	**578**	834	**1,161**	1,693
Distillery products	**1,090**	2,084	**2,191**	4,203
Other	**62**	61	**121**	122
Corporate	**419**	422	**924**	808
Total	**2,149**	3,401	**4,397**	6,826
Income (Loss) before Income Taxes				
Ingredient solutions	**2,760**	(4,154)	**5,057**	(9,543)
Distillery products	**4,211**	(15,397)	**10,840**	(28,323)
Other	**(20)**	(1)	**96**	236
Corporate	**(3,830)**	(5,168)	**(8,447)**	(10,595)
Impairment of long lived assets	**—**	(8,931)	**—**	(8,931)
Severance and early retirement costs	**—**	(3,288)	**—**	(3,288)
Loss on joint venture formation	**(3,047)**	—	**(3,047)**	—

Gain on sale of assets		**500**		—		**700**		—
Other restructuring costs		**(455)**		(5,241)		**(1,252)**		(5,241)
Unrealized loss on natural gas contract		**—**		(5,447)		**—**		(5,447)
Total	**$**	**119**	$	(47,627)	**$**	**3,947**	$	(71,132)

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· For purposes of comparative analysis, the impairment of long lived assets, severance and early retirement costs, loss on joint venture formation, gain on sale of assets and other restructuring costs realized during the quarters ended December 31, 2009 and 2008 have been excluded from segments. Indirect selling, general and administrative, interest expense, investment income and other general miscellaneous expenses are excluded from segment operations and classified as Corporate. Corporate loss was favorably impacted by $1,351 representing reversal of over-accrued payables as discussed in Note 1, *Out-of-Period Adjustments*.

		December 31, 2009		**June 30, 2009**
Identifiable Assets				
Ingredient solutions	**$**	**31,517**	$	36,204
Distillery products		**50,087**		56,535
Other		**1,902**		1,873
Assets held for sale		**—**		32,380
Corporate		**35,369**		18,140
Total	**$**	**118,875**	$	145,132

Note 9. Pension and Post Retirement Benefit Obligations

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

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

	Quarter Ended				**Year to Date Ended**			
(in thousands)		**December 31, 2009**		**December 31, 2008**		**December 31, 2009**		**December 31, 2008**
Service cost	**$**	**62**	$	75	**$**	**124**	$	150
Interest cost		**135**		124		**270**		248
Prior service cost		**(9)**		(9)		**(18)**		(18)
Loss		**17**		5		**34**		10
Total post-retirement benefit cost	**$**	**205**	$	195	**$**	**410**	$	390

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The Company previously disclosed in its financial statements for the year ended June 30, 2009, amounts expected to be paid to plan participants. There have been no revisions to these estimates and there have been no changes in the estimate of total employer contributions expected to be made for the fiscal year ended June 30, 2010.

Total employer contributions for the quarter ended December 31, 2009 were $34.

Pension Benefits. The Company and its subsidiaries also provide defined retirement benefits to certain employees covered under collective bargaining agreements. Under the collective bargaining agreements, the Company's pension funding contributions are a function of the wages paid and are determined as a percentage of wages paid. The funding is divided between the defined benefit plan and a 401(k) plan. It has been management's policy to fund the defined benefit plan in accordance with the collective bargaining agreement. The collective bargaining agreements allow the plan's trustees to develop changes to the pension plan to allow benefits to match funding, including reductions in benefits. The Company uses a June 30 measurement date for the plan.

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

	Quarter Ended				**Year to Date Ended**			
(in thousands)		**December 31, 2009**		**December 31, 2008**		**December 31, 2009**		**December 31, 2008**
Service cost	**$**	**152**	$	141	**$**	**304**	$	282
Interest cost		**58**		49		**116**		98
Expected return on plan assets		**(42)**		(44)		**(84)**		(88)
Prior service cost		**6**		6		**12**		12
Recognition of net loss		**21**		4		**42**		8
Total pension benefit cost	**$**	**195**	$	156	**$**	**390**	$	312

The Company has made employer contributions of $405 for the year to date period ended December 31, 2009, all of which were in the quarter ended September 30, 2009.

Note 10. Fiscal Year 2009 Restructuring Costs and Loss on Impairment of Assets.

In response to the losses incurred during fiscal 2009, actions were taken in the second quarter in an effort to return the Company to profitability. These actions included 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 for the quarter and year to date period ending December 31, 2008 were as follows:

		Total
Impairment of long lived assets	$	8,931

Severance and early retirement costs		3,288
Other restructuring costs		5,241
Total	$	17,460

On October 20, 2008 the Company announced that it had signed a non-binding letter of intent to acquire its flour requirements from a third party, was ceasing operations at its flour mill in Atchison,

Kansas and was reducing its workforce. The Company's decision to close its flour mill was due to the fact that it could no longer produce flour for its own use at costs that were competitive with those of third party producers. As a result of this action, the Company performed an impairment analysis and recorded a $2,831 non-cash impairment charge in the Condensed Consolidated Financial 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 Financial Statements related to the Pekin protein and starch assets.

As a result of the closure of the Company's 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 temporarily shut down its Pekin, Illinois plant. Management performed an impairment analysis and recorded a $329 non-cash impairment charge in the Condensed Consolidated Financial Statements related to the write down of equipment used in the production of personal care products.

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 a non-cash impairment charge of $8,100 in Condensed Consolidated Financial Statements. For the period ended December 31, 2008, the Company performed another test for impairment of these assets as result of an appraisal resulting in a further charge of $811.

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 rail cars 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. Thirteen of these railcars have been returned to the lessor as of December 31, 2009. The Company estimates that the remaining railcars will either be returned to the lessor or assigned to other third parties over the course of four years. Other restructuring costs also include a $2,185 net loss resulting from sales of excess wheat no longer needed for milling operations. The charge is net of approximately $1,109 in realized gains previously recorded in accumulated other comprehensive income.

Note 11. Assets Held for Sale.

The Company during fiscal 2008 committed to a plan to sell its mixed use facility in Kansas City, Kansas. As noted in Note 4 *Sale of Facilities,* the Company sold this facility on August 21, 2009.

The Company during fiscal 2009 temporarily discontinued distillery operations at its Pekin, Illinois facility. As noted in Note 3 *Formation of Joint Venture*, through a series of transactions the Company entered into a joint venture and contributed the facility in Pekin to the newly formed company, ICP.

Note 12. Investment in joint ventures.

The Company's joint ventures that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Under the equity method of accounting, the joint venture company's accounts are not reflected within the Company's Condensed Consolidated Balance Sheets and Statements of Income; however the Company's share of the earnings or losses of the joint venture companies are reflected in the caption "Joint venture operations" in the Condensed Consolidated Statements of Income. The Company's carrying value in equity method joint venture companies is reflected in the caption "Investment in Joint Ventures" in the Company's Condensed Consolidated Balance Sheets.

The Company's investments accounted for on the equity method of accounting consist of the following: (1) 50% interest in D.M. Ingredients, GmbH, which is engaged in production and tolling of the Wheatex® series of textured wheat proteins made from vital wheat gluten, and (2) 50% interest in ICP, which operates a distillery. The Company markets food-grade and industrial grade alcohol products manufactured by ICP.

The combined result of operations and financial position of the Company's equity basis investments are summarized below:

	Quarter Ended		Year to Date Ended	
	December 31, 2009	**December 31, 2008**	**December 31, 2009**	**December 31, 2008**
Condensed income statement information:				
Net sales	**$ 34**	$ —	**$ 34**	$ —
Gross margin	**34**	—	**34**	—
Net income	**(935)**	(37)	**(1,032)**	(69)
Joint venture operations *	**150**	(18)	**102**	(34)
Condensed balance sheet information:				
Current assets	**$ 4,831**	$ 341	**$ 4,831**	$ 341
Noncurrent assets	**29,125**	308	**29,125**	308
Total assets	**33,956**	649	**33,956**	$ 649
Current liabilities	**$ 3,287**	$ 9	**$ 3,287**	$ 9
Noncurrent liabilities	**1,214**	4	**1,214**	4

Equity	**29,455**	636	**29,455**	636
Total liabilities and equity	**$ 33,956**	$ 649	**$ 33,956**	$ 649

* Note: Includes ($433) start-up costs of new joint venture and $618 reversal of over-accrued payables out of period, as discussed in Note 1.

Note 13. Income Taxes

For the quarter ended December 31, 2009, we had an income tax benefit of $4,659 resulting in an effective rate of (3,915.1) percent. For the quarter ended December 31, 2008, our income tax benefit was $4,911 for an effective rate of 10.3 percent.

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For the year to date period ended December 31, 2009, we had an income tax benefit of $4,569, resulting in an effective rate of (115.9) percent. For the year to date period ended December 31, 2008, our income tax benefit was $11,173 for an effective rate of 15.7 percent.

For the year to date period ended December 31, 2009, the effective rate differs from our statutory rate primarily due to changes in the federal and state valuation allowance and the benefit of a tax law change occurring during the quarter. Under the Worker, Homeownership, and Business Assistance Act of 2009, which was enacted during the quarter, we became eligible to carry back net operating losses generated in our fiscal year ended June 30, 2009 to our five preceding tax years, instead of the two years allowed under previous tax law. We filed a claim to carry an additional $12,000 of net operating loss back. An income tax benefit of approximately $4,700 was recognized during the quarter related to this carryback claim. The cash refund associated with the carryback claim was received during January 2010.

Our valuation allowance as of December 31, 2009 is approximately $14,825. Management has determined that a valuation allowance was needed against federal and state deferred tax assets, consisting largely of net operating losses and credit carryforwards that are not more likely than not of being realized.

Since the end of the fiscal year ended June 30, 2009, there has been no material change in our uncertain tax positions.

Note 14. Subsequent Events.

Management has performed an evaluation of events that have occurred subsequent to December 31, 2009, and as of February 11, 2010 (the date of filing of this Form 10-Q). Subsequent events include:

· The Company received a tax refund of approximately $4,700.
· During January 2010, ICP purchased a boiler for approximately $5,000. The Company and ICPH each contributed $1,000 to acquire this asset and will fund the balance of the purchase price over the next two years.
· During February 2010, the Company received a waiver from Wells Fargo Bank permitting the Company to pay off its loans to GE and Commerce Bank, totaling approximately $3,200

Other than the matters discussed above, there have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the condensed consolidated financial statements as of or for the quarterly and year to date period ended December 31, 2009.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollar amounts in thousands, unless otherwise noted)

RESULTS OF OPERATIONS

General

Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations—General,* incorporated by reference to Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2009 for certain general information about our principal products and costs.

Over the past several quarters we have made significant changes to our operations to improve profitability. We have refocused our business on the production of value-added ingredients and distillery products. We have realigned our production efforts and reduced excess inventories. With our temporary ceasing of production at our Pekin facility and its subsequent inclusion in a joint venture, we have produced minimal quantities of fuel grade alcohol as a co-product and, with the shutdown of our flour mill in Atchison in October 2008, we no longer sell mill feeds. Production of distillers feed has also decreased. As a result of these measures, revenues across all segments have declined from historic levels. However, we have experienced increased profitability during the quarter and year to date period ended December 31, 2009, primarily due to our improved sales mix of value-added products, lower costs of grain and natural gas, and lower costs from restructuring as compared to the prior fiscal year.

The newly formed joint venture company to which we have transferred our Pekin plant will reactivate those distillery operations and we will focus on value-added products. As previously disclosed, in recent years market economics for ethanol have been volatile, and in the first quarter of last year we temporarily closed our Pekin plant. After exploring our strategic alternatives with respect to the plant, in November we completed a series of related transactions pursuant to which we contributed our Pekin plant to a newly-formed company, Illinois Corn Processing, LLC ("ICP"), and then sold 50% of the membership interest in ICP to Illinois Corn Processing Holdings LLC, ("ICPH"), an affiliate of SEACOR Energy Inc. ICP will own and operate the facility. After production is reactivated at the Pekin plant, we will market food-grade and industrial grade alcohol products manufactured by ICP and SEACOR Energy Inc. will market ethanol products manufactured by ICP.

By entering the joint venture arrangement with ICPH, we have been able to recover a portion of our investment in the Pekin plant and enhance our ability to supply our food grade alcohol customers with quality product. Although we will retain some exposure to the volatility of the ethanol market through our investment in ICP, we will have an opportunity to participate when the economics of that market are good, and we believe that the extent of our exposure to bad markets is significantly less than when we operated Pekin ourselves. Further, we have the ability, through the termination provisions in the limited liability company agreement, to limit our operating losses by causing ICP to shut down the plant if losses reach specified amounts.

For additional information regarding this transaction, see *Note 3 Formation of Joint Venture* included in Part I, Item 1, Financial Statements of this form 10-Q and incorporated herein by reference.

Critical Accounting Policies and Estimates

Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies,* incorporated by reference to Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2009, for a discussion of our critical accounting policies and the use of certain judgments and estimates in the preparation of our consolidated financial statements.

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 and sale of value-added products. We believe the steps we have taken have enabled us to return to profitability and be more competitive, while also allowing us to obtain financing that has enabled us to maintain operations.

By substantially exiting the commodity wheat gluten business and curtailing our commodity starch production, we have significantly reduced sales volumes of our lower margin protein and starch products. We continue to focus our manufacturing efforts on improving our consistency and capabilities for producing our higher-margin, specialty product lines. We are using an on-line Customer Relationship Management ("CRM") solution system that was implemented in fiscal 2009 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 producers of consumer packaged goods 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 refocused our business on the production and marketing of value-added products. We significantly reduced production of fuel grade alcohol and temporarily shut down our Pekin plant on January 29, 2009. Consequently, food grade alcohol saw a decline in year to date production volume of 9.8 percent. However, the idling of Pekin had no effect on our food grade alcohol customers as we are continuing to optimize food grade alcohol production capabilities at Atchison. Historically, we have produced a majority of all of our food grade alcohol at Atchison and a majority of all of our fuel grade alcohol at Pekin.

