

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

**FORM 8-K/A**  
(Amendment No. 1)

**CURRENT REPORT**

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

**March 9, 2012 (December 27, 2011)**  
**Date of Report (Date of earliest event reported)**

**MGP Ingredients, Inc.**  
**(Exact Name of Registrant as Specified in its Charter)**

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

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

**45-4082531**  
**(IRS Employer  
Identification #)**

**Cray Business Plaza**  
**100 Commercial Street**  
**Box 130**  
**Atchison, Kansas 66002**  
**(Address of Principal Executive Offices)(Zip Code)**

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

On December 28, 2011, MGP Ingredients, Inc. (the "Registrant"), filed a Form 8-K (the "Original 8-K") to report that on December 27, 2011, MGPI of Indiana, LLC ("Purchaser"), a wholly-owned subsidiary of Registrant, closed its previously-announced acquisition of substantially all of the assets of Lawrenceburg Distillers Indiana, LLC ("Seller") used or held for use by it in its alcohol beverage distillery business, which produces customized and premium grade whiskeys, gin, and grain neutral spirits, and related bulk barrel storage facilities, blending operations and a tank farm, all located in Greendale and Lawrenceburg, Indiana, and a grain elevator operation in Rushville, Indiana (the "Distillery Business"). Purchaser also assumed certain specified liabilities described in the Asset Purchase Agreement, dated October 20, 2011, between Purchaser, Seller and Angostura US Holdings Limited.

The purpose of this amendment to the Original 8-K is to provide the historical financial statements of Seller's Distillery Business required by Item 9.01(a) of Form 8-K and the pro forma financial information required by Item 9.01(b) of Form 8-K, which information was excluded from the Original 8-K in reliance upon Item 9.01(a)(4) and Item 9.01(b)(2) of Form 8-K.

### Item 9.01. Financial Statements and Exhibits.

#### (a) Financial Statements of Business Acquired

The audited carve-out financial statements of Seller for the Distillery Business as of December 31, 2010 and for the year ended December 31, 2010 and accompanying notes thereto are included as Exhibit 99.1 hereto and are incorporated herein by reference.

The unaudited carve-out financial statements of Seller for the Distillery Business as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 and accompanying notes thereto are included as Exhibit 99.2 hereto and are incorporated herein by reference.

#### (b) Pro Forma Financial Information

The following Unaudited Pro Forma Condensed Combined Financial Statements required pursuant to Item 9.01(b) of Form 8-K are included as Exhibit 99.3 hereto and are incorporated herein by reference:

- (i) Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011;
- (ii) Unaudited Pro Forma Condensed Combined Statement of Operations for the fiscal year ended June 30, 2011 and for the three months ended September 30, 2011; and
- (iii) Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

#### (d) Exhibits

Exhibit No.	Description
23.1*	Consent of Independent Registered Public Accounting Firm
99.1*	Audited financial carve-out statements of Seller for the Distillery Business as of December 31, 2010 and for the year ended December 31, 2010 and accompanying notes thereto.
99.2*	Unaudited financial carve-out statements of Seller for the Distillery Business as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 and accompanying notes thereto.
99.3*	Unaudited Pro Forma Combined Financial Statements as of September 30, 2011 and for the fiscal year ended June 30, 2011 and for the three months ended September 30, 2011, respectively, and accompanying notes thereto.

\* Filed herewith

**SIGNATURE**

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

**MGP INGREDIENTS, INC.**  
**(Registrant)**

March 9, 2012

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



**Lawrenceburg Distillers Indiana Distillery Operations**

**Carve-out Financial Statements**

**Year Ended December 31, 2010**

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**Lawrenceburg Distillers Indiana Distillery Operations**

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**Independent Auditor's Report on Carve-out Financial Statements**

To the Board of Directors  
**MGP Ingredients, Inc.**

We have audited the accompanying carve-out balance sheet of Lawrenceburg Distillers Indiana Distillery Operations ("the Company") as of December 31, 2010, and the related carve-out statements of income and changes in parent and affiliate investment and cash flows for the year then ended. These carve-out financial statements are the responsibility of the management of Lawrenceburg Distillers Indiana, LLC ("LDI"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying carve-out financial statements of the Company represent the distillery operations of LDI, have been prepared by management from LDI's financial records, and have no separate legal status or existence. Such carve-out financial statements represent the December 31, 2010 historical accounts of the distillery business acquired by MGPI of Indiana, LLC on December 27, 2011. Allocations of certain assets, liabilities and expenses have been recorded from LDI's records (see Note A).

In our opinion, the carve-out financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Louisville, Kentucky  
February 29, 2012

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**Lawrenceburg Distillers Indiana Distillery Operations**  
**Carve-out Balance Sheet**  
**December 31, 2010**

**Assets**

Current Assets	
Cash and cash equivalents	\$ 5,607,094
Accounts receivable, net	3,112,846
Inventories	11,882,404
Prepaid expenses and other	648,739
	<hr/>
Total Current Assets	21,251,083
Property, Plant and Equipment, net	14,937,587
Restricted Cash	1,272,500
	<hr/>
Total Assets	<u>\$ 37,461,170</u>

**Liabilities and Parent and Affiliate Investment**

Current Liabilities	
Accounts payable	\$ 5,014,065
Accrued expenses and other	1,083,935
Deferred revenue	67,582
Current portion of capital lease obligations	34,315
	<hr/>
Total Current Liabilities	6,199,897
Asset Retirement Obligation	640,781
Capital Lease Obligations, net of current portion	149,434
Other Liabilities	208,793
	<hr/>
Total Liabilities	7,198,905
Commitments and Contingencies	
Parent and Affiliate Investment	30,262,265
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Total Liabilities and Parent and Affiliate Investment	<u>\$ 37,461,170</u>

See accompanying notes.



**Lawrenceburg Distillers Indiana Distillery Operations**  
**Carve-out Statement of Income and Changes in Parent and Affiliate Investment**  
**Year Ended December 31, 2010**

Net Sales	\$ 44,039,061
Cost of Sales	<u>40,487,024</u>
Gross Profit	3,552,037
Selling, General, and Administrative Expenses	<u>3,490,722</u>
Income from Operations	61,315
Other Income (Expense)	
Interest expense	(17,375)
Other income, net	<u>98,378</u>
Other Income, net	<u>81,003</u>
Net Income	142,318
Distributions	(116,768)
Parent and Affiliate Investment at Beginning of Year	<u>30,236,715</u>
Parent and Affiliate Investment at End of Year	<u>\$ 30,262,265</u>

See accompanying notes.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Carve-out Statement of Cash Flows**  
**Year Ended December 31, 2010**

Cash Flows from Operating Activities	
Net Income	\$ 142,318
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	860,723
Provision for doubtful accounts	229,250
Noncash accretion on asset retirement obligation	48,835
Changes in assets and liabilities:	
Accounts receivable	1,416,793
Inventories	(612,108)
Prepaid expenses and other	(71,794)
Accounts payable	1,207,879
Accrued expenses and other	(134,849)
Deferred revenue	67,582
Other liabilities	<u>57,832</u>
Net Cash Provided by Operating Activities	3,212,461
Cash Flows from Investing Activities	
Purchases of property, plant and equipment	(538,015)
Deposits to restricted cash	<u>(1,162,500)</u>
Net Cash Used in Investing Activities	(1,700,515)
Cash Flows from Financing Activities	
Payments on capital lease obligations	(13,909)
Distributions	<u>(116,768)</u>
Net Cash Used in Financing Activities	<u>(130,677)</u>
Increase in Cash and Cash Equivalents	1,381,269
Cash and Cash Equivalents at Beginning of Year	<u>4,225,825</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,607,094</u>
Supplemental Disclosure:	
Cash paid for interest	\$ 17,375
Noncash investing and financing activities:	
Purchases of property, plant and equipment in accounts payable	197,303
Purchases of property, plant and equipment under capital lease obligation	180,476

See accompanying notes.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements**  
**Year Ended December 31, 2010**

**Note A - Nature of Organization and Operations**

The accompanying carve-out financial statements include the accounts of Lawrenceburg Distillers Indiana Distillery Operations ("the Company"), a wholly owned segment of Lawrenceburg Distillers Indiana, LLC ("LDI"), an Indiana limited liability company. The carve-out financial statements of the Company have historically been included in the financial statements of LDI. LDI is owned by Angostura US Holdings Limited ("the Member"), a Delaware corporation, and is ultimately owned by CL Financial Limited ("CLF"), a Trinidad and Tobago company. The Company, as an operating segment of LDI, has no separate legal status or existence.

