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

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2014

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________________________ to _________________________________

Commission File Number: 0-17196

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

KANSAS	**45-4082531**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Commercial Street, Atchison, Kansas	**66002**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

[ ] Large accelerated filer	[ ] Accelerated filer
[ ] Non-accelerated filer	[X] Smaller Reporting Company

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

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

17,642,050 shares of Common Stock, no par value as of October 31, 2014

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as well as historical information. All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements are usually identified by or are associated with such words as “intend,” “plan,” “believe,” “estimate,” “expect,” “anticipate,” “hopeful,” “should,” “may,” “will,” “could,” “encouraged,” “opportunities,” “potential” and/or the negatives or variations of these terms or similar terminology. They reflect management’s current beliefs and estimates of future economic circumstances, industry conditions, Company performance and financial results and are not guarantees of future performance. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: (i) disruptions in operations at our Atchison facility, Indiana plant, or at the Illinois Corn Processing, LLC ("ICP") facility, (ii) the availability and cost of grain and flour and fluctuations in energy costs, (iii) the effectiveness of our corn purchasing program to mitigate our exposure to commodity price fluctuations, (iv) the competitive environment and related market conditions, (v) the ability to effectively pass raw material price increases on to customers, (vi) the volatility in operating results of the ICP joint venture, (vii) ICP's revolving credit agreement with an affiliate of SEACOR Holdings Inc. (our greater than 9 percent equity owner and the parent company of ICP Holdings, LLC, who is our 70 percent joint venture partner in ICP), (viii) our limited influence over the ICP joint venture operating decisions, strategies or financial decisions (including investments, capital spending and distributions), (ix) our ability to source product from the ICP joint venture or unaffiliated third parties, (x) our ability to maintain compliance with all applicable loan agreement covenants, (xi) our ability to realize operating efficiencies, (xii) actions of governments, (xiii) and consumer tastes and preferences. For further information on these and other risks and uncertainties that may affect our business, including risks specific to our Distillery and Ingredient segments, see *Item 1A. Risk Factors* of our Annual Report on Form 10-K for the year ended December 31, 2013, as updated by *Item 1A. Risk Factors* of the Quarterly Reports on Form 10-Q for the periods ended March 31, 2014 and June 30, 2014.

METHOD OF PRESENTATION

"The Company," "we," "our" and "us" are used interchangeably to refer to MGP Ingredients, Inc., or to MGP Ingredients, Inc. and its subsidiaries, as appropriate to the context.

All amounts in this report, except for share, par values, bushels, gallons, pounds, mmbtu, proof gallons, per share, per bushel, per gallon, per proof gallon and percentage amounts, are shown in thousands unless otherwise noted.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Sales	**$ 83,966**	$ 80,709	**$ 254,451**	$ 253,134
Less: excise taxes	**6,451**	538	**17,373**	7,164
Net sales	**77,515**	80,171	**237,078**	245,970
Cost of sales (a)	**70,204**	79,356	**214,658**	232,645
Gross profit	**7,311**	815	**22,420**	13,325
Selling, general and administrative expenses	**4,966**	6,760	**15,204**	17,405
Insurance recoveries *(Note 6)*	**(1,293)**	—	**(1,223)**	—
Other operating costs and losses on sale of assets	**1**	1	**1**	59
Income (loss) from operations	**3,637**	(5,946)	**8,438**	(4,139)
Interest expense, net	**(199)**	(269)	**(615)**	(829)
Equity method investment earnings (loss)	**1,621**	(91)	**7,287**	(962)
Income (loss) from continuing operations before income taxes	**5,059**	(6,306)	**15,110**	(5,930)
Provision (benefit) for income taxes	**(1,169)**	19	**(1,002)**	44
Net income (loss) from continuing operations	**6,228**	(6,325)	**16,112**	(5,974)
Discontinued operations, net of tax *(Note 8)*	**—**	—	**—**	1,406
Net income (loss)	**6,228**	(6,325)	**16,112**	(4,568)
Other comprehensive income (loss), net of tax	**(123)**	(111)	**202**	(401)
Comprehensive income (loss)	**$ 6,105**	$ (6,436)	**$ 16,314**	$ (4,969)
Basic and diluted earnings (loss) per share				
Income (loss) from continuing operations	**$ 0.34**	$ (0.37)	**$ 0.89**	$ (0.35)
Income from discontinued operations	**—**	—	**—**	0.08
Net income (loss)	**$ 0.34**	$ (0.37)	**$ 0.89**	$ (0.27)
Dividends and dividend equivalents per common share	**$ —**	$ —	**$ 0.05**	$ 0.05

(a) Includes related party purchases of $10,079 and $702 for the quarters ended September 30, 2014 and 2013, respectively. Includes related party purchases of $26,220 and $5,494 for the year to date periods ended September 30, 2014 and 2013, respectively. See *Note 2. Equity Method Investments*.

See accompanying notes to unaudited condensed consolidated financial statements

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

	September 30, 2014	December 31, 2013
Current Assets		
Cash and cash equivalents	$ —	$ 2,857
Receivables (less allowance for doubtful accounts: September 30, 2014 - $7; December 31, 2013 - $18)	31,550	27,821
Inventory	31,465	34,917
Prepaid expenses	1,435	848
Deferred income taxes	2,532	4,977
Refundable income taxes	225	466
Total current assets	67,207	71,886
Property and equipment	198,549	194,687
Less accumulated depreciation and amortization	(133,337)	(124,443)
Property and equipment, net	65,212	70,244
Equity method investments	14,364	7,123
Other assets	2,326	2,076
Total assets	$ 149,109	$ 151,329
Current Liabilities		
Current maturities of long-term debt	$ 2,598	$ 1,557
Accounts payable	14,101	23,107
Accounts payable to affiliate, net	3,424	1,204
Accrued expenses	7,987	8,282
Total current liabilities	28,110	34,150
Long-term debt, less current maturities	8,329	3,611
Revolving credit facility	5,736	18,000
Deferred credit	4,259	3,925
Accrued retirement health and life insurance benefits	3,654	4,423
Other noncurrent liabilities	706	640
Deferred income taxes	1,318	4,977
Total liabilities	52,112	69,726
Commitments and Contingencies *(Note 4)*		
Stockholders' Equity		
Capital stock		
Preferred, 5% non-cumulative; $10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
Common stock		
No par value; authorized 40,000,000 shares; issued 18,115,965 shares at September 30, 2014 and December 31, 2013, 17,635,730 and 17,750,421 shares outstanding at September 30, 2014 and December 31, 2013, respectively	6,715	6,715
Additional paid-in capital	9,196	8,728
Retained earnings	81,891	66,686
Accumulated other comprehensive gain (loss), net of tax	198	(4)
Treasury stock, at cost		
Shares of 480,235 and 365,544 at September 30, 2014 and December 31, 2013, respectively	(1,007)	(526)
Total stockholders' equity	96,997	81,603
Total liabilities and stockholders' equity	$ 149,109	$ 151,329

See accompanying notes to unaudited condensed consolidated financial statements

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

	Year to Date Ended	
	September 30, 2014	September 30, 2013
Cash Flows from Operating Activities		
Net income (loss)	**$ 16,112**	$ (4,568)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and amortization	**9,202**	8,955
Gain on sale of bioplastics manufacturing business	**—**	(1,453)
Gains on property insurance recoveries	**(1,223)**	—
Release of valuation allowance for deferred tax assets	**(1,215)**	—
Share based compensation	**588**	970
Equity method investment (earnings) loss	**(7,287)**	962
Changes in Operating Assets and Liabilities:		
Restricted cash	**—**	12
Receivables, net	**(3,729)**	3,529
Inventory	**3,452**	(342)
Prepaid expenses	**(587)**	(541)
Refundable income taxes	**241**	16
Accounts payable	**(8,188)**	(509)
Accounts payable to affiliate, net	**2,220**	(3,491)
Accrued expenses	**(295)**	1,478
Deferred credit	**334**	(340)
Accrued retirement health and life insurance benefits and other noncurrent liabilities	**(456)**	(680)
Other	**(414)**	6
Net cash provided by operating activities	**8,755**	4,004
Cash Flows from Investing Activities		
Additions to property and equipment	**(4,920)**	(3,571)
Proceeds from sale of bioplastics manufacturing business	**—**	2,797
Proceeds from property insurance recoveries	**1,383**	—
Proceeds from sale of property and other	**4**	—
Net cash used in investing activities	**(3,533)**	(774)
Cash Flows from Financing Activities		
Purchase of treasury stock	**(601)**	—
Payment of dividends	**(907)**	(916)
Principal payments on long-term debt	**(1,162)**	(1,288)
Proceeds from revolving credit facility	**49,590**	83,031
Payments on revolving credit facility	**(54,933)**	(84,057)
Loan fees incurred with borrowings	**(66)**	—
Net cash used in financing activities	**(8,079)**	(3,230)
Decrease in cash and cash equivalents	**(2,857)**	—
Cash and cash equivalents, beginning of year	**2,857**	—
Cash and cash equivalents, end of period	**$ —**	$ —

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands)

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2013	$ 4	$ 6,715	$ 8,728	$ 66,686	$ (4)	$ (526)	$ 81,603
Comprehensive income:							
Net income	—	—	—	16,112	—	—	16,112
Change in pension plans (a)	—	—	—	—	(63)	—	(63)
Change in post employment benefits (a)	—	—	—	—	310	—	310
Change in translation adjustment on non-consolidated foreign subsidiary, net of tax	—	—	—	—	(45)	—	(45)
Dividends and dividend equivalents declared and paid, net	—	—	—	(907)	—	—	(907)
Share-based compensation	—	—	468	—		120	588
Common shares reacquired due to taxes derived from vesting of restricted stock and restricted stock units	—	—	—	—	—	(601)	(601)
Balance, September 30, 2014	**$ 4**	**$ 6,715**	**$ 9,196**	**$ 81,891**	**$ 198**	**$ (1,007)**	**$ 96,997**

(a) See *Note 9. Employee Benefit Plans* for amounts reclassified from Accumulated Other Comprehensive Income (Loss).

See accompanying notes to unaudited condensed consolidated financial statements

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

Note 1. Accounting Policies and Basis of Presentation.

MGP Ingredients, Inc. ("Company") is a Kansas corporation headquartered in Atchison, Kansas. It was incorporated in 2011 and is a holding company with no operations of its own. Its principal directly-owned operating subsidiaries are MGPI Processing, Inc. ("Processing") and MGPI of Indiana, LLC ("MGPI-I"). Processing was incorporated in Kansas in 1957 and is the successor to a business founded in 1941 by Cloud L. Cray, Sr. On January 3, 2012, MGP Ingredients, Inc. reorganized into a holding company structure (the "Reorganization") through a series of steps involving various legal entities. Prior to the Reorganization, Processing was named MGP Ingredients, Inc.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of the Company reflect all adjustments (consisting only of normal adjustments) which, in the opinion of the Company's management, are necessary to fairly present the financial position, results of operations and cash flows of the Company. All intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements as of and for the year to date period endedSeptember 30, 2014 should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

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

Inventory

Inventory includes finished goods, barreled distillate, raw materials in the form of agricultural commodities used in the production process, work in process, and certain maintenance and repair items. Whiskey and bourbon must be aged in barrels for several years, following industry practice; all barreled whiskey and bourbon is classified as a current asset. The Company includes warehousing, insurance, and other carrying charges applicable to barreled whiskey in inventory costs.

Inventories are stated at the lower of cost or market on the first-in, first-out ("FIFO") method. Inventory valuations are impacted by constantly changing prices paid for key materials, primarily corn. Inventory consists of the following:

	September 30, 2014	December 31, 2013
Finished goods	**$ 9,707**	$ 11,355
Barreled distillate	**9,834**	10,310
Work in process	**2,672**	2,737
Raw materials	**3,593**	5,183
Maintenance materials	**5,012**	4,766
Other	**647**	566
Total	**$ 31,465**	$ 34,917

Equity Method Investments

The Company accounts for its investment in non-consolidated subsidiaries under the equity method of accounting when the Company has significant influence, but does not have more than 50% voting control, and is not considered the primary beneficiary. Under the equity method of accounting, the Company reflects its investment in non-consolidated subsidiaries within the Company's Condensed Consolidated Balance Sheets as *Equity method investments*; the Company's share of the earnings or losses of the non-consolidated subsidiaries are reflected as *Equity method investment earnings (loss)* in the Condensed Consolidated Statements of Comprehensive Income (Loss).

The Company reviews its investments in non-consolidated subsidiaries for impairment whenever events or changes in business circumstances indicate that the carrying amount of the investments may not be fully recoverable. Evidence of a loss in value that is other than temporary include, but are not limited to, the absence of an ability to recover the carrying amount of the investment, the inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment, or, where applicable, estimated sales proceeds which are insufficient to recover the carrying amount of the investment. If the fair value of the investment is determined to be less than the carrying value and the decline in value is considered to be other than temporary, an appropriate write-down is recorded based on the excess of the carrying value over the best estimate of fair value of the investment.

Revenue Recognition

Except as discussed below, revenue from the sale of the Company's products is recognized as products are delivered to customers according to shipping terms and when title and risk of loss have transferred. Income from various government incentive programs is recognized as it is earned.

The Company's distillery segment produces unaged distillate and this product is frequently barreled and warehoused at a Company location for an extended period of time in accordance with directions received from the Company's customers. This product must meet customer acceptance specifications, the risks of ownership and title for these goods must be passed to the Company's customers, and requirements for bill and hold revenue recognition must be met prior to the Company recognizing revenue for this product. Separate warehousing agreements are maintained for customers who store their product with the Company and warehouse revenues are recognized as the service is provided.

Sales include customer-paid freight costs billed to customers of $3,237 and $3,153 for the quarters ended September 30, 2014 and 2013, respectively, and $10,400 and $8,789 for the year to date periods ended September 30, 2014 and 2013, respectively.

Recognition of Insurance Recoveries

Estimated loss contingencies are recognized as charges to income when they are probable and reasonably estimable. Insurance recoveries are not recognized until all contingencies related to the insurance claim have been resolved and settlement has been reached with the insurer. Insurance recoveries, to the extent of costs and losses, are reported as a reduction to *Cost of sales* on the Condensed Consolidated Statements of Comprehensive Income (Loss). Insurance recoveries, in excess of costs and losses, if any, are included in *Insurance recoveries* on the Condensed Consolidated Statements of Comprehensive Income (Loss).

During January 2014, the Company experienced a fire at its Indiana plant. The fire damaged certain equipment in the feed dryer house and caused a temporary loss of production in late January. Prior to the insurance recovery related to the property claim, the write-off of damaged assets was included in *Other operating costs and losses on sale of assets* on the Condensed Consolidated Statements of Comprehensive Income (Loss).

Income Taxes

Deferred income tax assets and liabilities resulting from the effects of transactions reported in different periods for financial reporting and income tax are recorded using the liability method of accounting for income taxes. This method gives consideration to the future tax consequences of the deferred income tax items and immediately recognizes changes in income tax laws upon enactment as well as applied income tax rates when facts and circumstances warrant such changes. A valuation allowance is established to reduce deferred income tax assets when it is more likely than not that a deferred income tax asset may not be realized. When measuring the need for a valuation allowance, the Company assesses both positive and negative evidence regarding whether these deferred tax assets are realizable. In determining deferred tax assets and valuation allowances, the Company is required to make judgments and estimates related to projections of profitability, character of income, timing and extent of the utilization of temporary differences, net operating loss carryforwards and tax credits, and tax planning strategies. The valuation allowance is reviewed quarterly and is maintained until sufficient positive evidence exists to support a reversal. A valuation allowance is released when it is determined that it is more likely than not that deferred tax assets will be realized.

