

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

FORM 8-K

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

Date of Report (Date of earliest event reported) **November 18, 2008**

**MGP Ingredients, Inc.**

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers**

On November 18, 2008, the Company entered into a Separation Agreement and Release of Claims, dated as of November 4, 2008, with Brian Cahill, who was involuntarily terminated on November 4 as a result of an internal restructuring. Pursuant to the Separation Agreement, Mr. Cahill has released the Company from all claims arising out of his employment and termination of employment and agreed to a one year non-competition period which restricts his ability to approach customers of the Company. In return, the Company has agreed to the following. Under the Separation Agreement, it will (i) pay Mr. Cahill \$3,965 a week through January 2, 2009 and one payment of \$206,200 in January 2009. It also will pay or reimburse him for 85% of his family premium for COBRA health care coverage through December 27, 2009 and provide \$15,000 for an outplacement program. He also is being permitted to receive a prorata portion of outstanding restricted share awards. Pursuant to this provision, he will receive 14,500 shares of stock. Mr. Cahill also will be entitled to vested benefits under the Company's ESOP and 401k plans, to exercise options to the extent permitted under the company's option plan and to continue his long term care policy at his cost.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

- 10.1 Separation Agreement and Release of Claims between Brian Cahill and MGP Ingredients, Inc. dated as of November 4, 2008.
- 10.2 Agreement with Brian Cahill as to Award of Restricted Shares Granted Under the Stock Incentive Plan of 2004 with respect to Fiscal 2008 (Similar agreements have been made with the following named executive officers as to the number of shares indicated following their respective names Timothy W. Newkirk – 17,695; Robert Zonneveld – 10,772; Randy M. Schrick - 13,530; and Donald Coffey – 10,834.)

**SIGNATURES**

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

**MGP INGREDIENTS, INC.**

Date: November 21, 2008

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

**MGP INGREDIENTS, INC.**  
**SEPARATION AGREEMENT AND RELEASE OF CLAIMS**

**WHEREAS**, this Separation Agreement and Release of Claims ("Agreement") is dated as of November 4, 2008 and is by and between Brian Cahill ("Employee") and MGP Ingredients, Inc. ("Employer");

**WHEREAS**, the undersigned employee has been involuntarily downsized as a result of a restructuring;

**WHEREAS**, MGP Ingredients is making available to the undersigned employee a separation benefit conditioned upon a release of all claims by the undersigned employee; and

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

The undersigned employee agrees as follows:

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

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

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- A. The Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. sec. 621, et seq.;
- B. The Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. sec. 1001, et seq.;
- C. The Kansas Acts Against Discrimination, as amended, Kan. State. Ann. sec. 44-1001, et seq.;
- D. Title VII of Civil Rights Act of 1964 as amended, 42 U.S.C. sec 2000e, et seq.;
- E. Americans With Disabilities Act, 42 U.S.C. sec. 12101, et seq.;
- F. The Civil Rights Act of 1866, as amended, 42 U.S.C. sec. 1981;
- G. The Civil Rights Act of 1991, 42 U.S.C. sec. 1981a; and
- H. Family and Medical Leave Act.

The claims released and discharged by Employee also include, but are not limited to, any claim that Employer breached any contract, express or implied, with Employee, made any misrepresentations to Employee, discharged Employee in violation of public policy, or acted wrongfully in any way toward Employee. The claims released and discharged by Employee also include, but are not limited to, any claim relating in any manner to personal injuries, fringe benefits, medical, dental, hospitalization, life, disability, or other insurance benefits, pension or other retirement benefits, and any claims for attorney's fees, reinstatement or rehire.

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

Employee's last date of employment will be **November 4, 2008**. By this Agreement, Employee waives any claim for reinstatement and agrees not to seek re-employment with Employer at any time in the future. Employee agrees that any attempt to obtain re-employment following his signing this Agreement will constitute a breach of this Agreement, and that Employer may rely upon such breach in refusing employment, or in discharging Employee from employment.