The Company is a diversified producer of beverage alcohol products and spirits, such as whiskies, gin, and neutral grain spirits for private label marketers. The Company began barreling its own line of products during 2007. The Company's assets include distillery assets, related bulk storage facilities, blending operations, a tank farm and grain facilities in Lawrenceburg and Rushville, Indiana (collectively, "the Facilities"). LDI also owned and operated a bottling and packaging operation ("the Packaging Operations"). The Packaging Operations are excluded from the accompanying carve-out financial statements.

Acquisition

On October 21, 2011, MGP Ingredients, Inc. announced that its wholly-owned subsidiary, MGPI of Indiana, LLC ("MGPI"), signed an agreement to acquire the Company ("the Acquisition"). As consideration for the acquisition, MGPI paid to LDI cash of approximately \$11,000,000, equal to the acquired current assets minus current liabilities of the Company as of the closing date, which was December 27, 2011 ("the Acquisition Date").

Basis of Presentation

The accompanying financial statements of the Company reflect the use of "carve-out" accounting procedures, whereby the historical accounts of the assets and liabilities of the Company (i.e. LDI's Distillery Operations acquired) have been allocated to reflect the financial position of the Company as of the period presented. Certain non-acquired assets and non-assumed liabilities have been included in the accompanying balance sheet as they were included in the distillery operations during the period presented. In addition, various direct and indirect expense allocations from LDI have been recorded in the financial statements of the Company to reflect the financial results of the Company for the period presented. Such allocations were based primarily on actual and estimated usages and include expenses related to executive management, accounting, human resources, information technology, engineering, and other general and administrative expenses. Management believes its method for expense allocations is reasonable. Revenues have been directly allocated from LDI to the Company.

The parent and affiliated investment in the Company as shown in the accompanying carve-out balance sheet includes accumulated earnings as well as an allocated portion of CLF's initial investment in LDI, LDI's payable due to Colonial Life Insurance Company ("CLICO", a subsidiary of CLF), and other amounts due to/from CLF resulting from products and services provided and other transactions.

CLF Status

During February 2009, the Central Bank of Trinidad and Tobago ("CBTT") was requested by CLF to intervene in management and administration of several affiliates and subsidiaries, including CLICO. As a result, CLF began divesting and has divested of several of its investments, including LDI during 2011. As of December 31, 2010, CBTT continues to oversee and monitor CLICO and several of the other affiliates, which has had no material effect on the operations of the Company.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements**  
**Year Ended December 31, 2010**

**Note A - Nature of Organization and Operations (Continued)**

CLF Status (Continued)

CLF (including CLICO) provided financing of approximately \$37,942,000 to LDI since inception (in 2007) for the acquisition of the Facilities and working capital requirements. As of December 31, 2010, \$22,765,480 was recorded in the form of a payable to CLICO with the remainder recorded in LDI's equity. For purposes of preparing the carve-out financial statements, this aggregate LDI financing was allocated to the Company based on its relative net assets and is presented as Parent and Affiliate investment. None of this financing was assumed by MGPI.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting: The carve-out financial statements of the Company are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP for non-governmental entities.
2. Use of Estimates: The preparation of carve-out financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.
3. Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company typically maintains cash balances with banks in excess of federally insured limits. Cash has been allocated to the Company based on the Company's cash activities. MGPI did not acquire the Company's cash and cash equivalents.
4. Restricted Cash: Restricted cash consists of amounts deposited with federal and state agencies for distillation operating and grain buying permits. Restricted cash was not acquired by MGPI.
5. Brokerage Account: Included in prepaid expenses and other is a brokerage account with a balance of \$2,495 at December 31, 2010 which represents uninsured deposits with a broker. This brokerage account has been used in prior years to acquire corn futures contracts. No futures contracts were acquired in 2010. The brokerage account was not acquired by MGPI.
6. Accounts Receivable: Receivables are based on contracted prices and are considered past due when the due date has expired. Typically, receivables are due within 30 days. The Company sells to customers using credit terms customary in its industry. Credit is granted based on the credit worthiness of the customer and collateral is generally not obtained. Receivables are reviewed for collectibility when they become past due. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The Company provides for estimated uncollectible accounts based on prior experience and a review of existing receivables. The allowance for doubtful accounts was \$159,591 at December 31, 2010.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements**  
**Year Ended December 31, 2010**

**Note B - Summary of Significant Accounting Policies (Continued)**

7. Revenue Recognition: The Company recognizes revenue and associated costs when title and risk of loss pass to the customer, which typically is at the time the product is barreled or, in some circumstances, shipped. Revenue from warehousing services is recognized on a monthly basis as the service is rendered. In one circumstance, billing amounts are initially estimated, then later adjusted based on changes in specified costs. Billings in excess of revenues earned are recorded as deferred revenue in the accompanying carve-out balance sheet. The Company records the collection of excise taxes on distilled spirits sold to customers as accrued expenses and other in the accompanying carve-out balance sheet. No revenue or expense is recognized in the statement of income associated with this tax collection process.
8. Inventories: Inventories, comprised primarily of grains and spirits, are stated at lower of cost (using the first-in first-out method) or market. Whiskey must be barreled for several years. All owned barreled whiskey is classified as in-process inventories and is included within current assets, in accordance with industry practice. The Company includes warehousing, insurance, ad valorem taxes, and other carrying costs applicable to owned barreled whiskey in inventory costs.
9. Property, Plant and Equipment: Property, plant and equipment are stated at cost. Major additions and betterments are charged to property accounts, while maintenance and repairs are charged to operations as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives for buildings and improvements are 15 to 39 years, machinery and equipment are 5 to 20 years, and furniture and fixtures are 10 years. Depreciation expense was \$860,723 for the year ended December 31, 2010.
10. Planned Major Maintenance: The Company accounts for planned major maintenance under the direct expense method in accordance with the planned major maintenance provisions of the FASB ASC.
11. Commodity Prices and Forward Delivery Contracts: The Company is subject to commodity price volatility caused by weather, supply conditions, geopolitical, energy prices, and other unpredictable external supply and demand factors. The Company uses forward purchase and sale contracts to reduce the volatility of pricing for certain commodities, primarily corn. These contracts are not used for trading or speculative purposes as physical deliveries occur. The Company accounts for such contracts on a lower of cost or market basis.
12. Income Taxes: LDI is a single member limited liability company and had elected to have its existence disregarded for income tax purposes. Accordingly, LDI's taxable income or loss is included in the income tax return of the Member. Therefore, no provision or liability for income taxes has been included in the accompanying carve-out financial statements of the Company as LDI is not a tax paying entity. The Company accounts for uncertain income tax positions using the "more-likely than not" methodology as required by the ASC. The Company has no significant uncertain income tax positions requiring recognition or disclosure. The year no longer subject to tax examination is December 31, 2007.
13. Impairment: The Company periodically reviews the undepreciated values assigned to long-lived assets, such as property and equipment, and other assets, to determine if any impairments are indicated in accordance with the provisions of the FASB ASC.
14. Shipping and Handling Costs: Shipping and handling charges incurred by the Company are included in cost of sales, and shipping charges billed to the customer are included in net sales in the accompanying carve-out statement of income and changes in parent and affiliate investment.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements**  
**Year Ended December 31, 2010**

**Note B - Summary of Significant Accounting Policies (Continued)**

15. Asset Retirement Obligation: The Company recorded an estimated liability for the future cost of asbestos removal in buildings in accordance with the provisions of the FASB ASC and recognizes the cost in the statement of income and changes in parent and affiliate investment over the estimated life of the buildings. The Company established a liability for the fair value of the asset retirement obligation in 2007 at its original date of acquisition by LDI. The Company recognizes accretion expense, as a component of operating expenses, in connection with the discounted liability (see Note H).
16. Subsequent Events: The Company evaluated events occurring between December 31, 2010 and February 29, 2012, the date the financial statements were available to be issued.