Earnings (Loss) per Share

Basic and diluted earnings (loss) per share are computed using the two-class method, which is an earnings allocation formula that determines net income per share for each class of common stock and participating security according to dividends and dividend equivalents declared and participation rights in undistributed earnings. Per share amounts are computed by dividing net income (loss) from continuing operations attributable to common shareholders by the weighted average shares outstanding during the period.

Impairment

The Company tests its long-lived assets and instruments for impairment whenever events or conditions and circumstances indicate a carrying amount of an asset may not be recoverable. No events or conditions occurred during the quarter or year to date periods ended September 30, 2014 that required the Company to test its long-lived assets for impairment.

Fair Value Measurements

The fair value of an asset is considered to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidance also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.
- Level 2 - observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - unobservable inputs for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

The Company’s short-term financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The carrying value of the short term financial instruments approximates the fair value due to their short-term nature. These financial instruments have no stated maturities or the financial instruments have short-term maturities that approximate market.

The fair value of the Company’s debt is estimated based on current market interest rates for debt with similar maturities and credit quality. The fair values of the Company’s debt were $16,708 and $23,300 at September 30, 2014 and December 31, 2013, respectively. The financial statement carrying value was$16,663 and $23,168 at September 30, 2014 and December 31, 2013, respectively. These fair values are considered Level 2 under the fair value hierarchy.

Dividends and Dividend Equivalents

On February 28, 2014, the Board of Directors declared a dividend payable to stockholders of record as of March 17, 2014, of the Company's common stock, no par value ("Common Stock") and a dividend equivalent payable to holders of restricted stock units ("RSUs") as of March 17, 2014, of $.05 per share and per unit. The total payment of $907, comprised of dividend payments of $884 and dividend equivalent payments of $23, was paid on April 9, 2014.

On February 28, 2013, the Board of Directors declared a dividend payable to stockholders of record as of March 18, 2013, of Common Stock and a dividend equivalent payable to holders of RSUs as of March 18, 2013, of $0.05 per share and per unit. The total payment of $916, comprised of dividend payments of $897 and dividend equivalent payments of $19, was paid on April 10, 2013.

Credit Agreement

On November 2, 2012, the Company entered into an Amended and Restated Credit Agreement, and ancillary documents with Wells Fargo (the “Credit Agreement”). On February 12, 2014, the Company entered into Amendment No. 1 to the Credit Agreement (the "First Amendment"). The First Amendment amended and restated the definition of the term EBITDA to add back (to the Company's consolidated net earnings or loss) governance expenses relating to certain shareholder litigation involving the Company in 2013 and incurred prior to December 31, 2013, in an aggregate amount not in excess of $5,500. The Company incurred $5,465 of such expenses as of or prior to December 31, 2013.

On August 5, 2014, the Company entered into Amendment No. 2 to the Credit Agreement (the “Second Amendment”) by and among Wells Fargo Bank, N.A. as administrative agent and sole lender and MGP Ingredients, Inc., MGPI Processing, Inc., MGPI Pipeline, Inc. and MGPI of Indiana, LLC. The Second Amendment amended and restated the definition of the term “Fixed Asset Sub-Line” and added Thunderbird Real Estate Holdings, LLC (“Thunderbird”), a wholly-owned subsidiary of MGPI Processing, Inc. which is a wholly-owned subsidiary of MGP Ingredients, Inc., to the Credit Agreement as a Loan Party, as defined in the Credit Agreement. In connection with execution of the Second Amendment, all the equity of Thunderbird was pledged and a lien was placed on all the assets of Thunderbird to secure the obligations of the Loan Parties (as defined in the Credit Agreement) under the Credit Agreement. With the execution of the Fixed Asset Sub-Line term loan, $7,004 of debt obligations under the Credit Agreement became debt obligations under the sub-line term loan (maturing with the Credit Agreement), resulting in a non-cash transaction. The loan fees incurred by the Company related to the Second Amendment for the quarter and year to date periods ended September 30, 2014 were $66 and are being amortized over the life of the Credit Agreement. The amortized portion of the loan fees incurred is included in *Interest expense, net* on the Condensed Consolidated Statements of Comprehensive Income (Loss).

As of and for the quarter and year to date periods endedSeptember 30, 2014, the Company was in compliance with the Credit Agreement’s financial covenants and other restrictions.

The amount of borrowings which the Company may make is subject to borrowing base limitations adjusted for the Fixed Asset Sub-Line collateral. As of September 30, 2014, the Company's total outstanding borrowings under the credit facility were $12,656, comprised of $5,736 of revolver borrowing and $6,920 of fixed asset sub-line term loan borrowing, leaving $36,929 available for additional borrowings. The average interest rate for total borrowings of the Credit Agreement at September 30, 2014 was 2.57 percent.

New Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* ASU 2013-11 requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. When a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available, or the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The Company adopted this standard effective January 1, 2014. The adoption of these amendments did not have a material impact on our consolidated results of operations, financial condition or cash flows.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Note 2. Equity Method Investments.

As of September 30, 2014, the Company’s investments accounted for on the equity method of accounting consisted of the following: (1) 30 percent interest in ICP, which manufactures alcohol for fuel, industrial and beverage applications, and (2) 50 percent interest in D.M. Ingredients, GmbH, (“DMI”), which produces certain specialty starch and protein ingredients.

Under a marketing agreement between ICP and the Company, (the “Marketing Agreement”), ICP manufactured and supplied food grade and industrial-use alcohol products for the Company, and the Company purchased, marketed and sold such products for a marketing fee. Effective January 1, 2013, the Marketing Agreement expired, although the Company continues to source product from ICP.

ICP’s revolving credit agreement with an affiliate of SEACOR has been amended and restated extending the maturity to January 1, 2016. The Company has no further funding requirement to ICP.

ICP's Limited Liability Company Agreement generally allocates profits, losses and distributions of cash of ICP based on the percentage of a member's capital contributions to ICP relative to total capital contributions of all members ("Percentage Interest") to ICP, of which the Company has 30 percent and its joint venture partner, ICP Holdings, has 70 percent. That agreement grants the right to either member to elect (the "Electing Member") to shut down the Pekin plant ("Shut Down Election") if ICP operates at an EBITDA loss greater than or equal to $500 in any quarter, subject to the right of the other member (the "Objecting Member") to override that election. If the Objecting Member overrides the election, then EBITDA loss and EBITDA profit for each subsequent quarter are allocated 80 percent to the Objecting Member and 20 percent to the Electing Member until the end of the applicable quarter in which the Electing Member withdraws its Shut Down Election and thereafter allocations revert to a 70-30 split (subject to a catch-up allocation of 80 percent of EBITDA profits to the Objecting Member until it equals the amount of EBITDA loss allocated to such member on an 80-20 basis). ICP experienced an EBITDA loss in excess of $500 for the quarter ended March 31, 2013, which was one factor that prompted the Company to deliver notice of its Shut Down Election on April 18, 2013. However, the Company withdrew its Shut Down Election on March 31, 2014 (thereby causing the allocation of profits and losses to revert to 30 percent to the Company and 70 percent to ICP Holdings as of April 1, 2014) based partially on the strong financial results ICP generated during the period ended March 31, 2014.

During the quarter ended June 30, 2014, ICP's financial results and liquidity were significantly improved and the Company learned that ICP may consider making a cash distribution from earnings, or payment, to its members in the foreseeable future, and that ICP Holdings advocated such a distribution of cash. Based on these changes in facts and circumstances, management reassessed the most likely events that would result in a recovery of its investment in ICP and determined that such a recovery would likely occur through cash distributions from ICP rather than through a sale or liquidation of ICP. As a result of this reassessment, during the quarter ended June 30, 2014, the Company remeasured its cumulative equity in the undistributed earnings of ICP using the allocation that applies to a cash distribution to members (as further disclosed in the Company's report on Form 10-Q for the quarter ended June 30, 2014). The cumulative effect of this change in estimate resulted in a decrease in equity method investment earnings of ICP of $1,882 for the year to date period ended September 30, 2014; a decrease in the earnings per share of $0.10 per share for the year to date period ended September 30, 2014; and a decrease in the related equity method investment in ICP at September 30, 2014, of $1,882.

On July 23, 2014 ICP's alcohol production was interrupted resulting in inconsequential damage to equipment. Production was restarted on a limited basis on August 1, 2014, and ICP was back to normal production rates on or about August 14, 2014. ICP anticipates finalizing the business interruption and property insurance claims before the end of 2014. Insurance recoveries will be recognized when all contingencies to the insurance claims have been resolved and settlement has been reached with the insurer.

Summary Financial Information (unaudited)

Condensed financial information related to the Company's non-consolidated equity method investment in ICP is shown below.

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
ICP's Operating results:				
Net sales (a)	**$ 53,813**	$ 52,580	**$ 185,460**	$ 146,807
Cost of sales and expenses (b)	**48,467**	53,165	**155,214**	150,279
Net income (loss)	**$ 5,346**	$ (585)	**$ 30,246**	$ (3,472)

(a) Includes related party sales to MGPI of $9,287 and $110 for the quarters ended September 30, 2014 and 2013, respectively, and $23,905 and $3,510 for the year to date periods ended September 30, 2014 and 2013, respectively.
(b) Includes depreciation and amortization of $738 and $1,171 for the quarters ended September 30, 2014 and 2013, respectively, and $2,100 and $3,511 for the year to date periods ended September 30, 2014 and 2013, respectively.

The Company's equity method investment earnings (loss) of joint ventures based on unaudited financial statements is as follows:

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
ICP (a)	**$ 1,604**	$ (135)	**$ 7,192**	$ (1,042)
DMI (50% interest)	**17**	44	**95**	80
	$ 1,621	$ (91)	**$ 7,287**	$ (962)

(a) The cumulative effect of the change in estimate for the year to date period ended September 30, 2014 was a decrease in equity method investment earnings of $1,882, which reduced the joint venture investment earnings for the same period to 23.8 percent. The joint venture investment earnings for the quarter ended September 30, 2014 was 30 percent, as well as for the quarter and year to date periods ended September 30, 2013.

The Company's investment in joint ventures is as follows:

	September 30, 2014	December 31, 2013
ICP (26.4% interest) (a)	**$ 13,845**	$ 6,653
DMI (50% interest)	**519**	470
	$ 14,364	$ 7,123

(a) The cumulative effect of the change in estimate was a decrease in equity interest in ICP of $1,882, which effectively reduced the Company's investment in ICP from 30 percent to 26.4 percent at September 30, 2014.

Note 3. Earnings (Loss) per Share.

The computations of basic and diluted earnings (loss) per share from continuing and discontinued operations are as follows:

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Continuing Operations:				
Net income (loss) from continuing operations attributable to shareholders	**$ 6,228**	$ (6,325)	**16,112**	$ (5,974)
Less: Amounts allocated to participating securities (nonvested shares and units)(i)	**268**	—	**692**	—
Net income (loss) from continuing operations attributable to common shareholders	**$ 5,960**	$ (6,325)	**$ 15,420**	$ (5,974)
Discontinued Operations:				
Discontinued operations attributable to shareholders	**$ —**	$ —	**$ —**	$ 1,406
Less: Amounts allocated to participating securities (nonvested shares and units)(i)	**—**	—	**—**	—
Discontinued operations attributable to common shareholders	**$ —**	$ —	**$ —**	$ 1,406
Share information:				
Basic weighted average common shares(ii)	**17,334,330**	17,127,523	**17,286,258**	17,045,001
Potential dilutive securities(iii)	**229**	—	**—**	—
Diluted weighted average common shares	**17,334,559**	17,127,523	**17,286,258**	17,045,001
Basic earnings (loss) per share				
Income (loss) from continuing operations	**$ 0.34**	$ (0.37)	**$ 0.89**	$ (0.35)
Income from discontinued operations	**—**	—	**—**	0.08
Net income (loss) (iv)	**$ 0.34**	$ (0.37)	**$ 0.89**	$ (0.27)
Diluted earnings (loss) per share				
Income (loss) from continuing operations	**$ 0.34**	$ (0.37)	**$ 0.89**	$ (0.35)
Income from discontinued operations	**—**	—	**—**	0.08
Net income (loss) (iv)	**$ 0.34**	$ (0.37)	**$ 0.89**	$ (0.27)

(i) Participating securities include 301,598 and 699,612 nonvested restricted shares for the quarters ended September 30, 2014 and 2013, respectively, as well as 476,149 and 413,764 restricted share units for the quarters ended September 30, 2014 and 2013, respectively.

(ii) Under the two-class method, basic weighted average common shares exclude outstanding nonvested, participating securities consisting of restricted share awards of 301,598 and 699,612 for the quarters ended September 30, 2014 and 2013, respectively.

(iii) Anti-dilutive shares related to stock options totaled 6,000 and 18,000 for the quarters ended September 30, 2014 and 2013, respectively, and 8,667 and 18,667 for the year to date periods ended September 30, 2014 and 2013, respectively. There were dilutive shares related to stock options totaling 4,000 and 0 for the quarters ended September 30, 2014 and 2013, respectively, and 1,333 and 1,333 for the year to date periods ended September 30, 2014 and 2013, respectively. The dilutive shares resulted in potential dilutive securities of 229 and 0 for the quarter and year to date periods ended September 30, 2014 and potential dilutive securities of 0 and 0 for the quarter and year to date periods ended September 30, 2013, respectively.

(iv) See *Note 2. Equity Method Investments* for further discussion of earnings (loss) per share for the year to date period ended September 30, 2014.

Note 4. Commitments and Contingencies.

Commitments

The Company has grain supply agreements to purchase its corn requirements through a single supplier for its Indiana and Atchison facilities. These grain supply agreements expire December 31, 2014. At September 30, 2014, the Company had commitments to purchase corn to be used in operations through December 2015 totaling $27,506.

The Company has commitments to purchase natural gas at fixed prices and various dates through June 2015. The commitment for these contracts at September 30, 2014 totaled $9,422.

The Company entered into a supply contract for flour for use in the production of protein and starch ingredients. The initial term of the agreement, as amended, expires October 23, 2015. At September 30, 2014, the Company had purchase commitments aggregating $5,305 through December 2014.

As of September 30, 2014, the Company had commitments of approximately $1,273 to acquire capital assets.

Contingencies

During fiscal 2013, the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") with Cloud L. Cray, Jr., Karen Seaberg and Thomas M. Cray (collectively, the "Cray Group"), Timothy W. Newkirk, the Company's former President and CEO, and all other members of the Board of Directors then serving. In connection with the Settlement Agreement, the Company agreed to reimburse the members of the Cray Group for all reasonable legal fees and out-of-pocket costs and expenses incurred in connection with the matters related to the proxy contest, up to an aggregate maximum cap of $1,775. The Cray Group submitted reimbursement requests for $1,764, which the Company fully accrued at December 31, 2013. Such costs were included in the caption *Accounts payable* on the Consolidated Balance Sheets. The Company paid $1,764 to the Cray Group on March 25, 2014, during the year to date period ended September 30, 2014, leaving no remaining payable.

There are various legal proceedings involving the Company and its subsidiaries. Management believes that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the consolidated financial position or overall trends in results of operations of the Company.

Note 5. Income Taxes

In the quarter ended September 30, 2014, the Company evaluated the potential realization of its deferred income tax assets. The Company had a net deferred tax asset of $11,275 as of December 31, 2013 that had been reduced by a full valuation allowance. Evaluating the need for, and amount of, a valuation allowance for deferred tax assets often requires significant judgment and extensive analysis of all available evidence on a jurisdiction-by-jurisdiction basis. Such judgments require the Company to interpret existing tax law and other published guidance as applied to our circumstances. As part of this assessment, the Company considers both positive and negative evidence. The weight given to the potential effect of positive and negative evidence must be commensurate with the extent to which the strength of the evidence can be objectively verified. The Company generally considers the following, among other, objectively verified evidence to determine the likelihood of realization of the deferred tax assets:

- Our current financial position and our historical results of operations for recent years. The Company generally considers cumulative pre-tax losses in the three-year period ending with the current quarter to be significant negative evidence regarding our future profitability. A pattern of objectively-measured recent financial reporting losses is heavily weighted as a source of negative evidence when relying upon projections of future taxable income to recover deferred tax assets. The Company also considers the historical and current financial trends in the recent years.

