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

Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 333-51849

FORM S-8

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MGP INGREDIENTS, INC.

(Exact name of registrant as specified in its charter)

Kansas
(State of Incorporation)

45-4082531
(I.R.S. Employer Identification No.)

**Cray Business Plaza
100 Commercial Street
PO Box 130
Atchison, Kansas 66002
(913) 367-1480**

(Address of principal executive offices)(Zip code)

**MGP INGREDIENTS, INC.
STOCK INCENTIVE PLAN OF 1996
1998 STOCK INCENTIVE PLAN FOR SALARIED EMPLOYEES
1996 STOCK OPTION PLAN FOR OUTSIDE DIRECTORS**

(Full title of plan)

**Gregory G. Johnson
Bryan Cave LLP
1200 Main Street
Suite 3500**

Kansas City, Missouri 64105
(Name, address and telephone number of registrant's agent for service)

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Explanatory Note

This post-effective amendment is being filed pursuant to Rule 414 under the Securities Act of 1933, as amended (the "Securities Act"), to reflect the adoption by MGPI Processing, Inc. (formerly MGP Ingredients, Inc.) a Kansas corporation (the "Predecessor Corporation"), of a holding company form of organizational structure. The holding company organizational structure was implemented by the merger (the "Merger"), in accordance with Section 17-6701(g) of the Kansas General Corporation Code, of MGPI Merger Sub, Inc., a Kansas corporation, with and into the Predecessor Corporation, with the Predecessor Corporation being the surviving corporation. In the Merger, which was consummated on January 3, 2012 (the "Effective Time"), each share of the issued and outstanding common stock of the Predecessor Corporation was converted into one share of common stock of MGP Ingredients, Inc. (formerly MGPI Holdings, Inc.), a Kansas corporation (the "Registrant"). In addition, each outstanding option to purchase shares of Predecessor Corporation common stock was automatically converted into an option to purchase, upon the same terms and conditions, an identical number of shares of Registrant's common stock. Pursuant to the Merger, the Predecessor Corporation became a direct, wholly-owned subsidiary of the Registrant.

Upon completion of the Reorganization, Registrant replaced the Predecessor Corporation as the publicly-held corporation and holders of common stock of the Predecessor Corporation now hold the same number of shares and same ownership percentage of Registrant as they held of the Predecessor Corporation immediately prior to the Reorganization. Shares of Registrant's common stock trade on the NASDAQ Global Select Market under the symbol "MGPI".

This Post-Effective Amendment No. 1 to Form S-8 pertains to the adoption by Registrant of Registration No. 51849 originally covering 1,040,000 shares of Predecessor Corporation's common stock.

In accordance with Rule 414, the Registrant, as the successor issuer, expressly adopts this Registration Statement as its own for all purposes of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Part II INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed by the Registrant or the Predecessor Corporation with the Securities and Exchange Commission are incorporated herein by reference and made a part of this registration statement:

1. The Predecessor Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed with the Commission on September 2, 2011;
2. All other reports filed by the Predecessor Corporation pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since June 30, 2011;
3. Registrant's Current Reports on Form 8-K filed with the Commission on October 21, 2011; October 26, 2011; December 12, 2011; December 28, 2011 and January 5, 2012; and
4. The description of Registrant's Common Stock contained in the Predecessor Corporation's Registration Statement on Form 8-A (File No. 000-17196) filed September 23, 1988, including any amendment or report filed for the purpose of updating such description.

All documents subsequently filed by Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 (excluding any portion thereof furnished under Item 2.02 or 7.01 of Form 8-K), prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be part thereof from the date of filing of such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this registration statement to the extent that a statement herein, or in any subsequently filed document which also is or is deemed to be incorporated by reference, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this registration statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Section 17-6002(b)(8) of the Kansas General Corporation Code provides that a certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 17-6424 of the Kansas General Corporation Code (relating to liability for unauthorized acquisitions or redemptions of, or dividends on, capital stock); or (iv) for any transaction from which the director derived an improper personal benefit. The Company's restated and amended certificate of incorporation contains the provisions permitted by Section 17-6002(b)(8) of the Kansas General Corporation Code. The effect of these provisions is to eliminate the Company's and its stockholders' rights (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of the fiduciary duty of care as a director except in the situations described in clauses (i) through (iv) above. The limitations described above, however, do not affect the ability of the Company or its stockholders to seek non-monetary based remedies, such as an injunction or rescission, against a director for breach of his fiduciary duty nor would such limitations limit liability under the federal securities laws.

Under Section 17-6305 of the Kansas General Corporation Code, a corporation has the power under specified circumstances to indemnify its directors, officers, employees and agents in connection with actions, suits or proceedings brought against them by a third party or in the right of the corporation, by reason of the fact that they were or are such directors, officers, employees or agents, against expenses, judgments and other amounts incurred in any such action, suit or proceeding.

The Bylaws of the Company generally provide that each person who is or was or had agreed to become a director or officer of the Company, or each such person who is or was serving or who had agreed to serve at the request of the Company as a director or officer of another corporation, partnership, joint venture, trust, employee plan or other enterprise (including the heirs, executors, administrators or estate of such person), will be indemnified by the Company, to the fullest extent permitted from time to time by the Kansas General Corporation Code as the same exists or may hereafter be amended (but, if permitted by applicable law, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment). The right to indemnification includes the right to be paid by the Company the expenses incurred in defending any such proceeding in advance of its final disposition, provided that the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon delivery to the Company of an undertaking to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified.

Pursuant to the Bylaws, if a claim for indemnification is not paid in full by the Company within 90 days after a written claim pursuant to the preceding paragraph has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant will be entitled to be paid also the expense of prosecuting such claim. The Bylaws provide that it will be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Company) that the claimant has not met the standard of conduct which makes it permissible under the Kansas General Corporation Code for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense will be on the Company. Neither the failure of the Company (including the directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Kansas General Corporation Code, nor an actual determination by the Company (including the directors, independent legal counsel or stockholders) that the claimant has not met such applicable standard of conduct, will be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

The Bylaws provide that the right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in the Bylaws will not be exclusive of any other right which any person may have or may in the future acquire under any statute, provision of the Articles of Incorporation, the Bylaws, agreement, vote of stockholders or disinterested directors or otherwise. The Bylaws permit the Company to maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the Kansas General Corporation Code.

The Company also has entered into indemnification agreements with each of its directors and executive officers. Each indemnification agreement generally provides that the Company will indemnify the director or officer who is a party thereto (an "Indemnitee"), within 30 days of written demand, to the fullest extent permitted by law, against expenses (including interest from the date of payment by the Indemnitee until the date the Indemnitee is reimbursed), judgments, fines, penalties and amounts paid in settlement of any threatened, pending or completed action, suit or proceeding, inquiry or investigation (a "Claim") to which the Indemnitee is or is threatened to be a party, witness or other participant by reason of the fact that the Indemnitee is or was serving as a director, officer or in another fiduciary capacity of the Company or other Company related enterprise at the request of the Company, or based upon acts or omissions of the Indemnitee in such capacity or in any other capacity while serving as a director, officer or in another fiduciary capacity for the Company or a Company related enterprise. For this purpose, service as a director, officer or in another fiduciary capacity of a 20% or more Company owned entity or of an employee benefit plan of the Company or such other entity will be deemed serving at the request of the Company for a Company related enterprise.

An Indemnitee will not be entitled to indemnification under the agreement unless ordered by a court or unless the Reviewing Party (as defined below) determines that the Indemnitee met the applicable standard of conduct provided by law and that specified circumstances which would preclude indemnification under the agreement do not exist. The agreement provides for partial indemnification if the Indemnitee is entitled to indemnification for a portion of a Claim.

The agreement also provides generally for the advance of the Indemnitee's expenses within 2 business days after the Indemnitee requests the same and delivers to the Company an undertaking to repay the advance if the Indemnitee settles a proceeding without the Company's consent or if the Reviewing Party determines that the Indemnitee is not entitled to indemnification because he or she did not meet the applicable standard of conduct

If the Company has not paid a claim for indemnification or advance within 90 days of the Indemnitee's request, the Indemnitee may commence litigation to seek an initial determination of entitlement or to challenge a determination by the Reviewing Party. Neither the failure of the Reviewing Party to have made a determination nor an actual determination that the Indemnitee has not met the applicable standard of conduct shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct, and the Company will bear the burden of proof in any such proceeding that the applicable standard of conduct was not met. The Company will indemnify the Indemnitee against expense reasonably incurred in connection with any such claim for indemnity (or any claim for indemnification under any other agreement or bylaw or for recovery under any Company maintained liability insurance policy) that is successfully asserted, in whole or in part.

The Reviewing Party under the agreement is (i) the Board of Directors, acting by a majority vote of disinterested directors who are not parties to the claim, even though less than a quorum, (ii) a committee of disinterested directors designated by a majority vote of disinterested directors, even though less than a quorum or (iii) if there are no disinterested directors, or if the disinterested directors so direct, (a) independent legal counsel or (b) the shareholders. However, following a change in control, as defined (other than one approved by a majority of the persons who were directors prior to the change in control), the Reviewing Party shall be independent counsel, and the Company also is required to seek advice in the matter from special independent counsel selected by the Indemnitee and approved (or deemed approved) by the Company who has not performed services for the Company, the Indemnitee or the acquiring person for five years.

Section 13(e) of the Stock Incentive Plan of 2004 provides members of the Compensation Committee of the Board of Directors (the "Committee") and any officer or employee of the Company or a subsidiary acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified, held harmless and protected by the Company with respect to any such action or determination. Accordingly, members of the Committee and officers acting at their direction or on their behalf are entitled to indemnification and reimbursement as directors pursuant to the Company's bylaws or any agreement between the Company and its directors providing for indemnification.

The Company currently has directors and officers' liability insurance that insures directors and officers of the Company with respect to claims made for alleged "wrongful acts" in their roles as directors or officers of the Company and its subsidiaries. The insurance also insures the Company for claims against the Company's directors or officers in situations in which the Company has an obligation to indemnify its directors and officers.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

3.1 Articles of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed January 5, 2012 (File No. 0-17196)).

- 3.2 Certificate of Amendment to the Articles of Incorporation (Incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed January 5, 2012 (File No. 0-17196)).
- 3.3 Bylaws of the Company (Incorporated by reference to Exhibit 3.3 of the Company's Current Report on Form 8-K filed January 5, 2012 (file number 0-17196)).
- *4.1 Stock Incentive Plan of 1996, as amended.
- *4.2 1998 Stock Incentive Plan for Salaried Employees, as amended.
- *4.3 1996 Stock Option Plan for Outside Directors, as amended.
- *5 Opinion of Counsel as to legality of the obligations registered hereby.
- *23.1 Consent of KPMG LLP.
- *23.3 Consent of Counsel (included in the opinion filed as Exhibit 5 to this registration statement).
- *24 Powers of Attorney (included in the signature page of this registration statement).