As previously mentioned in *Results of Operation — General,* we formed a joint venture, ICP, which we expect will allow us to offer increased volumes of our value added distillery or food grade alcohol products.

On December 31, 2009, we received consent from Wells Fargo Bank under our Credit and Security Agreement permitting us to make an additional investment of up to $2,500 in ICP in order to fund one-half of the purchase of the steam boiler located at the Pekin, Illinois plant now owned by Illinois Corn Processing, LLC. The purchase of the boiler was completed as of January 29, 2010, and we expect production to commence sometime during the third quarter of fiscal 2010.

DEVELOPMENTS IN THE OTHER SEGMENT

On August 21, 2009, we sold our Kansas City, Kansas, facility for $3,585, with potential additional payments over the next three years based on the buyer's income from sales of our existing products to our existing customers during that period. The sale included all equipment used for the production and packaging of pet-related products, which principally include extruded plant-based resins and finished pet treats. We retained 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 we have leased for a period of three years and which is operated by a subsidiary of the buyer under a toll manufacturing arrangement.

SEGMENT RESULTS

The following is a summary of revenues and pre-tax profits / (loss) allocated to each reportable operating segment for the quarterly and year to date periods ended December 31, 2009 and 2008. For additional information regarding our operating segments, see *Note 8 Operating Segments* included under *Part 1, Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference.

	Quarter Ended		Year to Date Ended	
(in thousands)	**December 31, 2009**	**December 31, 2008**	**December 31, 2009**	**December 31, 2008**
Ingredient solutions				
Net Sales	**$ 15,124**	$ 22,455	**$ 30,183**	$ 48,352
Pre-Tax Income (Loss)	**2,760**	(4,154)	**5,057**	(9,543)
Distillery products				
Net Sales	**28,954**	49,733	**60,328**	121,115
Pre-Tax Income (Loss)	**4,211**	(15,397)	**10,840**	(28,323)
Other				
Net Sales	**594**	1,054	**1,245**	2,795
Pre-Tax Income (Loss)	**(20)**	(1)	**96**	236

GENERAL

Consolidated earnings for the second quarter of fiscal 2010 increased compared to the same period in fiscal 2009 with net income of $4,778 on consolidated sales of $44,672 versus a loss of $42,716 on consolidated sales of $73,242 during the same quarter of fiscal 2009. This increase in net earnings was primarily the result of our improved sales mix of value-added products, significantly decreased cost of sales resulting primarily from lower grain costs, and significantly lower impairment, severance and restructuring costs than were recognized during fiscal 2009. Earnings in the ingredients solutions segment increased over the same period in fiscal 2009 primarily due to improved sales mix of value-added proteins and starches. Lower wheat flour prices for our protein and starch processes were also a factor in our ingredients solutions segment performance.

Consistent with the second quarter of fiscal 2010, consolidated earnings for the year to date period ended December 31, 2009 increased compared to the year to date period ended December 31, 2008 with net income of $8,516 on consolidated sales of $91,756 versus a loss of $59,959 on consolidated sales of $172,262 for the year to date period ended December 31, 2008. Earnings in the ingredients solutions segment increased over the same period in fiscal 2009 primarily due to improved sales mix of value-added proteins and starches. Lower wheat flour prices for our protein and starch processes were also a factor in our ingredients solutions segment performance.

For both periods, lower wheat prices (for the ingredient solutions and other segments) and lower corn and natural gas prices (for the distillery products segment) served to decrease cost of sales.

For both the quarter and year to date periods ended December 31, 2009, earnings in our distillery products segment increased over the same periods in fiscal 2009 due to our change in emphasis to value added distillery products. The decrease in sales and earnings in the other segment for both the quarter and year to date periods ended December 31, 2009 was mainly a result of exiting the business line for pet products.

INGREDIENT SOLUTIONS

Total ingredient solutions sales revenue for the quarter ended December 31, 2009 decreased by $7,331, or 32.6 percent, compared to the quarter ended December 31, 2008. Revenues for commodity proteins and commodity starch decreased by $4,820 and $551, respectively, for the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008. Commodity proteins and starch products with lower margins were significantly reduced as a part of management's strategy to focus on higher-margin, value-added products. Revenues for specialty starches decreased during the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008 by $1,547, or 15.5 percent, as a result of lower unit sales, partially offset by increased unit pricing. Revenues for specialty proteins for the quarter ended December 31, 2009 decreased $227, or 4.5 percent, over the quarter ended December 31, 2008, as a result of lower unit sales. While revenues for the ingredient solutions segment declined overall, margins improved during the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008 as a result of improved sales mix by reducing our emphasis on unprofitable product lines along with lower flour costs attributable to lower wheat prices.

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. The per pound cost of flour for the quarter ended December 31, 2009 decreased by 20.4 percent versus the quarter ended December 31, 2008.

Total ingredient solutions sales revenue for the year to date period ended December 31, 2009 decreased by $18,169, or 37.6 percent, compared to the year to date period ended December 31, 2008. Revenues for commodity proteins and commodity starch decreased by $11,299 and $1,452, respectively, for the year to date period ended December 31, 2009 compared to the year to date period ended December 31, 2008. Commodity proteins and starch products with lower margins were significantly reduced as a part of management's strategy to focus on higher-margin, value-added products. Revenues for specialty starches decreased during the year to date period ended December 31, 2009 compared to the year to date period ended December 31, 2008 by $4,168, or 19.8 percent, as a result of lower unit sales, partially offset by increased unit pricing. Revenues for specialty proteins for the year to date period ended December 31, 2009 increased $221, or 2.2 percent over the year to date period ended December 31, 2009, as a result of improved pricing as well as higher unit sales. While revenues for the ingredient solutions segment declined overall, margins improved during theyear to date period ended December 31, 2009 compared to the year to date period ended December 31, 2008 as a result of improved sales mix by reducing our emphasis on unprofitable product lines along with lower flour costs attributable to lower wheat prices. The per pound cost of flour for the quarter ended December 31, 2009 decreased by 31.1 percent versus the quarter ended December 31, 2008.

DISTILLERY PRODUCTS

Total distillery products sales revenue for the quarter ended December 31, 2009 decreased $20,779, or 41.8 percent, compared to the quarter ended December 31, 2008. The majority of this

decrease was attributable to the reduced production of fuel grade alcohol as a result of our decision to focus on food grade alcohol, which consistently has experienced more stable prices. The decrease in revenues related to fuel grade alcohol was $14,913, or 93.2 percent, compared to the quarter ended December 31, 2008. Food grade alcohol also saw a decline in revenues of $2,396 over the quarter ended December 31, 2008, which was attributable to a decrease of 9.1 percent in per-unit pricing, partially offset by a 6.3 percent increase in volume. The decline in per-unit sales pricing mirrored a decrease in corn prices during the quarter ended December 31, 2009. Also contributing to this decrease in revenue was distillers feed revenue, which experienced a $3,617 reduction in revenue, or 49.4 percent, over the quarter ended December 31, 2008. The decrease was largely due to the decrease in production of 38.1 percent compared to the quarter ended December 31, 2008, primarily due to the idling of the Pekin facility, and slightly lower unit pricing. While revenues for distillery products declined for the quarter ended December 31, 2009 as compared to the same quarter a year ago, margins improved due to a significant reduction in sales of lower margin fuel grade alcohol, along with a significant reduction in corn and natural gas prices. For the quarter ended December 31, 2009, the per-bushel cost of corn and the per-million cubic foot cost of natural gas averaged nearly 19.4 percent and 54.3 percent lower, respectively, than the quarter ended December 31, 2008. These lower costs contributed to the fiscal 2010 first quarter profit for the segment.

Total distillery products sales revenue for the year to date period ended December 31, 2009 decreased $60,788, or 50.2 percent, compared to the year to date period ended December 31, 2008. The majority of this decrease was attributable to the reduced production of fuel grade alcohol as a result of our decision to focus on food grade alcohol, which consistently has experienced more stable prices. The decrease in revenues related to fuel grade alcohol was $38,951, or 93.7 percent, compared to the year to date period ended December 31, 2008. Food grade alcohol also saw a decline in revenues of $11,811 over the year to date period ended December 31, 2008, which were attributable to both decreased volume of 19.2 percent as well as a decline in per-unit pricing. The decrease in volume was largely attributable to the temporary closing of the Pekin facility. The decline in per-unit sales pricing mirrored a decrease in corn prices during the year to date period ended December 31, 2009. Also contributing to this decrease in revenue was distillers feed revenue, which experienced a $10,124 reduction in revenue, or 55.9 percent, over the year to date period ended December 31, 2008. The decrease was largely due to the decrease in production of 49.5 percent compared to the year to date period ended December 31, 2008, primarily due to the idling of the Pekin facility and, to a lesser extent, slightly lower unit pricing. While revenues for distillery products declined for the year to date period ended December 31, 2009 as compared to the same quarter a year ago, margins improved due to a significant reduction in sales of lower margin fuel grade alcohol, along with a significant reduction in corn and natural gas prices. For the year to date period ended December 31, 2009, the per-bushel cost of corn and the per-million cubic foot cost of natural gas averaged nearly 36.9 percent and 61.6 percent lower, respectively, than the year to date period ended December 31, 2008. These lower costs contributed to the fiscal 2010 first quarter profit for the segment.

OTHER PRODUCTS

For the quarter and year to date periods ended December 31, 2009, revenues for other products, consisting primarily of pet products and plant-based biopolymers, decreased $460, or 43.6 percent, and $1,549, or 55.4 percent, respectively compared to the quarter and year to date periods ended December 31, 2008. For the quarter ended December 31, 2009, these decreases were the result of reduced unit sales of both our plant-based biopolymer products and our pet products. Although the sales performance in this segment declined compared to the same quarter and year to date periods in the prior year, the gross margins in this segment as a percent of sales improved substantially due to a reduction of pet product sales and increased focus on improving cost efficiencies in our eco-friendly biopolymer area. The decline in other segment sales revenue was primarily the result of decreased unit sales of 100.0 and 87.3 percent for our pet products for the quarter and year to date periods ended December 31, 2009, respectively compared to the same quarter and year to date period in the prior fiscal year. As described in Note 4*Sale of Facilities*, we sold the assets related to our pet products during the first quarter of fiscal 2010.

SALES

Net sales for the quarter ended December 31, 2009 decreased $28,570, or 39.0 percent, compared to the quarter ended December 31, 2008, primarily as a result of our strategy to reduce sales of low and negative margin products across all operating segments. Our second quarter sales for this reporting period were negatively impacted by cold weather in late December 2009. This adverse weather reduced our ability to deliver goods to our customers. Decreased sales in the ingredient solutions segment were related to our exit from low margin commodity proteins and starch products. While unit pricing increased from a year ago for specialty starches, lower unit sales of specialty starches also contributed to the decreased sales in this segment. Sales in the distillery products segment as a whole decreased as a result of shifting the focus away from fuel grade alcohol to food grade alcohol. Revenues for food grade alcohol also declined as a result of unit pricing, partially offset by higher unit sales. Revenues for distiller's feed declined as a result of lower unit sales. Net sales for our other segment decreased as the result of a decline in unit sales of pet products, as a result of the sale of that business, which was partially offset by an increase in unit sales of biopolymer products.

Net sales for the year to date period ended December 31, 2009 decreased $80,506, or 46.7 percent, compared to year to date period ended December 31, 2008, primarily as a result of our strategy to reduce sales of low and negative margin products across all operating segments and also partially to the adverse weather experienced in December 2009 as noted above. Decreased sales in the ingredient solutions segment were related to our exit from low margin commodity proteins and starch products. While unit pricing increased from a year ago for specialty starches, lower unit sales of specialty starches also contributed to the decreased sales in this segment. However, the decrease in sales was partially offset by the increase in revenues for specialty proteins as a result of improved unit sales. Sales in the distillery products segment as a whole decreased as a result of shifting the focus away from fuel grade alcohol to food grade alcohol. Revenues for food grade alcohol also declined as a result of unit pricing and decreased unit sales. Revenues for distiller's feed declined as a result of lower unit sales. Net sales for our other segment decreased as the result of a decline in unit sales of pet products, which was partially offset by an increase in unit sales of biopolymer products.

COST OF SALES

For the quarter ended December 31, 2009, cost of sales decreased $60,728, or 62.7 percent, compared to the comparable period the prior year. This decrease was primarily the result of the volume reduction associated with the idle production at the Pekin facility, combined with reduced sales of higher cost, low margin commodity products and lower costs for raw material costs and other inputs used in the manufacturing process. The per-bushel cost of corn and the per-million cubic foot cost of natural gas averaged nearly 19.4 percent and 54.3 percent lower, respectively, than the quarter ended December 31, 2008. The per pound cost of flour for the quarter ended December 31, 2009 decreased by 20.4 percent compared to the quarter ended December 31, 2008. For the quarter ended December 31, 2009, cost of sales was 81.0% of net sales, which generated a gross profit margin of 19.0%. For the quarter ended December 31, 2008, cost of sales was 132.3% of net sales, which generated a negative gross margin of 32.3%.

For the year to date period ended December 31, 2009, cost of sales decreased $139,188, or 65.5 percent, compared to the comparable period the prior year. This decrease was primarily the result of a 2008 charge taken to settle natural gas commitments, the change in operations at the Pekin plant, and reduced grain and energy costs. The per-bushel cost of corn and the per-million cubic foot cost of natural

gas averaged nearly 36.9 percent and 61.6 percent lower, respectively, than the year to date period ended December 31, 2008. The per pound cost of flour for the year to date period ended December 31, 2009 decreased by 31.1 percent compared to theyear to date period ended December 31, 2008. For the year to date period December 31, 2009, cost of sales was 80.0% of net sales, which generated a gross profit margin of 20.0%. For the year to date period ended December 31, 2008, cost of sales was 123.4% of net sales, which generated a gross margin of negative 23.4%. During the quarter ended December 31, 2008, the remaining $1,100 in deferred gains on previously designated derivative instruments was recognized in earnings. There were no further deferred gains as of December 31, 2008.