- Sources of taxable income of the appropriate character. Future realization of deferred tax assets is dependent on projected taxable income of the appropriate character from our continuing operations. Future reversals of existing temporary differences are heavily-weighted sources of objectively verifiable positive evidence. Projections of future taxable income exclusive of reversing temporary differences are a source of positive evidence only when the projections are combined with a history of recent profits and current financial trends and can be reasonably estimated.

- Carryback and carryforward periods available. The long carryback and carryforward periods permitted under the tax law are objectively verified positive evidence.

- Tax planning strategies. Tax planning strategies can be, depending on their nature, heavily-weighted sources of objectively verifiable positive evidence when the strategies are available and can be reasonably executed. The Company considers tax planning strategies only if they are feasible and justifiable considering its current operations and its strategic plan. Tax planning strategies, if executed, may accelerate the recovery of a deferred tax asset so the tax benefit of the deferred tax asset can be carried back.

After evaluating positive and negative evidence available as of September 30, 2014, the Company determined that it is more likely than not that it will realize a portion of its net deferred tax assets. The Company's analysis was significantly influenced by the fact that it reached three years of cumulative positive earnings in the quarter ended September 30, 2014 and projections of future taxable income supported an assessment that recorded deferred tax assets are more likely than not to be recoverable. The Company has a net deferred tax asset after valuation allowance of approximately $1,214 on its balance sheet as of September 30, 2014. The Company recorded an income tax benefit of $1,215 for the year to date period ended September 30, 2014 for the portion of the change in valuation allowance arising from expected realization of deferred tax assets in future years. The Company also released $5,855 of valuation allowance related to the tax effects of income generated in the year to date period ended September 30, 2014, resulting in no net impact to the income tax provision. The Company will continue to assess the need for a valuation allowance in future periods.

The effective tax rate for the quarter and the year to date periods ended September 30, 2014 were (23.1) percent and (6.6) percent, respectively, after consideration of utilization of certain deferred tax assets, primarily net operating loss carry forwards and the related impact due to the release of the valuation allowance. The income tax benefit of $1,169 recorded for the quarter ended September 30, 2014 primarily relates to the release of $1,215 of valuation allowance arising from expected realization of net deferred tax assets in future years. The income tax benefit for the year to date period ended September 30, 2014 was $1,002. The effective tax rate for the quarter and year to date periods ended September 30, 2013 was (0.3) percent and (0.2) percent, respectively, after consideration of utilization of certain deferred tax assets, primarily net operating loss carry forwards and the related impact to the valuation allowance.

Note 6. Property and Business Interruption Insurance Claims and Recoveries

During January 2014, the Company experienced a fire at its Indiana plant. The fire damaged certain equipment in the feed dryer house and caused a temporary loss of production. The fire did not impact the Company's own or customer-owned warehoused inventory. By the end of February the plant was at pre-fire production levels.

During the quarter and year to date period ended September 30, 2014, the Company received $2,058 and $2,308, respectively, of insurance recoveries. Detail of the activities related to the property and business interruption insurance claims and recoveries and where the net impacts are recorded on the Condensed Consolidated Statements of Comprehensive Income (Loss) is as follows:

	Quarter Ended September 30, 2014	Year to Date Ended September 30, 2014
Total insurance recoveries	$ 2,058	$ 2,308
Insurance recoveries - interruption of business	$ 765	$ 925
Less: out-of-pocket expenses related to interruption of business in *Cost of Sales*	118	328
Net reduction to *Cost of sales*	$ 647	$ 597
Insurance recoveries - property damage	$ 1,293	$ 1,383
Less: Net book value of property loss in *Insurance Recoveries*	—	160
Insurance recoveries	$ 1,293	$ 1,223

Note 7. Derivative Instruments.

Certain commodities the Company uses in its production process are exposed to market price risk due to volatility in the prices for those commodities. The Company's grain supply contract for its Indiana and Atchison facilities permits the Company to purchase corn for delivery up to 12 months into the future, at negotiated prices. The pricing for these contracts is based on a formula using several factors. The Company has determined that the firm commitments to purchase corn under the terms of these contracts meet the normal purchases and sales exception as defined under ASC 815, *Derivatives and Hedging*, and has excluded the fair value of these commitments from recognition within its condensed consolidated financial statements until the actual contracts are physically settled.

The Company's production process also involves the use of flour and natural gas. The contracts for flour and natural gas range from monthly contracts to multi-year supply arrangements; however, because the quantities involved have always been for amounts to be consumed within the normal expected production process, the Company has determined that these contracts meet the criteria for the normal purchases and sales exception and have excluded the fair value of these commitments from recognition within its condensed consolidated financial statements until the actual contracts are physically settled. See *Note 4. Commitments and Contingencies* for a discussion of the Company's corn, flour and natural gas purchase commitments.

Note 8. Operating Segments.

The Company's operations have been historically classified into three reportable segments: distillery products, ingredient solutions, and other. On February 8, 2013, the Company sold all of the assets included in its other segment, the bioplastics manufacturing business, including all of the Company's assets at its bioplastics manufacturing facility in Onaga, Kansas and certain assets of the Company's extruder bio-resin laboratory located in Atchison, Kansas. The sales price totaled $2,797 and resulted in a gain, net of tax, of $1,406 that was recognized as a gain on sale of discontinued operations for the quarter ended March 31, 2013. The remaining income statement activity for the quarter ended March 31, 2013 is not presented as discontinued operations due to its immateriality relative to the condensed consolidated financial statements as a whole.

The distillery products segment consists of food grade alcohol, along with fuel grade alcohol, distillers feed and corn oil, which are co-products of the Company's distillery operations. Ingredient solutions consist of specialty starches and proteins, commodity starch, and vital wheat gluten (commodity protein). The other segment products included plant-based polymers and composite resins manufactured through the further processing of certain of the Company's proteins and starches and wood. The two reportable segments remaining in 2014 are the distillery products and ingredient solutions segments.

The following table provides operating profit (loss) for each segment based on net sales less identifiable operating expenses. Non-direct selling, general and administrative, interest expense, investment income and other general miscellaneous expenses have been excluded from segment operations and classified as Corporate. The Company's management reporting does not assign or allocate special charges to the Company's operating segments. Receivables, inventories and equipment have been identified with the segments to which they relate. All other assets are considered Corporate.

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Net Sales to Customers				
Distillery products	**$ 63,700**	$ 66,059	**$ 194,035**	$ 200,775
Ingredient solutions	**13,815**	14,112	**43,043**	44,997
Other [i]	**—**	—	**—**	198
Total	**77,515**	80,171	**237,078**	245,970
Depreciation and Amortization				
Distillery products	**2,133**	2,064	**6,334**	6,102
Ingredient solutions	**578**	572	**1,739**	1,742
Other [i]	**—**	—	**—**	21
Corporate	**382**	368	**1,129**	1,090
Total	**3,093**	3,004	**9,202**	8,955
Income (Loss) from Continuing Operations before Income Taxes				
Distillery products	**6,547**	(1,647)	**17,963**	5,836
Ingredient solutions	**1,082**	1,279	**2,828**	3,944
Other [i]	**—**	—	**—**	(90)
Corporate	**(2,570)**	(5,938)	**(5,681)**	(15,620)
Total	**$ 5,059**	$ (6,306)	**$ 15,110**	$ (5,930)

[i] Significant assets from this segment were sold February 8, 2013, as previously described, and two reportable segments remain in 2014.

The following table allocates assets to each segment:

	As of September 30, 2014	As of December 31, 2013
Identifiable Assets		
Distillery products	**$ 95,052**	$ 97,875
Ingredient solutions	**24,043**	24,954
Other [i]	**—**	—
Corporate	**30,014**	28,500
Total	**$ 149,109**	$ 151,329

[i] Significant assets from this segment were sold February 8, 2013, as previously described, and two reportable segments remain in 2014.

Note 9. Employee and Non-Employee Benefit Plans.

Post Employment Benefits. The Company and its subsidiaries provide certain post-employment health care and life insurance benefits to certain retired employees. The liability for such benefits is unfunded.

Effective April 16, 2014, the Company made a change to the plan to eliminate retiree insurance benefit eligibility for certain union employees. The effect of this plan change was a negative plan amendment of $919 and a $52 curtailment gain for the year to date period ended September 30, 2014. The negative plan amendment will be recognized into income over the average remaining years to full eligibility. The accounting for the curtailment gain resulted in immediate recognition of income of unamortized prior service cost of $52 during the year to date period ended September 30, 2014.

The components of the Net Periodic Benefit Cost/Income for the quarter and year to date periods ended September 30, 2014 and 2013, respectively, are as follows:

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Service cost	**$ 14**	$ 32	**$ 58**	$ 96
Interest cost	**34**	41	**116**	123
Amortization of prior service cost	**(66)**	(162)	**(305)**	(485)
Amortization of net actuarial loss	**7**	7	**12**	21
Prior service cost recognized due to current curtailment	**—**	—	**(52)**	—
Total post-retirement benefit cost / (income)	**$ (11)**	$ (82)	**$ (171)**	$ (245)

The Company disclosed in its financial statements for the year ended December 31, 2013, amounts expected to be paid to plan participants. There have been no revisions to these estimates, other than the impact of the negative plan amendment and curtailment gain, and there have been no changes in the estimate of total employer contributions expected to be made for the year ended December 31, 2014. The Company reclassified $345 of prior service cost and net actuarial loss from accumulated other comprehensive income into post-retirement benefit loss for the year to date period ended September 30, 2014 and $464 of prior service cost and net actuarial loss from accumulated other comprehensive loss into post-retirement benefit income for the prior year to date period ended September 30, 2013.

Total employer contributions accrued for the quarter ended September 30, 2014 were $0.

The Society of Actuaries released its final reports of the pension plan RP-2014 Mortality Tables and the Mortality Improvement Scale MP-2014 on October 27, 2014. The impact of this change in assumed mortality on post-employment benefits liability is being evaluated by the Company and will be appropriately recognized in the quarter and year to date periods ended December 31, 2014.

Pension Benefits. The Company and its subsidiaries also provide defined retirement benefits to certain employees covered under collective bargaining agreements. Under the collective bargaining agreements, the Company's pension funding contributions are determined as a percentage of wages paid. The funding is divided between the defined benefit plans and a union 401(k) plan. It has been management's policy to fund the defined benefit plans in accordance with the collective bargaining agreements. The collective bargaining agreements allow the plans' trustees to develop changes to the pension plans to allow benefits to match funding, including reductions in benefits. The benefits under these pension plans are based upon years of qualified credited service; however, benefit accruals under the defined benefit plans were frozen in 2009. The Company is taking steps to terminate the pension plans for employees covered under collective bargaining agreements. The projected additional funding cost to the Company to terminate the plans is approximately $630. The additional funding cost will be recognized immediately in the period that the pension plan settlement is fully executed.

The components of the Net Periodic Benefit Cost for the quarter and year to date periods ended September 30, 2014 and 2013, respectively, are as follows:

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Interest cost	**$ 22**	$ 21	**$ 66**	$ 62
Expected return on plan assets	**(26)**	(29)	**(78)**	(86)
Amortization of net actuarial loss	**5**	17	**15**	50
Total pension benefit cost	**$ 1**	$ 9	**$ 3**	$ 26

The Company reclassified $63 and $36 of expected return on plan assets and net actuarial loss from accumulated other comprehensive loss into pension benefit income for the year to date periods ended September 30, 2014 and 2013, respectively.

The Company previously disclosed in its financial statements for the year ended December 31, 2013, the assumptions used to determine accumulated benefit obligation.

The Company has made employer contributions to its pension plan of $0 and its union 401(k) of $26 during the quarter ended September 30, 2014.

The Society of Actuaries released its final reports of the pension plan RP-2014 Mortality Tables and the Mortality Improvement Scale MP-2014 on October 27, 2014. The impact of this change in assumed mortality on pension benefits liability is being evaluated by the Company and will be appropriately recognized in the quarter and year to date periods ended December 31, 2014.

Equity-Based Compensation Plans. The Company's equity based compensation plans provide for the awarding of stock options, stock appreciation rights, shares of Restricted Stock, and RSUs for senior executives and salaried employees as well as outside directors. As of September 30, 2014, 777,747 shares of Restricted Stock and RSUs were outstanding, net of forfeitures, under the Company's long-term incentive plans.

As of September 30, 2014, the Company was authorized to issue 40,000,000 shares of Common Stock. In connection with the Reorganization, the Company retired its treasury stock, which had historically been used for issuance of Common Stock under the Company's equity-based compensation plans. With the retirement of these treasury shares, the Company reserved certain authorized shares for issuance of Common Stock under its equity-based compensation plans. At the Company's annual meeting in May 2014, shareholders approved a new Employee Equity Incentive Plan with 1,500,000 shares registered for future grants, as well as a new Employee Stock Purchase Plan with 300,000 shares registered for employee purchase.

The Employee Equity Incentive Plan provides that vesting occurs pursuant to the time period specified in the particular award agreement approved for that issuance of RSUs, which is not less than three years unless vesting is accelerated due to the occurrence of certain events. The compensation expense related to awards granted under the Employee Equity Incentive Plan is based on the market price of the stock on the date the Board of Directors approves the grant and is amortized over the vesting period of the Restricted Stock award. In August 2014, 12,000 shares were granted of the 1,500,000 shares approved for grants related to the Employee Equity Incentive Plan.

Also approved by shareholders was a new Non-Employee Director Equity Incentive Plan with 300,000 shares registered for future grants. In June 2014, 16,360 of the 300,000 registered shares were granted to non-employee directors in the form of unvested RSUs. The Non-Employee Director Equity Incentive Plan provides that vesting occurs pursuant to the time period specified in the particular award agreement approved for that issuance of RSUs, which is not less than one year unless vesting is accelerated due to the occurrence of certain events. The awards issued in June 2014 will vest over three years. The compensation expense related to awards granted under the Non-Employee Director Equity Incentive Plan is based on the market price of the stock on the date the Board of Directors approves the grant and is amortized over the elected service period of the directors.

Simultaneously with the approval of the new Employee Equity Incentive Plan, the shares reserved with the retirement of treasury shares in connection with the Reorganization were terminated, except for a continuing reserve in the share amount of the remaining unvested Restricted Stock, RSUs and unexercised stock options for non-employees, employees and executives. Reserved shares of Common Stock for unvested Restricted Stock, RSUs and unexercised stock options granted under the prior equity plans at September 30, 2014 were:

Stock options granted but not exercised	10,000
Restricted stock to non-employees (authorized but not granted)	20,493
Restricted stock to employees and executives (authorized but not granted)	404,349
Total	434,842

Note 10. Industrial Revenue Bond.

On December 28, 2006, the Company engaged in an industrial revenue bond transaction with the City of Atchison, Kansas (the “City”) and received a ten-year real property tax abatement on its newly constructed office building and technical center in Atchison, Kansas. The Company recorded the office building and technical center assets as property and equipment on the consolidated balance sheets. Pursuant to this transaction, the City issued $7,000 principal amount of bonds to the Company. The City used the proceeds to purchase the office building and technical center from the Company. The City then leased the facilities back to the Company under a capital lease, the terms of which provide for the payment of basic rent in an amount sufficient to pay interest at a rate 4.9 percent on the bonds, payable annually on December 1st of each year. A balloon payment of $7,000 will be due upon maturity on December 1, 2016. The Company’s obligation to pay rent under the lease provides for both the same interest and balloon payment amounts and the same due dates as the City’s obligation to pay debt service on the bonds, which the Company holds. The lease permits the Company to present the bonds at any time for cancellation, upon which our obligation to pay basic rent would be cancelled. The Company does not intend to do this until their maturity date on December 1, 2016, at which time the Company may elect to purchase the facilities for $100 (one hundred dollars). Because the Company owns all the outstanding bonds, management considers the debt cancelled and, accordingly, no investment or related obligation under the capital lease is reflected on our balance sheet. In connection with this transaction, the Company agreed to pay the City an administrative fee of $50, which is payable over 10 years. If the Company were to present the bonds for cancellation prior to maturity, the $50 fee would be accelerated.