* Filed herewith

Item 9. Undertakings.

- (a) The undersigned Registrant hereby undertakes:
 - (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
 - (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
 - (ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;
 - (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement;
 - (2) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
 - (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
 - (b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
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(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy W. Newkirk and Don Tracy and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all reports of the Registrant on this Form S-8 and to sign any and all amendments to such reports and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Post-Effective Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Atchison, Kansas, on the 9th day of January, 2012.

MGP INGREDIENTS, INC.

By: /s/ Timothy W. Newkirk

Name: Timothy W. Newkirk
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated as of January 9, 2012.

Name	Title	Date
<u>/s/ Timothy W. Newkirk</u> Timothy W. Newkirk	President and Chief Executive Officer Director	January 9, 2012
<u>/s/ Don Tracy</u> Don Tracy	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	January 9, 2012
<u>/s/Michael Braude</u> Michael Braude	Director	January 9, 2012
<u>/s/John E. Byom</u> John E. Byom	Director	January 9, 2012
<u>/s/Cloud L. Cray, Jr.</u> Cloud L. Cray, Jr.	Director	January 9, 2012
<u>/s/Gary Gradinger</u> Gary Gradinger	Director	January 9, 2012
<u>/s/Linda E. Miller</u> Linda E. Miller	Director	January 9, 2012
<u>/s/Daryl R. Schaller</u> Daryl R. Schaller	Director	January 9, 2012
<u>/s/ Karen Seaberg</u> Karen Seaberg	Director	January 9, 2012
<u>/s/John R. Speirs</u> John R. Speirs	Director and Chairman of the Board	January 9, 2012

MIDWEST GRAIN PRODUCTS, INC.

STOCK INCENTIVE PLAN OF 1996

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MIDWEST GRAIN PRODUCTS, INC.
STOCK INCENTIVE PLAN OF 1996

1. PURPOSES

The purposes of the Plan are (a) to provide additional incentive for Key Employees of the Company and its Subsidiaries by authorizing a Committee of the Board of Directors to grant stock incentives to such Key Employees, thereby furthering their identity of interest with the interests of the Company's shareholders, and increasing their interest in and commitment to the future growth and prosperity of the Company; and (b) to enable the Company to induce the employment and continued employment of Key Employees and to compete with other organizations in attracting and retaining the services of highly-qualified personnel.

2. DEFINITIONS

Unless otherwise required by the context, the following terms, when used in the Plan, shall have the meanings set forth in this Section 2.

Board of Directors or Board: The Board of Directors of the Company.

Change in Control: A Change in Control shall be deemed to have occurred upon

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

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

If any of the events enumerated in clauses (i) or (ii) occur, the Board shall determine the effective date of the Change in Control resulting therefrom, for purposes of the Plan.

The Code: The Internal Revenue Code of 1986 as now or hereafter amended.

Committee: A committee of the Board of Directors of the Company as provided in Section 10(a) of the Plan.

Common Stock: The Common Stock of the Company, no par value, or such other class of shares or other securities as may be subject to the Plan as the result of an adjustment made pursuant to the provisions of Section 8.

Company: MGP Ingredients, Inc., a Kansas corporation, provided that immediately after the effective time of the Merger such term shall mean MGPI Holdings, Inc., a Kansas corporation (it being contemplated that such company will promptly change its name after the Merger to MGP Ingredients, Inc.

Fair Market Value of a Share of Common Stock: The fair market value of a share of Common Stock on the date as of which fair market value is to be determined shall be: (a) if the Common Stock is reported on the NASDAQ National Market System of the National Association of Securities Dealers, Inc., the last reported sales price of a share of Common Stock as reported by NASDAQ; or (b) if the Common Stock is listed on an established securities exchange or exchanges, the highest reported closing price of a share of Common Stock on such exchange or exchanges. The fair market value of the Common Stock if not so reported or listed and the fair market value of any other property on the date as of which fair market value is to be determined shall mean the fair market value as determined by the Committee in its sole discretion.

Incentive Compensation: Bonuses, extra and other compensation payable in addition to a salary or other base amount, whether contingent or not, whether discretionary or required to be paid pursuant to an agreement, resolution, arrangement, plan or practice, and whether payable currently or on a deferred basis, in cash, Common Stock or other property.

Incentive Stock Option: A stock option granted hereunder which satisfies the conditions of Section 6 of the Plan, and the requirements of Section 422 of the Code.

Key Employee: A salaried, full-time employee of the Company or of a Subsidiary, including an officer or director who is an employee, who in the opinion of the Committee can contribute significantly to the growth and successful operations of the Company or a Subsidiary. The determination by the Committee that a Stock Incentive be granted to an employee shall be deemed a determination by the Committee that such employee is a Key Employee.

Mature Stock: shall mean shares of Common Stock which have been obtained through the exercise of an option under this Plan or any other plan of the Company, which are delivered to the Company in order to exercise an Option and which have been held continuously by an Optionee for six months or more.

Merger: means the merger of MGPI Merger Sub, Inc., a Kansas corporation and wholly owned subsidiary of MGPI Holdings, Inc., with the Company, pursuant to an Agreement of Merger and Plan of Reorganization among the Company, MGPI Merger Sub, Inc. and MGPI Holdings, Inc.

Option: An option to purchase shares of Common Stock or, where the context so requires, the instrument which evidences such an option as provided in paragraph (c) of Section 3 of the Plan.

Plan: The Stock Incentive Plan of 1996 herein set forth as the same may from time to time be amended.

Restricted Shares: Shares of Common Stock issued or transferred subject to terms and conditions with respect to payment or forfeiture as authorized by Section 5.

Stock Appreciation Right: A right to receive a number of shares of Common Stock, cash, or a combination of the two based on the increase in the Fair Market Value of shares of Common Stock subject to an Option, as set forth in Section 7 of the Plan.

Stock Award: An issuance or transfer of shares of Common Stock at the time a Stock Incentive is granted or as soon thereafter as practicable, or an undertaking to issue or transfer such shares in the future, including, without limitation, such an issuance, transfer or undertaking with respect to a Stock Incentive that is contingent, in whole or in part, upon the attainment of a specified objective or objectives.

Stock Incentive: A stock incentive granted under the Plan in one of the forms authorized in Section 3.

Subsidiary: A corporation or other form of business association of which shares (or other ownership interests) having 50% or more of the voting power are owned or controlled, directly or indirectly, by the Company.

3. GRANTS OF STOCK INCENTIVES.

(a) **Eligibility.** Subject to the provisions of the Plan, the Committee may at any time grant Stock Incentives under the Plan to, and only to, Key Employees who are not members of the Committee; provided that Incentive Stock Options may only be granted to a key employee who is an employee of the Company or of a subsidiary which is a corporation.

(b) **Types of Stock Incentives.** Stock Incentives may be granted in the following forms:

- (i) a Stock Award, in accordance with Section 5, or
- (ii) a Stock Option, in accordance with Section 6, or
- (iii) a Stock Appreciation Right, in accordance with Section 7, or
- (iv) a combination of any of the foregoing.

(c) **Evidence of Grant.** Each Stock Incentive shall be evidenced by a written instrument in a form prescribed by the Committee, which instrument shall be consistent with the Plan, shall incorporate the Plan by reference, and shall be signed on behalf of the Company by a person authorized by the Committee. Any such instrument may contain such additional provisions consistent with the Plan as the Committee may deem advisable.

(d) **Amendments.** The Committee may from time to time authorize the amendment of outstanding stock incentives so long as such amendments are consistent with the Plan, as amended. Without limiting the foregoing such amendments may, in the case of any outstanding stock option not immediately exercisable in full, accelerate the time in which the option may be exercised by the removal or modification of installments imposed in the initial grant of such option pursuant to Section 6(d). Any amendment shall be evidenced by a written instrument in a form prescribed by the Committee, which instrument shall be consistent with the Plan, and shall be signed on behalf of the Company by a person authorized by the Committee. Any such amendment may contain such additional provisions consistent with the Plan, as amended, as the Committee may deem advisable.

4. STOCK SUBJECT TO THE PLAN.

(a) **Number of Shares.** Subject to the provisions of paragraph (c) of this Section 4 and of Section 8, the aggregate number of shares of Common Stock which may be issued or transferred pursuant to Stock Incentives granted under the Plan shall not exceed six hundred thousand (600,000) shares of Common Stock.

(b) **Source of Shares.** Subject to the requirements of applicable Kansas law, authorized but unissued shares of Common Stock and shares of Common Stock held in the treasury, whether acquired by the Company specifically for use under the Plan or otherwise, may be used, as the Board of Directors may from time to time determine, for purposes of the Plan; provided, however, that any shares acquired or held by the Company for the purposes of the Plan shall, unless and until transferred to a Key Employee in accordance with the terms and conditions of a Stock Incentive, be and at all times remain treasury shares of the Company, available for any corporate purpose, irrespective of whether such shares are entered in a special account for purposes of the Plan.

(c) **Charges Against Plan Limit.** If any shares of Common Stock subject to a Stock Incentive shall not be issued or transferred or shall cease to be issuable or transferable under such Stock Incentive, or if any such shares shall, after issuance or transfer, be reacquired by the Company or Subsidiary because of an employee's failure to comply with or meet the terms and conditions of a Stock Incentive, such shares shall no longer be charged against the limitation provided for in paragraph (a) of this Section 4 and may again be made subject to Stock Incentives; and, only the net additional shares issued upon the exercise of a stock incentive through the delivery or withholding of shares of Common Stock in payment of the exercise price or withholding taxes shall be counted against the number of shares which are authorized for issuance under Section 3(a). The limitation provided for in paragraph (a) of this Section 4, shall also be increased by the number of shares subject to any Substitute Stock Options granted under Section 6(j). Notwithstanding the foregoing, shares shall be deemed to have been issued pursuant to an Option or Stock Award and shall be charged against the limitation provided for in paragraph (a) of this Section 4, whether actually delivered, to the extent of the number of shares covered by that portion of the related option or award granted under the Plan which is settled by the exercise of a Stock Appreciation Right or by a cash payment under a Stock Award.