With the shutdown of protein and starch operations and the reduction and temporary idling of distillery operations at our Pekin plant, commitments for the purchase of natural gas through the remainder of the fiscal year 2009 under a single contract for our Pekin plant were in excess of projected consumption after adjusting for such reduced production. We recorded a charge of $5,447 to cost of sales for unrealized losses as of December 31, 2008 for projected settlements and continued to mark this obligation to market through June 30, 2009 as the settlements came due.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the quarter and year to date periods ended December 31, 2009 decreased $733, or 12.8 percent, and $2,252, or 19.0 percent, respectively, compared to the same periods ended December 31, 2008. These decreases are primarily due to the reduction in the Company's work-force which was a result of the restructuring along with other cost savings initiatives.

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 include 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 third party producers. As a result of this action, we performed an impairment analysis and recorded a $2,831 non-cash impairment charge for the period ended December 31, 2008 in the Condensed Consolidated Financial Statements 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 recorded a $4,960 non-cash impairment charge in the Condensed Consolidated Financial Statements related to the Pekin protein and starch assets.

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

Distillery Segment. In November of 2008, we also determined to curtail fuel alcohol production at Pekin to approximately 30 million gallons annually until market conditions became more favorable. Subsequent to December 31, 2008, we determined that we could further adjust our production process at Pekin in a way that permitted us to produce only minor quantities of fuel grade alcohol as a by-product of the production of food grade alcohol and determined to otherwise terminate the production of fuel grade alcohol. We also determined to shut down food grade production at the plant for a temporary period. 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.

Other Segment. As previously reported, at the end of the third quarter of fiscal 2008, we concluded that our pet business assets in the other segment and certain of our ingredient solutions segment assets in a mixed use facility in Kansas City, Kansas at which our pet treat resins are made were impaired. At that time, we recorded an impairment charge of $8,100, of which $4,700 related to assets allocated to the Company's other segment. For the period 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. 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 of fiscal 2009. These charges have been presented in the Company's Consolidated Statements of Income as "Severance and early retirement costs."

LOSS ON JOINT VENTURE FORMATION

Loss on joint venture formation for the quarter and year to date periods ended December 31, 2009 increased $3,047. The components include $1,998 to adjust the book value of the Pekin plant balance sheet assets contributed to the joint venture to the implied value and $1,049 for professional fees associated with the transactions.

GAIN ON SALE OF ASSETS

For the quarter ended December 31, 2009, gain on sale of assets increased $500. This was the result of a sale of certain flour mill assets.

For the year to date period ended December 31, 2009, gain on sale of assets was $700. This increase was the result of a $600 gain recorded related to the sale of certain flour mill assets and a $100 gain on the sale of transport equipment.

OTHER RESTRUCTURING COSTS

In connection with the production changes described above under Impairment: Long Lived Assets, we incurred a $2,185 net loss during the quarter ended December 31, 2008, which is net of approximately $1,109 in realized gains previously recorded in accumulated other comprehensive income.

In addition, we have recognized $2,925 in lease termination costs which we expect to incur with respect to 147 rail cars which we formerly used to transport flour and whose leases expire through 2013. We have recognized this expense because we no longer utilize these cars in our business. Expected payments accrued reflect the net present value of the remaining obligation net of units which are estimated to be returned to the lessor sooner than the lease termination date. The discount rate used was 6.4 percent and was based on our borrowing costs at December 31. 2008. Thirteen of these railcars have been returned to the lessor as of December 31, 2009. We estimate that the remaining railcars will either be returned to the lessor or assigned to other third parties over the course of four years.

OTHER INCOME, NET

Other income, net, decreased $31, or 93.9 percent, for the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008. For the year to date period ended December 31, 2009, other income, net, decreased $51 or 68.9 percent, compared to the quarter ended December 31, 2008. These decreases were principally attributable to changes in interest capitalized as well as to the effect of certain other non-recurring, non-operating revenue items.

INTEREST EXPENSE

Interest expense for the quarter and year to date periods ended December 31, 2009 decreased $260, and $199, respectively, compared to the same periods ended December 31, 2008. These decreases were the result of lower line of credit balances as compared to the same periods in the prior year. These increases were partially offset by an increase in long-term debt compared to the same periods in the prior year.

EQUITY IN LOSS OF JOINT VENTURES

D.M Ingredients, GmbH ("DMI")

Equity in the loss of this joint venture was $34 and $83 for the quarter and year to date periods ended December 31, 2009. On July 17, 2007, we completed a transaction with Crespel and Dieters GmbH & Co. KG for the formation and financing of a joint venture, 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 December 31, 2009, we had invested $375,000 in DMI since July 2007.

For the quarter ended December 31, 2009, DMI incurred a net loss of $64 related to costs incurred as part of the initial implementation of operations. No sales revenue was reported. As a 50 percent joint venture holder, our equity in this loss was $34.

For the year to date period ended December 31, 2009, DMI incurred a net loss of $166 related to costs incurred for the initial implementation of operations. Again, no sales revenue was reported. As a 50 percent joint venture holder, our portion of the loss was $83.

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.

Illinois Corn Processing, LLC ("ICP")

On November 20, 2009, the Company completed a series of transactions whereby the Company contributed its Pekin plant to a newly-formed company, ICP, and then sold 50% of the membership interest in ICP to Illinois Corn Processing Holdings, LLC ("ICPH"), an affiliate of SEACOR Energy Inc., for $15,000 cash. ICP had not reactivated distillery operations at the Pekin facility as of December 31, 2009, but anticipates doing so by March 31, 2010. The Company will market food-grade and industrial-grade alcohol products manufactured by ICP and SEACOR Energy Inc. will market ethanol products manufactured by ICP, as soon as production resumes at the Pekin plant.

For the period from November 20, 2009 to December 31, 2009, ICP incurred a net loss of $866 primarily related to costs incurred as part of the initial implementation of operations. As a 50 percent joint venture holder, our portion of the loss was $433. This loss was off set by a non recurring reversal of account payable balances related to a prior period totaling $618.

NET INCOME

As the result of the factors outlined above, we experienced net income of $4,778 and $8,516 in the quarter and year to date periods ended December 31, 2009, respectively, compared to a net loss of $42,716 and $59,959 in the quarter and year to date periods ended December 31, 2008, respectively.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

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 2010.

On August 25, 2009, we were required to make a deposit of approximately $1,600 to our surety bond carrier. This deposit secured our obligations under surety bonds maintained to meet regulatory requirements for distillery operations. Funds for this deposit were borrowed under the terms of the Credit Agreement. As of December 31, 2009, we have received approximately $925 in deposit refunds from vendors.

As a result of losses incurred during fiscal years 2009, we received a tax refund of approximately $5,500 during October 2009, which was used to pay down the $11,614 note to CILCO. During January 2010 we received a tax refund of approximately $4,700.

As noted elsewhere herein, we have taken steps to focus our business on the production of value-added products, which have improved our operating performance. As a result of the measures that we have taken combined with lower grain costs, operating costs have been reduced and cash flows from operating activities have increased.

The following table is presented as a measure of our liquidity and financial condition (in thousands):

	December 31, 2009	June 30, 2009
Cash and cash equivalents	**$ —**	$ 178
Working capital	**21,847**	31,242
Amounts available under revolving credit facility	**17,790**	4,190
Credit facility, liabilities related to assets held for sale and long-term debt (including current maturities)	**10,965**	33,337
Stockholders' equity	**72,536**	63,884

	Year to Date Ended	
	December 31, 2009	December 31, 2008
Depreciation and amortization	**$ 4,397**	$ 6,826
Capital expenditures	**55**	1,994
Cash flows from operations	**16,062**	(15,933)

CASH FLOW INFORMATION

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

	Year to Date Ended	
	December 31, 2009	December 31, 2008
Cash flows provided by (used for):		
Operating activities	**$ 16,062**	$ (15,933)
Investing activities	**18,059**	(1,534)
Financing activities	**(34,299)**	17,467
Increase (decrease) in cash and cash equivalents	**(178)**	—
Cash and cash equivalents at beginning of year	**178**	—
Cash and cash equivalents at end of year	**$ —**	**$** —

During the year to date periods ended December 31, 2009 and 2008, our consolidated cash remained at zero. Increased operating cash flow resulted from an increase in net loss from $59,959 to net income of $8,516. Cash outflows related to capital expenditures during the year to date period ended December 31, 2009 compared to the year to date period ended December 31, 2008 were reduced $1,939, while proceeds from the disposition of property and proceeds from the sale of an interest in ICP increased $18,574. During the year to date period ended December 31, 2009, payments on debt exceeded borrowings as compared to the year to date period ended December 31, 2008, in which borrowings exceeded payments.

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

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	Year-to-Date Ended December 31, 2009	Year-to-Date Ended December 31, 2008
Net income (loss)	$ **8,516**	$ (59,959)
Depreciation	**4,397**	6,826
Gain on sale of assets	**(700)**	(53)
Loss on joint venture formation	**3,047**	—
Deferred income taxes	—	(7,217)
Loss on impairment of assets	—	8,931
Joint venture operations	**(102)**	34
Changes in working capital items:		
Restricted cash	**169**	(1,358)
Receivables/Receivables from affiliates	**(73)**	7,917
Inventory	**2,042**	24,219
Prepaid expenses	**(1,565)**	(4,343)
Accounts payable/Accounts payable to affiliates	**2,715**	(1,934)
Accrued expenses	**13**	4,563
Accrued natural gas derivative	—	5,447
Deferred credit	**(407)**	(440)
Income taxes payable/refundable	**1,011**	3,898
Other non-current liabilities	**(2,557)**	(90)
Gains previously deferred in other comprehensive income	—	(2,149)
Other	**(444)**	(226)
Net cash used in operating activities	$ **16,062**	$ (15,933)

Cash flow from operations for the year to date period ended December 31, 2009 increased $31,995 to $16,062 from ($15,933) for the year to date period ended December 31, 2008. This increase in operating cash flow was primarily related to the increase in earnings of $68,544 from a net loss of $59,959 for the year to date period ended December 31, 2008 to net income of $8,516 for the year to date period ended December 31, 2009. This factor, which served to increase operating cash flow, was partially offset by a year to date period ended December 31, 2009 accounts receivable/receivables from affiliates decrease of $7,990 to ($73) from $7,917 for the year to date period ended December 31, 2008; a year to date period ended December 31, 2009 inventory decrease of $22,177 to $2,042 from $24,219 for the year to date period ended December 31, 2008; a year to date period ended December 31, 2009 income taxes payable/receivable decrease of $2,887 to $1,011 from $3,898 for the year to date period ended December 31, 2008. Additionally, operating cash flow was impacted by the timing of cash disbursements resulting in an increase in accounts payable, partially offset by the pre-payment of certain expenses.

Investing Cash Flows. Net investing cash outflow for the year to date period ended December 31, 2009 was $18,059 compared to ($1,534) for the year to date period ended December 31, 2008. This increase in investing cash flows was related to the proceeds from the sale of an interest in ICP of $13,951, net of closing cost; the proceeds from the sale of property of $4,163, net of closing costs; and the year to date period ended December 31, 2009 capital investments decrease of $1,939 to $55 from $1,994 for the year to date period ended December 31, 2008.

Financing Cash Flows. Net financing cash flow for the year to date period ended December 31,

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2009, was ($34,299) compared to $17,467 for the year to date period ended December 31, 2008 for a net decrease in financing cash flow of $51,766. During the year to date period ended December 31, 2009, we had net payments of $15,502 under our operating line of credit compared to net draws of $19,483 for the year to date period ended December 31, 2008. Also contributing to the decrease during the year to date period ended December 31, 2009 we had net payments on long term debt of $19,089 compared to $1,789 for the year to date period ended December 31, 2008.

CAPITAL EXPENDITURES.

In the year to date we have spent $55 in capital expenditures. For fiscal 2010, we have budgeted $4,000 in capital expenditures related to improvements in and replacements of existing plant and equipment. We are limited to annual capital expenditures of $4,500 by the revolving credit facility. As of June 30, 2009, we had contracts to acquire capital assets of approximately $22.

In Section 550 of the Homeland Security Appropriations Act of 2007 (P.L. 109-295) (Act), Congress gave the Department of Homeland Security ("DHS") regulatory authority over security at certain high-risk chemical facilities. Pursuant to its congressional mandate, on April 9, 2007, DHS promulgated the Chemical Facility Anti-Terrorism Standards ("CFATS"), 6 CFR Part 27. In the CFATS regulation, DHS requires all high-risk chemical and industrial facilities to complete security vulnerability assessments, develop site security plans and implement protective measures necessary to meet DHS-defined risk-based performance standards. DHS has provided notice that we operate a Tier 3 high risk facility.

LINE OF CREDIT

The amount of borrowings which we may make is subject to borrowing base limitations. As of December 31, 2009, our outstanding borrowings under this facility were $2,936, and $17,790 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 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 Credit Agreement, we must meet specified monthly and cumulative net income requirements (aggregating $3,500 for fiscal year 2010 and $1,000 for the first quarter of fiscal 2011). We are limited in the amount of capital expenditures we 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 Credit Agreement; it may modify our borrowing base and various components thereof in its reasonable discretion, thereby affecting the amount of credit available to us. The lender may terminate or accelerate our obligations under the 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, our CEO ceasing to be actively engaged in our day to day business activities, or thereafter if we fail to hire a successor acceptable to the lender within 90 days. We have maintained compliance

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with these covenants through December 31, 2009.

The 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.

Loan covenants in ICP's loan agreements with its lenders restrict it from paying dividends to us except for distributions to pay taxes on our share of ICP income allocable to us.