**Note C - Inventories**

Inventories are comprised of the following at December 31, 2010:

Finished goods	\$ 4,225,667
Work in process	5,295,187
Raw materials and supplies	<u>2,361,550</u>
	<u>\$ 11,882,404</u>

**Note D - Property, Plant and Equipment**

Property, plant and equipment consist of the following at December 31, 2010:

Land	\$ 298,300
Buildings and improvements	4,507,816
Machinery and equipment	12,754,706
Furniture and fixtures	114,229
Construction in progress	<u>20,107</u>
	17,695,158
Less accumulated depreciation	<u>(2,757,571)</u>
	<u>\$ 14,937,587</u>

**Note E - Line of Credit**

Interest expense recorded in the accompanying carve-out statement of income partially relates to an LDI \$3,000,000 revolving line of credit with a bank ("the Line") used periodically in 2010. Outstanding balances on the Line bear interest at the one month LIBOR rate plus 2.2% (2.46% at December 31, 2010). The Line was renewed subsequent to December 31, 2010 and was retired at the Acquisition Date. It is secured by all inventories, accounts receivable and depository accounts held by LDI. There was no outstanding balance under this agreement at December 31, 2010. The Line is subject to various financial covenants including a fixed charge coverage ratio and senior funded debt ratio. LDI was in compliance with the covenants as of December 31, 2010. MGPI did not assume the Line.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements**  
**Year Ended December 31, 2010**

**Note F - Capital Lease Obligations**

The Company's capital lease obligations consist of the following at December 31, 2010:

Capital lease obligation on forklift, payable in monthly installments of \$296, including interest imputed at 5.25%, through August 2015. The obligation is secured by the related equipment.	14,472
Capital lease obligation on computer equipment, payable in monthly installments of \$3,523, including interest imputed at 6.63%, through September 2015. The obligation is secured by the related equipment. MGPI did not assume this capital lease.	<u>169,277</u>
	183,749
Less current portion	<u>34,315</u>
Total Long-term Capital Lease Obligations	<u>\$ 149,434</u>

Future principal payments under capital lease obligations at December 31, 2010 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2011	\$ 45,831
2012	45,831
2013	45,831
2014	45,831
2015	<u>34,077</u>
Total required payments	217,401
Less amount representing interest	<u>33,652</u>
Present value of net minimum lease payments	183,749
Less current portion	<u>34,315</u>
Long-term	<u>\$ 149,434</u>

The cost of equipment under capital leases and related accumulated depreciation was \$198,748 and \$13,962, respectively, at December 31, 2010.

**Note G - Parent and Affiliate Investment**

As discussed in Note A (CLF Status), CLF, primarily through CLICO, its subsidiary, has provided financing of approximately \$37,942,000 to LDI. At December 31, 2010, \$22,765,480 was recorded as a payable to CLICO with the remainder recorded in LDI's equity. For purposes of preparing the carve-out financial statements, this aggregate LDI financing was allocated to the Company based on its relative net assets and is presented as Parent and Affiliate Investment. None of this financing was assumed by MGPI.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements**  
**Year Ended December 31, 2010**

**Note H - Asset Retirement Obligation**

The FASB ASC requires the Company to recognize an estimated liability for the removal of asbestos from buildings (see Note B15). The estimated liability is based on management's estimates for removing asbestos from buildings of similar age and structure. The liability is discounted using a credit-adjusted risk-free rate of 8.25%. Revisions to the liability could occur due to changes in estimated asbestos removal costs, timing of removal or changes in regulations.

A reconciliation of the Company's liability for the asbestos removal for the year ended December 31, 2010 is as follows:

Balance at beginning of year	\$ 591,946
Accretion expense	48,835
Balance at end of year	<u>\$ 640,781</u>

**Note I - Commitments and Contingencies**

1. Operating Leases: The Company leases machinery and equipment under operating leases that expire through 2012. Rent expense was \$167,400 for the year ended December 31, 2010.

Future minimum rentals under operating lease agreements at December 31, 2010 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2011	\$ 67,580
2012	7,080

2. Legal and Environmental Matters: The Company is subject to various environmental laws of federal, state and local governments. The Company's compliance with existing laws has not had a material adverse effect on the Company's financial condition, cash flows or results of operations. In addition, LDI has agreed to indemnify its lender against losses, liabilities and claims resulting from hazardous substances, violation of environmental laws, and various other business claims.

The indemnification extends through the term of the borrowing and does not provide for any limit on the maximum potential liability. As of December 31, 2010, LDI had not made any indemnification payments under such agreements and no amount has been accrued in the accompanying carve-out financial statements with respect to these indemnifications.

The Company is subject to claims and legal actions in the ordinary course of business. The Company believes that any liability resulting from these matters after taking into consideration its insurance coverage will not have a material adverse effect on its financial position, cash flows or results of operations.



**Note I - Commitments and Contingencies (Continued)**

3. Employment Agreements: LDI has employment agreements with certain key executive officers. These agreements expire through June 2012 and specify the executives' benefits, entitlements upon termination of employment, contributions under deferred compensation plan, post-employment benefits, performance bonus, and other employment rights and responsibilities. Costs related to these agreements have been allocated to the Company. MGPI did not acquire these agreements.
4. Production Capacity and Supply Commitments: As of December 31, 2010, the Company is committed to provide approximately 4.9 million proof gallons of product to two customers with contract terms expiring at various times between June 2011 and December 2012. This represents approximately 18% of the Company's distillation capacity. The pricing for these sales contracts changes based on changes in the market price of corn and certain other items. In June 2011, the Company renewed the contract with one customer through June 2013 at lesser volumes.

The Company is also committed to supply gin and neutral grain spirits to Pernod Ricard USA, LLC ("Pernod"), the Company's owner until 2007, under a distillate supply and gin mellowing agreement ("the Agreement") for a period of 10 and 3 years, respectively, from June 2007 with successive renewal options thereafter (3 and 1 years, respectively). The volume is based on a twelve month forecast provided by Pernod and fees are determined by a pricing model defined in the Agreement. As of December 31, 2010, the Company has committed annual production capacity up to approximately 7.3 million proof gallons under this Agreement, which is to increase annually. CLICO, an affiliate (see Note A), guarantees the Company's performance of the terms of the Agreement. The Agreement also requires the Company to receive approval from Pernod for the sale of the Facilities to a third party. Pernod also has the right to reacquire the Facilities in accordance with the terms defined in the Agreement.

5. Corn and Coal Purchase Commitments: At December 31, 2010, the Company is committed under forward purchase contracts to purchase approximately 628,000 bushels of corn for approximately \$3,604,000 through June 2011.

In addition, the Company is committed to purchase approximately 43,000 tons of coal for approximately \$4,128,000 through December 2011.

6. Post-Employment Benefits: LDI is committed to provide retiree healthcare coverage to certain key executives and their spouses upon attaining the age of 55 and terminating employment. The estimated liability associated with this post employment benefit is developed based on current facts and circumstances. Assumptions are established to anticipate future events and are used in calculating the expense and liability of the healthcare. These factors include consideration of mortality rates, health care cost trends, and medical coverage to be paid by governmental authorities, and other providers of health care benefits. Costs and liabilities related to these benefits have been allocated to the Company. The Company has recognized a liability of \$58,296 at December 31, 2010 based on the present value of estimated post employment healthcare coverage obligation. This liability is recorded in non-current other liabilities in the accompanying carve-out balance sheet at December 31, 2010. MGPI did not assume this obligation.
7. Collective Bargaining Agreement: In September 2010, LDI extended its collective bargaining agreement (expiring in June 2014) with the International Guards Union of America ("the IGUA"), covering various security employees. The percentage of Company employees covered under the IGUA agreement as of December 31, 2010 was approximately 5%. In August 2010, LDI extended its collective bargaining agreement (expiring in June 2014) with the United Food and Commercial Workers ("the UFCW") union, covering various production employees. The percentage of Company employees covered under the UFCW agreement as of December 31, 2010 was approximately 46%. Effective September 2010, LDI entered into a collective bargaining agreement (expiring in June 2014) with multiple unions covering various maintenance and utilities employees. The percentage of Company employees covered under this agreement as of December 31, 2010 was approximately 20%.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements**  
**Year Ended December 31, 2010**

**Note J - Related Party Transactions**

LDI provided working capital to Charles Medley Distillers Kentucky LLC ("CMDK") to fund day-to-day operations. CMDK is a wholly-owned subsidiary of the Member. CMDK's assets were sold during 2010 and the net sale proceeds were retained by CLF.

During 2010, the Company was allocated \$72,313 in CMDK operating expenses and withholding taxes related to CMDK. These payments are included in distributions in the accompanying carve-out statements of income and changes in parent and affiliate investment. Distributions also include an allocation of \$44,455 in costs related to cash surrender value of life insurance.