(d) **Certain Limitations on Grants.** Notwithstanding any provision herein to the contrary, and subject to adjustment as provided in Section 8, no Executive Officer of the Company may receive Stock Incentives under the Plan in any calendar year that relate to more than fifty thousand (50,000) shares of Common Stock. In addition, and subject to other provisions of the plan permitting the expiration of restrictions under certain circumstances, no Stock Award shall be granted under Section 5 unless the shares subject to the Award (other than shares purchased for cash at fair market value on date of purchase under a related Stock Purchase Right) are subject to restrictions on transfer and/or ownership specified by the Committee and the restrictions continue for a period of one year from the date of grant in the case of Awards that are performance based and continue for a period of three years from the date of grant in the case of Awards that are not performance based.

5. STOCK AWARDS

Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) **Consideration.** A Stock Award shall be granted only in payment of (i) Incentive Compensation that has been earned, (ii) as Incentive Compensation to be earned, or (iii) a combination of (i) and (ii).

(b) **General.** Shares of Common Stock subject to a Stock Award may be issued or transferred to a Key Employee at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time, as the Committee shall determine. With respect to a Stock Award providing for issuance or transfer of shares subsequent to the time it is granted, the Committee may provide for payment to the grantee of amounts not exceeding the cash dividends which would have been payable in respect of such shares (as adjusted under Section 8 of the Plan) if they had been issued or transferred at the time the Stock Award was granted. Such payments may be made in cash, shares of Common Stock or a combination of cash and shares. Such payments may be made at the time the shares are issued or transferred, or at the time or times the cash dividends would have been payable if the shares had been issued or transferred at the time the Stock Award was granted. Any amount payable in shares of Common Stock under the terms of the Stock Award may be paid in cash on each date on which delivery of shares would otherwise have been made, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered.

(c) **Restrictions on Transfer, Forfeiture.** A Stock Award may contain such terms and conditions as the Committee may determine with respect to transfer, payment or forfeiture of all or any part of the Stock Award.

(d) **Other Terms.** A Stock Award may be subject to such other terms and conditions, including, without limitation, restrictions on sale or other disposition of the Stock Award or of the shares issued or transferred pursuant to the Stock Award, as the Committee may determine; provided, however, that upon the issuance or transfer of shares pursuant to a Stock Award, the recipient shall, with respect to such shares, be and become a shareholder of the Company fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Stock Award.

6. STOCK OPTIONS

Stock Incentives granted under the Plan in the form of Stock Options shall be subject to the following provisions:

(a) **Date of Grant.** The “Date of Grant” of an Option shall be the date the action of the Committee providing for the grant of the Option is taken, or such later date as the Committee may provide.

(b) **Option Price.** The price at which shares of Common Stock may be purchased under an Option (the “Option Price”) shall be specified in the Option and shall be not less than 100% of the Fair Market Value of such stock on the Date of Grant of the Option. In the case of options other than incentive stock options, the Committee may grant options at a price equal to such percentage of the Fair Market Value of the stock on the date of grant as the Committee may specify, provided that in no case shall the price be less than 100% of such Fair Market Value.

(c) **Term of Option.** An Option shall be exercisable only during a term (the “Term of the Option” or “Term”) commencing not sooner than six months and one day after the Date of Grant of the Option and ending (unless the Option shall have terminated earlier under other provisions of the Plan) on a date fixed by the Committee and stated in the Option, which date shall be an anniversary of the Date of Grant of the Option and shall not be later than the tenth anniversary. If an Option is granted for an original Term of less than ten years, the Committee may, at any time prior to the expiration of the Option, extend its Term for a period ending not later than the tenth anniversary of the Date of Grant of the Option.

(d) **Installments.** An Option may provide that it shall be exercisable in full or in part at any time during the Term of the Option, or that it shall be exercisable in a specified series of installments. Unless otherwise provided in the Option, installments or portions thereof not exercised in earlier periods shall be cumulative and shall be available for exercise in later periods. The Committee may, by so providing in an Option, require any partial exercise thereof to be with respect to a specified minimum number of shares.

(e) **Termination of Employment other than by Death or Retirement.** If an optionee shall cease, for a reason other than his death or retirement, to be employed by the Company or Subsidiary, the Option shall terminate ninety (90) days after the cessation of employment if the option is an Incentive Stock Option and not later than one year after the cessation of employment with respect to other options, unless the Incentive or other option terminates earlier by its terms or under other provisions of the Plan. Until the Option terminates it may be exercised by the optionee, his estate or legal representatives for all or a portion of the shares as to which the right of purchase had accrued under the Plan at the time of cessation of employment, subject to all applicable conditions and restrictions provided in the Plan and the Option. In no event shall an Option be exercisable later than the date of expiration of the Term of the Option, and in no event shall an Option be exercisable for any shares as to which the right of purchase had not accrued at the time of cessation of employment. Employment for the purposes of this paragraph shall mean continuous full-time salaried employment. Vacations, sick leaves and any approved absence on leave shall not constitute a termination of employment or an interruption of continuous full-time salaried employment.

(f) **Retirement.** If an optionee shall retire, the Option shall terminate on the third anniversary of such retirement, unless it terminates earlier by its terms or under other provisions of the Plan. Until the Option terminates it may be exercised by the optionee, his estate or legal representatives for all or a portion of the shares as to which the right of purchase had accrued as of the date of such exercise, subject to all applicable conditions and restrictions provided in the Plan and the Option. In no event shall an Option be exercisable later than the date of expiration of the Term of the Option, and in no event shall an Option be exercisable for any shares as to which the right of purchase had not accrued at the time of exercise. "Retirement" for purposes of paragraph 6(e) and (f) shall be defined by the Committee with respect to age, service, and other requirements. Notwithstanding the foregoing, if the option is an Incentive Stock Option, it may be exercised as an incentive stock option by the retired optionee or his estate not later than the day three months after the date of termination of his employment and by his estate not later than the first anniversary of such termination of employment if the optionee's death occurred prior to the day three months after the termination of employment.

(g) **Death.** If an optionee shall die while in the employ of the Company or a Subsidiary and if the Option was in effect at the time of his death (whether or not its terms had then commenced), the Option may, until the expiration of one year from the date of death of the optionee or until the earlier expiration of the Term of the Option, be exercised as and to the extent it could have been exercised by the optionee had he been living at the time, by the legal representatives of the optionee or by any person, persons or entity to whom his rights under the Option shall have been transferred pursuant to the provisions of paragraph (g) of Section 11 of the Plan. Such exercise shall not be limited to the shares as to which the right of purchase had accrued at the date of death of the optionee, but shall be subject to all applicable conditions and restrictions prescribed in the Plan and the Option, including any installment provision.

(h) **Exercise.** To the extent that the right to purchase shares has accrued under an Option, the Option may be exercised from time to time by the optionee or by a person or persons entitled to exercise the Option, by delivery to the Company of a written notice, in the manner and in such form as may be prescribed by the Committee, stating the number of shares with respect to which the Option is being exercised, and by making provision satisfactory to the Company for the payment in full of the Option price of the shares prior to or in connection with the delivery of certificates evidencing the shares. The Committee may, in its discretion and upon request of the Participant, issue shares of Common Stock upon the exercise of an Option directly to a brokerage firm or firms to be approved by the Company, without payment of the purchase price by the optionee but upon delivery of an irrevocable guarantee by such brokerage firm or firms of the payment of such purchase price or upon the participant's issuance to the brokerage firm of irrevocable instructions to sell or margin a sufficient portion of the shares and deliver the sale or margin loan proceeds directly to the Company to pay the exercise price and any withholding taxes. Upon receipt of such notice and payment arrangement in form satisfactory to the Company, the Company shall deliver to or upon the order of the optionee, or such other person entitled to exercise the Option, at the General Office of the Company, or at such place as shall be mutually acceptable, a certificate of certificates evidencing such shares. An Option may not be exercised for fractional shares of Common Stock. Payment in form satisfactory to the Company may, at the option of the Company, include payment by transfer to the Company of other shares of Mature Stock or other Common Stock which was not obtained through the exercise of a stock option owned by the Optionee or by the withholding of shares to be distributed in connection with the exercise of a Stock Incentive. Common Stock transferred to the Company or withheld from shares to be distributed in payment of the option price or withholding taxes shall be valued at the Fair Market Value of the Common Stock on the date of the exercise.

(i) **No Rights Before Exercise.** No person shall have any rights of a stockholder by virtue of an Option except with respect to shares actually issued to him, and issuance of shares shall not confer retroactive rights to dividends.

(j) **Substitute Options.** Options may be granted under the Plan from time to time in substitution for stock options held by employees of other corporations who are about to become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary, or the acquisition by the Company or a Subsidiary of the assets of the employing corporation, or the acquisition by the Company or a Subsidiary of stock of the employing corporation as the result of which it becomes a Subsidiary. The terms and conditions of the substitute options so granted may vary from the terms and conditions set forth in this Section 6 to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the options in substitution for which they are granted.

(k) **Certain Limits on Incentive Stock Options.** In the case of Incentive Stock Options, the amounts, terms and conditions of such grants shall be subject to and comply with the requirements for Incentive Stock Options as set forth in Section 422 of the Code, as from time to time amended, and any regulations implementing such statute.

7. STOCK APPRECIATION RIGHTS.

(a) **Grant.** Stock Appreciation Rights may be granted in connection with any Option granted under the Plan, either at the time of the grant of such Option or at any time thereafter during the term of the Option. A grant of Stock Appreciation Rights shall either be included in the instrument evidencing the Option to which they relate or evidenced by a separate instrument meeting the requirements of Section 3 of the Plan.

(b) **Settlement.** A person entitled to exercise an Option in connection with which Stock Appreciation Rights shall have been granted shall be entitled, at such time or times and subject to such terms and conditions as may be stated in the granting instrument, to settle all or part of the Option by requesting the Company to pay, in cancellation of the part of the Option to be settled, consideration in an amount equal to the number of shares of Common Stock subject to the canceled part of the Option times the amount by which the fair market value of one share on the exercise date exceeds the Option Price (the "Appreciation"). The election shall be made in a written instrument, in form satisfactory to the Committee, delivered in the manner prescribed in Section 6(h) for the exercise of options.

(c) **Form of Consideration.** The form of the consideration to be paid for the Appreciation shall either be cash, shares of Common Stock having an aggregate market value on the exercise date equal to the Appreciation, or a combination of cash and shares. Such form of consideration shall be specified either by the Committee or, subject to the approval of the Committee, by the person exercising the Stock Appreciation Right, provided that such form of consideration shall in no event include fractional shares of Common Stock.