WORKING CAPITAL

COMPARISON TO JUNE 30, 2009

Our working capital decreased $10,041 from June 30, 2009 toDecember 31, 2009. This decrease was primarily the result of a decrease in assets held for sale offset by lower outstanding balance on our revolving credit facility as well as lower accrued expenses.

COMPARISON TO DECEMBER 31, 2008

During the twelve month period ended December 31, 2009, our working capital increased $23,746. The twelve month increase was primarily a result of a decrease in the line of credit, accounts payable and liabilities related to assets held for sale of $39,547, $10,210 and $7,102, respectively. These factors improving our working capital were partially offset by a reduction in accounts receivable, inventory and assets held for sale of $7,694, $23,389 and $3,345, respectively.

ITEM 3. 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 margins on contracted alcohol sales. 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. Historically, we have included the fair values of open contracts in inventories. For inventory and open futures, the table below presents the carrying amount and fair value at December 31, 2009 and June 30, 2009. All amounts are in thousands below, except for strike price per bushel.

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

	At December 31, 2009		At June 30, 2009	
As of December 31,	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Inventories				
Corn	$ 788	$ 729	$ 1,108	$ 1,030
Flour	$ 163	$ 155	$ 108	$ 109
	Description and Expected Maturity*	**Fair Value**	**Description and Expected Maturity***	**Fair Value**
Corn Futures				
Contract Volumes (bushels)			670	
Weighted Average				
Strike Price/Bushel	$ —	$ —	$ 3.9448	$ 3.5450
Contract Amount	$ —	$ —	$ 2,643	$ 2,375

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

Except for our credit facility, our outstanding debt carries fixed interest rates. There was $2,936 in outstanding borrowings under our credit facility at December 31, 2009, which bore interest at a variable rate equal to daily three month LIBOR plus 5%, but not less than 5.5%. 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 outstanding borrowings at December 31, 2009, a 100 basis point increase over the non-default rates actually in effect at such date would increase our annual interest expense by $81.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures.

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

(b) Changes in Internal Controls.

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

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PART II — OTHER INFORMATION

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

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

ITEM 6. EXHIBITS

3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (File No. 0-17196)
3.2	Bylaws of the Company (Incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed October 27, 2009 (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 (Incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.1.1	Patent and Trademark Security Agreement dated as of July 21, 2009 between the Company and Wells Fargo Bank, National Association (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, 2009 (File No. 0-17196).
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 (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, 2009 (File No. 0-17196).
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. (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, 2009 (File No. 0-17196).
4.1.4	Control Agreement and Assignment of Hedging Account among Wells Fargo Bank, National Association, the Company and ADM Investor Services, 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, 2009 (File No. 0-17196).

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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. (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, 2009 (File No. 0-17196).
4.1.7	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)
4.1.8	Consent and Release dated August 19, 2009 between Wells Fargo Bank, National Association and the Company (Incorporated by reference to Exhibit 4.1.9 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
*4.1.9	Consent and Release dated December 21, 2009, between Wells Fargo Bank, National Association and the Company.
*4.1.10	Consent dated December 31, 2009 from Wells Fargo Bank, National Association
*4.1.11	Assignment of Membership Interest to Wells Fargo Bank, National Association

4.2	Commercial Loan Agreement dated March 31, 2009 between the Company and Union State Bank of Everest (Incorporated by reference to Exhibit 4.5 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.2.1	Promissory Note dated March 31, 2009 from the Company to Union State Bank of Everest in the initial principal amount of $1,500,000 (Incorporated by reference to Exhibit 4.5.1 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.2.2	Commercial Security Agreement from the Company to Union State Bank of Everest dated March 31, 2009 (Incorporated by reference to Exhibit 4.5.2 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.2.3	Amendment to Commercial Security Agreement dated as of July 20, 2009 between the Company and Union State Bank of Everest (Incorporated by reference to Exhibit 4.5.3 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).

4.2.4	Mortgage dated March 31, 2009 from the Company to Union State Bank of Everest relating to the Atchison the Onaga plant securing the note referred to in Item 4.5 (Incorporated by reference to Exhibit 4.5.4 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.3	Promissory Note dated July 20,2009 from the Company to Union State Bank of Everest in the initial principal amount of $2,000,000 (Incorporated by reference to Exhibit 4.6 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.3.1	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 Onaga plant (Incorporated by reference to Exhibit 4.6.1 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.3.2	Mortgage dated July 20, 2009 from the Company to Union State Bank of Everest relating to the Atchison plant (Incorporated by reference to Exhibit 4.6.2 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196)..
4.4	Intercreditor Agreement between Wells Fargo Bank, National Association and Union State Bank of Everest (Incorporated by reference to Exhibit 4.7 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (File No. 0-17196).
4.5	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))
4.6	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))
4.7	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.
10.1	Contribution Agreement dated November 20, 2009 between MGP Ingredients, Inc. and Illinois Corn Processing, LLC. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on November 27, 2009 (File No. 0-17196)

10.2	LLC Interest Purchase Agreement dated November 20, 2009 between MGP Ingredients, Inc. and Illinois Corn Processing Holdings LLC. . (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on November 27, 2009 (File No. 0-17196)
10.3	LLC Interest Purchase Agreement dated November 20, 2009 between MGP Ingredients, Inc. and Illinois Corn Processing Holdings LLC. . (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on November 27, 2009 (File No. 0-17196)
*10.4	Marketing Agreement between the Company and Illinois Corn Processing, LLC (portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.5	MGP Ingredients, Inc. Short Term Incentive Plan for fiscal year 2010 and subsequent years (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on December 15, 2009 (File No. 0-17196)
10.6	Letter agreement with Randy Schrick (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on December 15, 2009 (File No. 0-17196)
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.
*31.2	Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Interim Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

		MGP INGREDIENTS, INC.
Date: February 11, 2010	By	/s/ Timothy W. Newkirk Timothy W. Newkirk, President and Chief Executive Officer
Date: February 11, 2010	By	/s/ Don Tracy Don Tracy, Vice President and Chief Financial Officer

CONSENT AND RELEASE

THIS CONSENT AND RELEASE, dated as of December 21, 2009 (this "**Release**"), between **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), between 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, including without limitation all of the personal property assets of the Borrower set forth on Exhibit A attached hereto (the "**Flour Equipment**") located in the Flour Mill at 1100 Main Street in Atchison, Kansas; and

WHEREAS, pursuant to that certain Asset Purchase Agreement dated as of approximately even date herewith, by and between Borrower and ConAgra Foods Food Ingredients Company, Inc., a Delaware corporation ("**ConAgra**"), ConAgra has agreed to purchase the Flour Equipment (the "**Flour Equipment Sale**").

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter contained, it is hereby agreed as follows:

1. Consent to Sale and Release of Flour Equipment. The Lender hereby consents to the Flour Equipment Sale subject to the following conditions, all of which shall survive the initial closing of the Flour Equipment Sale:

(a) The aggregate proceeds from the Flour Equipment Sale shall not be in an amount less than approximately $500,000 (the "Sale Proceeds").

(b) All Sale Proceeds (other than amounts used to pay fees and costs due by Borrower associated with the Flour Equipment Sale) shall be wired concurrent with the closing of the Flour Equipment Sale to the following account of Borrower established at Lender:

Bank Name: Wells Fargo Bank
Wire Routing Transit Number: 121000248
City, State: San Francisco, CA
Account Number: 4121928048
Title of Account: MGP Ingredients, Inc.

2. Release of Liens. Upon satisfaction of the conditions set forth in Section 1 hereto, upon the closing of the Flour Equipment Sale, 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 or lien) in the assets comprising the Flour Equipment.

3. Representations of the Borrower. The Borrower hereby represents and warrants to the Lender that (a) upon execution of this Release and at the time of the Flour Equipment Sale, it is in compliance with the Credit Agreement and the other Loan Documents, and (b) before and after giving effect to the disposition of the Flour Equipment, no Default or Event of Default has occurred and is continuing as of the date hereof and as of the closing date of the Flour Equipment Sale.

4. 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.

5. 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.

[Signatures follow on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date first written above.

WELLS FARGO BANK, NATIONAL ASSOCIATION	MGP INGREDIENTS, INC. a Kansas corporation
By: /s/ Becky A. Koehler	By: /s/ Timothy W. Newkirk
Name: Becky A. Koehler	Name: Timothy W. Newkirk
Title: Vice President	Title: President

EXHIBIT A

Flour Equipment to be Released

MGP Mill Equipment Removal List

Location	Equipment	Manufacture
Elevator	Grain Probe	Apollo
Elevator	Various Motors	
Elevator	Grain Cleaner	Garnet

Elevator	Misc Electrical Starters & Section	
Mill	Hammermill 150 hp	Bliss
Mill	Hammertec elbows	
Mill	MTMA Cleaner\asp (3)	Buhler
Mill	Destoner MTSB100	Buhler
Mill	Destoner MTSC 50	Buhler
Mill	Destoner MTSC 120/120	Buhler
Mill	Aspirator	Buhler
Mill	Hammermill 50 hp	Bliss
Mill	flowbalancer (1)	Buhler
Mill	Rollstand	Sangati
Mill	Misc rolls chills	
Mill	Misc rolls mill parts	various
Mill	Misc stream splitter	Kice
Mill	Entoleters	
Mill	Misc blowers	various
Mill	Misc Pulleys	
Mill	Misc Magnets	various
Mill	Misc pneu slide gates	various
Mill	Misc Fans	various
Mill	misc Airlock\hoppers	various
Mill	Misc Spouting\valves\elbows	
Mill	Flour bin dischargers	
Mill	Pneumatic ab-mill (30) splitters	Kice
Mill	Fans pneu b-mill (3)	Kice
mill	Misc auto Valves	Salina
Mill	Sifter 6 section (2)	GW
Mill	Sifter 4 section (1)	GW
Mill	Rebolt 211	GW
Mill	Intensivesifter (6)	Buhler
Mill	Rebolt 431	GW
Mill	Duster (6)	Buhler
Mill	Rebolt 322/14	GW
Mill	Rebolt 321/8	GW
Mill	Extraction sifter	gw
Mill	Misc Lift shoes	Kice

MGP Mill Equipment Removal List

Location	Equipment	Manufacture
Mill	Vac system	Hoffman
Mill	RJ filter conversion	Kice
Mill	blendvane feeders	Salina
Mill	Multi aspirator	Kice
Mill	Misc PLC Equipment	AB
Mill	Misc Spare parts	various
Mill	Misc Motors	various
Mill	Air dryer & tank	
Mill	Fork Lift & charger	
Mill	Boiler electric Dewey shepard	
Mill	Electrical Starters & Section	Allen Bradley
Mill	Vacuum	Kice
Mill	Freight elevator	

Wells Fargo Business Credit
Sixth & Marquette
Minneapolis, Minnesota 55479
612 673-8500

December 31, 2009

VIA U.S. MAIL & FACSIMILE (913) 360-5661

MGP Ingredients, Inc.
100 Commercial Street
Atchison, KS 66002
Attention: Timothy W. Newkirk

Re: Certain loans made by Wells Fargo Bank, National Association ("**Lender**") to MGP Ingredients, Inc., a Kansas corporation ("**Borrower**"), pursuant to that certain Credit and Security Agreement dated July 21, 2009, by and between Borrower and Lender (as amended from time to time, the "**Credit Agreement**"). Terms not otherwise defined herein shall have the meanings given in the Credit Agreement

Dear Mr. Newkirk:

Pursuant to the terms of that certain Subordination Agreement dated as of July 16, 2009, made by the Cloud L. Cray, Jr. Trust, under an agreement dated October 25, 1983 ("**Cray Trust**"), for the benefit of Lender (the "**Cray Subordination Agreement**"), the Borrower is prohibited from prepaying that certain Subordinated Secured Promissory Note made by the Borrower dated March 27, 2009, payable to the order of the Cray Trust in the original principal amount of $2,000,000 (the "**Cray Note**"). Notwithstanding anything contained in the Cray Subordination Agreement to the contrary, Lender hereby consents to the complete prepayment of Cray Note by Borrower, provided that (i) the Cray Trust promptly releases and terminates the filings, mortgages security interests set forth on Exhibit A attached hereto and each other security interest in the assets of Borrower held by the Cray Trust, (ii) no Default or Event of Default has occurred and is continuing at the time of the pay-off and (iii) no Default or Event of Default will occur after giving effect to the pay-off. Effective upon the Cray Note pay-off, Borrower and Lender agree that all references to indebtedness to or liens held by the Cray Trust shall be deleted from Schedule 6.3 and Schedule 6.4 of the Credit Agreement.

Pursuant to the terms of that certain Subordination Agreement dated as of July 21, 2009, made by the Union Pacific Railroad Company ("**UPRR**"), for the benefit of Lender (the "**UPRR Subordination Agreement**"), the Borrower is prohibited from prepaying that certain Promissory Note made by the Borrower dated May 4, 2009, payable to the order of UPRR in the original principal amount of $997,545.50 (the "**UPRR Note**"). Notwithstanding anything contained in the UPRR Subordination Agreement to the contrary, Lender hereby consents the complete prepayment of UPRR Note by Borrower, provided that (i) no Default or Event of Default has occurred and is continuing at the time

of the pay-off and (ii) no Default or Event of Default will occur after giving effect to the pay-off. Effective upon the UPRR Note pay-off, Borrower and Lender agree that all references to indebtedness to or liens held by UPPR shall be deleted from Schedule 6.4 of the Credit Agreement.