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

- a. Employee shall receive gross compensation of Thirty-nine Hundred Sixty-five Dollars and Thirty-eight Cents (\$3,965.38) per week from November 3, 2008 until January 2, 2009. Employee shall also receive one gross compensation check of Two Hundred Six Thousand Two Hundred Dollars (\$206,200.00) payable in January 2009. Compensation checks will be paid at net pay after normal deductions. The above amount is inclusive of accrued vacation that was not paid prior to November 3, 2008. If Employee does not accept this Agreement, any unpaid accrued vacation will be paid to Employee.
- b. Health Care. If otherwise eligible, Employee may elect continuing healthcare coverage pursuant to COBRA. If Employee remains eligible for COBRA, Employer will pay 85% of the family premium through December 27, 2009. Employee will be responsible to send his premium monthly unless other arrangements are mutually agreed to.
- c. Retirement. Employee is vested in the ESOP and 401k Plans per the respective plan documents and may take withdrawals per the respective plan documents.
- d. Options. Employee will be permitted to exercise options to the extent permitted under applicable option plans and related awards.
- e. Restricted Stock Incentive Plan. Notwithstanding the provisions of Attachments 1, 2, 3 and 4, employee will be entitled to receive 52/84 of the award whose performance period ended in 2007; 40/84 of the award whose performance period ended in 2008; 28/84 of the award whose performance period ends in 2009; and 6/60 of the award whose vesting period ends in 2013 during 2009. Employee waives any claim to additional shares if the performance goals for the award whose performance period ends in 2009 are met.

f. Outplacement. Employer will provide, at its expense of \$15,000.00, an outplacement program from a firm agreed to mutually.

g. Long Term Care Policy. Employee may continue his long term care policy by paying the premium. Invoice will be sent direct to Employee from the carrier.

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

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

5. Employee acknowledges that he continues to be bound by confidentiality obligations as imposed by law or as referenced in the Acknowledgement of and Agreement with Respect to Ongoing Confidentiality Obligations, attached as Attachment 5.

6. Employee further agrees to assist in a smooth transition, to not be disruptive, and to cooperate with Employer concerning this change in employment status.

7. Employee will return on or before November 4, 2008, keys, entry card, mobile phone and other Company property, if any, in his possession.

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

9. Employee does not waive any rights or claims that may arise after the date this Agreement is signed.

10. Employee agrees that prior to December 31, 2009 he will not, without the prior written consent of the Company, (a) represent, approach, solicit, hire or otherwise deal with, directly or indirectly, any customer or any person associated with a customer of the Company with whom he had contact during the period of his employment with Employer regarding the wheat protein, starch or alcohol business ("Business") or (b) employ or retain or solicit for employment or retention by any other person or entity, any employee of the Employer. Employee hereby acknowledges that the remedies at law of the Employer for any breach of Employee's obligations contained in this Section would be inadequate and the Employer shall be entitled to injunctive relief or any other equitable relief for any violation hereof and Employee, in any equitable proceeding, agrees not to claim that a remedy at law is available to the Employer.

11. Employer hereby advises Employee in writing to consult with an attorney prior to executing this Agreement, and Employee has been given a period of at least 21 days within which to consider this Agreement, but Employee may accept or reject its terms, if he chooses, at any time prior to the expiration of the 21 day period (11/26/08). For a period of seven days following the signing of this Agreement, Employee may revoke the Agreement and the Agreement shall not become effective or enforceable until the revocation period has expired.

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

13. Employee acknowledges and agrees that no promise or agreement not expressed in this Agreement has been made; that this Agreement is not executed in reliance upon any statement or representation made by Employer or by any person employed by or representing Employer other than the statements contained in the Agreement itself; that the consideration recited above is the sole and only consideration for this Agreement; and that the terms of this Agreement are contractual and not mere recitals.

Date: 11/08/08  
/s/ Brian Cahill  
Brian Cahill

/s/ David E. Rindom  
Witness

Date: 11/18/08  
Authorized Officer  
MGP Ingredients, Inc.

/s/ David E. Rindom



Attachment 1 – Agreement as to Award of 6,600 Restricted Shares Dated December 1, 2004 (Incorporated by reference to form of agreement filed as Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q for the Quarter Ended December 31, 2004 (File Number 0-17196).

Attachment 2 - Agreement as to Award of 13,000 Restricted Shares Dated August 20, 2005 (Incorporated by reference to form of agreement filed as Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2005 (File Number 0-17196).

Attachment 3 - Agreement as to Award of 8,900 Restricted Shares Dated December 6, 2006 (Incorporated by reference to form of agreement filed as Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q for the Quarter Ended December 31, 2006 (File Number 0-17196).