(d) **Provisions in a Related Option.** An Option in connection with which Stock Appreciation Rights are granted may prescribe or limit the period or periods of time during which the Stock Appreciation Rights may be exercised as provided in paragraph (b) of this Section 7, and may prescribe such additional terms and conditions applicable to the exercise of the Stock Appreciation Rights as may be determined by the Committee and as are consistent with the Plan. In no event may Stock Appreciation rights be exercised at a time when the Option in connection with which they were granted is not exercisable.

8. ADJUSTMENT PROVISIONS

In the event of a reorganization of the Company, an equitable adjustment shall be made in: (a) the number and class of shares or other securities that may be issued or transferred pursuant to Stock Incentives in the aggregate or to any individual, (b) the number and class of shares or other securities which have not been issued or transferred under outstanding Stock Incentives, (c) the purchase price to be paid per share under outstanding Options, and (d) the price to be paid per share by the Company or a subsidiary for shares or other securities issued or transferred pursuant to Stock Incentives which are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities. For this purpose, a "reorganization" shall be deemed to have occurred in the event:

- (i) any recapitalization, reclassification, split-up or consolidation of shares of Common Stock shall be effected;
- (ii) the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or the acquisition by another corporation of Common Stock or of all or part of the assets of the Company, exchanged for a different number or class of shares of stock or other securities of the Company or for shares of the stock or other securities of another corporation;
- (iii) new, different or additional shares or other securities of the Company or of another corporation are received by the holders of Common Stock with respect to such stock; or
- (iv) any distribution other than a cash dividend is made to the holders of Common Stock.

The Committee may also unilaterally amend outstanding stock incentives to remove restrictions or otherwise change the terms of outstanding stock incentives to permit such incentives to be substituted for comparable incentives to be provided by any entity which assumes the Company's obligations with respect to such outstanding stock incentives upon terms and conditions approved by the Board of Directors or Stockholders.

In the event of any other change in the capital structure or in the capital stock of the Company, the Committee shall be authorized to make such appropriate adjustments in the maximum number of shares of Common Stock available for issuance under the Plan in the aggregate or to any individual and any adjustments and/or modifications to outstanding Stock Incentives as it deems appropriate.

The action of the Committee in approving any adjustment or change contemplated by this Section 8 shall be conclusively deemed to be equitable, appropriate, fair and/or comparable and shall be binding on all persons holding rights under the Plan.

9. TERM

(a) **Effective Date.** The Plan shall be effective as of January 5, 1996, subject to approval by the affirmative vote of the holders of a majority of the shares of the Company's Common Stock present or represented, and entitled to vote at a meeting duly held in accordance with applicable law within one year after such effective date.

(b) **Expiration Date.** No Stock Incentives shall be granted under the Plan after January 4, 2006. Unless otherwise expressly provided in the Plan or in an applicable award agreement, any Stock Incentive granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Stock Incentive shall, continue after the authority for grant of new Stock Incentives hereunder has been exhausted.

10. ADMINISTRATION.

(a) **Composition of Committee.** The Plan shall be administered by the Committee which shall be composed solely of two or more non-employee or "outside" directors as defined by Section 162(m) of the Code and the regulations promulgated thereunder and Rule 16b-3(b)(3) of the Securities and Exchange Commission (or any successor rule or statute at the time in effect). Any member of the Committee shall automatically cease to be a member of the Committee at such time as such person ceases to qualify as a "non-employee" or "outside" director as so defined and any vote cast by such person while so disqualified to act shall be deemed a nullity and shall not adversely affect any vote cast or action taken pursuant to the affirmative votes of a majority of the remaining members of the Committee who at such time were not so disqualified.

(b) **Delegation of Board Authority.** The Board of Directors may delegate to the Committee any or all its authority under the Plan, including the authority to award Stock Incentives, but excluding the authority to amend or discontinue the Plan.

(c) **Rules, etc.** The Committee may establish such rules and regulations and may construe, interpret and further define terms used in the Plan so long as such rules, regulations and other actions are not inconsistent with the provisions of the Plan and are otherwise believed to be necessary or appropriate to promote the purposes of the Plan, and may amend or revoke the same. All such rules, regulations, determinations, definitions and interpretations shall be binding and conclusive upon all persons granted stock incentives under the Plan, the Company, its Subsidiaries, its stockholders and all employees; upon their respective legal representatives, beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them.

(d) **Limited Liability.** No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Stock Incentive granted under the Plan, and shall incur no liability except for willful misconduct in the performance of their duties.

11. GENERAL PROVISIONS

(a) **No right to Continued Employment.** Nothing in the Plan nor in any instrument executed pursuant thereto shall confer upon any employee any right to continue in the employ of the Company or a Subsidiary or shall affect the right of the Company or of a Subsidiary to terminate the employment of any employee with or without cause.

(b) **Legal Requirements for Transfers.** No shares of Common Stock shall be issued or transferred pursuant to a Stock Incentive unless the Company is satisfied that there has been compliance with all legal requirements applicable to the issuance or transfer of such shares. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Company, give assurances satisfactory to the Company that the shares are being acquired for investment and not with a view to resale or distribution thereof and assurances in respect of such other matters as the Company may deem desirable to assure compliance with all applicable legal requirements.

(c) **No Rights in shares Before Issue or Transfer.** No employee (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of the Plan or subject to any Stock Incentive, except as to such shares of Common Stock, if any, as shall have been issued or transferred to him.

(d) **Grants to Prospective Key Employees.** The Company or Subsidiary may, with the approval of the Committee, enter into an agreement or other commitment to grant a Stock Incentive in the future to a person who is or will be at the time of grant a Key Employee, and, notwithstanding any other provision of the Plan, any such agreement or commitment shall not be deemed the grant of a Stock Incentive until the date on which the Committee takes action to implement such agreement or commitment, which date shall for the purpose of the Plan be the date of grant.

(e) **Implementation by subsidiary.** In the case of a grant of a Stock Incentive to any employee of a Subsidiary, such grant may, if the Committee so directs, be implemented by the Company issuing or transferring the shares, if any, covered by the Stock Incentive to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the shares to the employee in accordance with the terms of the Stock Incentive. Notwithstanding any other provision hereof, such Stock Incentive may be issued by and in the name of the Subsidiary and shall be deemed granted on the date it is approved by the Committee or on such later date as the Committee shall specify.

(f) **Taxes.** The Company or a Subsidiary may make such provisions as it may deem appropriate for the withholding and payment of any taxes which the Company or Subsidiary determines it is required to withhold or which the employee deems to be payable in connection with any Stock Incentive. Such provisions may include a requirement that all or part of the amount of such taxes be paid to the Company or Subsidiary, in cash or by transfer to the Company of shares of Mature Stock or other Stock which was not obtained through the exercise of a stock option owned by the employee, or by the withholding of cash or shares of Common Stock payable to the employee under the stock incentive, or by any combination of the foregoing. To the extent that tax provisions are satisfied with shares of the Company's Common Stock, such stock shall be valued at Fair Market Value on the appropriate transaction date.

(g) **No Assignments.** No Stock Incentive and no rights under a Stock Incentive or under the Plan, contingent or otherwise, shall, by operation of law or otherwise, be transferable or assignable or subject to any encumbrance, pledge, hypothecation or charge of any nature, or to execution, attachment or other legal process, except that, in the event of the death of the holder of a Stock Incentive, the holder's rights under the Stock Incentive may pass, as provided by law, to the legal representatives of the holder, and such legal representatives may transfer any rights in respect of such Stock Incentive to the person or persons or entity (including a trust) entitled thereto under the will of the holder of such Stock Incentive, or in the case of intestacy, under the applicable laws relating to intestacy. During the life of a holder of a Stock Incentive, the Stock Incentive shall be exercisable only by such holder. Notwithstanding the foregoing, a Stock Incentive may be transferable, to the extent set forth in the applicable award agreement.

(h) **No Restriction on Other Plans.** Nothing in the Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without limitation, any retirement, pension, profit-sharing, insurance, stock purchase, incentive compensation or bonus plan.

(i) **Applicable Law.** The place of administration of the Plan shall conclusively be deemed to be within the State of Kansas and the validity, construction, interpretation and administration of the Plan and of any rules and regulations or determinations or decisions made thereunder, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be governed by and be determined exclusively and solely in accordance with, the laws of the State of Kansas. Without limiting the generality of the foregoing, the period within which any action arising under or in connection with the Plan, or any payment or award made or purportedly made under or in connection therewith, must be commenced, shall be governed by the laws of the State of Kansas, irrespective of the place where the act or omission complained of took place and of the residence of any party to such action and irrespective of the place where the action may be brought.

12. AMENDMENT OR DISCONTINUANCE OF PLAN

(a) **Amendments.** The Plan may be amended by the Board of Directors at any time, provided that without the affirmative vote of the holders of a majority of the shares of the Company's Common Stock and a vote of the holders of a majority of the Company's Preferred Stock present or represented, and entitled to vote at a meeting duly held in accordance with applicable law, no amendment shall be made which (i) increases the aggregate number of shares of Common Stock that may be issued or transferred pursuant to Stock Incentives as provided in paragraph (a) of Section 4, (ii) permits any person who is not determined to be a Key Employee to be granted a Stock Incentive, (iii) amends the provisions of paragraph (b) of Section 6, (iv) amends Section 9 to extend the term of the Plan, or (v) amends this Section 12.

(b) **Plan Termination.** The Board of Directors may by resolution adopted by a majority of the entire Board of Directors discontinue the Plan.

(c) **Effect of Amendment or Termination.** No amendment or discontinuance of the Plan by the Board of Directors or the shareholders of the Company shall adversely affect, without the consent of the holder thereof, any Stock Incentive theretofore granted.

13. CHANGE IN CONTROL.

Unless the Committee shall otherwise provide in the award agreement relating to a Stock Incentive granted under the Plan, upon the occurrence of a Change in Control:

(a) In the case of Stock Options and Stock Appreciation Rights granted under the Plan (i) each outstanding option or right that is not then fully exercisable shall automatically become fully exercisable until the termination of the option exercise period of the option or right [as modified by subsection (ii) that follows], and (ii) in the event the Participant's employment is terminated within two years after a Change in Control, his or her outstanding options or rights at that date of termination shall be immediately exercisable for a period of three months following such termination, provided, however, that, to the extent the option or right by its terms otherwise permits a longer option exercise period after such termination, such longer period shall govern, and provided further that in no event shall such option or right be exercisable more than ten years after the date of grant; and

(b) Any restrictions and provisions for forfeiture on all outstanding Stock Awards shall automatically expire and immediately lapse and all such awards shall be immediately and fully vested.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on its adoption by the Board, provided, however, the Plan shall be submitted for approval by the holders of a majority of the shares of the Company's Common Stock and by the holders of a majority of the shares of the Company's Preferred Stock, present or represented and entitled to vote at a meeting duly held in accordance with applicable law prior to the first anniversary of such adoption by the Board. Any Stock Incentive granted prior to stockholder approval of the Plan shall become null and void if such approval is not obtained before the first anniversary of the effective date. Such grants shall also contain provisions for the return or cancellation of benefits if such stockholder approval is not obtained.