The Credit Agreement, among other things, prohibits the Borrower from making any contribution or investment in any other Person or Affiliate. Borrower has requested that Lender consent to Borrower making a contribution of up to $2,500,000 (the "**ICP Contribution**") to Illinois Corn Processing, LLC, a joint venture partially owned by Borrower ("**ICP**"), for the purpose of paying one-half of the restart and replacement cost of the boiler at the Pekin Plant (the "**Boiler Restart**"). Notwithstanding the provisions of the Credit Agreement and the other Loan Documents, Lender hereby consents to Borrower making the ICP Contribution subject to the following conditions, all of which shall be acceptable to Lender in its sole and absolute discretion and shall survive the initial ICP Contribution:

(i) no Default or Event of Default has occurred and is continuing at the time of the ICP Contribution;

(ii) no Default or Event of Default will occur after giving effect to the ICP Contribution being made;

(iii) Illinois Corn Processing Holdings LLC, a Delaware limited liability company, shall make a contribution equal to the ICP Contribution to ICP for the Boiler Restart; and

(iv) The ICP Contribution and the Holdings Contribution shall be paid by ICP to the Central Illinois Light Company for the Boiler Restart or otherwise used to pay for the Boiler Restart.

The Credit Agreement, among other things, prohibits the Borrower from paying salaries or other compensation which does not comply with the limitations contained in Section 6.8 of the Credit Agreement. Notwithstanding the provisions of the Credit Agreement and the other Loan Documents, Lender hereby consents to Borrower paying salaries, bonuses, commissions, consultant fees or other compensation in accordance with Exhibit B provided no Borrower Default has occurred or would occur as a result of any such issuances or payments.

In the event you should have any questions or comments with respect to the matters set forth in this letter, please do not hesitate to contact me.

In the event you should have any questions or comments with respect to the matters set forth in this letter, please do not hesitate to contact me.

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Becky A. Koehler
Becky A. Koehler, its Vice President

ACKNOWLEDGED AND AGREED:

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President and CEO

EXHIBIT A

Cloud Cray Releases

Jurisdiction	UCC Number	Filing Date	Secured Party	Collateral
Kansas	**6613814**	**7/10/09**	**Cloud L. Cray, Jr. Trust**	**All personal property except designated excluded assets**
Kansas	**6613822**	**7/10/09**	**Cloud L. Cray, Jr. Trust**	**All personal property except designated excluded assets**

MORTGAGE, ASSIGNMENT OF LEASES, SECURITY AGREEMENT AND FIXTURE FILING FINANCING STATEMENTby **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 related to certain property in Atchison, Kansas (Recorded 3/30/09 in Atchison county, book 571, page 615-647).

EXHIBIT B

Incentive Program and Guidelines

(Previously filed as Exhibit 10.1 to Form 8-K filed on December 15, 2009)

ASSIGNMENT OF MEMBERSHIP INTERESTS
(SECURITY AGREEMENT)

This ASSIGNMENT OF MEMBERSHIP INTERESTS (SECURITY AGREEMENT) is made as of the 20th day of November, 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 a member of Illinois Corn Processing, 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.

"**LLC Agreement**" shall mean that certain Limited Liability Company Agreement of Illinois Corn Processing, LLC, dated approximately as of November 20, 2009, as such agreement may be hereafter amended from time to time in accordance with the terms of this Assignment.

"**Loan Documents**" shall have the meaning specified in the Credit Agreement.

"**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 an Interest Holder (as defined in the LLC Agreement) or as member in Issuer, as applicable, 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) subject to the terms of the LLC Agreement, 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;

(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 fifty percent (50%) 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; *provided*, that Grantor's interests in Issuer are subject to dilution in accordance with the LLC Agreement.

(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 the security interest created hereby, all of which has been duly authorized by all necessary action.

(d) No amendments or supplements have been made to Issuer's LLC Agreement since it was originally entered into; the LLC Agreement remains in effect; and no party to the LLC 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 LLC 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, except that all or a portion of the Pledged Collateral may be purchased by the Issuer or the other member(s) of the Issuer in accordance with the LLC Agreement free and clear of the Security Interest so long as the proceeds of such purchase are paid to Lender.

(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. Except as required to fulfill Grantor's obligation relating to the ICPH Option (as defined in the LLC Agreement) 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 other than the liens relating to the Loans.

(e) Performance of Obligations. Grantor will perform all of Grantor's obligations under the LLC 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) LLC Agreement. Grantor will not vote under the LLC Agreement to cause Issuer to dissolve, liquidate, merge or consolidate with any other entity or take any other action under the LLC Agreement that would adversely affect the Security Interest, including, without limitation, the value or priority thereof.

(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

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 subject to the terms of the LLC Agreement, 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 LLC 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 and during 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

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.

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 when made 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 an Interest Holder (or a substituted member subject to the consent requirements set forth in the LLC Agreement) in Issuer with respect to the Pledged Collateral and Grantor shall execute or cause to be executed all documents necessary to evidence Lender so becoming an Interest Holder (or 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

Any party may change its respective address for the giving of notice to another address by giving at least 10 business days' notice of such change.

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. 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. The Security Interest shall also terminate and be released with respect to 20% of the interests of Issuer upon consummation of the sale by Grantor of such interest pursuant to the ICPH Option (as defined in the LLC Agreement) upon payment of all sale proceeds to Lender.

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 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. Severability. 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 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]

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, (c) consents to Wells Fargo becoming an Interest Holder or the admission of Wells Fargo as a member subject to the LLC Agreement and (d) 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 NOVEMBER , 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, SUBJECT TO THE CONSENT REQUIREMENTS SET FORTH IN THE LLC AGREEMENT, 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: November 20, 2009

ILLINOIS CORN PROCESSING, LLC
a Delaware limited liability company

By /s/ Randy Schrick
Randy Schrick, President

Acknowledged and Consented to:

ILLINOIS CORN PROCESSING HOLDINGS, LLC.

By: /s/ Peter Coxon
Name: Peter Coxon
Its: President

Acknowledgment Assignment of Membership Interests

MARKETING AGREEMENT

THIS MARKETING AGREEMENT (this "Agreement") is made and entered into this 20th day of November, 2009 (the "Effective Date"), by and between **MGP Ingredients, Inc.**, a Kansas corporation ("MGPI"), and **Illinois Corn Processing, LLC**, a Delaware limited liability company ("Manufacturer").

RECITALS

WHEREAS, MGPI has entered into a Limited Liability Company Agreement of Manufacturer dated as of the Effective Date (the "LLC Agreement") with Illinois Corn Processing Holdings LLC ("Holdings"), in accordance with the requirements of that certain LLC Interest Purchase Agreement dated the Effective Date (the "Purchase Agreement") between MGPI and Holdings whereby Holdings acquired a 50% interest in Manufacturer; and

WHEREAS, MGPI and Holdings will operate the alcohol production facility located at 1301 S. Front Street, Pekin, Illinois 61554 (the "Plant"), which Plant is capable of producing both the Products (as defined herein) and also fuel ethanol alcohol; and

WHEREAS, this Agreement is the "Food Grade Alcohol Off-Take Agreement" (as such term is defined in the LLC Agreement and the Purchase Agreement).

MGPI and Manufacturer, intending to be legally bound, hereby agree as follows:

1. Manufacture and Sale of the Products. Subject to the terms and conditions of this Agreement, Manufacturer will manufacture and deliver food-grade and industrial-use alcohol products (the "Products") in accordance with the specifications (the "Specifications"), each as described in Exhibit A, for MGPI, and MGPI will purchase, transport, market and sell the Products pursuant to the terms and conditions set forth in this Agreement.

2. Term. Subject to the terms and conditions of this Agreement,

(a) The initial term of this Agreement will commence on the Effective Date and continue for one year (the "Initial Term"). This Agreement will automatically renew for successive one (1) year terms thereafter (together with the Initial Term, the "Term") unless and until (i) MGPI provides written notice of its intent to terminate this Agreement not less than ninety (90) days prior to the end of the then current Term or (ii) MGPI or its Affiliates cease to be a member of Manufacturer.

(b) The material terms of this Agreement shall be reviewed by the parties approximately thirty (30) days prior to each anniversary of the Effective Date (each, a "Contract Year"), and either party may propose in writing changes or modifications determined in good faith by such party to be necessary or desirable to further the purposes of the parties' respective expectations of the economic benefits arising from this Agreement and their limited liability company interests in Manufacturer. In the event that the parties are unable to mutually agree upon any such changes or modifications within sixty (60) days after such modifications are first proposed, the Term shall be shortened such that this Agreement shall terminate at the end of the following Contract Year unless the party proposing such changes or modifications agrees to continue with the then current terms of this Agreement.

(c) In any event, this Agreement may be terminated by the parties prior to the end of the then current Term in accordance with Section 21.

3. Purchase Requirements.

(a) Both parties recognize that Product(s) will be sold under contracts that may span a variety of time periods and may contain customer specific delivery terms that will require flexibility and planning among Manufacturer, MGPI, and the customer. This Section 3 is not intended to preclude arrangements not specifically addressed herein provided that Manufacturer and MGPI mutually agree, in writing, to those arrangements.

(b) MGPI in fulfilling its role as marketer will solicit and identify market opportunities for Product(s) and will present each such opportunity, together with MGPI's commercial recommendations, to Manufacturer for approval. Manufacturer will approve of, or provide specific guidelines that allow MGPI to conclude negotiations relating to, the applicable opportunity. When a sale is completed that relates to Product(s) to be shipped from the Plant, those sales will be added to the forward contract obligations of the Plant (the "Forward Contract Obligations"). The Forward Contract Obligations shall be all completed sales of Plant Product(s)).

(c) As part of the process for booking fixed priced Forward Contract Obligations, MGPI and Manufacturer will agree on a margin management strategy that relates to that sale that will include items such as Raw Material origination and hedging strategies, Product hedging strategies, inventory management, fixing/locking in transfer prices, and any other items that the parties need to consider.

(d) MGPI will maintain regular communications with its customers to determine as soon as possible the delivery/shipping schedule to meet the Forward Contract Obligations and customer needs.

(e) On or before the 5th of each month during the Term, MGPI will furnish to Manufacturer an updated three (3) month rolling delivery schedule forecast, that sets forth MGPI's best estimation, based upon Forward Contract Obligations and customer requirements, for the Products by SKU during following three (3) month period. Each rolling forecast will set forth:

(i) The quantity, by SKU, and desired shipping dates for Forward Contract Obligations with firm delivery dates.

(ii) The quantity, by SKU, and forecast delivery dates for Forward Contract Obligations that reflects best information from the customer as well as any variability in deliveries permitted in the contract terms.

(iii) A projection of whether Manufacturer and MGPI will not be able to fulfill all deliveries during the period and need to limit allocations of Product(s) to customers.

(iv) Present any value creating arbitrage opportunities for shifting deliveries between MGPI's Atchison, Kansas plant and Manufacturer's Plant.

(v) Propose to Manufacturer the quantity of Product(s) MGPI suggests marketing in the spot market during the forecast period. The first month of each three month forecast (the "Nearby Month") will include a forecast volume by SKU to be marketed in the spot market (the "Proposed Spot Volume"). Proposed Spot Volumes shall not exceed 25% of the Nearby Month Forward Contract Obligations unless specifically agreed by Manufacturer.

(f) MGPI will provide a special quarterly forecast 45 days prior to the commencement of each calendar quarter to assist Manufacturer in determining its overall production allocations between fuel grade ethanol and Product(s).

(g) MGPI shall be required to purchase and accept delivery of all approved Forward Contract Obligations in accordance with the delivery terms of those contracts.

(h) Manufacturer will accept or reject allocation of all or a portion of the applicable Proposed Spot Volume set forth in a forecast not less than ten (10) days prior to the commencement of the Nearby Month, it being the clearly understood objective of Manufacturer to maximize overall Plant profit.

4. Purchase Orders.

(a) MGPI will submit to Manufacturer written purchase orders as appropriate for the Products (each a "Purchase Order"). Upon acceptance or confirmation of a Purchase Order by Manufacturer, such Purchase Order and this Agreement will comprise all the terms which govern the manufacture, supply and purchase of the specific Product(s) ordered. Any terms and conditions on any Purchase Order, acknowledgement, invoice, Bill of Lading or other document that are inconsistent with or additional to the terms and conditions in this Agreement, are hereby expressly rejected and will have no force or effect, unless otherwise agreed to by the parties. Each Purchase Order will set forth:

(i) Quantities and SKUs of the Products,

(ii) Desired delivery dates consistent with the applicable Delivery/Load Schedule (as defined herein) established by the parties,

(iii) Shipping and billing instructions,

(iv) Shipping and billing address(es), and

(v) Any other information regarding the Products as mutually agreed to between the parties.

(b) Manufacturer will provide MGPI with timely notification if it is unable to complete all aspects of a Purchase Order.

5. Delivery.

(a) MGPI and Manufacturer shall work together to establish a mutually agreeable delivery/load out schedule for the Product(s) purchased pursuant to the Forward Contract Obligations and accepted Spot Volume (the "Delivery/Load

Schedule"). The Delivery/Load Schedule shall be agreed to by the parties on a monthly basis prior to the commencement of any Nearby Month during the Term and it shall be effective for the Nearby Month, adjusted as mutually agreed to by the parties.

(b) MGPI shall make available to Manufacturer, a sufficient number of trucks, railcars, marine barges, as applicable, to receive and transport the Product(s) being delivered by Manufacturer hereunder at the times such Product(s) are ready to be delivered by Manufacturer. MGPI shall assure that all such trucks, railcars, marine vessels are properly maintained, in proper working condition, free from leaks and contamination and meet all applicable federal, state and local laws and regulations, as well as all requirements instituted by the applicable common carrier(s).

(c) Title to and all risk loss of or damage to Product(s) delivered hereunder shall pass as follows: when by or into any marine vessel, at the flange between the vessel's permanent hose connection and the shore line; when into any truck or tank car, as the product enters the receiving equipment, or, if received by a common carrier, when accepted by the carrier for shipment; when into storage (other than from vessels), as the product enters the tank; and when by in tank transfer, on the effective date of the transfer. Delivery shall be deemed to be complete when title to and all risk of loss is transferred to MGPI as specified herein.