Attachment 4 - Agreement as to Award of 13,072 Restricted Shares Dated August 28, 2008 (Incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K dated November 18, 2008 to which the attached Agreement is an exhibit)

Attachment 5 – Verification of Receipt, Acknowledgement of and Agreement with Respect to Ongoing Confidentiality Obligations and Code of Conduct – Not Filed. A copy will be furnished supplementally to the Commission upon request.



**MGP INGREDIENTS, INC.**  
**AGREEMENT AS TO AWARD OF RESTRICTED SHARES**  
**GRANTED UNDER THE STOCK INCENTIVE PLAN OF 2004**

Date of Grant: August 28, 2008  
Time of Grant: 4:30 p.m.

Restricted Shares

In accordance with and subject to the terms and restrictions set forth in the MGP Ingredients, Inc. Stock Incentive Plan of 2004 (the "2004 Plan") and this Agreement, MGP INGREDIENTS, INC., a Kansas corporation (the "Company"), hereby grants to the Participant named below the number of Restricted Shares of Common Stock of the Company as set forth below:

Participant: Brian Cahill  
Number of Restricted Shares under the 2004 Plan: 13,072

NOW, THEREFORE, the Company and the Participant hereby agree to the following terms and conditions:

1. Issuance of Restricted Shares. The shares described above are being issued by the Company to the Participant as Restricted Shares pursuant to the terms and provisions of the 2004 Plan and of the Guidelines for Issuance of Fiscal 2008 Restricted Share Awards (the "Guidelines") adopted by the Human Resources Committee of the Board of Directors of the Company, true copies of which are attached hereto as Exhibits A and B and incorporated herein by reference. Upon the execution of this Agreement, the Company shall issue in the Participant's name the aggregate number of Restricted Shares described above, subject to the provisions of the Guidelines requiring that such certificate or certificates be held in the custody of the Company.

2. Vesting in Restricted Shares. Subject to the provisions of the Guidelines, Restricted Shares shall vest in the Participant upon the Participant's completion of five (5) full years of employment with the Company commencing on July 1, 2008. Except as provided in the Guidelines, the Restricted Shares issued to the Participant shall be forfeited to the Company if the Participant's employment with the Company is terminated prior to the end of the applicable Restriction Period.

3. Restriction on Transfer. The Participant shall not voluntarily sell, exchange, transfer, pledge, hypothecate, or otherwise dispose of any Restricted Shares to any other person or entity during the applicable Restriction Period. Any disposition or purported disposition made in violation of this paragraph shall be null and void, and the Company shall not recognize or give effect to such disposition on its books and records.

4. Legend on Certificates. In order that all potential transferees and others shall be put on notice of this Agreement and so long as the risk of forfeiture exists under the Plan and Guidelines, each certificate evidencing ownership of the Restricted Shares issued pursuant to the Plan (and any replacements thereto) shall bear a legend in substantially the following form:

"The shares evidenced by this Certificate have been issued pursuant to the MGP Ingredients, Inc. Stock Incentive Plan of 2004 and a related agreement (the "Agreement") between the Company and the registered holder. The holder's rights are subject to the restrictions, terms and conditions of the Plan and to the Agreement, which restricts the transfer of the shares and subjects them to forfeiture to the Company under the circumstances referred to in the Agreement. This legend may be removed when the holder's rights to the shares vest under the Agreement."

5. Controlling Provisions. The provisions of the Guidelines shall apply to the award made under this Agreement. In the event of a conflict between the provisions of this Agreement and the Guidelines, the provisions of the Guidelines will control.

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IN WITNESS WHEREOF, this Instrument has been executed as of this 28th day of August, 2008.

MGP INGREDIENTS, INC.

By: /s/Timothy W. Newkirk  
Timothy W. Newkirk, Pres. & CEO

**ACKNOWLEDGEMENT**

I understand and agree that the Restricted Shares to be acquired by me are subject to the terms, provisions and conditions hereof and of the Plan and Guidelines, to all of which I hereby expressly assent. This Agreement shall be binding upon and inure to the benefit of the Company, myself, and our respective successors and legal representatives.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and may not be modified, amended, renewed or terminated, nor may any term, condition or breach of any term or condition be waived, except in writing signed by the parties sought to be bound thereby. Any waiver of any term, condition or breach shall not be a waiver of any term or condition of the same term or condition for the future or any subsequent breach. In the event of the invalidity of any part or provision of this Agreement, such invalidity shall not affect the enforceability of any other part or provision of this Agreement.

Signed this 4th day of September, 2008

/s/ Brian T. Cahill  
Signature of Participant