MIDWEST GRAIN PRODUCTS, INC.
1998 STOCK INCENTIVE PLAN FOR SALARIED EMPLOYEES

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MIDWEST GRAIN PRODUCTS, INC.
1998 STOCK INCENTIVE PLAN FOR SALARIED EMPLOYEES

1. PURPOSES

The purposes of the Plan are (a) to provide additional incentive for Salaried Employees of the Company and its Subsidiaries by authorizing a Committee of the Board of Directors to grant stock incentives to such Salaried Employees, thereby furthering their identity of interest with the interests of the Company's shareholders, and increasing their interest in and commitment to the future growth and prosperity of the Company; and (b) to enable the Company to induce the employment and continued employment of Salaried Employees and to compete with other organizations in attracting and retaining the services of highly-qualified personnel.

2. DEFINITIONS

Unless otherwise required by the context, the following terms, when used in the Plan, shall have the meanings set forth in this Section 2.

Board of Directors or Board: The Board of Directors of the Company.

The Code: The Internal Revenue Code of 1986 as now or hereafter amended.

Committee: A committee of the Board of Directors of the Company as provided in Section 10(a) of the Plan.

Common Stock: The Common Stock of the Company, no par value, or such other class of shares or other securities as may be subject to the Plan as the result of an adjustment made pursuant to the provisions of Section 8.

Company: MGP Ingredients, Inc., a Kansas corporation, provided that immediately after the effective time of the Merger such term shall mean MGPI Holdings, Inc., a Kansas corporation (it being contemplated that such company will promptly change its name after the Merger to MGP Ingredients, Inc.

Fair Market Value of a Share of Common Stock: The fair market value of a share of Common Stock on the date as of which fair market value is to be determined shall be: (a) if the Common Stock is reported on the NASDAQ National Market System of the National Association of Securities Dealers, Inc., the last reported sales price of a share of Common Stock as reported by NASDAQ; or (b) if the Common Stock is listed on an established securities exchange or exchanges, the highest reported closing price of a share of Common Stock on such exchange or exchanges. The fair market value of the Common Stock if not so reported or listed and the fair market value of any other property on the date as of which fair market value is to be determined shall mean the fair market value as determined by the Committee in its sole discretion.

Incentive Compensation: Bonuses, extra and other compensation payable in addition to a salary or other base amount, whether contingent or not, whether discretionary or required to be paid pursuant to an agreement, resolution, arrangement, plan or practice, and whether payable currently or on a deferred basis, in cash, Common Stock or other property.

Incentive Stock Option: A stock option granted hereunder which satisfies the conditions of Section 6 of the Plan, and the requirements of Section 422 of the Code.

Salaried Employee: A salaried, full-time employee of the Company or of a Subsidiary, including an officer or director who is an employee.

Mature Stock: shall mean shares of Common Stock which have been obtained through the exercise of an option under this Plan or any other plan of the Company, which are delivered to the Company in order to exercise an Option and which have been held continuously by an Optionee for six months or more.

Merger: means the merger of MGPI Merger Sub, Inc., a Kansas corporation and wholly owned subsidiary of MGPI Holdings, Inc., with the Company, pursuant to an Agreement of Merger and Plan of Reorganization among the Company, MGPI Merger Sub, Inc. and MGPI Holdings, Inc.

Option: An option to purchase shares of Common Stock or, where the context so requires, the instrument which evidences such an option as provided in paragraph (c) of Section 3 of the Plan.

Plan: The 1998 Stock Incentive Plan for Salaried Employees herein set forth as the same may from time to time be amended.

Restricted Shares: Shares of Common Stock issued or transferred subject to terms and conditions with respect to payment or forfeiture as authorized by Section 5.

Stock Appreciation Right: A right to receive a number of shares of Common Stock, cash, or a combination of the two based on the increase in the Fair Market Value of shares of Common Stock subject to an Option, as set forth in Section 7 of the Plan.

Stock Award: An issuance or transfer of shares of Common Stock at the time a Stock Incentive is granted or as soon thereafter as practicable, or an undertaking to issue or transfer such shares in the future, including, without limitation, such an issuance, transfer or undertaking with respect to a Stock Incentive that is contingent, in whole or in part, upon the attainment of a specified objective or objectives.

Stock Incentive: A stock incentive granted under the Plan in one of the forms authorized in Section 3.

Subsidiary: A corporation or other form of business association of which shares (or other ownership interests) having 50% or more of the voting power are owned or controlled, directly or indirectly, by the Company.

3. GRANTS OF STOCK INCENTIVES.

(a) **Eligibility.** Subject To The Provisions Of The Plan, The Committee May At Any Time Grant Stock Incentives Under The Plan To, And Only To, Salaried Employees Who Are Not Members Of The Committee. Subject To Express Limitations Contained In The Plan, Conditions Governing The Grant Of Incentive Stock Options And Applicable Federal And State Laws Governing Discrimination Based On Age, Sex, Race, National Origin, Disability And The Like, The Committee May Exercise Complete Discretion With Respect To (A) The Number And Amount Of Stock Incentives To Be Granted, (B) The Timing And Frequency Of Any Grant, (C) The Identification Of Salaried Employees To Receive Grants Under The Plan And To Thereby Participate In A Grant ("Participant"), (D) The Amount Of Incentives To Be Granted To A Participant And The Terms And Conditions To Be Established For Each Grant. In Exercising Such Discretion, The Committee May Take Into Account All Legally Cognizable Factors, Including Without Limitation, Factors Such As The Participant's Performance And Length Of Service, Recommendations Of Supervisors, Management And Other Superiors, The Performance Of Business Units, Departments Or Divisions Within Which The Participant Is Employed, And The Financial Condition And Performance Of The Company As A Whole. The Committee May Also Grant Options Individually Or To Specified Classes Or Groups Of Persons And Thereby Exclude Other Individuals, Classes Or Groups That May Otherwise Be Eligible To Participate In An Option Grant. Nothing Contained In This Plan Is To Be Construed As Providing Any Salaried Employee With Any Right To Receive Any Stock Incentive Simply By Virtue Of Such Person's Being Or Achieving The Status Of A Salaried Employee

(b) **Types of Stock Incentives.** Stock Incentives may be granted in the following forms:

- (i) a Stock Award, in accordance with Section 5, or
- (ii) a Stock Option, in accordance with Section 6, or
- (iii) a Stock Appreciation Right, in accordance with Section 7, or
- (iv) a combination of any of the foregoing.

(c) **Evidence of Grant.** Each Stock Incentive shall be evidenced by a written instrument in a form prescribed by the Committee, which instrument shall be consistent with the Plan, shall incorporate the Plan by reference, and shall be signed on behalf of the Company by a person authorized by the Committee. Any such instrument may contain such additional provisions consistent with the Plan as the Committee may deem advisable.

(d) **Amendments.** The Committee may from time to time authorize the amendment of outstanding stock incentives so long as such amendments are consistent with the Plan, as amended. Without limiting the foregoing such amendments may, in the case of any outstanding stock option not immediately exercisable in full, accelerate the time in which the option may be exercised by the removal or modification of installments imposed in the initial grant of such option pursuant to Section 6(d). Any amendment shall be evidenced by a written instrument in a form prescribed by the Committee, which instrument shall be consistent with the Plan, and shall be signed on behalf of the Company by a person authorized by the Committee. Any such amendment may contain such additional provisions consistent with the Plan, as amended, as the Committee may deem advisable.

4. STOCK SUBJECT TO THE PLAN.

(a) **Number of Shares.** Subject to the provisions of paragraph (c) of this Section 4 and of Section 8, the aggregate number of shares of Common Stock which may be issued or transferred pursuant to Stock Incentives granted under the Plan shall not exceed three hundred thousand (300,000) shares of Common Stock.

(b) **Source of Shares.** Subject to the requirements of applicable Kansas law, authorized but unissued shares of Common Stock and shares of Common Stock held in the treasury, whether acquired by the Company specifically for use under the Plan or otherwise, may be used, as the Board of Directors may from time to time determine, for purposes of the Plan; provided, however, that any shares acquired or held by the Company for the purposes of the Plan shall, unless and until transferred to a Salaried Employee in accordance with the terms and conditions of a Stock Incentive, be and at all times remain treasury shares of the Company, available for any corporate purpose, irrespective of whether such shares are entered in a special account for purposes of the Plan.

(c) **Charges Against Plan Limit.** If any shares of Common Stock subject to a Stock Incentive shall not be issued or transferred or shall cease to be issuable or transferable under such Stock Incentive, or if any such shares shall, after issuance or transfer, be reacquired by the Company or Subsidiary because of an employee's failure to comply with or meet the terms and conditions of a Stock Incentive, such shares shall no longer be charged against the limitation provided for in paragraph (a) of this Section 4 and may again be made subject to Stock incentives; and, only the net additional shares issued upon the exercise of a stock incentive through the delivery or withholding of shares of Common Stock in payment of the exercise price or withholding taxes shall be counted against the number of shares which are authorized for issuance under Section 3(a). The limitation provided for in paragraph (a) of this Section 4, shall also be increased by the number of shares subject to any Substitute Stock Options granted under Section 6(j). Notwithstanding the foregoing, shares shall be deemed to have been issued pursuant to an Option or Stock Award and shall be charged against the limitation provided for in paragraph (a) of this Section 4, whether actually delivered, to the extent of the number of shares covered by that portion of the related option or award granted under the Plan which is settled by the exercise of a Stock Appreciation Right or by a cash payment under a Stock Award.