Below is a summary of the financial asset and liability that are offset at September 30, 2014 and December 31, 2013, respectively.

Description	**(i)** Gross Amounts of Recognized Assets (Liabilities)	**(ii)** Gross Amounts offset in the Balance Sheet	**(iii) = (i) - (ii)** Net Amounts of Assets (Liabilities) presented in the Balance Sheet
September 30, 2014			
Investment in bonds	$ 7,000	$ 7,000	$ —
Capital lease obligation	$ (7,000)	$ (7,000)	$ —
December 31, 2013			
Investment in bonds	$ 7,000	$ 7,000	$ —
Capital lease obligation	$ (7,000)	$ (7,000)	$ —

Note 11. Severance Costs

On December 3, 2013, the Company entered into the Settlement Agreement, pursuant to which the Company terminated its Chief Executive Officer and President, Timothy W. Newkirk. In connection with the Settlement Agreement, the Company agreed to pay Mr. Newkirk severance costs totaling $714. The Company also entered into a Transition Services Agreement, which obliges the Company to pay Mr. Newkirk up to $201, exclusive of out-of-pocket expenses. All such costs were expensed and accrued during 2013. Certain other members of management were also terminated in 2013 and 2014.

Activity related to severance costs was as follows:

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Balance at beginning of period	**$ 547**	$ 83	**$ 1,142**	$ 126
Provision for additional expense	**—**	—	**313**	1
Payments and adjustments	**(313)**	(16)	**(1,221)**	(60)
Balance at end of period	**$ 234**	$ 67	**$ 234**	$ 67

Severance costs are included in *Selling, general and administrative expenses* on the Condensed Consolidated Statements of Comprehensive Income (Loss) and the related accrual is included in *Accrued expenses* on the Condensed Consolidated Balance Sheets.

Note 12. Subsequent Events

During October 2014, the Company experienced a fire at its Atchison plant. Certain equipment in the plant's feed drying operations was damaged and the Company experienced a seven-day temporary loss of production. The net book value of the damaged equipment is $617. The Company is currently working with its insurance carrier to determine the coverage for equipment damage and business interruption losses.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

(Dollar amounts in thousands, unless otherwise noted)

MGP Ingredients, Inc. ("Company") is a Kansas corporation headquartered in Atchison, Kansas. It was incorporated in 2011 and is a holding company with no operations of its own. Its principal directly-owned operating subsidiaries are MGPI Processing, Inc. ("Processing") and MGPI of Indiana, LLC ("MGPI-I"). Processing was incorporated in Kansas in 1957 and is the successor to a business founded in 1941 by Cloud L. Cray, Sr. On January 3, 2012, MGP Ingredients, Inc. reorganized into a holding company structure (the "Reorganization") through a series of steps involving various legal entities. Prior to the Reorganization, Processing was named MGP Ingredients, Inc.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included in this Form 10-Q, as well as our audited consolidated financial statements and accompanying notes and *Management's Discussion and Analysis of Financial Condition and Results of Operations - General*, set forth in our Form 10-K for the year ended December 31, 2013.

RECENT ACTIVITIES

Business Interruption

During January 2014, we experienced a fire at our Indiana plant. The fire damaged certain equipment in the feed dryer house and caused a temporary loss of production in late January. The fire did not impact our own or customer-owned warehoused inventory. The Indiana plant is back in operation and by the end of February was at pre-fire production levels. We wrote off $160 of damaged assets, which is included in *Insurance recoveries* on the Condensed Consolidated Statements of Comprehensive Income (Loss) for the year to date period ended September 30, 2014, and incurred $328 of out-of-pocket expenses related to interruption of business, which are included as a reduction to *Cost of sales* on the Condensed Consolidated Statements of Comprehensive Income (Loss) for the year to date period ended September 30, 2014.

During the quarter and year to date period ended September 30, 2014, we received $2,058 and $2,308, respectively, of insurance recoveries related to the January fire. For a detail of the activity and related accounting treatment, see *Note 6. Property and Business Interruption Insurance Claims and Recoveries.* We expect to replace the equipment that was damaged in the January fire by the end of 2015. The replacement of equipment may result in additional disruption to our business for which we would expect to file an additional claim with our insurance carrier. Because the timing and amount of any business interruption and any associated insurance recovery may differ, we may experience volatility in our future quarterly earnings.

During October 2014, we experienced a fire at our Atchison plant. Certain equipment in the plant's feed drying operations was damaged and we experienced a seven-day temporary loss of production. The net book value of the damaged equipment is $617. We are currently working with our insurance carrier to determine the coverage for equipment damage and business interruption losses. Because the timing and amount of the business interruption and the insurance recovery may differ, we may experience volatility in our future quarterly operating results.

Valuation Allowance for Deferred Tax Assets

We had a net deferred tax asset of $11,275 as of December 31, 2013 that had been reduced by a full valuation allowance. In the quarter ended September 30, 2014, we evaluated the potential realization of our deferred income tax assets. Our analysis was significantly influenced by the fact that we reached three years of cumulative positive earnings in the quarter ended September 30, 2014. We believe it is appropriate to rely upon projections of future taxable income in assessing the realization of our net deferred tax assets. As of September 30, 2014, based on our projections of future taxable income and in consideration of all other evidence available (both positive and negative), we determined that it is more likely than not that we will realize a substantial portion of our net deferred tax assets. Therefore, we released $1,215 of our valuation allowance in the quarter ended September 30, 2014. See *Note 5. Income Taxes* of Notes to Condensed Consolidated Financial Statements for additional information.

SEC Filing Status

At June 30, 2014, we determined that we will cease to qualify for smaller reporting company SEC filing status and will transition to accelerated filing status disclosure requirements for the period ended March 31, 2015, per Item 10(f) of Regulation S-K. We expect to file our Form 10-K for the year ended December 31, 2014 in compliance with the accelerated filer deadline. Also as a result of our change in filing status from smaller reporting company to accelerated, we no longer qualify for our exemption from compliance with Section 404(b) of the Sarbanes-Oxley Act. Therefore, our independent auditors will be required to attest to management's assessment of the effectiveness of our system of internal controls for the year ending December 31, 2014.

New President and Chief Executive Officer

On July 24, 2014, the Company announced the appointment of Augustus "Gus" Griffin as its new President and Chief Executive Officer, effective July 28, 2014. Upon the appointment of Mr. Griffin as President and Chief Executive Officer of the Company, Don Tracy and Randy M. Schrick resigned from their positions as Interim Co-Chief Executive Officers effective July 28, 2014. Following their resignations as Interim Co-Chief Executive Officers, Mr. Tracy continues to serve as Vice President of Finance and Chief Financial Officer (Principal Financial and Accounting Officer) and Mr. Schrick as Vice President, Production and Engineering.

RESULTS OF OPERATIONS

Consolidated earnings for the quarter ended September 30, 2014 increased compared to the same period a year ago, with net income of $6,228 on consolidated net sales of $77,515 versus a net loss of $6,325 on consolidated net sales of $80,171 in the quarter ended September 30, 2013. This significant quarter-versus-quarter increase in consolidated earnings was primarily due to improved sales volumes in the distillery segment, and a continuing shift in mix toward premium spirits. Total alcohol sales volume increased 11.5 percent for the quarter ended September 30, 2014 compared to the year ago quarter, while total high quality food grade alcohol net sales increased as a percentage of total distillery products segment sales to 85.9 percent for the quarter ended September 30, 2014 from 80.9 percent for the quarter ended September 30, 2013. Our combined earnings before income taxes for the distillery products segment, ingredient solutions segment and other segment increased to $7,629 for the quarter ended September 30, 2014 from a combined loss of $368 for the quarter ended September 30, 2013 (see *"--Distillery Products" and "--Ingredient Solutions"* below).

Our equity method investment earnings increased to $1,621 for the quarter ended September 30, 2014 from a net loss of $91 in the prior year quarter. This significant quarter-versus-quarter increase in equity method investment earnings was due to earnings from our investment in ICP, which experienced much improved margins in the production of chemical intermediates, fuel grade alcohol, and high quality food grade alcohol. The improved margins were driven primarily by a low current supply and strong demand for these products and for fuel grade alcohol, which affects their pricing. ICP also experienced a 15.6 percent growth in the volume of alcohol sales compared to the same period a year ago (see *Note 2. Equity Method Investments*).

We recorded net insurance recovery gains related to property of $1,293 for the quarter ended September 30, 2014 from the fire in January 2014 at our Indiana plant (see *Note 6. Property and Business Interruption Insurance Claims and Recoveries*). In the quarter ended September 30, 2014, we evaluated the potential realization of our deferred income tax assets, considering both positive and negative evidence, including cumulative income or loss for the past three years and forecasted taxable income. As a result of this evaluation, income tax benefit of $1,215 was recorded during the quarter ended September 30, 2014 related to the reduction of our valuation allowance. Our total income tax benefit recorded for the quarter ended September 30, 2014, including the effect of the valuation allowance release, was $1,169 compared to income tax expense of $19 for the quarter ended September 30, 2013 (see *Note 5. Income Taxes*).

Consolidated earnings for the year to date period ended September 30, 2014 increased compared to the same period a year ago, with net income of $16,112 on consolidated net sales of $237,078 versus a net loss of $4,568 on consolidated net sales of $245,970 for the year to date period ended September 30, 2013. This significant period-versus-period increase in consolidated earnings was primarily due to improved sales volumes in the distillery segment, and a continuing shift in mix toward premium spirits. Total alcohol sales volume increased 20.2 percent for the year to date period ended September 30, 2014 compared to the year ago quarter, while total high quality food grade alcohol net sales increased as a percentage of total distillery products segment sales to 80.3 percent for the year to date period ended September 30, 2014 from 78.6 percent for the year to date period ended September 30, 2013. Our combined earnings before income taxes for the distillery products segment, ingredient solutions segment and other segment increased to $20,791 for the year to date period ended September 30, 2014 from $9,690 for the year to date period ended September 30, 2013 (see *"--Distillery Products" and "--Ingredient Solutions"* below).

Our equity method investment earnings increased to $7,287 (net of our change in accounting estimate of $1,882) for the year to date period ended September 30, 2014 from a net loss of $962 in the prior year period. Similar to the discussion above, the significant period-versus-period increase in equity method investment earnings was due primarily to our investment in ICP, which experienced much improved margins. ICP experienced 38.0 percent growth in the volume of alcohol sales compared to the same period a year ago (see *Note 2. Equity Method Investments*).

We recorded net insurance recovery gains related to property of $1,223 for the year to date period ended September 30, 2014 from the fire in January 2014 at our Indiana plant (see *Note 6. Property and Business Interruption Insurance Claims and Recoveries*). In the quarter ended September 30, 2014, we evaluated the potential realization of our deferred income tax assets, considering both positive and negative evidence, including cumulative income or loss for the past three years and forecasted taxable income. As a result of this evaluation, income tax benefit of $1,215 was recorded during the year to date period ended September 30, 2014 related to the reduction of our valuation allowance. Our total income tax benefit recorded for the year to date period ended September 30, 2014, including the effect of the valuation allowance release, was $1,002, compared to income tax expense of $44 for the year to date period ended September 30, 2013 (see *Note 5. Income Taxes*). Our discontinued operations decreased period-versus-period due to the $1,406 gain (net of tax) recognized on the sale of our bioplastics manufacturing business during the year to date period ended September 30, 2013.

NET SALES

Net sales for the quarter ended September 30, 2014 decreased $2,656, or 3.3 percent, compared to the quarter ended September 30, 2013. Net sales in the distillery products segment as a whole decreased primarily as a result of a lower average selling price, as well as decreased sales volume of distillers feed and related co-products. The average selling price in the distillery products segment was impacted by declines in commodity pricing, primarily corn, as discussed further under *"--Cost of Sales"* below. Net sales in the ingredient solutions segment as a whole decreased due to a lower average selling price and lower sales volume of commodity starches and commodity proteins. The average selling price in the ingredients solutions segment was impacted by declines in commodity prices, primarily flour, as discussed further under *"--Cost of Sales"* below.

Net sales for the year to date period ended September 30, 2014 decreased $8,892, or 3.6 percent, compared to the year to date period ended September 30, 2013. Net sales in the distillery products segment as a whole decreased primarily as a result of lower average selling price, as well as decreased sales volume of distillers feed and related co-products, period-over period. The average selling prices of total high quality food grade alcohol and distillers feed and related co-products were impacted by declines in commodity pricing, primarily corn, as discussed further under *"--Cost of Sales"* below. Net sales in the ingredient solutions segment as a whole decreased primarily due to declines in sales volume of specialty and commodity proteins, as well as a decrease related to the impact in overall segment average selling price. The average selling price in the ingredients solutions segment was impacted by declines in commodity costing, primarily flour, as discussed further under *"--Cost of Sales"* below. Net sales in the other segment decreased for the year to date period ended September 30, 2014 due to the sale of the bioplastics manufacturing business on February 8, 2013.

COST OF SALES

For the quarter ended September 30, 2014, cost of sales decreased $9,152, or 11.5 percent, compared to the quarter ended September 30, 2013. For the quarter ended September 30, 2014, cost of sales was 90.6 percent of net sales, which generated a gross margin of 9.4 percent. For the quarter ended September 30, 2013, cost of sales was 99.0 percent of net sales, which generated a gross profit margin of 1.0 percent. During the quarter ended September 30, 2014, we received $765 of interruption of business insurance recoveries, with $118 related losses, resulting in $647 reduction to cost of sales (see *Note 6. Property and Business Interruption Insurance Claims and Recoveries*).

For the quarter ended September 30, 2014, our lower overall costs were primarily the result of lower costs for corn and flour partially offset by an increase in the cost of natural gas. We saw quarter-versus-quarter decreases in the per-bushel cost of corn and the per-pound cost of flour which averaged 35.2 percent and 9.1 percent, respectively, compared to the quarter ended September 30, 2013. On the other hand, the per-million cubic foot cost of natural gas increased by 8.8 percent compared to the quarter ended September 30, 2013.

For the year to date period ended September 30, 2014, cost of sales decreased $17,987, or 7.7 percent, compared to the year to date period ended September 30, 2013. For the year to date period ended September 30, 2014, cost of sales was 90.5 percent of net sales, which generated a gross profit margin of 9.5 percent. For the year to date period ended September 30, 2013, cost of sales was 94.6 percent of net sales, which generated a gross profit margin of 5.4 percent.

For the year to date period ended September 30, 2014, our lower overall costs were primarily the result of lower costs for corn and flour partially offset by an increase in the cost of natural gas. We saw decreases in the per-bushel cost of corn and the per-pound cost of flour, which averaged 36.8 percent and 11.3 percent, respectively, compared to the year to date period ended September 30, 2013. On the other hand, the per-million cubic foot cost of natural gas increased by 9.5 percent compared to the year to date period ended September 30, 2013. During the year to date period ended September 30, 2014, we received $925 of interruption of business insurance recoveries, with $328 related losses, resulting in a $597 reduction to cost of sales (see *Note 6. Property and Business Interruption Insurance Claims and Recoveries*).