**Note K - Retirement Plan**

LDI sponsors a 401(k) retirement plan ("the Plan") whereby LDI nonunion employees are eligible to participate after reaching 21 years of age. LDI union employees are eligible after 90 days of employment and after reaching 21 years of age. Participants in the Plan may elect to have up to 100% of their annual compensation contributed to the Plan subject to limits prescribed under the Internal Revenue Code. LDI provides a 3% contribution to all eligible employees regardless of participation. LDI also provides a matching contribution of 25% of the first 3% of eligible earnings contributed by participants. The Company's allocated contribution to the Plan was \$234,002 for the year ended December 31, 2010.

**Note L - Limited Liability**

The liability of the Member for the debts, losses and obligations of LDI shall not exceed the amount of such Member's capital account. The Member shall be indemnified by LDI against losses paid in settlement of claims by them relating to LDI provided such losses were not the result of negligence or misconduct on the part of the Member.

**Note M - Deferred Compensation Plan**

LDI has a deferred compensation plan which is maintained for certain key executive officers. Contributions to the plan are based on a percentage of the executive's base salary. Eligible participants are fully vested in LDI's contribution. The deferred compensation is paid to the executives upon termination of service. Costs and liabilities related to this plan have been allocated to the Company. The Company's contribution to the deferred compensation plan was \$37,622 for the year ended December 31, 2010. At December 31, 2010, the liability was \$150,497 and is recorded in non-current other liabilities in the accompanying carve-out balance sheet. MGPI did not assume this plan.

**Note N - Concentrations**

Three customers accounted for approximately 53% of the Company's sales for the year ended December 31, 2010. These three customers also accounted for approximately 27% of the Company's accounts receivable at December 31, 2010. In addition, one vendor accounted for approximately 11% of the Company's purchases for the year ended December 31, 2010.

**Note O - Subsequent Events**

As discussed in Note A, the Distillery Operations of LDI were sold to MGPI on December 27, 2011.

In December 2011, CLF directed LDI to record an additional \$15.2 million as a payable to CLICO (via distribution accrual). This LDI entry has no effect on the Company's carve-out financial statements as the aggregate Parent and Affiliate balances have been combined for presentation purposes.

**Lawrenceburg Distillers Indiana Distillery Operations**

**Carve-out Financial Statements (Unaudited)**

**Nine Months Ended September 30, 2011 and 2010**

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**Lawrenceburg Distillers Indiana Distillery Operations**

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**Lawrenceburg Distillers Indiana Distillery Operations**  
**Carve-out Balance Sheet (Unaudited)**  
**September 30, 2011**

**Assets**

Current Assets	
Cash and cash equivalents	\$ 250
Accounts receivable, net	5,046,889
Inventories	11,003,335
Prepaid expenses and other	466,138
Total Current Assets	16,516,612
Property, Plant and Equipment, net	14,622,735
Restricted Cash	1,272,500
Total Assets	<u>\$ 32,411,847</u>

**Liabilities and Parent and Affiliate Investment**

Current Liabilities	
Cash overdraft	\$ 1,976,162
Accounts payable	981,751
Accrued expenses and other	945,649
Current portion of capital lease obligations	81,155
Total Current Liabilities	3,984,717
Asset Retirement Obligation	676,691
Capital Lease Obligations, net of current portion	291,071
Other Liabilities	244,287
Total Liabilities	5,196,766
Commitments and Contingencies	
Parent and Affiliate Investment	27,215,081
Total Liabilities and Parent and Affiliate Investment	<u>\$ 32,411,847</u>

See accompanying notes.

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**Lawrenceburg Distillers Indiana Distillery Operations  
Carve-out Statements of Operations and Changes in  
Parent and Affiliate Investment (Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Net Sales	\$ 32,625,630	\$ 32,901,989
Cost of Sales	<u>33,019,785</u>	<u>30,314,356</u>
Gross (Loss) Profit	(394,155)	2,587,633
Selling, General, and Administrative Expenses	<u>2,617,469</u>	<u>2,674,003</u>
Loss from Operations	(3,011,624)	(86,370)
Other Income (Expense)		
Interest expense	(21,233)	(10,429)
Other income, net	<u>33,051</u>	<u>40,998</u>
Other Income, net	11,818	30,569
Net Loss	(2,999,806)	(55,801)
Distributions	(47,378)	(105,653)
Parent and Affiliate Investment at Beginning of Year	<u>30,262,265</u>	<u>30,236,715</u>
Parent and Affiliate Investment at End of Year	<u>\$ 27,215,081</u>	<u>\$ 30,075,261</u>

See accompanying notes.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Carve-out Statements of Cash Flows (Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash Flows from Operating Activities</b>		
Net Loss	\$ (2,999,806)	\$ (55,801)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	685,761	614,941
Provision for doubtful accounts	-	95,460
Noncash accretion on asset retirement obligation	35,910	37,444
Changes in assets and liabilities:		
Accounts receivable	(1,934,043)	(6,231)
Inventories	879,069	518,594
Prepaid expenses and other	182,601	32,944
Accounts payable	(4,032,314)	(1,971,665)
Accrued expenses and other	(205,868)	59,726
Other liabilities	35,494	43,405
<b>Net Cash Used in Operating Activities</b>	<b>(7,353,196)</b>	<b>(631,183)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment	(128,273)	(652,021)
Deposits to restricted cash	-	(1,162,500)
<b>Net Cash Used in Investing Activities</b>	<b>(128,273)</b>	<b>(1,814,521)</b>
<b>Cash Flows from Financing Activities</b>		
Increase in cash overdraft	1,976,162	-
Payments on capital lease obligations	(54,159)	(2,019)
Distributions	(47,378)	(105,653)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>1,874,625</b>	<b>(107,672)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(5,606,844)</b>	<b>(2,553,376)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>5,607,094</b>	<b>4,225,825</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 250</b>	<b>\$ 1,672,449</b>
<b>Supplemental Disclosure:</b>		
Cash paid for interest	\$ 21,233	\$ 10,429
<b>Noncash investing and financing activities:</b>		
Purchases of property, plant and equipment under capital lease obligation	242,636	-

See accompanying notes.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note A - Nature of Organization and Operations**

The accompanying carve-out financial statements include the accounts of Lawrenceburg Distillers Indiana Distillery Operations ("the Company"), a wholly owned segment of Lawrenceburg Distillers Indiana, LLC ("LDI"), an Indiana limited liability company. The carve-out financial statements of the Company have historically been included in the financial statements of LDI. LDI is owned by Angostura US Holdings Limited ("the Member"), a Delaware corporation, and is ultimately owned by CL Financial Limited ("CLF"), a Trinidad and Tobago company. The Company, as an operating segment of LDI, has no separate legal status or existence.

The Company is a diversified producer of beverage alcohol products and spirits, such as whiskies, gin, and neutral grain spirits for private label marketers. The Company began barreling its own line of products during 2007. The Company's assets include distillery assets, related bulk storage facilities, blending operations, a tank farm and grain facilities in Lawrenceburg and Rushville, Indiana (collectively, "the Facilities"). LDI also owned and operated a bottling and packaging operation ("Packaging Operations"). The Packaging Operations are excluded from the accompanying carve-out financial statements.

Acquisition

On October 21, 2011, MGP Ingredients, Inc. announced that its wholly-owned subsidiary, MGPI of Indiana, LLC ("MGPI"), signed an agreement to acquire the Company ("the Acquisition"). As consideration for the Acquisition, MGPI paid LDI cash of approximately \$11,000,000, equal to the acquired current assets minus current liabilities of the Company as of the closing date, which was December 27, 2011 ("the Acquisition Date").

Basis of Presentation

The accompanying financial statements of the Company reflect the use of "carve-out" accounting procedures, whereby the historical accounts of the assets and liabilities of the Company (i.e. LDI's Distillery Operations acquired) have been allocated to reflect the financial position of the Company as of the periods presented. Certain non-acquired assets and non-assumed liabilities have been included in the accompanying balance sheet as they were included in the distillery operations during the periods presented. In addition, various direct and indirect expense allocations from LDI have been recorded in the financial statements of the Company to reflect the financial results of the Company for the periods presented. Such allocations were based primarily on actual and estimated usages and include expenses related to executive management, accounting, human resources, information technology, engineering, and other general and administrative expenses. Management believes its method for expense allocations is reasonable. Revenues have been directly allocated from LDI to the Company.