(d) All Purchase Orders will be delivered to MGPI FOB (as defined in Incoterms 2000) Plant within the scheduled delivery window as set forth on the applicable Delivery/Load Schedule, or as otherwise agreed to by the parties. The Marine Terms set forth in Exhibit D shall apply for deliveries to marine vessel. Manufacturer shall provide MGPI with all necessary and customary shipping documents, including, without limitation, Bill of Lading, Certificate of Analysis ("COA"), Certificates of Quantity.

(e) Manufacturer shall provide current Material Safety Data Sheets to all carriers and to MGPI for all delivered Product.

(f) MGPI will arrange for shipment of all Product(s). Manufacturer will load Product(s) into MGPI provided equipment for shipment during regular hours established by Manufacturer for such deliveries and in accordance with reasonable instructions from MGPI accompanying an accepted and confirmed Purchase Order. MGPI shall ensure that equipment and Product is removed from the Plant property as soon as possible after loading is complete. Manufacturer reserves the right to impose surcharges on deliveries request outside its regular hours.

(g) Manufacturer and MGPI will furnish each other reasonably sufficient information to verify shipment of the Products in a manner of communication that will be mutually acceptable to both Manufacturer and MGPI. Manufacturer will maintain reasonably detailed records of all Products loaded and shipped for a minimum of three (3) years, or such longer period as required under Alcohol and Tobacco Tax and Trade Bureau regulations.

(h) All agents and employees of MGPI, when on Plant property, will adhere to such rules and regulations as may be established by Manufacturer, including those concerning safety and routing procedures.

6. Pricing; Payment and Commissions.

(a) *Payment*:

(i) Unless otherwise specified in the applicable Purchase Order, MGPI shall make payment via wire transfer of immediately available federal funds or ACH payment to Manufacturer in U.S. dollars upon comparable terms as MGPI's customers for the Products, but in any event terms shall not exceed thirty (30) days after receipt of a legible, unaltered copy of the invoice and supporting documents. If the invoice is received after noon of any one date, such invoice will be deemed received on the next day.

(ii) In the event the payment due date falls on a Saturday or a New York banking holiday other than a Monday, then payment shall be made on the nearest preceding New York banking day. If the payment due date falls on a Sunday or a Monday that is a banking holiday in New York, then payment shall be made on the next New York banking day.

(iii) If MGPI does not timely pay an undisputed invoice and does not cure such non-payment within five (5) New York banking days following Manufacturer's written notice thereof, MGPI shall be deemed in default of this Agreement and such unpaid amounts will incur interest at the lesser of (i) one and a half percent per month (18% per annum) or (ii) the maximum rate allowed by law. MGPI shall pay all of Manufacturer's costs (including attorneys' fees and court costs) of collecting past due amount. Either party may change its invoice address and/or fax number upon notice to the other party given at latest ten (10) days in advance of the effective date of the change

(b) Manufacturer shall invoice MGPI for **** delivery at the **** Cost defined in Exhibit B. ****

(c) Manufacturer shall present its calculation of the **** Cost ****.

(d) MGPI shall remit **** Payments due Manufacturer within **** during the Term. In connection with such payment, MGPI shall present its calculation of the ****.

7. Audit.

(a) Each party will permit the other party, at its sole expense, upon reasonable prior notice and during normal business hours, to audit its accounting records and other documents which specifically relate to the calculation of **** Cost in accordance with Exhibit B and **** Payment in accordance with Exhibit C of this Agreement, and shall have the right to audit such records at any reasonable time or times within two (2) years after the delivery of Product(s) pursuant to this Agreement; *provided, however*, a party may only conduct one (1) audit per calendar year, and records pertaining to a year previously audited may not be re-audited.

**** indicates that material deemed confidential has been omitted from this document pursuant to a request for confidential treatment under Exchange Act Rule 24b-2 and 5 U.S.C. 552(b)(4) and has been filed separately with the Office of the Secretary of the Securities and Exchange Commission.

(b) If any such audit determines that there was an error in the calculations made and reported pursuant to Section 6, the management of each of MGPI and Manufacturer will make a good faith effort to resolve any differences between the parties with respect to the results of the audit. If within thirty (30) days after the audit results are provided to the audited party, the managements of MGPI and Manufacturer are unable to resolve all differences, either party may seek damages and any other equitable or legal relief from a court of competent jurisdiction.

(c) Within thirty days of resolution of any audit differences either by agreement or by a final, non-appealable judgment of a court of competent jurisdiction, MGPI or Manufacturer, as applicable, shall remit to the other party any amount shown to be due by it under such audit resolution.

8. Financial Responsibility. If either party's payments or deliveries to the other party shall be in arrears, or the financial responsibility of either party becomes impaired or unsatisfactory in the reasonable opinion of the other party, advance cash payment or satisfactory security shall be given upon demand, and deliveries may be withheld until such payment or security is received. If such payment or security is not received within five (5) New York banking days from demand thereof, the party demanding such payment or security, in addition to any other rights which it may have, may cancel this Agreement, may accelerate payment of any amounts owed but not yet due and payable to be immediately due and payable, or both. Each party grants to the other party and its domestic affiliates the right to set off and to apply any money, accounts payable, or product balance owed by the other party and its domestic affiliates to the other party or any collateral of every description held by the other party and its domestic affiliates to secure any indebtedness or obligation owed by the granting party to the other party and its domestic affiliates against any unpaid money or accounts receivable owed to the other party and its domestic affiliates by the granting party. In the event either party becomes insolvent, makes an assignment to any general arrangement for the benefit of creditors or if there are instituted by or against either party proceedings in bankruptcy or under any insolvency law or law for reorganization, receivership or dissolution, the other party may withhold deliveries or cancel this Agreement. The exercise by either party of any right reserved under this paragraph shall be without prejudice to any claim for damages or any other right of such party under this Agreement or applicable law.

9. Taxes.

(a) The parties recognize that transactions involving the transfer of Product(s) between Distilled Spirits Plant permit holders are generally not taxable.

(b) Any and all taxes, fees, or other charges imposed or assessed by governmental or regulatory bodies, the taxable incidence of which is the transfer of title or the delivery of the Product(s) hereunder, or the receipt of payment therefor, regardless of the character, method of calculation, or measure of the levy or assessment, shall be paid by the party upon whom the tax, fee or charge is imposed by law, except that MGPI shall reimburse Manufacturer for all federal, state, and local taxes, fees, or charges which are imposed by law on Manufacturer or required to be remitted and paid by the Manufacturer. If MGPI claims exemption from any of the aforesaid taxes, fees, or other charges, then MGPI must furnish Manufacturer with a properly completed and executed

exemption certificate in the form prescribed by the appropriate taxing authority in lieu of payment of such taxes or reimbursement of such taxes to Manufacturer. Notwithstanding anything to the contrary contained herein, each party shall be responsible for its own income, franchise and ad valorem taxes.

(c) MGPI hereby acknowledges and agrees to maintain its status as a "Distilled Spirits Plant" pursuant to the applicable regulations of the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury.

10. Production Facilities.

(a) Manufacturer will manufacture the Products at the Plant in accordance with the Specifications and provide a valid COA for all Product delivered under this Agreement.

(b) Manufacturer will maintain the Plant and the equipment used in the manufacture of the Products in good working order and condition necessary to produce the quantities and qualities of the Products ordered by MGPI under this Agreement.

(c) The Plant will at all times be in compliance with any laws, regulations or other requirements applicable to the manufacture and sale of the Products.

11. Materials; Handling and Storage.

(a) Unless otherwise agreed between the parties in writing, Manufacturer is responsible for (i) obtaining suitable raw materials necessary for the manufacture of the Products under this Agreement ("Raw Materials") in accordance with the Specifications, and (ii) manufacturing, processing, storing, and loading of the ordered Products for delivery into MGPI provided equipment.

(b) Manufacturer will furnish MGPI with a copy of its recall policy and procedures. Manufacturer will further notify MGPI as soon as practicable by phone (with written confirmation to follow) if it knows of

(i) any recall or other action or scheduled inspection by any regulatory agency against the Plant or Products covered under this Agreement,

(ii) any violations reported or recorded during any such inspection and/or any analytical results obtained from regulatory agencies which adversely and materially impact the Products or the ability to acquire the Raw Materials or Packaging Materials, and

(iii) any significant manufacturing process deviation that compromises the safety and/or quality of the Products.

(c) In addition, without limiting the generality of the foregoing:

(i) MGPI shall provide Manufacturer with a designated party and designated phone number for the purpose of providing the notifications to MGPI under this Section 11. Manufacturer shall not be responsible for the failure of MGPI to monitor its designated phone number.

(ii) Manufacturer will not use Raw Materials if they (A) do not reasonably appear to conform to the Specifications, or (B) exhibit apparent quality defects.

(iii) Manufacturer will reasonably maintain the quality of Raw Materials from the time it receives the Raw Materials at the Plant until it manufactures the Raw Materials into the Products. Thereafter, Manufacturer will maintain the quality of Products until such Products are delivered to MGPI.

(iv) Manufacturer will credit, replace, and re-bill without cost to MGPI all Products sold to MGPI under this Agreement that do not meet the Specifications unless the failure to meet Specifications is caused by (A) MGPI or others after title to the Products has passed to MGPI, (B) any instruction or direction received by Manufacturer from MGPI directing Manufacturer to manufacture the Products in a manner not consistent with the Specifications or (C) MGPI's failure to comply with any of its obligations under this Agreement. Manufacturer will promptly credit, replace, and re-bill such Products when MGPI notifies it of same.

12. Inspections, Measurement, Testing and Acceptance.

(a) *Quality.*

(i) Quality of the Product shall be determined and certified from samples taken prior to or at the time and place of loading or transfer of the Product by a mutually agreed laboratory. The cost of such inspection shall be borne equally by MGPI and Manufacturer unless MGPI and Manufacturer agree that Manufacturer may conduct testing.

(ii) Quality of the Product shall be based upon laboratory analysis of a representative composite sample taken from storage tank(s) of the entire lot to be loaded and a valid COA shall be provided by the testing laboratory to MGPI for all delivered Products.

(b) *Measurement*.

(i) Meters and other measuring devices belonging to the Manufacturer or its agents or suppliers and used hereunder shall be deemed conclusive of the quantities of Product delivered to MGPI by Manufacturer hereunder, unless either party notifies the other of any errors in measurement.

(ii) Manufacturer shall be responsible for the accuracy of its measuring equipment at the loading location, including all gauges and meters, and shall ensure that such equipment complies in all respects with applicable laws, rules, and regulations and will be certified at least every three months or 10,000,000 gallons or per TTB requirements, whichever occurs first. MGPI shall have the right, but not the obligation, during the Term to have a representative inspect Manufacturer's measurement equipment for suitability and accuracy and be present for proving and calibration. Such MGPI inspection, testing, or additional certification shall be at MGPI's expense. MGPI shall be given access to all transaction and meter proving records. All custody meters shall be proved and calibrated with the latest API MPMS. All calibration equipment shall be certified

and traceable to NIST. Meters shall be proved on a NET basis unless otherwise required by regulatory agencies.

(iii) All volumes or quantities of Product shall be net volumes or quantities as adjusted per ASTM/API standards. Product shall be measured and billed on a per gallon basis. The term "gallon" as used herein shall mean a U.S. gallon or 231 cubic inches. All quantities delivered shall be adjusted to a temperature of 60 degrees Fahrenheit in accordance with the latest applicable ASTM standards

(iv) *Truck/Rail Car*. Quantities of Product delivered pursuant to this Agreement into or from tank trucks/cars or rail cars shall be measured using calibrated meters located at or near the delivery point or, if such meters are unavailable, by certified calibrated scales or applicable calibration tables.

(v) *Marine Vessel.* Unless otherwise agreed, inspection and measurement of Product delivered pursuant to this Agreement into or from marine vessels shall be made by a mutually licensed independent inspector, the cost of which shall be born equally by MGPI and Manufacturer. Said inspector's determinations shall be reported to MGPI and Manufacturer and shall serve as the basis for the invoice, except in cases of manifest error or fraud.

The quantity of Product shall be determined by proven meters, in the immediate vicinity of the berth located at the designated point of custody and title transfer. If meters are unavailable, not proven, not functioning correctly, or determined by the independent inspector to be inaccurate or otherwise not to represent the volume delivered to or from the vessel, then the quantity shall be shall be based on static shore tank measurements. If the shore tank(s) is/are active, or a shore tank, before receipt or after delivery, contains less than one (1) foot of product, or the independent inspector cannot verify the shore tank measurements prior to or after delivery, or the independent inspector determines that the shore tank measurements are inaccurate or otherwise not representative of the volume quantities delivered to or from the vessel, then the quantity shall be determined by the vessel less any OBQ (on-board quantity) or ROB (remaining on board) adjusted for vessel load VEF (vessel experience factor) if available. If no vessel load VEF is available, the quantity shall be determined by the various quantities adjusted for OBQ or ROB.

(c) *Testing and Acceptance*:

(i) Manufacturer or the designated laboratory shall issue a COA confirming the results of the tests of the quality of the Product obtained pursuant to Section 12(a) above.

(ii) MGPI will not accept, and Manufacturer shall not load into MGPI equipment, Product not conforming to the Specifications.

(iii) any claims that the Product(s) delivered hereunder do not conform to the Specifications are waived unless presented in writing by MGPI to Manufacturer within fourteen (14) days after delivery of Product(s). Except as set

forth in this Section 12(c)(iii), no claim shall be made or honored for Product not meeting the Specifications ('Non-conforming Products") after delivery to MGPI.

(iv) Manufacturer's liability regarding the condition, quality, or fitness of Non-conforming Product(s) delivered to MGPI is strictly limited, at Manufacturer's sole option, to 1) a refund by Manufacturer to MGPI an amount equal to the difference between the market value as of the date title transferred of the Non-conforming Products and the price paid therefor by MGPI, or 2) Manufacturer may replace the Non-conforming Products upon the return of the Non-conforming Products by MGPI.