INSURANCE RECOVERIES

During January 2014, we experienced a fire at our Indiana plant. The fire damaged certain equipment in the feed dryer house and caused a temporary loss of production in late January. The fire did not impact our own or customer-owned warehoused inventory. The Indiana plant was back in operation by the end of February at pre-fire production levels.

During the quarter ended September 30, 2014, we received $1,293 of insurance recoveries related to the January fire for property damage and recorded no related losses, resulting in $1,293 of Insurance recoveries. During the year to date period ended September 30, 2014, we received $1,383 of insurance recoveries related to the January fire for property damage and recorded $160 net book value of property loss, resulting in $1,223 of Insurance recoveries. For a detail of the activity and related accounting treatment, see *Note 6. Property and Business Interruption Insurance Claims and Recoveries*.

We expect to replace the equipment that was damaged in the January fire by the end of 2015. The replacement of equipment may result in additional disruption to our business and for which we expect to file an additional claim with our insurance carrier.

During October 2014, we experienced a fire at its Atchison plant. Certain equipment in the plant's feed drying operations was damaged and we experienced a seven-day temporary loss of production. The net book value of the damaged equipment is $617. We are currently working with our insurance carrier to determine the coverage for equipment damage and business interruption losses.

Because the timing and amount of the business interruption and the insurance recovery may differ, we may experience volatility in our future quarterly operating results.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the quarter ended September 30, 2014 decreased by $1,794, or 26.5 percent, compared to the quarter ended September 30, 2013. This decrease was primarily due to reduced legal fees, most of which were related to the 2013 proxy contest partially offset by an increase in the bonus accrual. The bonus accrual for our short-term incentive plan is based on progress against key performance metrics and for the quarter ended September 30, 2014, we were at 100 percent of key annual performance metrics compared to 75 percent for the quarter ended September 30, 2013.

Selling, general and administrative expenses for the year to date period ended September 30, 2014 decreased by $2,201, or 12.6 percent, compared to the year to date period ended September 30, 2013. This decrease was primarily due to legal fees related to the proxy contest that were included in the year to date period ended September 30, 2013.

INTEREST EXPENSE

Interest expense for the quarter and year to date period ended September 30, 2014 decreased $70 and $214, respectively, compared to the same periods ended September 30, 2013. These decreases were primarily the result of lower average daily balance and interest rate on our Credit Agreement compared to the same periods a year ago.

EQUITY METHOD INVESTMENT EARNINGS (LOSS)

ICP

ICP's Limited Liability Company Agreement generally allocates profits, losses and distributions of cash of ICP based on the percentage of a member's capital contributions to ICP relative to total capital contributions of all members to ICP, of which we have 30 percent and our joint venture partner, ICP Holdings, has 70 percent. That agreement grants the right to either member to elect to shut down the Pekin plant if ICP operates at an EBITDA loss of greater than or equal to $500 in any quarter, subject to the right of the other member to override that election. If the Objecting Member overrides the election, then EBITDA loss and EBITDA profit for each subsequent quarter are allocated 80 percent to the Objecting Member and 20 percent to the Electing Member until the end of the applicable quarter in which the Electing Member withdraws its Shut Down Election and thereafter allocation revert to a 70-30 split (subject to a catch-up allocation of 80 percent of EBITDA profits to the Objection Member until it equals the amount of EBITDA loss allocated to such member on an 80-20 basis). ICP experienced an EBITDA loss of $500 for the quarter ended March 31, 2013, which was one factor that prompted us to deliver notice of our Shut Down Election on April 18, 2013. However, we withdrew our Shut Down Election on March 31, 2014 (thereby causing the allocation of profits and losses to revert to 30 percent to us and 70 percent to ICP Holdings as of April 1, 2014) based partially on the strong financial results ICP generated during the period ended March 31, 2014.

As of June 30, 2014 and during the year to date period ended September 30, 2014, we measured our cumulative equity in the undistributed earnings of ICP using an 80-20 allocation for the Shut Down Election period (April 1, 2013 through March 31, 2014) and a 70-30 allocation thereafter. The cumulative effect of this change in estimate resulted in a decrease in equity method investment earnings of ICP of $1,882 for the year to date period ended September 30, 2014; a decrease in the earnings per share of $0.10 per share for the year to date period ended September 30, 2014; and a decrease in the related equity method investment in ICP at September 30, 2014, of $1,882.

For the quarter ended September 30, 2014, ICP reported total net income of $5,346. Our portion of the earnings for the current quarter was $1,604. For the quarter ended September 30, 2013, ICP generated a net loss of $585. Our portion of the net loss for the year-ago quarter was $135. The significant quarter-versus-quarter increase in earnings was due to much improved margins in the production of chemical intermediates, fuel grade alcohol, and high quality food grade alcohol. The improved margins were driven primarily by a low current supply and strong demand for these products and for fuel grade alcohol, which affects their pricing. ICP also recorded higher sales volumes compared to the same period a year ago.

For the year to date period ended September 30, 2014, ICP reported total net income of $30,246. Our portion of the earnings for the year to date period was $7,192. For the year to date period ended September 30, 2013, ICP recorded a loss of $3,472. Our portion of the loss for the year-ago period was $1,042. The significant period-versus-period increase in earnings was due to much improved margins in the production of chemical intermediates, fuel grade alcohol, and high quality food grade alcohol, partially offset by our change in accounting estimate which reduced our equity method investment earnings by $1,882. The improved margins were driven primarily by a low current supply and strong demand for these products and for fuel grade alcohol, which affects their pricing. ICP also recorded higher sales volumes compared to the same period a year ago.

Our proportionate share of the earnings of ICP has recently had a significant positive impact on our net income for the quarter and year to date periods ended September 30, 2014. There can be no assurance that such results will continue in future periods. We presently expect that ICP's recent levels of profitability may not be sustained. Consequently, we expect that ICP's contributions to our net income may be reduced in future periods.

On July 23, 2014 ICP's alcohol production was interrupted resulting in inconsequential damage to equipment. Production was restarted on a limited basis on August 1, 2014, and ICP was back to normal production rates on or about August 14, 2014. ICP anticipates finalizing the business interruption and property insurance claims before the end of 2014. Insurance recoveries will be recognized when all contingencies to the insurance claims have been resolved and settlement has been reached with the insurer. Because the timing and amount of the business interruption and the insurance recovery may differ, we may experience volatility in Equity Method Investment Earnings (Loss) in our future quarterly operating results.

D.M. Ingredients, GmbH ("DMI")

For the quarters ended September 30, 2014 and 2013, DMI had net income of $33 and $88, respectively. As a 50 percent joint venture holder, our portion of the equity in earnings was $17 and $44 for the quarters ended September 30, 2014 and 2013, respectively.

For the year to date periods ended September 30, 2014 and 2013, DMI had net income of $189 and $159, respectively. As a 50 percent joint venture holder, our equity in earnings was $95 and $80 for the year to date periods ended September 30, 2014 and 2013, respectively.

DISCONTINUED OPERATIONS, NET OF TAX

On February 8, 2013, we sold the assets at our bioplastics manufacturing facility in Onaga, Kansas and certain assets of our extruder bio-resin laboratory located in Atchison, Kansas. The sales price totaled $2,797 and resulted in a net of tax gain of $1,406 that was recognized as discontinued operations in the quarter ended September 30, 2013.

INCOME TAX EXPENSE/(BENEFIT)

Income tax benefit for the quarter ended September 30, 2014 was primarily related to our operating results for the quarter ended September 30, 2014 and a partial release of valuation allowance during the current quarter. We recorded an income tax benefit of $1,215 for the quarter and year to date periods ended September 30, 2014 for the partial release of valuation allowance arising from expected realization of net deferred tax assets in future years. The Company also released $5,855 of valuation allowance related to the tax effects of income generated in the year to date period ended September 30, 2014, resulting in no net impact to the income tax provision.

During the quarter ended September 30, 2014, we evaluated the potential realization of our deferred income tax assets, considering both positive and negative evidence, including cumulative income or loss for the past three years and forecasted taxable income. As a result of this evaluation we concluded that, as of September 30, 2014, a majority of the existing valuation allowance on our net deferred Income tax assets was no longer required. Accordingly, the partial release of valuation allowance was recorded. The Company will continue to assess the need for a valuation allowance in future periods. See *Note 5. Income Taxes* of Notes to Condensed Consolidated Financial Statements for additional information.

NET INCOME

As the result of the factors outlined above, we generated net income of $6,228 and $16,112 in the quarter and year to date periods ended September 30, 2014, respectively, compared to a net loss of $6,325 and $4,568 in the quarter and year to date periods ended September 30, 2013, respectively.

SEGMENT RESULTS

The following is a summary of revenues and pre-tax profit / (loss) attributed to each reportable operating segment for the quarters ended September 30, 2014 and 2013. For additional information regarding our operating segments, see *Note 8. Operating Segments* of this Form 10-Q.

	Quarter Ended		Year to Date Ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Distillery Products				
Net Sales	**$ 63,700**	$ 66,059	**$ 194,035**	$ 200,775
Pre-Tax Income (Loss)	**6,547**	(1,647)	**17,963**	5,836
Ingredient Solutions				
Net Sales	**13,815**	14,112	**43,043**	44,997
Pre-Tax Income	**1,082**	1,279	**2,828**	3,944
Other				
Net Sales	**—**	—	**—**	198
Pre-Tax Loss	**—**	—	**—**	(90)

DISTILLERY PRODUCTS

Total distillery products net sales for the quarter ended September 30, 2014 decreased $2,359, or 3.6 percent. High quality food grade alcohol net sales increased $1,086, or 2.1 percent, fuel grade alcohol sales increased $877, or 46.4 percent, and warehouse service fees increased $165, or 17.2 percent. Offsetting these increases was a decrease in sales of distillers feed and related co-products of $4,486, or 42.6 percent, due to lower volume and pricing.

High quality food grade alcohol net sales volume for the quarter ended September 30, 2014 increased 8.8 percent compared to the same period a year ago. Net sales volume of fuel grade alcohol increased 55.6 percent for the quarter ended September 30, 2014 compared to the same quarter last year, primarily due to a production mix of more premium grade alcohol, which generates more fuel grade alcohol as a by-product. These increases in volume were partially offset by average selling price decreases of high quality food grade and fuel grade alcohols of 6.2 percent and 5.9 percent, respectively, quarter-versus-quarter, with the per-bushel cost of corn decreasing 35.2 percent for the same period. Compared to the decrease in the cost of corn, our average selling price declines were relatively small, which was the leading factor in the increase of our return on distillery sales, which was 10.3 percent for the quarter ended September 30, 2014 and (2.5) percent for the quarter ended September 30, 2013.

Net sales volume of distillers feed and related co-products declined approximately 7.0 percent during the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013. We experienced a decrease in average selling price of distillers feed and related co-products of over 38 percent for the quarter ended September 30, 2014 compared to the year ago period. The decline in net sales volume was primarily due to a decrease in production volumes and the decline in the average selling price was primarily due to a decrease in export demand in the current quarter compared to the year ago period.

Total distillery products net sales for the year to date period ended September 30, 2014 decreased $6,739, or 3.4 percent. High quality food grade alcohol net sales decreased $2,146, or 1.4 percent, warehouse service fees increased $670, or 23.8 percent, and fuel grade alcohol sales increased $3,579, or 59.3 percent. Sales of distillers feed and related co-products declined $8,842, or 26.0 percent, due to lower volume and pricing. High quality food grade alcohol net sales volume for the year to date period ended September 30, 2014 increased 17.1 percent compared to the same period a year ago. Net sales volume of fuel grade alcohol increased 66.2 percent for the year to date period ended September 30, 2014 compared to the same period last year, primarily due to opportunistic sales of fuel grade alcohol when margins were high, and a production mix of more premium grade alcohol, which generates more fuel grade alcohol as a by-product. These increases in volume were partially offset by average selling price decreases for high quality food grade and fuel grade alcohols of 15.8 percent and 4.2 percent, respectively, period-versus-period, with the per-bushel cost of corn decreasing 36.8 percent for the same period. Compared to the decrease in the cost of corn, our average selling price declines were relatively small, which was a leading factor in the increase in our return on distillery sales which was 9.3 percent for the year to date period ended September 30, 2014 and 2.9 percent for the year to date period ended September 30, 2013.

Net sales of distillers feed and related co-products decreased $8,842, or 26.0 percent, for year to date period ended September 30, 2014 compared to the quarter ended September 30, 2013. Net sales volume of distillers feed and related co-products declined approximately 3.7 percent during the year to date period ended September 30, 2014 compared to the year to date period ended September 30, 2013. We experienced a decrease in the average selling price of distillers feed and related co-products of over 23 percent for the year to date period ended September 30, 2014 compared to the year ago period. The decline in net sales volume was primarily due to a decrease in production volumes and the decline in the average selling price was primarily due to a decrease in export demand in the current quarter compared to the year ago period.

INGREDIENT SOLUTIONS

Total ingredient solutions net sales for the quarter ended September 30, 2014 decreased by $297, or 2.1 percent, compared to the quarter ended September 30, 2013. Net sales of commodity starch and commodity protein products decreased for the quarter ended September 30, 2014 by $325 and $146, respectively, partially offset by a net sales increase of specialty starches of $286. Our focus remains on the production and commercialization of specialty ingredients, which is reflected in our quarter-versus-quarter decrease in commodity products as a percentage of total segment net sales of 3.0 percentage points, to 15.0 percent for the quarter ended September 30, 2014 from 18.0 percent for the quarter ended September 30, 2013.

Net sales volume of specialty starches increased 14.9 percent for the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013. On the other hand, specialty protein net sales volume declined 2.7 percent quarter-versus-quarter. Commodity starch and commodity protein net sales volumes also decreased for the quarter ended September 30, 2014 by 11.5 percent and 33.3 percent, respectively. The average selling price per pound of specialty starches decreased 9.3 percent for the quarter ended September 30, 2014 compared to the year ago period, while the average selling price per pound of specialty proteins remained relatively flat, quarter-over-quarter. Specialty protein average selling price remained relatively flat, quarter-over-quarter, as the per-pound cost of flour decreased 9.1 percent for the quarter ended September 30, 2014 compared to the same period a year ago. The per-million cubic foot cost of natural gas averaged 8.8 percent higher for the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013.

Total ingredient solutions net sales for the year to date period ended September 30, 2014 decreased by $1,954, or 4.3 percent, compared to the year to date period ended September 30, 2013. Net sales of specialty protein, commodity starch and commodity protein products decreased for the year to date period ended September 30, 2014 by $1,052, $323 and $488, respectively, with the net sales of specialty starches staying relatively flat. Our focus remains on the production and commercialization of specialty ingredients, which is reflected in our period-versus-period decrease in our commodity products as a percentage of total segment net sales of 1.0 percentage point, to 18.0 percent for the year to date period ended September 30, 2014 from 19.0 percent for the year to date period ended September 30, 2013.

Net sales volume of specialty starches increased 8.2 percent for the year to date period ended September 30, 2014 compared to the year to date period ended September 30, 2013. On the other hand, specialty protein net sales volume declined 7.3 percent, period-versus-period. Commodity starch net sales volume remained relatively flat and commodity protein net sales volume decreased for the year to date period ended September 30, 2014 by 15.3 percent. The average selling price per pound of specialty starches decreased 8.0 percent for the year to date period ended September 30, 2014 compared to the year ago period, while the average selling price per pound of specialty proteins remained relatively flat, period-over-period. Specialty protein average selling price remained relatively flat, period-over-period, as the per-pound cost of flour decreased 11.3 percent for the year to date ended September 30, 2014 compared to the same period a year ago. The per-million cubic foot cost of natural gas averaged 9.5 percent higher for the year to date period ended September 30, 2014 compared to the year to date period ended September 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

Our principal uses of cash in the ordinary course are for the cost of raw materials and energy used in our production processes, salaries, and capital expenditures. Generally, during periods when commodities prices are rising, our operations require increased use of cash to support inventory levels. Our principal sources of cash are product sales and borrowing on our credit facility. At September 30, 2014 and December 31, 2013, our cash balance was $0 and $2,857, respectively, and we have used our credit facility for liquidity purposes, with $36,929 remaining on the facility at September 30, 2014 for additional borrowings. Historically, we also have used cash for acquisitions and received cash from investment or asset dispositions and tax refunds.