(d) **Certain Limitations on Grants.** Notwithstanding any provision herein to the contrary, and subject to adjustment as provided in Section 8, no Executive Officer of the Company may receive Stock Incentives under the Plan in any calendar year that relate to more than fifty thousand (50,000) shares of Common Stock. In addition, and subject to other provisions of the plan permitting the expiration of restrictions under certain circumstances, no Stock Award shall be granted under Section 5 unless the shares subject to the Award (other than shares purchased for cash at fair market value on date of purchase under a related Stock Purchase Right) are subject to restrictions on transfer and/or ownership specified by the Committee and the restrictions continue for a period of one year from the date of grant in the case of Awards that are performance based and continue for a period of three years from the date of grant in the case of Awards that are not performance based.

5. STOCK AWARDS

Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) **Consideration.** A Stock Award shall be granted only in payment of (i) Incentive Compensation that has been earned, (ii) as Incentive Compensation to be earned, or (iii) a combination of (i) and (ii).

(b) **General.** Shares of Common Stock subject to a Stock Award may be issued or transferred to a Salaried Employee at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time, as the Committee shall determine. With respect to a Stock Award providing for issuance or transfer of shares subsequent to the time it is granted, the Committee may provide for payment to the grantee of amounts not exceeding the cash dividends which would have been payable in respect of such shares (as adjusted under Section 8 of the Plan) if they had been issued or transferred at the time the Stock Award was granted. Such payments may be made in cash, shares of Common Stock or a combination of cash and shares. Such payments may be made at the time the shares are issued or transferred, or at the time or times the cash dividends would have been payable if the shares had been issued or transferred at the time the Stock Award was granted. Any amount payable in shares of Common Stock under the terms of the Stock Award may be paid in cash on each date on which delivery of shares would otherwise have been made, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered.

(c) **Restrictions on Transfer, Forfeiture.** A Stock Award may contain such terms and conditions as the Committee may determine with respect to transfer, payment or forfeiture of all or any part of the Stock Award.

(d) **Other Terms.** A Stock Award may be subject to such other terms and conditions, including, without limitation, restrictions on sale or other disposition of the Stock Award or of the shares issued or transferred pursuant to the Stock Award, as the Committee may determine; provided, however, that upon the issuance or transfer of shares pursuant to a Stock Award, the recipient shall, with respect to such shares, be and become a shareholder of the Company fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Stock Award.

6. STOCK OPTIONS

Stock Incentives granted under the Plan in the form of Stock Options shall be subject to the following provisions:

(a) **Date of Grant.** The “Date of Grant” of an Option shall be the date the action of the Committee providing for the grant of the Option is taken, or such later date as the Committee may provide.

(b) **Option Price.** The price at which shares of Common Stock may be purchased under an Option (the “Option Price”) shall be specified in the Option and shall be not less than 100% of the Fair Market Value of such stock on the Date of Grant of the Option. In the case of options other than incentive stock options, the Committee may grant options at a price equal to such percentage of the Fair Market Value of the stock on the date of grant as the Committee may specify, provided that in no case shall the price be less than 100% of such Fair Market Value.

(c) **Term of Option.** An Option shall be exercisable only during a term (the “Term of the Option” or “Term”) commencing not sooner than six months and one day after the Date of Grant of the Option and ending (unless the Option shall have terminated earlier under other provisions of the Plan) on a date fixed by the Committee and stated in the Option, which date shall be an anniversary of the Date of Grant of the Option and shall not be later than the tenth anniversary. If an Option is granted for an original Term of less than ten years, the Committee may, at any time prior to the expiration of the Option, extend its Term for a period ending not later than the tenth anniversary of the Date of Grant of the Option.

(d) **Installments.** An Option may provide that it shall be exercisable in full or in part at any time during the Term of the Option, or that it shall be exercisable in a specified series of installments. Unless otherwise provided in the Option, installments or portions thereof not exercised in earlier periods shall be cumulative and shall be available for exercise in later periods. The Committee may, by so providing in an Option, require any partial exercise thereof to be with respect to a specified minimum number of shares.

(c) **Termination of Employment other than by Death or Retirement.** The provisions set forth in this subsection shall apply, unless the Committee otherwise specifies in the Award or unless the Option is intended to be an Incentive Stock Option. If an optionee shall cease, for a reason other than his death or retirement, to be employed by the Company or Subsidiary, the Option shall terminate ninety (90) days after the cessation of employment if the option is an Incentive Stock Option and not later than one year after the cessation of employment with respect to other options, unless the Incentive or other option terminates earlier by its terms or under other provisions of the Plan. Until the Option terminates it may be exercised by the optionee, his estate or legal representatives for all or a portion of the shares as to which the right of purchase had accrued under the Plan at the time of cessation of employment, subject to all applicable conditions and restrictions provided in the Plan and the Option. In no event shall an Option be exercisable later than the date of expiration of the Term of the Option, and in no event shall an Option be exercisable for any shares as to which the right of purchase had not accrued at the time of cessation of employment. Employment for the purposes of this paragraph shall mean continuous full-time salaried employment. Vacations, sick leaves and any approved absence on leave shall not constitute a termination of employment or an interruption of continuous full-time salaried employment.

(f) **Retirement.** The provisions set forth in this subsection shall apply, unless the Committee otherwise specifies in the Award or unless the Option is intended to be an Incentive Stock Option. If an optionee shall retire, the Option shall terminate on the third anniversary of such retirement, unless it terminates earlier by its terms or under other provisions of the Plan. Until the Option terminates it may be exercised by the optionee, his estate or legal representatives for all or a portion of the shares as to which the right of purchase had accrued as of the date of such exercise, subject to all applicable conditions and restrictions provided in the Plan and the Option. In no event shall an Option be exercisable later than the date of expiration of the Term of the Option, and in no event shall an Option be exercisable for any shares as to which the right of purchase had not accrued at the time of exercise. "Retirement" for purposes of paragraph 6(e) and (f) shall be defined by the Committee with respect to age, service, and other requirements. Notwithstanding the foregoing, if the option is an Incentive Stock Option, it may be exercised as an incentive stock option by the retired optionee or his estate not later than the day three months after the date of termination of his employment and by his estate not later than the first anniversary of such termination of employment if the optionee's death occurs red prior to the day three months after the termination of employment.

(g) **Death.** If an optionee shall die while in the employ of the Company or a Subsidiary and if the Option was in effect at the time of his death (whether or not its terms had then commenced), the Option may, until the expiration of one year from the date of death of the optionee or until the earlier expiration of the Term of the Option, be exercised as and to the extent it could have been exercised by the optionee had he been living at the time, by the legal representatives of the optionee or by any person, persons or entity to whom his rights under the Option shall have been transferred pursuant to the provisions of paragraph (g) of Section 11 of the Plan. Such exercise shall not be limited to the shares as to which the right of purchase had accrued at the date of death of the optionee, but shall be subject to all applicable conditions and restrictions prescribed in the Plan and the Option, including any installment provision.

(h) **Exercise.** To the extent that the right to purchase shares has accrued under an Option, the Option may be exercised from time to time by the optionee or by a person or persons entitled to exercise the Option, by delivery to the Company of a written notice, in the manner and in such form as may be prescribed by the Committee, stating the number of shares with respect to which the Option is being exercised, and by making provision satisfactory to the Company for the payment in full of the Option price of the shares prior to or in connection with the delivery of certificates evidencing the shares. The Committee may, in its discretion and upon request of the Participant, issue shares of Common Stock upon the exercise of an Option directly to a brokerage firm or firms to be approved by the Company, without payment of the purchase price by the optionee but upon delivery of an irrevocable guarantee by such brokerage firm or firms of the payment of such purchase price or upon the participant's issuance to the brokerage firm of irrevocable instructions to sell or margin a sufficient portion of the shares and deliver the sale or margin loan proceeds directly to the Company to pay the exercise price and any withholding taxes. Upon receipt of such notice and payment arrangement in form satisfactory to the Company, the Company shall deliver to or upon the order of the optionee, or such other person entitled to exercise the Option, at the General Office of the Company, or at such place as shall be mutually acceptable, a certificate of certificates evidencing such shares. An Option may not be exercised for fractional shares of Common Stock. Payment in form satisfactory to the Company may, at the option of the Company, include payment by transfer to the Company of other shares of Mature Stock or other Common Stock which was not obtained through the exercise of a stock option owned by the Optionee or by the withholding of shares to be distributed in connection with the exercise of a Stock Incentive. Common Stock transferred to the Company or withheld from shares to be distributed in payment of the option price or withholding taxes shall be valued at the Fair Market Value of the Common Stock on the date of the exercise.

(i) **No Rights Before Exercise.** No person shall have any rights of a stockholder by virtue of an Option except with respect to shares actually issued to him, and issuance of shares shall not confer retroactive rights to dividends.

(j) **Substitute Options.** Options may be granted under the Plan from time to time in substitution for stock options held by employees of other corporations who are about to become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary, or the acquisition by the Company or a Subsidiary of the assets of the employing corporation, or the acquisition by the Company or a Subsidiary of stock of the employing corporation as the result of which it becomes a Subsidiary. The terms and conditions of the substitute options so granted may vary from the terms and conditions set forth in this Section 6 to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the options in substitution for which they are granted.

(k) **Certain Limits on Incentive Stock Options.** In the case of Incentive Stock Options, the amounts, terms and conditions of such grants shall be subject to and comply with the requirements for Incentive Stock Options as set forth in Section 422 of the Code, as from time to time amended, and any regulations implementing such statute.

7. STOCK APPRECIATION RIGHTS.

(a) **Grant.** Stock Appreciation Rights may be granted in connection with any Option granted under the Plan, either at the time of the grant of such Option or at any time thereafter during the term of the Option. A grant of Stock Appreciation Rights shall either be included in the instrument evidencing the Option to which they relate or evidenced by a separate instrument meeting the requirements of Section 3 of the Plan.

(b) **Settlement.** A person entitled to exercise an Option in connection with which Stock Appreciation Rights shall have been granted shall be entitled, at such time or times and subject to such terms and conditions as may be stated in the granting instrument, to settle all or part of the Option by requesting the Company to pay, in cancellation of the part of the Option to be settled, consideration in an amount equal to the number of shares of Common Stock subject to the canceled part of the Option times the amount by which the fair market value of one share on the exercise date exceeds the Option Price (the "Appreciation"). The election shall be made in a written instrument, in form satisfactory to the Committee, delivered in the manner prescribed in Section 6(h) for the exercise of options.

(c) **Form of Consideration.** The form of the consideration to be paid for the Appreciation shall either be cash, shares of Common Stock having an aggregate market value on the exercise date equal to the Appreciation, or a combination of cash and shares. Such form of consideration shall be specified either by the Committee or, subject to the approval of the Committee, by the person exercising the Stock Appreciation Right, provided that such form of consideration shall in no event include fractional shares of Common Stock.