The parent and affiliate investment in the Company as shown in the accompanying carve-out balance sheet includes accumulated earnings as well as an allocated portion of CLF's initial investment in LDI, LDI's payable due to Colonial Life Insurance Company ("CLICO", a subsidiary of CLF), and other amounts due to/from CLF resulting from products and services provided and other transactions.

The accompanying unaudited interim carve-out financial statements of the Company as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010, have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations for interim financial statements. All amounts included in the notes to the financial statements referring to September 30, 2011 and for the nine months ended September 30, 2011 and 2010 are unaudited. The accompanying carve-out financial statements reflect, in the opinion of management, all adjustments considered necessary for a fair presentation of the interim carve-out financial statements. All such adjustments are of a normal and recurring nature.



**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note A - Nature of Organization and Operations (Continued)**

CLF Status

During February 2009, the Central Bank of Trinidad and Tobago ("CBTT") was requested by CLF to intervene in management and administration of several affiliates and subsidiaries, including CLICO. As a result, CLF began divesting and has divested of several of its investments, including LDI during 2011. As of September 30, 2011, CBTT continues to oversee and monitor CLICO and several of the other affiliates, which has had no material effect on the operations of the Company.

CLF (including CLICO) provided financing of approximately \$37,942,000 to LDI since inception (in 2007) for the acquisition of the Facilities and working capital requirements. As of September 30, 2011, \$22,765,480 was recorded in the form of a payable to CLICO with the remainder recorded in LDI's equity. For purposes of preparing the carve-out financial statements, this aggregate LDI financing was allocated to the Company based on its relative net assets and is presented as Parent and Affiliate investment. None of this financing was assumed by MGPI.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting: The carve-out financial statements of the Company are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP for non-governmental entities.
2. Use of Estimates: The preparation of carve-out financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.
3. Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company typically maintains cash balances with banks in excess of federally insured limits. Cash has been allocated to the Company based on the Company's cash activities. MGPI did not acquire the Company's cash and cash equivalents.
4. Restricted Cash: Restricted cash consists of amounts deposited with federal and state agencies for distillation operating and grain buying permits. Restricted cash was not acquired by MGPI.
5. Brokerage Account: Included in prepaid expenses and other is a brokerage account with a balance of \$2,495 at September 30, 2011 which represents uninsured deposits with a broker. This brokerage account has been used in prior years to acquire corn futures contracts. No futures contracts were acquired in the nine months ended September 30, 2011 and 2010. The brokerage account was not acquired by MGPI.
6. Accounts Receivable: Receivables are based on contracted prices and are considered past due when the due date has expired. Typically, receivables are due within 30 days. The Company sells to customers using credit terms customary in its industry. Credit is granted based on the credit worthiness of the customer and collateral is generally not obtained. Receivables are reviewed for collectibility when they become past due. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The Company provides for estimated uncollectible accounts based on prior experience and a review of existing receivables. The allowance for doubtful accounts was \$159,591 at September 30, 2011.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note B - Summary of Significant Accounting Policies (Continued)**

7. Revenue Recognition: The Company recognizes revenue and associated costs when title and risk of loss pass to the customer, which typically is at the time the product is barreled or, in some circumstances, shipped. Revenue from warehousing services is recognized on a monthly basis as the service is rendered. In one circumstance, billing amounts are initially estimated, then later adjusted based on changes in specified costs. Billings in excess of revenues earned are recorded as deferred revenue and are included within accrued expenses and other in the accompanying carve-out balance sheet. The Company records the collection of excise taxes on distilled spirits sold to customers as accrued expenses and other in the accompanying carve-out balance sheet. No revenue or expense is recognized in the statements of operations associated with this tax collection process.
8. Inventories: Inventories, comprised primarily of grains and spirits, are stated at lower of cost (using the first-in first-out method) or market. Whiskey must be barreled for several years. All owned barreled whiskey is classified as in-process inventories and is included within current assets, in accordance with industry practice. The Company includes warehousing, insurance, ad valorem taxes, and other carrying costs applicable to owned barreled whiskey in inventory costs.
9. Property, Plant and Equipment: Property, plant and equipment are stated at cost. Major additions and betterments are charged to property accounts, while maintenance and repairs are charged to operations as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives for buildings and improvements are 15 to 39 years, machinery and equipment are 5 to 20 years, and furniture and fixtures are 10 years. Depreciation expense was \$685,761 and \$614,941 for the nine months ended September 30, 2011 and 2010, respectively.
10. Planned Major Maintenance: The Company accounts for planned major maintenance under the direct expense method in accordance with the planned major maintenance provisions of the FASB ASC.
11. Commodity Prices and Forward Delivery Contracts: The Company is subject to commodity price volatility caused by weather, supply conditions, geopolitical, energy prices, and other unpredictable external supply and demand factors. The Company uses forward purchase and sale contracts to reduce the volatility of pricing for certain commodities, primarily corn. These contracts are not used for trading or speculative purposes as physical deliveries occur. The Company accounts for such contracts on a lower of cost or market basis.
12. Income Taxes: LDI is a single member limited liability company and had elected to have its existence disregarded for income tax purposes. Accordingly, LDI's taxable income or loss is included in the income tax return of the Member. Therefore, no provision or liability for income taxes has been included in the accompanying carve-out financial statements of the Company as LDI is not a tax paying entity. The Company accounts for uncertain income tax positions using the "more-likely than not" methodology as required by the ASC. The Company has no significant uncertain income tax positions requiring recognition or disclosure. The year no longer subject to tax examination is December 31, 2007.
13. Impairment: The Company periodically reviews the undepreciated values assigned to long-lived assets, such as property and equipment, and other assets, to determine if any impairments are indicated in accordance with the provisions of the FASB ASC.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note B - Summary of Significant Accounting Policies (Continued)**

14. Shipping and Handling Costs: Shipping and handling charges incurred by the Company are included in cost of sales, and shipping charges billed to the customer are included in net sales in the accompanying carve-out statements of operations and changes in parent and affiliate investment.
15. Asset Retirement Obligation: The Company recorded an estimated liability for the future cost of asbestos removal in buildings in accordance with the provisions of the FASB ASC and recognizes the cost in the statements of operations and changes in parent and affiliate investment over the estimated life of the buildings. The Company established a liability for the fair value of the asset retirement obligation in 2007 at its original date of acquisition by LDI. The Company recognizes accretion expense, as a component of operating expenses, in connection with the discounted liability (see Note H).
16. Subsequent Events: The Company evaluated events occurring between September 30, 2011 and February 29, 2012, the date the financial statements were available to be issued.

**Note C - Inventories**

Inventories are comprised of the following at September 30, 2011:

Finished goods	\$ 3,701,856
Work in process	4,198,787
Raw materials and supplies	3,102,692
	<u>\$ 11,003,335</u>

**Note D - Property, Plant and Equipment**

Property, plant and equipment consist of the following at September 30, 2011:

Land	\$ 298,300
Buildings and improvements	4,609,399
Machinery and equipment	13,044,140
Furniture and fixtures	114,229
	<u>18,066,068</u>
Less accumulated depreciation	<u>(3,443,333)</u>
	<u>\$ 14,622,735</u>

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note E - Line of Credit**

Interest expense recorded in the accompanying carve-out statements of operations partially relates to an LDI \$3,000,000 revolving line of credit with a bank ("the Line") used periodically in 2011 and 2010. Outstanding balances on the Line bear interest at the one month LIBOR rate plus 2.2% (2.43% at September 30, 2011). The Line was renewed during 2011 and was retired at the Acquisition Date. It is secured by all inventories, accounts receivable and depository accounts held by LDI. There was no outstanding balance under this agreement at September 30, 2011. The Line is subject to various financial covenants including a fixed charge coverage ratio and senior funded debt ratio. LDI was in compliance with the covenants as of September 30, 2011. MGPI did not assume the Line.