On February 28, 2014, the Board of Directors declared a dividend payable to stockholders of record as of March 17, 2014, of the Company's common stock, no par value ("Common Stock") and a dividend equivalent payable to holders of restricted stock units ("RSUs") as of March 17, 2014, of $.05 per share and per unit. The total payment of $907, comprised of dividend payments of $884 and dividend equivalent payments of $23, was paid on April 9, 2014.

On February 28, 2013, the Board of Directors declared a dividend payable to stockholders of record as of March 18, 2013, of Common Stock and a dividend equivalent payable to holders of RSUs as of March 18, 2013, of $0.05 per share and per unit. The total payment of $916, comprised of dividend payments of $897 and dividend equivalent payments of $19, was paid on April 10, 2013.

On February 8, 2013, we sold our bioplastics manufacturing business for $2,797.

We expect $8,000 to $10,000 in routine capital expenditures over the twelve month period ending September 30, 2015, related to improvements in and replacements of existing plant and equipment. The cost to repair or replace equipment damaged in the January 2014 fire at the Indiana plant will be in addition to this number, but has not yet been determined. As of September 30, 2014, we had commitments to acquire approximately $1,273 of capital assets.

We had significant professional fees and severance costs accrued at December 31, 2013 related to the 2013 proxy contest (see *Note 4. Commitments and Contingencies*). We paid $2,427 of these accruals during the year to date period ended September 30, 2014. The balance of the proxy-related accruals of $79 is expected to be paid over the remainder of this calendar year.

We expect our sources of cash to be adequate to provide for budgeted capital expenditures and anticipated operating requirements. The following table is presented as a measure of our liquidity and financial condition:

	September 30, 2014	December 31, 2013
Cash and cash equivalents	**$ —**	$ 2,857
Working capital	**39,097**	37,736
Credit facility, notes payable and long-term debt outstanding	**16,663**	23,168
Amounts available under lines of credit	**36,929**	23,920
Stockholders' equity	**96,997**	81,603

	Year to Date Ended	
	September 30, 2014	September 30, 2013
Depreciation and amortization	**$ 9,202**	$ 8,955
Capital expenditures	**4,920**	3,571
Cash flows from operations	**8,755**	4,004

CASH FLOW INFORMATION

Operating Cash Flows. Operating cash flow information for the year to date periods ended September 30, 2014 and 2013, respectively, is as follows:

	Year to Date Ended	
	September 30, 2014	September 30, 2013
Cash Flows from Operating Activities		
Net income (loss)	**$ 16,112**	$ (4,568)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and amortization	**9,202**	8,955
Gain on sale of bioplastics manufacturing business	**—**	(1,453)
Gains on property insurance recoveries	**(1,223)**	—
Release of valuation allowance for deferred tax assets	**(1,215)**	—
Share based compensation	**588**	970
Equity method investment (earnings) loss	**(7,287)**	962
Changes in Operating Assets and Liabilities:		
Restricted cash	**—**	12
Receivables, net	**(3,729)**	3,529
Inventory	**3,452**	(342)
Prepaid expenses	**(587)**	(541)
Refundable income taxes	**241**	16
Accounts payable	**(8,188)**	(509)
Accounts payable to affiliate, net	**2,220**	(3,491)
Accrued expenses	**(295)**	1,478
Deferred credit	**334**	(340)
Accrued retirement health and life insurance benefits and other noncurrent liabilities	**(456)**	(680)
Other	**(414)**	6
Net cash provided by operating activities	**$ 8,755**	$ 4,004

Cash flow from operations increased $4,751 to $8,755 for the year to date period ended September 30, 2014, from $4,004 for the year to date period ended September 30, 2013. This increase in operating cash flow was primarily the result of an increase in net income, after giving effect to non-cash items, along with changes in our inventory and accounts payable to affiliate activities, partially offset by the impact to cash from our receivables, accounts payable and accrued expenses.

Net income increased, after giving effect to non-cash items (depreciation and amortization, gains and losses, release of valuation allowance, share-based compensation and equity method investment earning), by $11,311, from $4,866 for the year to date period ended September 30, 2013 to $16,177 for the year to date period ended September 30, 2014. Inventory decreased resulting in increased cash flow from operations of $3,452 for the year to date period ended September 30, 2014, compared to a use of cash from operations of $342 for the year to date period ended September 30, 2013, with the resulting change primarily due to timing of cash disbursements. For the year to date period ended September 30, 2014, accounts payable to affiliate, net increased $2,220 compared to a net decrease of $3,491 for the year to date period ended September 30, 2013, with the resulting change primarily due to timing of payments as well as increased purchases from ICP compared to the same period a year ago. The above factors, which served to increase operating cash flow, were partially offset by the following:

- Receivables increased $3,729 for the year to date period ended September 30, 2014 compared to a decrease of $3,529 for the year to date period ended September 30, 2013. The resulting change was primarily due to increased sales sourced from our ICP joint venture and the timing of cash receipts.
- Accounts payable decreased $8,188 for the year to date period ended September 30, 2014 compared to a decrease of $509 for the year to date period ended September 30, 2013. The resulting change was primarily due to the settlement of accrued expenses related to the proxy contest and the timing of cash disbursements.

- Accrued expenses decreased $295 for the year to date period ended September 30, 2014 compared to an increase of $1,478 for the year to date period ended September 30, 2013. The decrease in accrued liabilities was primarily due to timing of cash disbursements related to 2013 bonus accruals.

Investing Cash Flows. Net investing cash flow for the year to date period ended September 30, 2014 was $(3,533) compared to $(774) for the year to date period ended September 30, 2013. During the year to date period ended September 30, 2014, we made capital investments of $4,920 and received proceeds of $1,383 related to property insurance recoveries related to the January 2014 fire at the Indiana plant. During the year to date period ended September 30, 2013, we received proceeds of $2,797 from the sale of our bioplastics manufacturing business and we made capital investments of $3,571.

Financing Cash Flows. Net financing cash flow for the year to date period ended September 30, 2014 was $(8,079) compared to $(3,230) for the year to date period ended September 30, 2013, for a net decrease in financing cash flow of $4,849. During the year to date period ended September 30, 2014, we had net payments of $5,343 to our Credit Agreement compared to net payments of $1,026 for the year to date period ended September 30, 2013. Our payments on long-term debt totaled $1,162 and $1,288 for the year to date periods ended September 30, 2014 and 2013, respectively. We purchased shares of stock from terminated employees during the year to date period ended September 30, 2014 in the amount of the withholding taxes on the pro-rata vesting of their Restricted Stock at termination. These stock purchases added 87,731 shares, or $601, to our treasury stock. We made dividend and dividend equivalent payments of $907 and $916 for the year to date periods ended September 30, 2014 and 2013, respectively, to our holders of Common Stock, Restricted Stock, and RSUs.

CAPITAL EXPENDITURES

For the year to date period ended September 30, 2014, we made $5,777 of capital investments, of which $4,920 was a use of cash and $857 remained payable at September 30, 2014. The capital investments related primarily to facility improvements and upgrades.

CREDIT AGREEMENT

On November 2, 2012, we entered into an Amended and Restated Credit Agreement, and ancillary documents with Wells Fargo (the “Credit Agreement”). On February 12, 2014, we entered into Amendment No. 1 to the Credit Agreement (the "First Amendment"). The First Amendment amended and restated the definition of the term EBITDA to add back (to the Company's consolidated net earnings or loss) governance expenses relating to certain shareholder litigation involving the Company in 2013 and incurred prior to December 31, 2013, in an aggregate amount not in excess of $5,500. We incurred $5,465 of such expenses as of or prior to December 31, 2013.

On August 5, 2014, we entered into Amendment No. 2 to the Credit Agreement (the “Second Amendment”) by and among Wells Fargo Bank, N.A. as administrative agent and sole lender and MGP Ingredients, Inc., MGPI Processing, Inc., MGPI Pipeline, Inc. and MGPI of Indiana, LLC. The Second Amendment amended and restated the definition of the term “Fixed Asset Sub-Line” and added Thunderbird Real Estate Holdings, LLC (“Thunderbird”), a wholly-owned subsidiary of MGPI Processing, Inc. which is a wholly-owned subsidiary of MGP Ingredients, Inc., to the Credit Agreement as a Loan Party, as defined in the Credit Agreement. In connection with execution of the Second Amendment, all the equity of Thunderbird was pledged and a lien was placed on all the assets of Thunderbird to secure the obligations of the Loan Parties (as defined in the Credit Agreement) under the Credit Agreement. With the execution of the Fixed Asset Sub-Line term loan, $7,004 of debt obligations under the Credit Agreement became debt obligations under the sub-line term loan (maturing with the Credit Agreement), resulting in a non-cash transaction. The loan fees incurred by us related to the Second Amendment for the quarter and year to date periods ended September 30, 2014 were $66 and are being amortized over the life of the Credit Agreement. The amortized portion of the loan fees incurred is included in *Interest expense, net* on the Condensed Consolidated Statements of Comprehensive Income (Loss).

The amount of borrowings which we may make is subject to borrowing base limitations adjusted for the Fixed Asset Sub-Line collateral. As of September 30, 2014, our total outstanding borrowings under the credit facility were $12,656, comprised of $5,736 of revolver borrowing and $6,920 of fixed asset sub-line term loan borrowing, leaving $36,929 available for additional borrowings. The average interest rate for total borrowings of the Credit Agreement at September 30, 2014 was 2.57 percent.

WORKING CAPITAL

COMPARISON TO DECEMBER 31, 2013

Our working capital increased $1,361 from December 31, 2013 to September 30, 2014. This increase was primarily the result of an increase in receivables and prepaid expenses and a decrease in accounts payable and accrued expenses. These increases to working capital were partially offset by decreases in cash, inventory and deferred tax assets, and an increase in accounts payable to affiliate and current maturities of long term debt.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to provide Item 3 disclosures in this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures.

As of the end of the quarter ended September 30, 2014, our Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal controls.

Except as related to the change in filing status discussed below, there has been no change in the Company's internal control over financial reporting required by Exchange Act Rule 13a-15 that occurred during the fiscal quarter ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

At September 30, 2014, the Company determined that it will cease to qualify for smaller reporting company SEC filing status and will transition to accelerated filing status disclosure requirements for the period ended March 31, 2015, per Item 10(f) of Regulation S-K. The Company expects to file its Form 10-K for the year ended December 31, 2014 in compliance with the accelerated filer deadline, per SEC Division of Corporation Finance Exchange Act Rules Compliance & Disclosure Interpretation Question 130.04. Also as a result of the Company's change in filing status from smaller reporting company to accelerated, it no longer qualifies for exemption from Section 404(b) of the Sarbanes-Oxley Act. Therefore, the Company's independent auditors will be required to attest to management's assessment of the effectiveness of the Company's system of internal controls for the year ending December 31, 2014.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Part I, Item 3, Legal Proceedings of our Report on Form 10-K for the year ended December 31, 2013 and *Note 4. Commitments and Contingencies* for information on certain proceedings to which we are subject.

We are a party to various other legal proceedings in the ordinary course of business, none of which is expected to have a material adverse effect on us.

ITEM 1A. RISK FACTORS

Risk Factors are described in "Item 1A. Risk Factors" of the Company's Report on Form 10-K for the year ended December 31, 2013 and on Form 10-Q for the quarter ended March 31, 2014 and June 30, 2014 and, except where indicated below, there have been no material changes thereto. The Company has supplemented its disclosure of risk factors in this Form 10-Q for the quarter ended September 30, 2014 by adding the following risk factor.

The timing and amount of business interruption and associated insurance recovery amount may differ, causing volatility in our future operating results.

In January 2014 and in October 2014 we experienced fires at our facilities. We expect to replace the equipment that was damaged in the January fire by the end of 2015. In both cases we experienced a business interruption. We are still evaluating the effects of the October fire. Any repair or replacement of equipment may result in additional disruption to our business and for which we would expect to file an additional claim with our insurance carrier. Because the timing and amount of any business interruption and any associated insurance recovery may differ, we may experience volatility in our future quarterly operating results.

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

There was no unregistered sale of equity securities during the quarter ended September 30, 2014.

ISSUER PURCHASES OF EQUITY SECURITIES

	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2014 through July 31, 2014	7,641 (1)	$ 8.30 (1)	—	$ —
August 1, 2014 through August 31, 2014	—		—	
September 1, 2014 through September 30, 2014			—	
Total	7,641		—	

(1) Aggregate number of shares repurchased to satisfy withholding tax obligations under Restricted Stock that vested during the month.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None**.**

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Certificate of Amendment to Articles of Incorporation of MGP Ingredients, Inc., dated May 22, 2014
3.2	Amended and Restated Bylaws of MGP Ingredients, Inc., dated July 29, 2014 (Incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed August 4, 2014 (File number 000-17196))
*10.1	Employment Agreement, dated July 23, 2014, between MGP Ingredients, Inc. and Augustus C. Griffin, Chief Executive Officer
*10.2	Amendment 2 to Amended and Restated Credit Agreement dated August 5, 2014, between Wells Fargo Bank, National Association and MGP Ingredients, Inc., MGPI Processing, Inc., MGPI Pipeline, Inc. and MGPI of Indiana, LLC
*10.3	MGP Ingredients, Inc. Agreement as to Award of Restricted Stock Units Granted under the 2014 Equity Incentive Plan
*31.1	CEO Certification pursuant to Rule 13a-14(a)
*31.2	CFO Certification pursuant to Rule 13a-14(a)
*32.1	CEO Certification furnished pursuant to Rule 13a-14(b) and 18 U.S.C. 1350
*32.2	CFO Certification furnished pursuant to Rule 13a-4(b) and 18 U.S.C. 1350
*101	The following financial information from MGP Ingredients, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of September 30, 2014, and December 31, 2013, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2014 and 2013, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014, and 2013, (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity, and (v) the Notes to Condensed Consolidated Financial Statements.
*Filed herewith	

SIGNATURES

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

MGP INGREDIENTS, INC.

Date:	November 12, 2014	By	/s/ Augustus C. Griffin
			Augustus C. Griffin, President and Chief Executive Officer
Date:	November 12, 2014	By	/s/ Donald P. Tracy
			Donald P. Tracy, Vice President, Finance and Chief Financial Officer

Exhibit Index

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*Filed herewith	

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into and to be effective as of 28th of July, 2014, between Augustus C. Griffin, an individual (the "Executive") and MGP Ingredients, Inc., a Kansas corporation (the "Company").

1. **Employment.** By executing this Agreement, the Company employs the Executive and the Executive accepts such employment and agrees to perform the services specified herein, upon the terms and conditions of this Agreement.

2. **Position and Responsibilities.**

(a) The Executive shall serve as President and Chief Executive Officer of the Company and in any other positions that the Company's Board of Directors (the "Board") shall direct. The Executive will have the duties, authorities and responsibilities commensurate with the duties, authorities and responsibilities of chief executive officers in publicly-traded United States-based companies of similar size, and such other duties, authorities and responsibilities as the Board designates from time to time that are not inconsistent with the Executive's positions. The Executive will report to, and be subject to direction of, the Board.

(b) During the Term of this Agreement, the Executive shall devote his best efforts to the business and affairs of the Company and shall devote all of his business time to perform the duties hereunder. Notwithstanding the foregoing, with the prior approval of the Board, the Executive may devote a reasonable portion of his time to serve on boards of directors, boards of managers or boards of trustees, or committees thereof, of companies or organizations involving no conflict of interest with the interests of the Company. The Executive will use reasonable efforts to comply in all material respects with all reasonable policies of the Company as are from time to time in effect and applicable to the Executive positions.