13. Confidentiality.

(a) *General Obligation*. All information provided by one party (the 'Disclosing Party") to the other party (the "Recipient") will be governed by this Section 13. The term "Confidential Information" will mean (i) all information contained in any reports delivered pursuant to this Agreement, (ii) the Product Know-How and (iii) all other trade secrets or confidential or proprietary information designated as such in writing by the Disclosing Party, whether by letter or by the use of an appropriate proprietary stamp or legend, before or when any such trade secret or confidential or proprietary information is disclosed by the Disclosing Party to the Recipient. Confidential Information will also include information that the Disclosing Party discloses to the Recipient (whether orally, visually or in writing without an appropriate letter, proprietary stamp or legend) if the Disclosing Party notifies the Recipient in writing and describes the information disclosed, references the place and date of the disclosure, and the names of the employees or officers of the Recipient to whom the disclosure was made. The parties also agree to treat any information or materials jointly developed as proprietary and as Confidential Information.

(b) *Disclosure*. The Recipient will hold in confidence, and will not disclose to any person outside its organization, any Confidential Information during the term of this Agreement and for two (2) years thereafter. The Recipient will use Confidential Information only for the purpose of producing the Products for the Disclosing Party or fulfilling its contractual obligations under this Agreement; it will not use or exploit Confidential Information for any other purpose or for its own benefit or the benefit of another without the prior written consent of the Disclosing Party. Recipient will disclose Confidential Information received by it under this Agreement only to persons within its organization or suppliers and/or third party vendors who have a need to know such Confidential Information in the course of the performance of their duties and who are directed to protect the confidentiality of the Confidential Information in accordance with the terms of this Agreement. In particular, the parties agree to take reasonably appropriate steps to ensure suppliers and third party vendors receiving Confidential Information maintain the confidentiality of such Confidential Information.

(c) *Limitation on Obligations*. The obligations of the Recipient under this Section will not apply to, and Confidential Information does not include, information that:

(i) Is generally known to the public before the disclosure by the Disclosing Party or becomes generally known to the public through no wrongful act on the part of the Recipient in violation of this Agreement;

(ii) Is in the Recipient's possession at the time of disclosure by the Disclosing Party other than as a result of Recipient's breach of any legal obligation;

(iii) Becomes known to the Recipient through disclosure by sources other than the Disclosing Party having the legal right to disclose the Confidential Information;

(iv) Is independently developed by the Recipient without reference to or reliance upon the Confidential Information; or

(v) Must be disclosed by the Recipient pursuant to applicable law or governmental regulations; provided, however, that the Recipient notifies the Disclosing Party in writing, to the extent not prohibited by law, before disclosing the Confidential Information and reasonably cooperates with the Disclosing Party to avoid and/or minimize the extent of the disclosure.

(d) *Ownership of Confidential Information*. The Disclosing Party is and will remain the exclusive owner of Confidential Information and all rights embodied in it. Without limiting the generality of the foregoing, the Specifications will constitute Confidential Information owned by or provided under license to MGPI and may not be used by Manufacturer for any purpose except in connection with its performance of this Agreement.

(e) *Return of Documents*. Upon the request of the Disclosing Party, Recipient will, at its option, destroy or return to the Disclosing Party all drawings, documents and other tangible manifestations of Confidential Information received by the Recipient under this Agreement, including all copies and reproductions.

14. Intellectual Property License; Misappropriation.

(a) MGPI grants to Manufacturer a non-exclusive manufacturing license to utilize the Specifications and any related Confidential Information ('Product Know-How") to manufacture Products in accordance with this Agreement. Manufacturer acknowledges that Product Know-How may include the Confidential Information of MGPI customers and that Manufacturer will not misappropriate any such Confidential Information.

(b) MGPI represents, warrants and covenants that it has the right to disclose to Manufacturer under confidentiality the Product Know-How for Manufacturer's use while manufacturing Products under this Agreement.

(c) MGPI represents and warrants that it will not knowingly request Manufacturer to produce Product or provide to Manufacturer Product-Know-How that infringes on any rights of third parties.

15. Manufacturer's Warranties and Representations.

(a) Manufacturer warrants and represents that:

(i) Manufacturer has and will deliver good and marketable title to the Product(s),

(ii) Manufacturer has full right and authority to transfer such title to the Product(s) to MGPI,

(iii) The Product(s) will conform to the Specifications set forth on the face of the applicable Purchase Order,

(iv) The Product(s) shall be delivered free and clear of any and all security interests, liens, encumbrances, pledges, and charges.

(v) Manufacturer is or will be at all relevant times registered with the IRS as may be required to engage in transactions with respect to ethanol, and possess all federal, state and local registrations as may be required by law in the state where title passes.

(vi) The manufacture and delivery of all Products will be conducted in strict compliance with any laws or regulations applicable to the manufacture and sale of the Products, including without limitation, operating under basic and operating permits from the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of Treasury and maintaining any bonds required thereunder.

(b) Warranty Disclaimers. THE EXPRESS WARRANTIES IN THIS SECTION 15 ARE IN LIEU OF, AND MANUFACTURER DISCLAIMS, ALL OTHER WARRANTIES, REPRESENTATIONS AND CONDITIONS, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

16. MGPI's Warranties and Representations. MGPI warrants and represents that:

(a) The purchase, transportation, and marketing of all Product will be conducted in strict compliance with any laws or regulations applicable to the purchase, transportation and sale of the Products, including without limitation holding required permits and licensing from the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of Treasury;

(b) MGPI has instituted its own quality control and delivery protocols, including with its customers, that will prevent the contamination or use of Product that may become contaminated or be put "off specification" after delivery; and

(c) The Product(s) and their Specifications are suitable for their intended purpose and will not be used by MGPI alone or as a component in manufacturing another product that is injurious to persons, the environment, equipment, or property.

17. Liquidation and Close-out:

(a) Notwithstanding any other provision of this or any other commodity contract between the parties, if either party (the "Non-Performing Party") shall (i) default in the payment or performance of any other material obligation to the other party under

this or any other agreement between the parties and fails to cure such payment default within five (5) New York banking days after receipt of notice of such failure, (ii) file a petition or otherwise commence or authorize the commencement of a proceeding or case under any bankruptcy, reorganization, or similar law for the protection of creditors or have any such petition filed or proceeding commenced against it, (iii) otherwise become bankrupt or insolvent (however evinced), (iv) be unable to pay its debts as they fall due, or (v) fail to give adequate security for or assurance of its ability to perform its obligations hereunder or thereunder within two (2) New York banking days after receipt of a reasonable request therefor, the other party (the "Performing Party") shall have the right, immediately and without liability, to liquidate and close out any or all forward contracts, including, without limitation, Purchase Orders, then outstanding between the parties.

(b) In the event of the foregoing, the Performing Party, may, but shall not be obligated to, (i) close out each such forward contract at its market value as reasonably determined by the Performing Party at such time (so that a settlement payment in an amount equal to the difference, if any, between the then prevailing market value and the value specified in such contract shall be due to MGPI under that forward contract if such market value is greater than such contract value and shall be due to Manufacturer under that forward contract if the opposite is the case), (ii) set off all market damages so determined and payable by each of the parties to the other and (iii) set off all margin held by either to secure the obligations of the other party (including all payments due to the other party with respect to deliveries received from such other party, which payments, prior to payment, shall be deemed to held by each as margin to secure the other party's obligations from time to time incurred); whereupon all such amounts shall be aggregated or netted to a single liquidated amount payable within (1) business day by the party owing the greater such amount to the other.

(c) The Performing Party's rights under this Section shall be in addition to, and not in limitation or exclusion of, any other rights which the Performing Party may have (whether by agreement, operation of law, or otherwise), including any rights and remedies under the Uniform Commercial Code. The Non-Performing Party shall indemnify and hold the Performing Party harmless from and against all costs and expenses (including reasonable attorneys' fees) incurred in the exercise of any remedies hereunder. If a default occurs, the Performing Party, without limitation of its rights hereunder, may set off amounts which the Non-Performing Party owes to it against any amount which it owes to the Non-Performing Party (whether hereunder, under a forward contract, or otherwise and whether or not then due). The parties acknowledge that this Agreement constitutes a forward contract for the purposes of Section 556 of the U.S. Bankruptcy Code.

18. Indemnities.

(a) Manufacturer will indemnify, defend and will hold harmless MGPI (including its parent, affiliate, and subsidiary companies) for, and will pay to MGPI the amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees) (collectively, "Damages"), arising, directly or indirectly, from or in connection with: (i) any breach of any representation or warranty made by Manufacturer in this Agreement or (ii) any breach by Manufacturer of any

covenant or obligation of Manufacturer in this Agreement. In addition, notwithstanding any other provision contained in this Agreement, MGPI shall not be responsible for loss of or damage to the property of Manufacturer or of its contractors, sub-contractors or customers (other than MGPI) (herein "Manufacturer Group"), or for personal injury or death of the employees of any entity in the Manufacturer Group, arising out of or in any way connected with the performance of this

Agreement, and even if such loss, damage, injury or death is caused wholly or partially by the negligence of any entity in the MGPI Group (as defined below) (but excluding gross negligence or willful misconduct of the MGPI Group), and Manufacturer shall indemnify, protect, defend and hold harmless MGPI Group from any and all claims, costs, expenses, actions, proceedings, suits, demands and liabilities whatsoever arising out of or in connection with such loss, damage, personal injury or death. Manufacturer will confer with MGPI and its insurance carrier before settling any claims for which Manufacturer is responsible under this Agreement.

(b) MGPI will indemnify, defend and will hold harmless Manufacturer for, and will pay to Manufacturer the amount of, any Damages arising, directly or indirectly, from or in connection with: (i) any breach of any representation or warranty made by MGPI in this Agreement or (ii) any breach by MGPI of any covenant or obligation of MGPI in this Agreement. In addition, notwithstanding any other provision contained in this Agreement, excepting Section 12(c), Manufacturer shall not be responsible for loss of or damage to the property of MGPI or of its contractors, sub-contractors or customers (herein "MGPI Group"), including the Product(s) after title has passed to MGPI, or for personal injury or death of the employees of any entity in the MGPI Group, arising out of or in any way connected with the performance of this Agreement, and even if such loss, damage, injury or death is caused wholly or partially by the negligence of any entity in the Manufacturer Group (but excluding gross negligence or willful misconduct of the Manufacturer Group), and MGPI shall indemnify, protect, defend and hold harmless the Manufacturer Group from any and all claims, costs, expenses, actions, proceedings, suits, demands and liabilities whatsoever arising out of or in connection with such loss, damage, personal injury or death. MGPI will confer with Manufacturer and its insurance carrier before settling any claims for which MGPI is responsible under this Agreement.

(c) Limitation of Liability. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF USE, DATA, BUSINESS OR PROFITS) OR FOR COSTS OF PROCURING SUBSTITUTE SERVICES, ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES OR ANY PRODUCTS PROVIDED BY MANUFACTURER, HOWEVER CAUSED AND REGARDLESS OF THE THEORY OF LIABILITY, EVEN IF THE PARTIES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

19. Third Party Claims. Promptly after service of notice of any claim or of process by any third person in any matter in respect of which indemnity may be sought from an indemnifying party under this Agreement, the indemnified party will notify the indemnifying party after being served. The indemnifying party will have the right to participate in, or assume and control, at its own expense, the defense of any such claim or process or settlement. After

notice from the indemnifying party of its election to assume the defense of the action, the indemnifying party will not be liable to the indemnified party for any legal or other expense incurred by the indemnified party in connection with such defense. Such defense will be conducted expeditiously (but with due regard for obtaining the most favorable outcome reasonably likely under the circumstances, taking into account costs and expenditures) and the indemnified party will be advised promptly of all developments.

Notwithstanding the foregoing, with respect to any matter which is the subject of any such claim and as to which the indemnified party fails to give the indemnifying party notice, and this failure adversely affects the ability of the indemnifying party to defend the claim or materially increases the amount of indemnification which the indemnifying party is obligated to pay under this Agreement, the amount of indemnification which the indemnified party will be entitled to receive will be reduced to an amount which the indemnifying party would have been entitled to receive had such notice been timely given. No settlement of any such claim as to which the indemnifying party has not elected to assume the defense thereof will be made without the prior written consent of the indemnifying party, which consent will not be unreasonably withheld or delayed.

20. Insurance.

(a) Each party agrees to provide and maintain at all times during this contract such minimum insurance coverage as set forth in this paragraph 20(a) and to otherwise comply with the provisions that follow. Without limiting in any way the scope of any obligations and/or liabilities assumed hereunder by each party, each party shall procure, or cause to be procured from reputable insurance companies with at least an A+ or AA rating and maintain, at all times while conducting operations under this Agreement, the following minimum levels of insurance:

(i) Workers' compensation insurance for the full statutory limits and Employers' Liability Insurance or its equivalent with a limit of not less than Five Million Dollars ($5,000,000.00) per occurrence, applicable to all persons employed by such party;

(ii) Commercial General Liability insurance (on an occurrence basis not a claims made basis) including contractual liability and products-completed operations liability coverage, covering all operations by or on behalf of such Party against bodily injury (including death) and property damage (including loss of use) having a combined single limit of not less than Twenty-Five Million Dollars ($25,000,000.00) per Occurrence;

(iii) Automobile liability insurance with a combined single limit of not less than Five Million Dollars ($5,000,000.00) for bodily injury and property damage per occurrence for all owned, hired and non-owned vehicles;

(iv) As to MGPI, cargo and loss insurance in an amount not less than that covers the actual value of Product as to which title has transferred but not yet paid for. Any such insurance shall name Manufacturer as the Loss Payee for distribution as the parties' interest may appear.