**Note F - Capital Lease Obligations**

The Company's capital lease obligations consist of the following at September 30, 2011:

	<u>2011</u>
Capital lease obligation on forklift, payable in monthly installments of \$296, including interest imputed at 5.25%, through August 2015. The obligation is secured by the related equipment.	\$ 12,347
Capital lease obligation on computer equipment, payable in monthly installments of \$3,523, including interest imputed at 6.63%, through September 2015. The obligation is secured by the related equipment. MGPI did not assume this capital lease.	145,598
Capital lease obligation on software, payable in monthly installments of \$2,047, including interest imputed at 5.36%, through December 2015. The obligation is secured by the related software. MGPI did not assume this capital lease.	93,181
Capital lease obligation on computer equipment, payable in monthly installments of \$1,759, including interest imputed at 5.36%, through June 2016. The obligation is secured by the related equipment. MGPI did not assume this capital lease.	88,360
Capital lease obligation on computer equipment, payable in monthly installments of \$905, including interest imputed at 10.8%, through May 2015. The obligation is secured by the related equipment. MGPI did not assume this capital lease.	<u>32,740</u>
	372,226
Less current portion	<u>81,155</u>
Total Long-term Capital Lease Obligations	<u>\$ 291,071</u>

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note F - Capital Lease Obligations (Continued)**

Future principal payments under capital lease obligations at September 30, 2011 are as follows:

Year Ending September 30,	Amount
2012	\$ 102,359
2013	102,359
2014	102,359
2015	94,776
2016	<u>21,973</u>
Total required payments	423,826
Less amount representing interest	<u>51,600</u>
Present value of net minimum lease payments	372,226
Less current portion	<u>81,155</u>
Long-term	<u>\$ 291,071</u>

The cost of equipment under capital leases and related accumulated depreciation was \$441,384 and \$70,425, respectively, at September 30, 2011.

**Note G - Parent and Affiliate Investment**

As discussed in Note A (CLF Status), CLF, primarily through CLICO, its subsidiary, has provided financing of approximately \$37,942,000 to LDI. At September 30, 2011, \$22,765,480 was recorded as a payable to CLICO with the remainder recorded in LDI's equity. For purposes of preparing the carve-out financial statements, this aggregate LDI financing was allocated to the Company based on its relative net assets and is presented as Parent and Affiliate Investment. None of this financing was assumed by MGPI.

**Note H - Asset Retirement Obligation**

The FASB ASC requires the Company to recognize an estimated liability for the removal of asbestos from buildings (see Note B15). The estimated liability is based on management's estimates for removing asbestos from buildings of similar age and structure. The liability is discounted using a credit-adjusted risk-free rate of 8.25%. Revisions to the liability could occur due to changes in estimated asbestos removal costs, timing of removal or changes in regulations.

A reconciliation of the Company's liability for the asbestos removal for the nine months ended September 30, 2011 is as follows:

Balance at beginning of year	\$ 640,781
Accretion expense	<u>35,910</u>
Balance at end of year	<u>\$ 676,691</u>

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note I - Commitments and Contingencies**

1. Operating Leases: The Company leases machinery and equipment under operating leases that expire through December 2012. Rent expense was \$65,810 and \$128,210 for the nine months ended September 30, 2011 and 2010, respectively.

Future minimum rentals under operating lease agreements at September 30, 2011 are as follows:

Year Ending September 30,	Amount
2012	\$ 7,080
2013	1,770

2. Legal and Environmental Matters: The Company is subject to various environmental laws of federal, state and local governments. The Company's compliance with existing laws has not had a material adverse effect on the Company's financial condition, cash flows or results of operations. In addition, LDI has agreed to indemnify its lender against losses, liabilities and claims resulting from hazardous substances, violation of environmental laws, and various other business claims.

The indemnification extends through the term of the borrowing and does not provide for any limit on the maximum potential liability. As of September 30, 2011, LDI had not made any indemnification payments under such agreements and no amount has been accrued in the accompanying carve-out financial statements with respect to these indemnifications.

The Company is subject to claims and legal actions in the ordinary course of business. The Company believes that any liability resulting from these matters after taking into consideration its insurance coverage will not have a material adverse effect on its financial position, cash flows or results of operations.

3. Employment Agreements: LDI has employment agreements with certain key executive officers. These agreements expire through June 2012 and specify the executives' benefits, entitlements upon termination of employment, contributions under deferred compensation plan, post-employment benefits, performance bonus, and other employment rights and responsibilities. Costs related to these agreements have been allocated to the Company. MGPI did not acquire these agreements.
4. Production Capacity and Supply Commitments: As of September 30, 2011, the Company is committed to provide approximately 7.2 million proof gallons of product to two customers with contract terms expiring at various times between December 2012 and June 2013. This represents approximately 27% of the Company's distillation capacity. The pricing for these sales contracts changes based on changes in the market price of corn and certain other items.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note I - Commitments and Contingencies (Continued)**

4. Production Capacity and Supply Commitments (Continued): The Company is also committed to supply gin and neutral grain spirits to Pernod Ricard USA, LLC ("Pernod"), the Company's owner until 2007, under a distillate supply and gin mellowing agreement ("the Agreement") for a period of 10 and 3 years, respectively, from June 2007 with successive renewal options thereafter (3 and 1 years, respectively). The volume is based on a twelve month forecast provided by Pernod and fees are determined by a pricing model defined in the Agreement. As of December 31, 2010, the Company has committed annual production capacity up to approximately 7.3 million proof gallons under this Agreement, which is to increase annually. CLICO, an affiliate (see Note A), guarantees the Company's performance of the terms of the Agreement. The Agreement also requires the Company to receive approval from Pernod for the sale of the Facilities to a third party. Pernod also has the right to reacquire the Facilities in accordance with the terms defined in the Agreement.
5. Corn and Coal Purchase Commitments: At September 30, 2011, the Company is committed under forward purchase contracts to purchase approximately 234,000 bushels of corn for approximately \$1,557,000 through February 2012.  
  
In addition, the Company is committed to purchase approximately 8,000 tons of coal for approximately \$743,000 through December 2011.
6. Post Employment Benefits: LDI is committed to provide retiree healthcare coverage to certain key executives and their spouses upon attaining the age of 55 and terminating employment. The estimated liability associated with this post-employment benefit is developed based on current facts and circumstances. Assumptions are established to anticipate future events and are used in calculating the expense and liability of the healthcare. These factors include consideration of mortality rates, health care cost trends, and medical coverage to be paid by governmental authorities, and other providers of health care benefits. Costs and liabilities related to these benefits have been allocated to the Company. The Company has recognized a liability of \$66,680 at September 30, 2011 based on the present value of estimated post employment healthcare coverage obligation. This liability is recorded in non-current other liabilities in the accompanying carve-out balance sheet. MGPI did not assume this obligation.
7. Collective Bargaining Agreement: In September 2010, LDI extended its collective bargaining agreement (expiring in June 2014) with the International Guards Union of America ("the IGUA"), covering various security employees. The percentage of Company employees covered under the IGUA agreement as of September 30, 2011 was approximately 5%. In August 2010, LDI extended its collective bargaining agreement (expiring in June 2014) with the United Food and Commercial Workers ("the UFCW") union, covering various production employees. The percentage of Company employees covered under the UFCW agreement as of September 30, 2011 was approximately 45%. Effective September 2010, LDI entered into a collective bargaining agreement (expiring in June 2014) with multiple unions covering various maintenance and utilities employees. The percentage of Company employees covered under this agreement as of September 30, 2011 was approximately 18%.

**Lawrenceburg Distillers Indiana Distillery Operations**  
**Notes to Carve-out Financial Statements (Unaudited)**  
**Nine Months Ended September 30, 2011 and 2010**

**Note J - Related Party Transactions**

LDI provided working capital to Charles Medley Distillers Kentucky LLC ("CMDK") to fund day-to-day operations. CMDK is a wholly-owned subsidiary of the Member. CMDK's assets were sold during 2010 and the net sale proceeds were retained by CLF.

During the nine months ended September 30, 2011 and 2010, the Company was allocated \$10,220 and \$72,313, respectively, in CMDK operating expenses and withholding taxes related to CMDK. These payments are included in distributions in the accompanying carve-out statements of operations and changes in parent and affiliate investment. Distributions also include an allocation of \$37,158 and \$33,340 in costs related to cash surrender value of life insurance for the nine months ended September 30, 2011 and 2010, respectively.

**Note K - Retirement Plan**

LDI sponsors a 401(k) retirement plan ("the Plan") whereby LDI nonunion employees are eligible to participate after reaching 21 years of age. LDI union employees are eligible after 90 days of employment and after reaching 21 years of age. Participants in the Plan may elect to have up to 100% of their annual compensation contributed to the Plan subject to limits prescribed under the Internal Revenue Code. LDI provides a 3% contribution to all eligible employees regardless of participation. LDI also provides a matching contribution of 25% of the first 3% of eligible earnings contributed by participants. The Company's contribution to the Plan was \$170,305 and \$172,064 for the nine months ended September 30, 2011 and 2010, respectively.