(d) **Provisions in a Related Option.** An Option in connection with which Stock Appreciation Rights are granted may prescribe or limit the period or periods of time during which the Stock Appreciation Rights may be exercised as provided in paragraph (b) of this Section 7, and may prescribe such additional terms and conditions applicable to the exercise of the Stock Appreciation Rights as may be determined by the Committee and as are consistent with the Plan. In no event may Stock Appreciation rights be exercised at a time when the Option in connection with which they were granted is not exercisable.

8. ADJUSTMENT PROVISIONS

In the event of a reorganization of the Company, an equitable adjustment shall be made in: (a) the number and class of shares or other securities that may be issued or transferred pursuant to Stock Incentives in the aggregate or to any individual, (b) the number and class of shares or other securities which have not been issued or transferred under outstanding Stock Incentives, (c) the purchase price to be paid per share under outstanding Options, and (d) the price to be paid per share by the Company or a subsidiary for shares or other securities issued or transferred pursuant to Stock Incentives which are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities. For this purpose, a "reorganization" shall be deemed to have occurred in the event:

- (i) any recapitalization, reclassification, split-up or consolidation of shares of Common Stock shall be effected;
- (ii) the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or the acquisition by another corporation of Common Stock or of all or part of the assets of the Company, exchanged for a different number or class of shares of stock or other securities of the Company or for shares of the stock or other securities of another corporation;

- (iii) new, different or additional shares or other securities of the Company or of another corporation are received by the holders of Common Stock with respect to such stock, or
- (iv) any distribution other than a cash dividend is made to the holders of Common Stock.

The Committee may also unilaterally amend outstanding stock incentives to remove restrictions or otherwise change the terms of outstanding stock incentives to permit such incentives to be substituted for comparable incentives to be provided by any entity which assumes the Company's obligations with respect to such outstanding stock incentives upon terms and conditions approved by the Board of Directors or Stockholders.

In the event of any other change in the capital structure or in the capital stock of the Company, the Committee shall be authorized to make such appropriate adjustments in the maximum number of shares of Common Stock available for issuance under the Plan in the aggregate or to any individual and any adjustments and/or modifications to outstanding Stock Incentives as it deems appropriate.

The action of the Committee in approving any adjustment or change contemplated by this Section 8 shall be conclusively deemed to be equitable, appropriate, fair and/or comparable and shall be binding on all persons holding rights under the Plan.

9. TERM

(a) **Effective Date.** The Plan shall be effective as of March 5, 1998, subject to approval by the affirmative vote of the holders of a majority of the shares of the Company's Common Stock present or represented, and entitled to vote at a meeting duly held in accordance with applicable law within one year after such effective date.

(b) **Expiration Date.** No Stock Incentives shall be granted under the Plan after March 4, 2008. Unless otherwise expressly provided in the Plan or in an applicable award agreement, any Stock Incentive granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Stock Incentive shall, continue after the authority for grant of new Stock Incentives hereunder has been exhausted.

10. ADMINISTRATION.

(a) **Composition of Committee.** The Plan shall be administered by the Committee which shall be composed solely of two or more non-employee or "outside" directors as defined by Section 162(m) of the Code and the regulations promulgated thereunder and Rule 16b-3(b)(3) of the Securities and Exchange Commission (or any successor rule or statute at the time in effect). Any member of the Committee shall automatically cease to be a member of the Committee at such time as such person ceases to qualify as a "non-employee" or "outside" director as so defined and any vote cast by such person while so disqualified to act shall be deemed a nullity and shall not adversely affect any vote cast or action taken pursuant to the affirmative votes of a majority of the remaining members of the Committee who at such time were not so disqualified.

(b) **Delegation of Board Authority.** The Board of Directors may delegate to the Committee any or all its authority under the Plan, including the authority to award Stock Incentives, but excluding the authority to amend or discontinue the Plan.

(c) **Rules, etc.** The Committee may establish such rules and regulations and may construe, interpret and further define terms used in the Plan so long as such rules, regulations and other actions are not inconsistent with the provisions of the Plan and are otherwise believed to be necessary or appropriate to promote the purposes of the Plan, and may amend or revoke the same. All such rules, regulations, determinations, definitions and interpretations shall be binding and conclusive upon all persons granted stock incentives under the Plan, the Company, its Subsidiaries, its stockholders and all employees; upon their respective legal representatives, beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them.

(d) **Limited Liability.** No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Stock Incentive granted under the Plan, and shall incur no liability except for willful misconduct in the performance of their duties.

11. GENERAL PROVISIONS

(a) **No right to Continued Employment** Nothing in the Plan nor in any instrument executed pursuant thereto shall confer upon any employee any right to continue in the employ of the Company or a Subsidiary or shall affect the right of the Company or of a Subsidiary to terminate the employment of any employee with or without cause.

(b) **Legal Requirements for Transfers.** No shares of Common Stock shall be issued or transferred pursuant to a Stock Incentive unless the Company is satisfied that there has been compliance with all legal requirements applicable to the issuance or transfer of such shares. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Company, give assurances satisfactory to the Company that the shares are being acquired for investment and not with a view to resale or distribution thereof and assurances in respect of such other matters as the Company may deem desirable to assure compliance with all applicable legal requirements.

(c) **No Rights in shares Before Issue or Transfer.** No employee (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of the Plan or subject to any Stock Incentive, except as to such shares of Common Stock, if any, as shall have been issued or transferred to him.

(d) **Grants to Prospective Salaried Employees.** The Company or Subsidiary may, with the approval of the Committee, enter into an agreement or other commitment to grant a Stock Incentive in the future to a person who is or will be at the time of grant a Salaried Employee, and, notwithstanding any other provision of the Plan, any such agreement or commitment shall not be deemed the grant of a Stock Incentive until the date on which the Committee takes action to implement such agreement or commitment, which date shall for the purpose of the Plan be the date of grant.

(e) **Implementation by subsidiary.** In the case of a grant of a Stock Incentive to any employee of a Subsidiary, such grant may, if the Committee so directs, be implemented by the Company issuing or transferring the shares, if any, covered by the Stock Incentive to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the shares to the employee in accordance with the terms of the Stock Incentive. Notwithstanding any other provision hereof; such Stock Incentive may be issued by and in the name of the Subsidiary and shall be deemed granted on the date it is approved by the Committee or on such later date as the Committee shall specify.

(f) **Taxes.** The Company or a Subsidiary may make such provisions as it may deem appropriate for the withholding and payment of any taxes which the Company or Subsidiary determines it is required to withhold or which the employee deems to be payable in connection with any Stock Incentive. Such provisions may include a requirement that all or part of the amount of such taxes be paid to the Company or Subsidiary, in cash or by transfer to the Company of shares of Mature Stock or other Stock which was not obtained through the exercise of a stock option owned by the employee, or by the withholding of cash or shares of Common Stock payable to the employee under the stock incentive, or by any combination of the foregoing. To the extent that tax provisions are satisfied with shares of the Company's Common Stock, such stock shall be valued at Fair Market Value on the appropriate transaction date.

(g) **No Assignments.** No Stock Incentive and no rights under a Stock Incentive or under the Plan, contingent or otherwise, shall, by operation of law or otherwise, be transferable or assignable or subject to any encumbrance, pledge, hypothecation or charge of any nature, or to execution, attachment or other legal process, except that, in the event of the death of the holder of a Stock Incentive, the holder's rights under the Stock Incentive may pass, as provided by law, to the legal representatives of the holder, and such legal representatives may transfer any rights in respect of such Stock Incentive to the person or persons or entity (including a trust) entitled thereto under the will of the holder of such Stock Incentive, or in the case of intestacy, under the applicable laws relating to intestacy. During the life of a holder of a Stock Incentive, the Stock Incentive shall be exercisable only by such holder. Notwithstanding the foregoing, a Stock Incentive may be transferable, to the extent set forth in the applicable award agreement.

(h) **No Restriction on Other Plans.** Nothing in the Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without limitation, any retirement, pension, profit-sharing, insurance, stock purchase, incentive compensation or bonus plan.

(i) **Applicable Law.** The place of administration of the Plan shall conclusively be deemed to be within the State of Kansas and the validity, construction, interpretation and administration of the Plan and of any rules and regulations or determinations or decisions made thereunder, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be governed by and be determined exclusively and solely in accordance with, the laws of the State of Kansas. Without limiting the generality of the foregoing, the period within which any action arising under or in connection with the Plan, or any payment or award made or purportedly made under or in connection therewith, must be commenced, shall be governed by the laws of the State of Kansas, irrespective of the place where the act or omission complained of took place and of the residence of any party to such action and irrespective of the place where the action may be brought.

12. AMENDMENT OR DISCONTINUANCE OF PLAN

(a) **Amendments.** The Plan may be amended by the Board of Directors at any time, provided that without the affirmative vote of the holders of a majority of the shares of the Company's Common Stock and a vote of the holders of a majority of the Company's Preferred Stock present or represented, and entitled to vote at a meeting duly held in accordance with applicable law, no amendment shall be made which (i) increases the aggregate number of shares of Common Stock that may be issued or transferred pursuant to Stock Incentives as provided in paragraph (a) of Section 4, (ii) permits any person who is not determined to be a Salaried Employee to be granted a Stock Incentive, (iii) amends the provisions of paragraph (b) of Section 6, (iv) amends Section 9 to extend the term of the Plan, or (v) amends this Section 12.

(b) **Plan Termination.** The Board of Directors may by resolution adopted by a majority of the entire Board of Directors discontinue the Plan.

(c) **Effect of Amendment or Termination.** No amendment or discontinuance of the Plan by the Board of Directors or the shareholders of the Company shall adversely affect, without the consent of the holder thereof any Stock Incentive theretofore granted.

13. EFFECTIVE DATE OF PLAN

The Plan shall become effective on its adoption by the Board, provided, however, the Plan shall be submitted for approval by the holders of a majority of the shares of the Company's Common Stock and by the holders of a majority of the shares of the Company's Preferred Stock, present or represented and entitled to vote at a meeting duly held in accordance with applicable law prior to the first anniversary of such adoption by the Board. Any Stock Incentive granted prior to stockholder approval of the Plan shall become null and void if such approval is not obtained before the first anniversary of the effective date. Such grants shall also contain provisions for the return or cancellation of benefits if such stockholder approval is not obtained.

MIDWEST GRAIN PRODUCTS, INC.

1996 STOCK OPTION PLAN

FOR OUTSIDE DIRECTORS

MIDWEST GRAIN PRODUCTS, INC.