3. **Board Membership.** The Board will nominate Executive for election, or re-election at the expiration of Executive's then-current term, as a member of the Board; provided that the foregoing shall not be required to the extent prohibited by law or regulatory requirements.

4. **Relocation.** The Executive shall promptly relocate his residence to Atchison, Kansas or to the Kansas City metropolitan area, and shall maintain his residence in one of those locales. A relocation package, including moving expenses as well as assistance with real estate sale and purchase fees will be tailored to the Executive's particular circumstances in accordance with the Company relocation policy.

5. **Compensation.**

(a) Base Compensation. The initial gross base salary of the Executive shall be $375,000 per year (the "Base Compensation"). The Base Compensation shall be paid in equal weekly payments or at such other times and in such other installments as are paid to other executives of the Company. The Base Compensation will be reviewed annually by the Human Resources and Compensation Committee of the Board (the "Compensation Committee") in accordance with the performance evaluation practices of the Company but may not be decreased without the consent of the Executive.

(b) Signing Bonus. As authorized under the Company's 2014 Equity Incentive Plan (the "Equity Plan"), the Executive will be granted as of 5:30 p.m. Central Time on August 1, 2014 (the "Grant Date") an award of 12,000 restricted share units (the "Initial RSU Grant") under the Equity Plan of the Company's common stock which will be granted in substantially the form attached hereto as Exhibit A (the "Initial Restricted Share Unit Agreement") and shall vest on August 1, 2017, subject to the terms and conditions of the Initial Restricted Share Unit Agreement attached hereto and the Equity Plan, a copy of which has been made available to the Executive.

(c) Short-Term Incentives. For 2014, the Executive's target short-term incentive ("STI") award pursuant to the Company's 2014 Short-Term Incentive Plan (the "STI Plan") for the attainment of the Company's 2014 performance measures will be $275,000. The amount and timing of payments under the STI Plan will be at the discretion of the Board based on the attainment of the Company performance measures set by the Compensation Committee. The Executive's 2014 STI award will be prorated from August 1, 2014, the Executive's actual date of employment. The STI Plan metrics for 2014, as determined by the Board, have been provided to the Executive.

The Executive's threshold STI Plan award is 80% of the target STI Plan award of the target ($220,000), for the attainment of Company performance measures equivalent to not less than 80% of the target, subject to proration as described above. The Executive's maximum STI Plan award, for attainment of Company performance measures greater than 120% of the target, is 120% of the target award ($330,000), subject to proration as described above. For calendar year 2014, the Executive will receive not less than the pro-rata targeted award amount, regardless of the Company's performance relative to the performance measures.

(d) Long-term Incentive. The Executive will eligible to participate in the Company's long-term equity incentive ("LTI") program for each fiscal year during which Executive is employed under this Agreement, with an award for each year following 2014 as determined by the Compensation Committee. For 2014, the Executive will receive an award pursuant to the Company's Equity Plan. The Equity Plan award will be made in the form of stock performance based units, determined by the Board of Directors or the Compensation Committee thereof, including, without limitation, one or more of the following: stock options, restricted stock, restricted stock units, performance share units, and stock appreciation rights. The 2014 award will vary depending on the Company's performance measured against the performance measures, with a target award at $250,000, a threshold award of 80% of the targeted award amount ($200,000), and a maximum award at 120% of the targeted award amount ($300,000), with award values interpolated as necessary for performance between threshold and target and between target and maximum. The terms, conditions and form of such LTI award will be subject to grants of stock incentives under the 2014 Plan, and granted in the form typically used for the applicable type of award.

(e) Expenses. The Executive shall be reimbursed, consistent with policies applicable to other officers of the Company, for all reasonable expenses incurred by the Executive in performing services under this Agreement. The Executive will submit appropriate receipts, invoices and other evidence of expenditures as required by Company policy.

(f) Retirement. The Company will match contributions made by the Executive to the Company's 401(k) plan up to a maximum of six percent (6%) of the Executive's Base Compensation, which matching obligation will be subject to the then-current annual limit set by the Board.

(g) Welfare Benefits. The Company shall provide the Executive and his family with benefits generally provided to its other executive officers under its welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, life and other insurance plans).

(h) Life and Disability Insurance. The Executive will be entitled to receive a group life insurance policy and long-term disability insurance, in each case consistent with benefits provided to other executive officers of the Company.

(i) Automobile Allowance. The Executive will be entitled to an allowance for a vehicle of a pre-tax amount of $500 per month (with an aggregate annual amount of $6,000).

(j) Vacation. Executive shall be entitled to twenty-five (25) days paid annual vacation, in accordance with the Company's policies and provided that such vacation times do not substantially interfere with the performance of his duties hereunder.

6. **Termination of Employment.**

(a) With or Without Cause. Executive is an employee-at-will and the Company may, at any time, in its sole discretion, terminate the Executive's employment upon written notice with or without Cause. For purposes of this Agreement, the term "Cause" means:

(i) commission by the Executive of an act that is materially detrimental to the Company or any direct or indirect subsidiary of the Company (each, an "Affiliate"), which act constitutes gross negligence or willful misconduct by Executive in the performance of the Executive's material duties to the Company or any Affiliate;

(ii) commission by the Executive of any act of dishonesty or breach of trust resulting in or intending to result in the Executive's personal gain or enrichment at the expense of the Company or any Affiliate;

(iii) violation by the Executive of Section 2 of this Agreement which violation, if curable, is not cured by the Executive within thirty (30) days after receipt by the Executive of written notice from the Company of such violation; or

(iv) violation by the Executive of Section 7 of this Agreement which violation, if curable, is not cured by the Executive within thirty (30) days after receipt by the Executive of written notice from the Company of such violation.

(b) With or Without Good Reason. The Executive may terminate his employment for any reason by providing not less than thirty (30) days' prior written notice of such termination to the Company. If such notice is properly given, the Executive's employment hereunder will terminate as of the close of business on the thirtieth (30th) day after such notice is deemed to have been given or such other date as mutually agreed by the Parties.

(c) Death or Disability. If the Executive's employment is terminated because of the Executive's death, the termination of this Agreement will be effective immediately. If the Company determines in good faith that Disability of the Executive has occurred, the Company may provide the Executive written notice of termination. The term "Disability" means the Executive's absence from the Executive's material duties and responsibilities with the Company for one hundred thirty (130) business days in any consecutive twelve- (12-) month period as a result of incapacity due to mental or physical illness or injury. If, within thirty (30) days of such notice of termination, the Executive does not return to full-time performance of responsibilities, the Executive's employment will terminate automatically. If the Executive returns to full-time performance within thirty (30) days, such notice of termination will be cancelled and void hereunder.

(d) Severance.

(i) Upon a termination of the Executive's employment, subject to the satisfaction of the Release Condition described in Section 6(f) below, the Executive will be entitled to receive:

(A) payment of the Executive's accrued and unpaid Base Salary through the date of termination, the Executive's accrued and unused vacation days as of the date of termination, and reimbursement of incurred and unreimbursed expenses under Section 5(e), within thirty (30) days following the date of termination (collectively, the amounts in this subsection (A), the "Accrued Obligations");

(B) any annual bonus earned with respect to a fiscal year ending prior to the date of such termination but unpaid as of such date, payable at the same time in the year of termination as such payment would be made if the Executive continued to be employed by the Company (the "Prior Year Bonus");

(C) unless the Executive was terminated for Cause or the Executive terminated this Agreement, an amount equal to the Executive's Base Salary paid in equal installments on the dates on which Executive’s Base Salary would otherwise have been paid in accordance with the Company’s normal payroll dates in effect as of the date of Executive’s termination of employment as if Executive’s employment had continued for such period, provided that the delay of the payment of any such amounts pending satisfaction of the Release Condition described in Section 6(f) below shall be accumulated and paid on the first of the Company’s first such scheduled payroll date following satisfaction of the Release Condition ("Severance");

(D) unless the Executive was terminated for Cause or the Executive terminated this Agreement, any performance bonus related to the year in which the termination occurs calculated based on actual performance through the end of the applicable performance period and prorated for the number of days of the Executive's employment in the year in which the termination occurs, payable in a single lump sum at the same time as such payment would be made if the Executive continued to be employed by the Company (the "Pro-Rata Bonus");

(E) any other amounts or benefits due to the Executive in accordance with the Company’s benefit, equity or fringe benefit plans, programs or policies or this Agreement, payable at such times and otherwise in accordance with the terms and conditions such arrangements (the "Other Benefits"); and

(ii) Upon a termination of employment due to the Executive's death or Disability, the Executive or a representative of the Executive shall be entitled to the Severance, the Accrued Obligations, the Other Benefits, the Prior Year Bonus, and the Pro-Rata Bonus.

(e) Resignations. Upon any termination of the Executive's employment with the Company for any reason, the Executive agrees to promptly resign as a director of the Company and from any other offices, directorships, trusteeships, committee memberships and fiduciary capacities held with, or on behalf of, the Company and/or any Affiliate. The Executive shall promptly execute any further documentation thereof as requested by the Company and, if the Executive is to receive any payments from the Company, execution of such further documentation shall be a condition thereof.

(f) Release Condition. Executive agrees that Executive shall be entitled to the amounts and benefits set forth in Sections 6(d) only if (i) Executive executes a release of all claims against the Company (other than indemnity claims the Executive may have against the Company that arise under the Company's by-laws or the director and officer insurance policies) in such reasonable form as the Company may reasonably prescribe and has not materially breached, as of the date of termination, Section 7 of this Agreement and does not materially breach such provisions at any time during the period for which such payments are to be made, and (ii) such release becomes effective and irrevocable no later than 60 days following the date of Executive's termination of employment ("Release Condition"). If the Executive materially breaches Section 7 of this Agreement, the Company shall have no obligation to make any severance, other payment, or provide any benefit under this Agreement during the period in which such amounts are otherwise payable or such benefits are otherwise to be provided, but only to the extent such that the value of such foregone severance, other payment, or other benefits does not exceed the actual damages sustained by the Company with respect to such material breach.

(g) No Duplication of Benefits. Any termination payments made and benefits provided under this Agreement to the Executive shall be in lieu of any other severance payments or benefits for which the Executive may be eligible under any of the plans, policies or programs of the Company or under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation. In the event any plan or grant provides for better treatment as to equity on a termination of employment than that provided herein, such better provision shall apply.

7. **Restrictions.** The Executive agrees that (i) he will possess and will continue to possess as a result of his services under this Agreement certain confidential and proprietary information regarding the Company, its business and its business plans and (ii) the use of any such confidential and proprietary information in a business or activity which competes with the Company would adversely affect the business and the Company's assets and provide the competing business with an unfair advantage over the Company. Accordingly, the parties wish to restrict the Executive's use and disclosure of such information and his ability to compete unfairly or enable others to compete unfairly with the Company. The Executive agrees to comply with the terms of this Section 7, all of which are reasonable and necessary to protect the confidential or proprietary business information and trade secrets of the Company and to prevent any unfair advantage from being conferred upon a competing business of the Company, as set forth below:

(a) Non-Hiring and Non-Solicitation of Employees. During the Term, and for a period of one (1) year after the Executive's last day of employment with the Company, the Executive may not directly or indirectly recruit, solicit, or hire any executive or master distiller of the Company or its Affiliates or otherwise induce any such executive or master distiller of the Company or its Affiliates to leave the employment of the Company or an Affiliate to become an employee of or otherwise be associated with any other party or with the Executive or any company or business with which the Executive is or may become associated. Notwithstanding the foregoing, the restrictions in this Section 7(a) shall not apply with regard to (i) general solicitations that are not specifically directed to employees of the Company or its Affiliates (but the restrictions shall still apply to the hiring of any executive or master distiller who responds to such general solicitation), (ii) serving as a reference at the request of any employee or (iii) actions taken in the good faith performance of the Executive's duties for and/or for the benefit of the Company and/or its Affiliates. The running of the applicable no-hire period will be suspended and shall not apply during any period of violation and/or any period of time during which litigation to enforce this covenant is pending, but only to the extent the Company prevails in such litigation; provided, that, to the extent the Company prevails in such litigation, the applicable period shall apply for not more than the number of days following the conclusion of such litigation equal to the difference between 365 and the number of days (but not in excess of 365) from the date of termination until the date on which such litigation commenced.

(b) Non-Interference with Business Relations. During the Engagement and thereafter (except in the case of clause (ii) which shall continue for one (1) year after the Executive's last day of employment with the Company) (regardless of the circumstances of such termination and the length of this Agreement), the Executive agrees that, he shall not, directly or indirectly, (i) do anything to discredit or otherwise injure the reputation or goodwill of the Company or its Affiliates, (ii) without the written consent of the Company, solicit, induce or attempt to solicit or induce any customer or any person or entity known by Executive or which would be reasonably known by Executive to be an employee, independent contractor or other professional or business relation of the Company (or any Affiliate) to cease doing business with the Company (or any Affiliate), or (iii) in any way interfere with the Company's (or any Affiliate's) relationship with any customer, employee, independent contractor, or other professional or business relation of the Company or Affiliate. For purposes hereof, a customer of the Company shall be defined as any person or entity who has purchased any goods or services from the Company (or any Affiliate) during the one- (1-) year period preceding termination in an amount equal to or greater than $5,000,000 in the aggregate.

(c) Confidential Information. The Executive recognizes that the Company's business interests require the fullest practical protection and confidential treatment of all information, not generally known within the relevant trade group or by the public, including all Work Product (as defined below), business and marketing plans, training materials, promotional materials, illustrations, designs, plans, data bases, sources of supply, customer lists, vendor lists, market surveys and/or analyses, supplier and contractor lists, trade secrets, and all other valuable or unique information and techniques acquired, developed or used by the Company relating to its business, operations, suppliers, employees and customers, regardless of whether such information is in writing, on computer disk or disk drive or in any other form (hereinafter collectively termed "Protected Information"). The Executive expressly acknowledges and agrees that the Protected Information constitutes trade secrets and/or confidential and proprietary business information of the Company (or its subsidiaries, or its customers or suppliers, as the case may be). Protected Information shall not include information which is or becomes publicly known, through no breach of this Section 7 by the Executive. The Executive acknowledges that Protected Information is essential to the success of the business of the Company and its subsidiaries, and it is the policy of the Company to maintain as secret and confidential the Protected Information, which gives the Company or its subsidiaries a competitive advantage over those who do not know the Protected Information is expressly and implicitly protected by the Company and its subsidiaries from unauthorized disclosure. Accordingly, the Executive agrees to take all reasonable steps to hold such Protected Information in a fiduciary capacity, to keep secret and to treat confidentially, and not to permit any other person or entity to, directly or indirectly, appropriate, divulge, disclose or otherwise disseminate to any other person or entity nor use in any manner for him or any other person's or entity's purposes or benefit any Protected Information, and not to use or aid others in using any such Protected Information in competition with the Company or any Affiliate except (i) in furtherance of the performance of his duties to the Company, whether under this Agreement or otherwise, or (ii) to the extent that disclosure is required by law. Executive shall not be in breach of this section in the event of disclosure, if such disclosure occurs through no action or fault of his own, or arises out of the willful, illegal or negligent actions of another individual or entity not under his control. This obligation of non-disclosure of information shall survive this Agreement and shall continue to exist for so long as such information remains Protected Information.