**Note L - Limited Liability**

The liability of the Member for the debts, losses and obligations of LDI shall not exceed the amount of such Member's capital account. The Member shall be indemnified by LDI against losses paid in settlement of claims by them relating to LDI provided such losses were not the result of negligence or misconduct on the part of the Member.

**Note M - Deferred Compensation Plan**

LDI has a deferred compensation plan which is maintained for certain key executive officers. Contributions to the plan are based on a percentage of the executive's base salary. Eligible participants are fully vested in LDI's contribution. The deferred compensation is paid to the executives upon termination of service. Costs and liabilities related to this plan have been allocated to the Company. The Company's contribution to the deferred compensation plan was \$27,374 and \$28,217 for the nine months ended September 30, 2011 and 2010, respectively. At September 30, 2011, the liability was \$177,607 and is recorded in non-current other liabilities in the accompanying carve-out balance sheet. MGPI did not assume this plan.

**Note N - Concentrations**

Three customers accounted for approximately 39% and 54% of the Company's sales for the nine months ended September 30, 2011 and 2010, respectively. These three customers also accounted for approximately 41% of the Company's accounts receivable at September 30, 2011. In addition, one vendor accounted for approximately 11% of the Company's purchases for the nine months ended September 30, 2010.

**Note O - Subsequent Events**

As discussed in Note A, the Distillery Operations of LDI were sold to MGPI on December 27, 2011.

In December 2011, CLF directed LDI to record an additional \$15.2 million as a payable to CLICO (via distribution accrual). This LDI entry has no effect on the Company's carve-out financial statements as the aggregate Parent and Affiliate balances have been combined for presentation purposes.



**MGP INGREDIENTS, INC.**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
**September 30, 2011**  
(Dollars in thousands)

ASSETS	MGP Historical	Pro Forma Adjustments (1)	MGP Pro Forma
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 986	\$ -	\$ 986
Restricted cash	8,168	-	8,168
Receivables	31,013	4,328 (a)	35,341
Inventory	18,987	9,921 (a)	28,908
Prepaid expenses	1,106	-	1,106
Deposits	26	-	26
Derivative assets	385	-	385
Deferred income taxes	2,575	2,451 (c)	5,026
Refundable income taxes	525	-	525
Assets held for sale	-	2,300 (a)	2,300
<b>Total current assets</b>	<b>63,771</b>	<b>16,549</b>	<b>82,771</b>
Property and equipment, at cost	166,323	17,953 (a)(d)	184,276
Less accumulated depreciation and amortization	(104,434)	-	(104,434)
<b>Property and equipment, net</b>	<b>61,889</b>	<b>17,953 (a)(d)</b>	<b>79,842</b>
Investment in joint ventures	9,718	-	9,718
Other assets	388	1,496 (a)(d)	1,884
<b>Total assets</b>	<b>\$ 135,766</b>	<b>\$ 35,998</b>	<b>\$ 174,215</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 1,657	\$ -	\$ 1,657
Revolving credit facility	12,870	10,901 (b)	23,771
Accounts payable	16,029	3,440 (a)	19,469
Accounts payable to affiliate, net	4,620	-	4,620
Accrued expenses	4,916	273 (a)	5,189
Derivative liabilities	8,694	-	8,694
<b>Total current liabilities</b>	<b>48,786</b>	<b>14,614</b>	<b>63,400</b>
Long-term debt, less current maturities	7,276	-	7,276
Deferred credit	4,346	-	4,346
Accrued retirement health and life insurance benefits	6,617	-	6,617
Other non current liabilities	811	-	811
Deferred income taxes	2,575	2,451 (c)	5,026
<b>Total liabilities</b>	<b>70,411</b>	<b>-</b>	<b>87,476</b>
<b>Commitments and Contingencies</b>			
<b>Stockholders' Equity</b>			
<b>Capital stock</b>			
Preferred, 5% non-cumulative; \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	-	4
<b>Common stock</b>			
No par value; authorized 40,000,000 shares; issued 19,530,344 shares; 18,074,437 shares outstanding	6,715	-	6,715
Additional paid-in capital	6,715	-	6,715
Retained earnings	62,809	21,384 (a)	84,193
Accumulated other comprehensive income (loss)	(3,535)	-	(3,535)
Treasury stock, at cost	-	-	-
Common: 1,455,907 shares	(7,353)	-	(7,353)
<b>Total stockholders' equity</b>	<b>65,355</b>	<b>21,384</b>	<b>86,739</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 135,766</b>	<b>\$ 35,998</b>	<b>\$ 174,215</b>

(1) See Note 2. *Pro Forma Adjustments* of the Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

MGP INGREDIENTS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands, except per share amounts)

	MGP Historical	LDIDO (1)	Pro Forma Adjustments (2)	MGP Pro Forma
<b>Net sales</b>	\$ 247,915	\$ 42,910	\$ -	\$ 290,825
Cost of sales	225,038	42,037	354 (d)(e)	267,429
<b>Gross profit (loss)</b>	22,877	873	(354)	23,396
Selling, general and administrative expenses	21,157	3,352	665 (d)(f)(i)	25,174
Other operating costs	1,075	-	-	1,075
Bargain purchase gain	-	-	(21,384) (a)	(21,384)
<b>Income (loss) from operations</b>	645	(2,479)	20,365	18,531
Other income, net	8	91	-	99
Interest expense	(358)	(26)	(383) (g)	(767)
Equity in loss of joint ventures	(1,540)	-	-	(1,540)
<b>Income (loss) before income taxes</b>	(1,245)	(2,414)	19,982	16,323
Provision for income taxes	68	-	- (h)	68
<b>Net income (loss)</b>	\$ (1,313)	\$ (2,414)	\$ 19,982	\$ 16,255
<b>Per Share Data</b>				
Total basic earnings (loss) per common share	<u>\$ (0.07)</u>			<u>\$ 0.91</u>
Total diluted earnings (loss) per common share	<u>\$ (0.07)</u>			<u>\$ 0.91</u>

(1) This financial information has been derived from the audited Lawrenceburg Distillers Indiana Distillery Operations (“LDIDO”) carve-out statement of income for the year ended December 31, 2010 and adding its unaudited six month interim condensed statement of income through June 30, 2011 and reducing these amounts by its unaudited six month interim condensed statement of income through June 30, 2010.

(2) See Note 2. *Pro Forma Adjustments* of the Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

MGP INGREDIENTS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Three Months Ended September 30, 2011

(Dollars in thousands, except per share amounts)

	MGP Historical	LDIDO	Pro Forma Adjustments (1)	MGP Pro Forma
<b>Net sales</b>	\$ 76,138	\$ 8,923	\$ -	\$ 85,061
Cost of sales	73,347	10,832	93 (d)(e)	84,272
<b>Gross profit (loss)</b>	2,791	(1,909)	(93)	789
Selling, general and administrative expenses	5,074	930	(220) (d)(f)(i)	5,784
Other operating costs	294	-	-	294
<b>Income (loss) from operations</b>	(2,577)	(2,839)	127	(5,289)
Other income, net	46	11	-	57
Interest expense	(114)	(7)	(49) (g)	(170)
Equity in loss of joint ventures	(2,830)	-	-	(2,830)
<b>Income (loss) before income taxes</b>	(5,475)	(2,835)	78	(8,232)
Provision for income taxes	34	-	- (h)	34
<b>Net income (loss)</b>	<u>\$ (5,509)</u>	<u>\$ (2,835)</u>	<u>\$ 78</u>	<u>\$ (8,266)</u>
<b>Per Share Data</b>				
Total basic loss per common share	<u>\$ (0.31)</u>			<u>\$ (0.46)</u>
Total diluted loss per common share	<u>\$ (0.31)</u>			<u>\$ (0.46)</u>

(1) See Note 2. *Pro Forma Adjustments* of the Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

**MGP INGREDIENTS, INC.**

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**  
(Dollars in thousands, unless otherwise noted)

**NOTE 1. BACKGROUND AND DESCRIPTION OF TRANSACTION**

On December 27, 2011, MGPI of Indiana, LLC (“MGPII”), a wholly-owned subsidiary of MGP Ingredients, Inc. (the “Company” or “MGP”), closed its previously-announced acquisition (the “Acquisition”) of substantially all of the assets of Lawrenceburg Distillers Indiana, LLC (“LDI”) located in Lawrenceburg and Greendale, Indiana, which are used in the production of customized and premium grade whiskeys, gins and grain neutral spirits. The purchased assets include distillery assets, related bulk barrel storage facilities, blending operations, a tank farm, a grain elevator and certain intangible assets (“Distillery Business”). In this acquisition we also assumed certain liabilities, consisting primarily of trade payables and customer and contractual obligations, as described in the Asset Purchase Agreement dated October 20, 2011. MGPII did not purchase LDI’s associated assets related to packaging and bottling of alcoholic beverages, which were acquired by a third party. The purchase price of the acquisition is equal to the current assets minus current liabilities as of December 27, 2011, which was estimated at closing to be \$11,041. The purchase was funded through the Company’s bank revolving credit facility and accrued consideration and is subject to post closing adjustments for working capital true-ups. A bargain purchase gain of \$21,384 was recorded based on the excess of the fair value of the net assets acquired in the acquisition of LDI’s Distillery Business over the purchase price.