1996 STOCK OPTION PLAN
FOR OUTSIDE DIRECTORS

1. Name; Purposes; Definitions.

The name of this plan is the Midwest Grain Products, Inc. 1996 Stock Option Plan for Outside Directors (the "Plan").

The purposes of the Plan are to promote the long-term success of the Company by enhancing the long-term mutuality of interests between the non-employee directors of the Company and the stockholders of the Company and by providing incentives that will enhance the Company's ability to attract highly qualified persons to serve as directors of the Company.

For purposes of this Plan, the following terms shall be defined as set forth below:

(a) "**Board**" means the Board of Directors of the Company.

(b) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

(c) "**Committee**" means the Human Resources Committee of the Board, or any other committee the Board may subsequently appoint to administer the Plan pursuant to Section 2.

(d) "**Company**" means MGP Ingredients, Inc., a Kansas corporation, provided that immediately after the effective time of the Merger such term shall mean MGPI Holdings, Inc., a Kansas corporation (it being contemplated that such company will promptly change its name after the Merger to MGP Ingredients, Inc. "**Effective Date**" shall mean the date the plan is approved by the stockholders of the Company.

(e) "**Fair Market Value**" of a share of Common Stock on the date as of which fair market value is to be determined shall be: (a) if the Common Stock is reported on the NASDAQ National Market System of the National Association of Securities Dealers, Inc., the last reported sales price of a share of Common Stock as reported by NASDAQ; or (b) if the Common Stock is listed on an established securities exchange or exchanges, the highest reported closing price of a share of Common Stock on such exchange or exchanges.

(f) "**Mature Stock**" shall mean Stock which was obtained through the exercise of an option under this Plan or any other plan of the Company, which is delivered to the Company in order to exercise an Option and which has been held continuously by an Optionee for six months or more.

(g) "**Merger**" means the merger of MGPI Merger Sub, Inc., a Kansas corporation and wholly owned subsidiary of MGPI Holdings, Inc., with the Company, pursuant to an Agreement of Merger and Plan of Reorganization among the Company, MGPI Merger Sub, Inc. and MGPI Holdings, Inc.

(h) "*Nonqualified Stock Option*" means any Stock Option that by its terms is designated as not being an "incentive stock option" within the meaning Section 422 of the Code.

(i) "*Optionee*" means the recipient of a Stock Option.

(j) "*Stock*" means the Company's presently authorized Common Stock, par value \$1.00 per share, except as this definition may be modified pursuant to Section 3 hereunder.

(k) "*Stock Option*" means any nonqualified option to purchase shares of Stock granted pursuant to Section 5.

2. Administration.

The Plan shall be administered by a Committee of not less than two Directors, who shall be appointed by the Board and who shall serve at the pleasure of the Board. Until otherwise specified by the Board, the Plan shall be administered by the Human Resources Committee of the Board. If at any time no Committee shall be in office, then the functions of the Committee shall be exercised by the Board.

3. Stock Subject to Plan.

- (a) The total number of shares of Stock reserved and available for issuance under the Plan shall be 90,000. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares.
- (b) In the event of any merger, reorganization, consolidation, recapitalization, Stock dividend, or other change in corporate structure affecting the Stock, a substitution or adjustment shall be made in (i) the aggregate number of shares reserved for issuance under the Plan, (ii) the number of options to be granted automatically each year to non-employee directors of the Company, (iii) the limits on the number of options that may be granted to each non-employee director under the plan and (iv) the number and option price of shares subject to outstanding Stock Options granted under the Plan as may be determined by the Board, provided that the number of shares subject to any award shall always be a whole number.
- (c) If any shares of Common Stock subject to a Stock Option shall not be issued or transferred or shall cease to be issuable or transferable under such Stock Option, such shares shall no longer be charged against the limitation provided for in paragraph (a) of this Section 3 and may again be made subject to Stock Options; and, only the net additional shares issued upon the exercise of a stock option through the delivery or withholding of shares of Common Stock in payment of the exercise price or withholding taxes shall be counted against the number of shares which are authorized for issuance under Section 3(a).

4. Eligibility.

Each non-employee member of the Board shall receive Nonqualified Stock Options in accordance with the provisions of Section 5.

5. Stock Options.

(a) On the first business day after the 1996 Annual Meeting of Stockholders of the Company, and on the first business day after each annual stockholders' meeting of the Company thereafter during the term of the Plan, each non-employee member of the Board shall be granted a Nonqualified Stock Option to purchase 1,000 shares of Stock.

(b) Stock Options granted under the Plan shall be subject to the following terms and conditions:

(1) The exercise price per share of Stock purchasable under such Stock Options shall be 100% of the Fair Market Value of the Stock on the date of grant.

(2) Each Stock Option shall be exercisable on the 184th day following the date of grant by written notice to the Company of the election to exercise and of the number of shares elected to be purchased in such form as the Committee has prescribed or approved, together with payment in full of the purchase price in cash, personal check, wire transfer, certified or cashier's check, or delivery of Stock certificates for Mature Stock or other Stock which was not obtained through the exercise of a stock option, endorsed in blank or accompanied by executed stock powers with signatures guaranteed by a national bank or trust company or a member of a national securities exchange.

(3) If an Optionee resigns or does not stand for election (prior to retirement from the Board of Directors upon reaching age 70) or is removed from his or her position as a Director or is not re-elected to his or her position as a Director, any unexercised portion of any Stock Option granted to him or her under the terms of the Plan shall terminate ninety (90) days following the date of such resignation, removal or end of the term of such position. If an Optionee dies while a Director, any unexercised portion of any Stock Option granted to him or her under the terms of the Plan shall terminate one year from the date of death. If an Optionee does not stand for re-election due to retirement from the Board of Directors upon reaching age 70, any unexercised portion of any Stock Option granted to him or her under the terms of the Plan shall terminate three years from the date of the end of his or her term. It is understood, however, that such right to exercise any outstanding Options during any period following a terminating event shall only exist to the extent such Options were exercisable immediately preceding the terminating event.

(4) Each Stock Option shall cease to be exercisable on the date that is five years following the date of grant.

(5) The aggregate number of shares of Stock that may be granted to any nonemployee member of the Board pursuant to the Plan may not exceed 10,000 shares.

(6) Except as otherwise provided in the option agreement, Options shall not be transferable by the Optionee otherwise than by will or by the laws of decent and distribution.

(7) Any withholding taxes required to be paid to the Company in connection with the exercise of any option shall be paid, at the election of the director, in cash or by the Company's withholding of shares of Common Stock issuable to the director under the stock option, or by any combination of the foregoing. To the extent that tax provisions are satisfied with shares of the Company's Common Stock, such stock shall be valued at Fair Market Value on the appropriate transaction date.

(c) Each Optionee shall enter into a stock option agreement with the Company, which agreement shall set forth, among other things, the exercise price of the option, the term of the option and provisions regarding exercisability of the option granted thereunder, which provisions shall not be inconsistent with the terms set forth herein.

6. Amendment and Termination.

The Board may amend, alter, modify or discontinue the Plan at any time, provided that the Board may not amend or alter the provisions of the Plan without the approval of the stockholders if the amendment would materially increase the number of securities that may be issued under the Plan.

7. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a recipient by the Company, nothing contained herein shall give any such recipient any rights that are greater than those of a general creditor of the Company.

8. General Provisions.

- (a) If necessary to effect compliance with applicable securities laws, each person purchasing shares pursuant to a Stock Option must represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof.
- (b) All certificates for shares of Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and a legend or legends may be put on any such certificates to make appropriate reference to any required restriction on transfer.
- (c) Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan shall not confer upon any member of the Board any right to continued membership on such Board.

(d) No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and the Committee and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect to any such action, determination or interpretation.

9. Term of Plan.

No stock Option shall be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date, but awards theretofore granted may extend beyond that date.

January 9, 2012

MGP Ingredients, Inc.
Cray Business Plaza
100 Commercial Street
P.O. Box 130
Atchison, Kansas 66002

Re: Post-Effective Amendment No. 1 to Registration Statements on Form S-8

Ladies and Gentlemen:

We are acting as counsel for MGP Ingredients, Inc., a Kansas corporation (the "Company"), which was formerly named MGPI Holdings, Inc., in connection with the preparation and filing by the Company of Post-Effective Amendments No. 1 (the "Amendments") to the Registration Statements on Form S-8, Registration Nos. 333-162625, 333-119860, 333-162626, 333-137593, 333-51849 (collectively, the "Registration Statements"), pursuant to Rule 414(d) of the Securities Act of 1933, as amended (the "Act"), as a successor issuer of MGPI Processing, Inc., a Kansas corporation ("Processing"), which was formerly named MGP Ingredients, Inc., in connection with, and upon the completion of, a holding company restructuring effected through a merger whereby Processing became a wholly-owned subsidiary of Company as a result of the merger. The merger was effected on January 3, 2012 without shareholder approval pursuant to Section 17-6701(g) of the Kansas General Corporation Code. The Amendments relate to the adoption by the Company of the Stock Incentive Plan of 1996, as amended; the 1998 Stock Incentive Plan for Salaried Employees, as amended; the Stock Incentive Plan of 2004, as amended; the 1996 Stock Option Plan for Outside Directors, as amended; and the Non-Employee Directors' Restricted Stock and Restricted Stock Unit Plan, as amended (collectively, the "Plans").

We have reviewed such documents and made such examination of law as we have deemed appropriate to give the opinion expressed below. In our examination, we have assumed the genuineness of all signatures, the legal competence and capacity of natural persons, the authenticity of documents submitted to us as originals and the conformity with authentic original documents of all documents submitted to us as copies. When relevant facts were not independently established, we have relied without independent investigation as to matters of fact upon statements of

governmental officials and certificates and statements of appropriate representatives of the Company.

Based upon the foregoing, we are of the opinion that the shares proposed to be issued under the Plans have been duly authorized and, when issued and sold in accordance with the Plans, will be validly issued, fully paid and non-assessable.

This opinion reflects only the application of the General Corporation Code of the State of Kansas.

We hereby consent to the inclusion of this opinion as Exhibit 5.1 to the Registration Statements. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations thereunder.

Very truly yours,

/s/ Bryan Cave LLP

Consent of Independent Registered Public Accounting Firm

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

We consent to the use of our report with respect to the consolidated financial statements and related financial statement schedule, and the effectiveness of internal control over financial reporting included in MGP Ingredients, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2011 incorporated by reference in this Form S-8.

KPMG LLP

Kansas City, Missouri
January 9, 2012