All limits as required above may be met by the use of primary and excess liability insurance, where any excess insurance shall be excess to the underlying primary liability limits, terms and conditions for each category of liability insurance, shall be written on a following form basis of underlying coverages (including on an occurrence basis and not a claims made basis), and if there are aggregate limits, such aggregate limits shall apply separately to each annual policy period. All insurance policies to be maintained by each party, except Workers' compensation, shall include coverage for contractual liability, extending to and including (but not in any way limit) all indemnities given by each party hereunder and shall be primary to the extent of liabilities assumed by each party to any policies held by or providing coverage to the other party and coverage afforded to each party under the other party's policies shall delete any excess clause or co-insurance clause that requires sharing or renders primary any other insurance covering the other. Furthermore, all insurance policies shall be endorsed to: (i) name the other party as an additional insured; (ii) provide for a waiver of subrogation or equivalent endorsement in favor of the other party; and (iii) provide a Severability of Interests or Cross Liability Clause.

In no event shall the amount or scope of the insurance required herein limit the liability of either party assumed by it in this Agreement nor shall the failure to collect under any policy for any reason relieve such party of any of its obligations. Any and all deductibles or self-insured retentions in the above described policies shall be assumed by, for the account of, and at the sole risk of such party.

(b) Each party will furnish the other party with certificates of insurance evidencing the above coverage before beginning any production under this Agreement, and afterwards from time to time upon the expiration of any certificate of insurance. The certificates delivered by each party will contain a clause specifying that the other party will be notified in writing no less than 30 days before there is a cancellation or material change in coverage.

21. Termination by the Parties.

(a) MGPI may terminate this Agreement upon written notice to Manufacturer:

(i) If Manufacturer breaches or violates any of the warranties, representations, agreements, covenants, or conditions that this Agreement contains or requires and Manufacturer fails to remedy the breach or violation within thirty (30) days after receipt from MGPI of written notice of the breach or violation; or

(ii) If Manufacturer makes an assignment for the benefit of its creditors, commits any act of bankruptcy, has a receiver appointed, or otherwise admits of its inability to pay its debts as they mature.

(b) Manufacturer may terminate this Agreement upon written notice to MGPI:

(i) If MGPI breaches or violates any of the warranties, representations, agreements, covenants, or conditions that this Agreement contains or requires and MGPI fails to remedy the breach or violation within thirty (30) days after receipt from Manufacturer of written notice of the breach or violation; or

(ii) If MGPI makes an assignment for the benefit of its creditors, commits any act of bankruptcy, has a receiver appointed, or otherwise admits of its inability to pay its debts as they mature; or

22. Effect of Termination.

(a) For the six (6) months immediately following the expiration or termination of this Agreement, Manufacturer will provide to MGPI reasonable cooperation and assistance (including without limitation knowledge transfer, materials sourcing, transfer of unused materials and unfinished inventory) to transition production of the Products to a third party designated by MGPI. Manufacturer may invoice MGPI for actual charges, including without limitation, man hours paid for by Manufacturer, it incurs for the provision of transition services provided to MGPI pursuant to this Section 22. This paragraph (a) will survive termination or expiration of the Agreement.

(b) Termination of this Agreement will be without prejudice to any rights that may have accrued to Manufacturer or MGPI at the date of termination. The obligations of the parties under Sections 13, 14, 15, 16, 18, 21, 22, 23, and 24 will survive any termination.

23. Force Majeure. In the event either party is rendered unable, wholly or in part, to perform its obligations under this Agreement (other than to make payments due hereunder) because of acts of God; floods; fires; explosions; extreme heat or cold, extreme storms, or other extreme adverse weather; earthquakes; power shortages; transportation difficulties; strikes, lockouts, or other industrial disturbances; wars, acts of terrorism, or sabotage; accident or breakage of equipment or machinery; failure of transporters to furnish transportation; failure of suppliers to furnish supplies, fuel, or raw materials; or any newly enacted law, rule, order, or action of any court or instrumentality of the federal, state or local government; or any other material cause or material causes beyond the affected party's reasonable control, it is agreed that on such party's giving notice and full particulars of such force majeure event or condition to the other party, the obligations of the party giving such notice shall be suspended from the date of the other party's receipt of such notice and for the continuance of any inability so caused, but for no longer period; and such cause shall, so far as possible, be remedied with all reasonable dispatch. Events of force majeure shall not extend the Term. If an event of force majeure continues for a period in excess of 90 days, the party not affected by the force majeure may terminate this Agreement at any time thereafter during the continuance of the force majeure effective upon the giving of written notice to the party which is subject to the force majeure event.

24. Independent Contractors. The parties are independent contractors and engage in the operation of their own respective businesses. Neither Manufacturer nor MGPI will be considered the agent of the other for any purpose whatsoever. Neither Manufacturer nor MGPI has any authority to enter into any contracts or assume any obligations for the other or to make any warranties or representations on behalf of the other, except as may be provided in a written agreement between the parties specifically authorizing such party to do so. Nothing in this Agreement will establish a relationship of co-partners or joint venturers between Manufacturer and MGPI. Under no circumstances will MGPI be liable for the debts or obligations of Manufacturer or for the wages, salaries, or benefits of Manufacturer's employees, nor will Manufacturer be liable for the wages, salaries, or benefits of MGPI's employees, except as may

be provided in a written agreement between the parties specifically stating that such party assumes such liability.

25. Severability. If any section or portion of this Agreement violates any applicable law, such section or portion will be inoperative. If a court of competent jurisdiction rules that any provision set forth in this Agreement is unenforceable, then such provision will (if possible) be deemed modified to the extent that, in the court's opinion, is necessary to make it enforceable. The remainder of the Agreement will remain valid and will continue to bind the parties.

26. Successors and Assigns. This Agreement will be binding and inure to the benefit of each of the parties and its successors and assigns.

27. Notices. Except as provided otherwise, each party will give in writing by personal delivery, confirmed facsimile transmission or overnight courier any notice or communication that such party may or must give under this Agreement or regarding it. This notice will be deemed to have been given or made when personally delivered, upon the date received by facsimile if received by 5 pm local time (and if not, the following business day) and upon the date the overnight courier delivers such notice or communication as evidenced by the overnight courier's delivery confirmation.

Either party may advise the other of changes of address or additional addresses for giving notice from time to time by notice given according to this Section.

28. Waiver. No waiver by either party of any breach, default, or violation of this Agreement will constitute a waiver of any subsequent breach, default, or violation of the same or other term, warranty, representation, agreement, covenant, condition, or provision.

29. Assignments, Successors, and No Third Party Rights. Neither party may assign any of its rights under this Agreement without the prior consent of the other party. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

30. Entire Agreement. This Agreement, together with the Exhibits attached and incorporated by reference, contains all of the terms, warranties, representations, agreements, covenants, conditions, and provisions the parties have agreed upon with respect to the subject matter of this Agreement and merges and supersedes all prior agreements, understandings, and representations relating to such subject matter. This Agreement will not be altered or changed except by a writing that

an authorized officer or representative of each party signs. This Agreement may be executed in one or more counterparts and by electronic or facsimile signatures, all of which together will be considered one document and will serve as an original for all purposes.

31. Governing Law; Interpretation. This Agreement will be governed by New York law without regard to its conflicts of law rules.

32. Currency. All amounts set forth in this Agreement and all business conducted pursuant to this Agreement are and will be denominated and conducted in US dollars.

33. Terms and Conditions. The terms and conditions of purchase and sale of Products are set forth in this Agreement, as amended or modified in writing signed by both parties, and neither party's standard terms and conditions will apply. In the event of any conflict between this Agreement and terms of any documents delivered pursuant to this Agreement, including without limitation any Purchase Order and any invoices sent by Manufacturer, this Agreement will control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each party has executed this Agreement on the day and year first above written.

MGP Ingredients, Inc.

By: /s/ Timothy W. Newkirk
Timothy W. Newkirk, President

Illinois Corn Processing, LLC

By: /s/ Randy Schrick
Randy Schrick, President

EXHIBIT A — PRODUCTS AND SPECIFICATIONS

ASTM 4806 specifications current at the time of delivery or any successor specifications thereof with sulfates not to exceed 4 ppm and denaturant not to exceed the Internal Revenue Service volume maximum so that the Product qualifies for the full blender's credit.

EXHIBIT B ****

**** [3 pages omitted]

**** indicates that material deemed confidential has been omitted from this document pursuant to a request for confidential treatment under Exchange Act Rule 24b-2 and 5 U.S.C. 552(b)(4) and has been filed separately with the Office of the Secretary of the Securities and Exchange Commission.

EXHIBIT C **

**** [2 pages omitted]

**** indicates that material deemed confidential has been omitted from this document pursuant to a request for confidential treatment under Exchange Act Rule 24b-2 and 5 U.S.C. 552(b)(4) and has been filed separately with the Office of the Secretary of the Securities and Exchange Commission.

EXHIBIT D — MARINE TERMS

1. Nominations

(a) MGPI shall nominate a marine vessel acceptable to Manufacturer (the "Vessel"), such acceptance shall not be unreasonably withheld. For the avoidance of doubt, Manufacturer shall be entitled to reject MGPI's nominated Vessel if it does not pass Manufacturer's internal safety vetting procedure or that of any of Manufacturer's facility.

(b) Where practicable or unless otherwise agreed, MGPI shall nominate the Vessel at least three (3) days before the first day of the agreed arrival window.

(c) All nominations shall be in writing and MGPI shall include, to the extent known:

Contract Reference
Vessel Name
Product Grade
Quantity
Agreed Loading Date Range / Arrival Date Range (as applicable)
Estimated Time of Arrival (ETA)
Independent inspector
Product and Quality Specifications (as applicable)
Comments / Instructions (as applicable)

(d) Manufacturer shall give notice accepting or rejecting any Vessel nomination within one (1) banking day after receipt of such nomination.

2. Estimated Time of Arrival ("ETA"):

(a) Where practicable, MGPI shall provide Vessel's ETA no later than 48 hours prior to the Vessel's arrival.

(b) The terminal operator at the Manufacturer's facility shall be further notified 6 hours in advance of the Vessel's arrival.

(c) After the six-hour notice, when a scheduled arrival time changes by more than two hours, all reasonable efforts shall be made to notify the terminal operator at the discharge port of such change.

3. Notice of Readiness: After the Vessel has arrived at the customary place of waiting, is otherwise in all respects ready to load cargo.

4. Laytime:

(a) Unless otherwise agreed, barge laytime ("Laytime") shall be 3,000 barrels/hour plus three hours freetime.

(b) If the Vessel arrives before the agreed arrival date range, tenders a valid NOR, and is in all respects ready to load its cargo, Laytime shall not commence until

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00:01 hours on the first day of the agreed arrival date range, unless Manufacturer elects to accept the Vessel earlier, in which case Laytime shall begin when the Vessel is all fast.

(c) If the Vessel arrives within its agreed arrival date range, tenders a valid NOR, and is in all respects ready to load its cargo, Laytime shall commence upon the Vessel's NOR being tendered, berth or no berth, or when the Vessel is all fast, whichever occurs first.

(d) If the Vessel arrives after the last day of the agreed arrival date range, tenders a valid NOR, and is in all respects ready to load its cargo, Laytime shall commence when the Vessel is all fast.

(e) Time consumed due to any of the following shall not count as used Laytime or if the Vessel is on demurrage, for demurrage:

(i) Any delay due to the Vessel's condition, breakdown, or any other causes attributable to the Vessel;

(ii) Any delay due to prohibition of discharging at any time by the owner or operator of the Vessel or by the port authorities, unless the prohibition is caused by Manufacturer or Manufacturer's facility's failure to comply with applicable laws, rules, and regulations;

(iii) Any delay due to pollution or threat thereof caused by any defect in the Vessel or any act or omission to act by the master or crew of the Vessel;

(iv) Any delay due to the Vessel's violation of the operating or safety rules and/or regulations, noncompliance with: (i) federal or state laws, (ii) U.S. Coast Guard regulations, (iii) any other applicable regulations, (iv) or failure to obtain or maintain required certification;

(v) Any delays caused by strike, lockout, stoppage or restraint of labor of master, officers or crew of the Vessel or of tugboats;

(vi) Any delay, not being first caused by the negligence of Manufacturer or Manufacturer's facility, by reason of fire, explosion, storm, strike, lockout, stoppage or restraint of labor, breakdown of machinery or equipment in or about the facilities of Manufacturer or Manufacturer's facility, adverse weather, civil unrest, Act of War, riot, arrest or restraint of princes, rulers or peoples, or "Act of God" shall be paid for at one-half (1/2) the rate otherwise provided for demurrage.

(f) Laytime shall cease after all Product has been loaded and when the hoses have been disconnected from the Vessel and the Vessel has been released by Manufacturer or Manufacturer's facility.

(g) A declaration of Force Majeure Event shall not relieve the Manufacturer from the obligation to pay demurrage under this Agreement.

4. Demurrage:

(a) Demurrage Rate: Manufacturer shall pay demurrage, at the Charter Party rate for all time that used Laytime exceeds the Laytime allowance.

(b) For demurrage purposes, all inland barges or tows operating as a unit shall be considered collectively as one unit.

Exhibit 31.1

CERTIFICATION

I, Timothy W. Newkirk, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 11, 2010

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

Exhibit 31.2

CERTIFICATION

I, Don Tracy, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 11. 2010

/s/ Don Tracy
Don Tracy
Chief Financial Officer
Principal Financial Officer

Exhibit 32.1

CERTIFICATION

OF

PERIODIC REPORT

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

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

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

Dated: February 11, 2010

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

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

Exhibit 32.2

CERTIFICATION

OF

PERIODIC REPORT

I, Don Tracy, Chief Financial Officer of MGP Ingredients, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

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

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

Dated: February 11, 2010

/s/ Don Tracy
Don Tracy
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.]