**NOTE 2. BASIS OF PRO FORMA PRESENTATION**

The unaudited pro forma condensed combined balance sheet as of September 30, 2011 and the unaudited pro forma condensed combined statements of operations for the fiscal year ended June 30, 2011 and for three months ended September 30, 2011 are based on the historical financial statements of the Company and the carve-out financial statements of Lawrenceburg Distillers Indiana Distillery Operations (“LDIDO”). The LDIDO financial statements were carved-out from LDI, which included a packaging and bottling business.

The Acquisition was accounted for using the acquisition method in accordance with Financial Accounting Standards Board Accounting Standards Codification 805, *Business Combinations* (“ASC 805”). Under the acquisition method of accounting, the Company allocates the purchase price of a business acquisition based on the fair value of the identifiable tangible and intangible assets. The difference between the total cost of the acquisition and the sum of the fair values of the acquired tangible and identifiable intangible assets less liabilities is recorded as goodwill or bargain purchase gain. Management used third party appraisers to assist in estimating fair values, including (a) the business enterprise value, which is based on estimated future cash flows (including timing) which are estimated using the income approach and discount rates reflecting the risk inherent in the future cash flows, and (b) the values of land, buildings and equipment, which are estimated using the cost and market approaches. The estimated fair values recorded were based on unobservable inputs, which are material and represent Level 3 measures in the fair value hierarchy. Under ASC 805, acquisition related transaction costs (such as advisory, legal, valuation, and other professional fees) are expensed as incurred.

Management and the seller are still in the process of truing up values for net working capital assets purchased. Final determination of the net working capital assets recorded would change the amount of bargain purchase gain recorded. Based on information presently known, any such adjustments are not expected to be material.

The unaudited condensed combined pro forma balance sheet as of September 30, 2011 gives effect to the Acquisition as if it had occurred on September 30, 2011, and includes all adjustments that give effect to events that are directly attributable to the Acquisition and are factually supportable. The unaudited pro forma condensed combined statements of operations for the fiscal year ended June 30, 2011 and for three months ended September 30, 2011 give effect to the Acquisition as if it had occurred on July 1, 2010, and include all adjustments that give

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effect to events that are directly attributable to the Acquisition, are expected to have a continuing impact, and are factually supportable.

The unaudited pro forma condensed combined financial statements:

- are presented for informational purposes only and are not intended to represent or to be indicative of the results of operations or financial position that the Company would have reported had the Acquisition been completed as of the dates set forth in the unaudited pro forma condensed combined financial statements;
- do not reflect any operating efficiencies, synergies or cost savings that the Company may achieve, or any additional expense that may be incurred with respect to the combined company.

**NOTE 3. PRO FORMA ADJUSTMENTS**

- (a) The following table summarizes the total purchase price paid by the Company and the amounts of the assets acquired, liabilities assumed and bargain purchase gain recognized.

**Components of purchase price**

Cash consideration paid to seller at closing	\$ 10,901
Accrued consideration	140
<b>Total purchase price</b>	<b>\$ 11,041</b>

**Recognized Fair Value Amounts of Identifiable Assets**

**Acquired and Liabilities Assumed**

Receivables	\$ 4,328
Inventory	9,921
Land, buildings and improvements	6,549
Machinery and equipment	11,404
Assets held for sale	2,300
Customer relationships	1,496
Accounts payable and accrued expenses	(3,573)
Total identifiable net assets	<u>32,425</u>

**Bargain Purchase Gain** **\$ 21,384**

Accounting standards require that when the fair value of the net assets acquired exceeds the purchase price, resulting in a bargain purchase gain, the acquirer must reassess the reasonableness of the values assigned to all of the assets acquired, liabilities assumed and consideration transferred. The Company has performed such a reassessment and has concluded that the values assigned for the LDI acquisition are reasonable. Consequently, the Company recorded a \$21,384 bargain purchase gain on the acquisition of LDI's Distillery Business, which the Company determined to be reasonable because (a) the seller was financially distressed, (b) LDI's Distillery Business was not widely marketed for sales – an investment bank was hired; however efforts were initially unsuccessful, (c) the machinery and equipment are highly specialized for the industry, resulting in limited alternative uses for the property, and (d) independent property appraisals and business valuations indicated that its fair value was in excess of the purchase price.

The Company acquired a grain elevator in conjunction with the acquisition of LDI's Distillery Business that is not expected to be used. Accordingly, this facility and its related assets totaling \$2,300 are being reported as "Assets held for sale", which is a component of current assets on the Company's unaudited pro forma condensed combined balance sheet as of September 30, 2011. The Company's estimate of fair value is based on current negotiations. The value of this asset upon its ultimate disposition could vary significantly from the Company's estimate.

- (b) Represents debt of \$10,901 incurred under the Company's revolving credit facility in connection with the acquisition of LDI's Distillery Business.
- (c) Any deferred income tax liability calculated as a result of the acquisition is offset by the Company's deferred tax assets, which are fully reserved by a valuation allowance.
- (d) Tangible and intangibles assets (and the weighted average depreciable life) include land, buildings and improvements (32 years), machinery and equipment (10 years) and customer relationships (10 years).
- (e) Pro forma depreciation expense:

	<b>Pro forma depreciation expense</b>	
	<b>Fiscal Year ended June 30, 2011</b>	<b>Three months ended September 30, 2011</b>
Depreciation based on fair values assigned in pro-forma adjustment (a) above	\$ 1,276	\$ 319
Less: LDIDO depreciation	(922)	(226)
<b>Pro forma depreciation expense</b>	<b>\$ 354</b>	<b>\$ 93</b>

- (f) Includes \$148 and \$37 of amortization expense related to acquired customer relationships for the fiscal year ended June 30, 2011 and the three months ended September 30, 2011, respectively.
- (g) Pro forma interest expense:

	<b>Pro forma interest expense</b>	
	<b>Fiscal Year ended June 30, 2011</b>	<b>Three months ended September 30, 2011</b>
Interest *	\$ 409	\$ 56
Less: LDIDO interest	(26)	(7)
<b>Pro forma interest expense</b>	<b>\$ 383</b>	<b>\$ 49</b>

\* Reflects interest expense on the approximate \$10,901 of debt incurred, which had an average effective interest rate of 3.75% for the fiscal year ended June 30, 2011 and 2.063% for the three months ended September 30, 2011.

- (h) For the fiscal year ended June 30, 2011, no adjustment is required as the income tax expense, calculated on the income from pro forma adjustments partially offset by a loss from LDIDO, is offset by the changes to the Company's deferred tax assets, which are fully reserved by a valuation allowance.

For the three months ended September 30, 2011, no adjustment is required as the income tax benefit, calculated on the additional loss from LDIDO partially offset by income from pro forma adjustments, is offset by the changes to the Company's deferred tax assets, which are fully reserved by a valuation allowance.

- (i) \$517 of acquisition expenses related to the Company's acquisition of LDI's Distillery Business were incurred subsequent to June 30, 2011. Through this adjustment, these costs are included in the unaudited pro forma condensed combined statement of operations for the fiscal year ended June 30, 2011.

MGP's historical results for the three months ended September 30, 2011 include \$257 of acquisition expenses related to the Company's acquisition of LDI's Distillery Business. This adjustment eliminates this cost from the pro forma condensed combined statement of operations for the three months ended September 30, 2011 since these costs are included in the pro form condensed combined statement of operations for the fiscal year ended June 30, 2011.