(d) Reasonableness of Restrictions. The Executive acknowledges and agrees that, given the nature of the business of the Company, and the Company's proposed business plans, the restrictions imposed upon the Executive by this Section 7 and the purposes for such restrictions are reasonable and are designed to protect the trade secrets, confidential and proprietary business information and the future success of the Company and its subsidiaries without unduly restricting the Executive's future employment. If, at the time of enforcement of this Section 7, a court shall hold that any of the duration, scope or geographic restrictions stated herein are unreasonable under circumstances then existing, the parties agree (and shall stipulate, if necessary, in an appropriate pleading) that the maximum duration, scope or geographic area reasonable under such circumstances shall be substituted for the stated duration, scope or geographic area. The Executive acknowledges and agrees that in the event of his breach of any provision of this Section 7, the Company and its subsidiaries will suffer irreparable harm and, accordingly, the Executive agrees that the Company's right to terminate this Agreement for Cause pursuant to Section 6(a) does not reflect the Company's damages on account of such breach, shall not be the Company's exclusive remedies, and that the Company shall be entitled to exercise any other remedies available to it at law or in equity, including injunctive relief or other equitable remedies. In the event of any breach of the provisions of this Section 7, the Executive further agrees that the time periods set forth in this Section 7 shall be extended by the period of such breach.

(e) Nondisparagement. During the Term and for two (2) years thereafter (the "Restricted Period"), the Executive agrees not to, with intent to damage, disparage or encourage or induce others to disparage the Company or its officers or directors as of the date of termination of the Executive's employment (the "Company Parties"). For purposes of this Section 7(f), the term "disparage" includes, without limitation, comments or statements to the press, to the employees of the Company, or its Affiliates or to any individual or entity with whom the Company or its Affiliates has a business relationship (including, without limitation, any vendor, supplier, customer or distributor), or any public statement, that in each case is intended to, or can be reasonably expected to, damage any of the Company Parties in more than a de minimis manner. Notwithstanding the foregoing, nothing in this Section 7(f) shall prevent the Executive from (i) making any truthful statement to the extent, but only to the extent (A) necessary with respect to any litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement, in the forum in which such litigation, arbitration or mediation properly takes place or (B) required by law, legal process or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with apparent jurisdiction over the Executive, (ii) making normal competitive statements during any period after the termination of the Executive's employment, (iii) making any statements in the good faith performance of the Executive's duties to Company, and (iv) rebutting any statements made by the Company or its Affiliates or their respective officers, directors, employees or other service providers.

(f) Documents and Processes, etc. Any information or innovations, including, but not limited to, inventions, improvements, methods, technology, programs, customer lists, reports, distribution records, brochures, instructions, manuals, processes, etc., which are, during the course of the Executive's Engagement, conceived, developed, or improved upon by the Executive for use by the Company or any of its Affiliates, alone or in conjunction with other employees, managers or consultants (collectively called "Work Product"), shall be the exclusive property of the Company and during and after termination of this Agreement for any reason whatsoever, and the Executive shall not use, duplicate, reveal or take with his any such Work Product or other materials of the Company other than in furtherance of the performance of his duties to the Company, whether under this Agreement or otherwise. To the extent that any of the Work Product is capable of protection by copyright as a work made for hire, the Executive acknowledges that it is created within the scope of his engagement and is work made for hire. To the extent that any such Work Product, whether protected by copyright or otherwise, is not a work made for hire, the Executive hereby assigns to the Company all rights in such material. The Executive agrees to execute any documents at any time reasonably required by the Company in connection with the registration of copyright, patent application or other perfection of the Company's ownership of the Work Product.

(g) Survival. No reference in this Agreement to termination of this Agreement means termination of this Section 7. The parties agree that Section 7 shall survive termination of this Agreement for whatever reason, except as otherwise expressly set forth hereunder.

8. **Cooperation.** During the period of the Executive's employment hereunder and thereafter, the Executive agrees to reasonably assist and cooperate with the Company and/or any Affiliate (and their outside counsel) at mutually convenient times and places in connection with the defense or prosecution of any claim that may be made or threatened against or by the Company or any Affiliate, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company or any Affiliate, including any proceeding before any arbitral, administrative, judicial, legislative, or other regulatory body or agency, including preparing for and testifying in any proceeding to the extent such claims, investigations or proceedings materially relate to services performed or required to be performed by the Executive, or pertinent knowledge possessed by the Executive, in each case, other than any such proceeding in which the Executive and the Company and/or its Affiliates are adverse parties to one another or are reasonably likely to be or which relate to matters exclusively related to the period after termination of the Executive's employment with the Company. Upon presentment to the Company of appropriate documentation, the Company will pay directly or reimburse the Executive for the reasonable out-of-pocket expenses incurred as a result of such cooperation.

9. **Non-Contravention; No Conflict.** The Executive represents and warrants that the Executive is not a party to any agreement or restrictive covenant preventing him from performance of the services required under this Agreement. The Executive is not aware of any situation creating or appearing to create a conflict of interest between the Executive and the Company. To the extent that the Executive is a party to any confidentiality or nondisclosure agreement, the Executive agrees to comply with all such agreements and to not use any confidential trade secret information of any third party while employed by MGP Ingredients.

10. **Clawback.** If the Company is required to restate its financial results due for fiscal year 2014 or thereafter while the Executive is Chief Executive Officer of the Company due to material noncompliance with financial reporting requirements under United States federal securities laws as a result of misconduct or error (as determined in good faith by the Audit Committee or by the full Board), the Company may (but shall not be required to), in the good faith discretion of the Compensation Committee, take action to recoup from the Executive all or any portion of any performance-based or other incentive-based compensation, and profits realized from the sale of Shares (each such amounts shall be referred to as an "Award") received as equity compensation by the Executive, the amount of which had been determined in whole or in part upon performance goals relating to the restated financial results, or upon the Fair Market Value of Shares, regardless of whether the Executive engaged in any misconduct or was at fault or responsible in any way for causing the need for the restatement. In such an event, the Company or any Affiliate shall be entitled to recoup up to the amount, if any, by which the Award, or the Fair Market Value of the Shares, actually received by the Executive exceeded the payment or Fair Market Value, as applicable, that would have been received based on the restated financial results, and any profits from the sale of Shares transferred pursuant to an Award in excess of the profits that would have been received based on the restated financial results. The Company's and each Affiliate's right of recoupment shall apply only if demand for recoupment is made not later than three years following the payment of the applicable Award. Any recoupment shall be made net of any taxes the Executive paid (to the extent such taxes may not be reasonably recovered by the Executive) on the compensation subject to recoupment. The Executive acknowledges that the Executive is aware of the provision of Section 304 of the Sarbanes-Oxley Act of 2002 and the right of the Securities Exchange Commission with respect thereto. The following definitions apply for purposes of this Section 10:

(a) "Fair Market Value" means, as of any given date, (i) if the Shares are listed on NASDAQ Global Select Market (or another U.S. national securities exchange), the closing price on the date at issue, or if there is no closing price on such date, the closing price on the last preceding day for which there was a closing price; (ii) if the Shares are not listed on NASDAQ Global Select Market (or another U.S. national securities exchange), a value determined by the reasonable application of a reasonable valuation method as determined by the Compensation Committee in accordance with Section 409A of the Code.

(b) "Shares" means shares of the common stock, without par value, of the Company.

11. **Section 409A.** It is intended that this Agreement will comply with, or be exempt from, Section 409A of the Code and any regulations and guidelines promulgated thereunder (collectively, "Section 409A"), to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent. Notwithstanding any provision to the contrary in this Agreement, if the Executive is deemed on the date of the Executive's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company to be a "specified employee" (within the meaning of Treas. Reg. Section 1.409A-1(i)), then with regard to any payment or benefit that is considered non-qualified deferred compensation under Section 409A payable on account of a "separation from service" that is required to be delayed pursuant to Section 409A(a)(2)(B) of the Code (after taking into account any applicable exceptions to such requirement), such payment or benefit shall be made or provided on the date that is the earlier of (i) the expiration of the six- (6-) month period measured from the date of the Executive's "separation from service," or (ii) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 11 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or

12. **Miscellaneous.**

(a) Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

(b) Withholding Taxes. From any payments due hereunder to the Executive from the Company, there will be withheld amounts required to satisfy liabilities for federal, state, and local taxes and withholdings. In addition, the Company agrees that except as would violate applicable securities law, (i) the Executive shall be permitted to sell Shares in order to satisfy any such taxes and withholding obligations and (ii) any minimum required tax withholding obligations on the Executive's equity compensation awards in respect of Shares may be satisfied by reducing the number of Shares otherwise payable under such award by an amount of such Shares having a fair market value equal to the amount of such tax withholding obligations and (iii) the required minimum tax withholding obligations in connection with vestings of the Initial RS Grant shall be satisfied automatically by reducing the number of Shares otherwise payable in connection with such vestings by an amount of Shares otherwise subject to the Initial RS Grant having a fair market value equal to the amount of such tax withholding obligations.

(c) Amendment. This Agreement may only be amended or modified by an instrument in writing signed by each of the parties hereto. No failure or delay on the part of either party to this Agreement in the exercise of any power or right, and no course of dealing between the parties hereto, shall operate as a waiver of such power or right, nor shall any single or partial exercise of any power or right preclude any further or other exercise thereof or the exercise of any other power or right. The remedies provided for herein are cumulative and not exclusive of any remedies which may be available to either party at law or in equity. Any waiver of any provision of this Agreement, and any consent to any departure by either party from the terms of any provision hereof, shall be effective only in the specific instance and for the specific purpose for which given. Nothing contained in this Agreement and no action or waiver by any party hereto shall be construed to permit any violation of any other provision of this Agreement or any other document or operate as a waiver by such party of any of his or its rights under any other provision of this Agreement or any other document.

(d) Assignment. This Agreement is binding upon and will inure to the benefit of the Executive and the Executive's heirs, executors, assigns and administrators or the Executive's estate and property and the Company and their successors and permitted assigns. The Executive may not assign or transfer to others the obligation to perform the Executive's duties hereunder. The Company may assign this Agreement to an Affiliate with the Executive's consent, in which case, after such assignment, the "Company" means the Affiliate to which this Agreement has been assigned. The Company may not assign this Agreement other than to a successor to all or substantially all of its business and then only upon such assignee's delivery to the Executive of a written assumption of this Agreement.

(e) Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified, the following business day after deposit with a reputable overnight courier service or three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated below, or at such other address as such party may designate by ten (10) days' advance written notice to the other party.

(i) If to Company, to:

MGP Ingredients, Inc.

100 Commercial Street, Box 130

Atchison, Kansas 66002

Attention: Board of Directors

With a copy to:

Stinson Leonard Street LLP

1201 Walnut Street, Suite 2900

Kansas City, MO 64106

Attention: John A. Granda

(ii) If to the Executive, to:

Augustus C. Griffen

610 Harts Ridge Road

Conshohocken, PA 19428

(f) Binding Effect. This Agreement shall be binding upon, and inure to the benefit and be the obligation of the Company, its successors or assigns, as well as the Executive, his legal representatives, heirs and successors.

(g) Severability; Construction. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held by a court of competent jurisdiction to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement. Use of the word "including" shall not be limited by the terms following such word. All references to singular or plural terms shall mean the other where appropriate. The term "Affiliate" shall refer to subsidiaries of the Company now existing or hereafter formed or acquired.

(h) Descriptive Headings; Terms. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same document.

(j) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the internal laws (as opposed to conflict of laws provisions) of the State of Kansas.

(k) Expenses. In the event of any litigation between the parties relating to this Agreement and their rights hereunder, the prevailing party shall be entitled to recover all reasonable litigation costs and reasonable attorneys' fees and expenses from the non-prevailing party (limited to one counsel for such party and one local counsel, if appropriate).

(l) Entire Agreement. This Agreement, together with any award agreements referenced herein, sets forth the entire understanding of the parties regarding the Executive's employment with the Company, and replace and supersede any previous understandings, agreements, discussions, letters or representations between such parties, written or oral, that may have related in any way to the subject matter hereof including, without limitation, any employment offers or term sheets dated as of or prior to the date hereof.

IN WITNESS WHEREOF, this Agreement has been executed by the Company and the Executive as of the date first above written.

COMPANY:

MGP INGREDIENTS, INC.

By: /s/ David E. Rindom

Name: David E. Rindom

Title: Vice President

EXECUTIVE:

/s/ Augustus C. Griffin

Name: Augustus C. Griffin

AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT

AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT, dated August 5, 2014 (this "Amendment"), is by and among Wells Fargo Bank, National Association, as administrative agent under the Credit Agreement defined below ("Agent") and as sole Lender (as defined in the Credit Agreement) thereunder ("Lender"), MGP Ingredients, Inc. ("Parent"), MGPI Processing, Inc. ("Processing"), MGPI Pipeline, Inc. ("Pipeline") and MGPI of Indiana, LLC ("Indiana"; Processing, Pipeline and Indiana are collectively referred to as "Borrowers").

W I T N E S S E T H:

WHEREAS, Agent, sole Lender, Borrowers and Parent have entered into financing arrangements pursuant to which Lenders (or Agent on behalf of Lenders) have made and may make loans and advances and provide other financial accommodations to Borrowers as set forth in that certain Amended and Restated Credit Agreement dated as of November 2, 2012 by and among Agent, sole Lender, Borrowers and Parent (as amended, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement") and the other Loan Documents;

WHEREAS, Borrowers and Parent desire to amend (i) Section 3.3(c) of the Credit Agreement and (ii) the definition of the term "Fixed Asset Sub-Line Amount" contained in the Credit Agreement, in each case in the manner set forth herein, and sole Lender is willing to agree to such amendments on the terms and subject to the conditions set forth herein;

WHEREAS, by this Amendment, Agent, sole Lender, Borrowers and Parent desire and intend to evidence such amendment;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings provided to such terms in the Credit Agreement.

2. Amendments. In reliance upon the representations and warranties of Parent and Borrowers set forth in Section 3 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 4 below, the Credit Agreement is hereby amended as follows:

(a) Section 3.3(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(c) to the extent any of the Fixed Asset Availability is to be predicated on Eligible Real Estate, Borrowers have delivered to Agent the Real Estate Deliveries;

(b) The definition of the term "Fixed Asset Sub-Line Amount" contained in Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

"Fixed Asset Sub-Line Amount" means $7,004,000; provided that the Fixed Asset Sub-Line Amount shall be permanently reduced (i) on the first day of each month, commencing September 1, 2014, by an amount equal to $83,380.95, (ii) on each date that any mandatory reduction is required to be made pursuant to Section 2.3(f)(ii) in an amount equal to the amount of such required mandatory reduction, (iii) the amount by which the portion of the Fixed Asset Sub-Line Amount predicated on Eligible Equipment (after taking into account any reductions under clauses (i) and (ii) above) at any time is in excess of the appraised "net orderly liquidation value" of all Eligible Equipment (such reduction to be on the date Agent receives such appraisal setting forth such "net orderly liquidation value") and (iv) the amount by which the portion of the Fixed Asset Sub-Line Amount predicated on Eligible Real Estate (after taking into account any reductions under clauses (i) and (ii) above) at any time is in excess of the appraised fair market value of all Eligible Real Estate (such reduction to be on the date Agent receives such appraisal setting forth the fair market value).

3. Representations and Warranties. Parent and Borrowers jointly and severally represent and warrant with and to Agent and sole Lender as follows, which representation and warranties shall survive the execution and delivery hereof:

(a) no Default or Event of Default exists or has occurred and is continuing as of the date of this Amendment;

(b) this Amendment has been duly authorized, executed and delivered by all necessary corporate or limited liability company, as applicable, action on the part of each Loan Party which is a party hereto and, if necessary, their respective equity holders and is in full force and effect as of the date hereof, as the case may be, and the agreements and obligations of each Loan Party, as the case may be, contained herein and therein constitute legal, valid and binding obligations of each Loan Party, enforceable against it in accordance with their terms, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought;

(c) the execution, delivery and performance of the Amendment (i) are all within Parent's and each Borrower's corporate or limited liability company powers, as applicable, and (ii) are not in contravention of law or the terms of such Loan Party's certificate or articles of incorporation or formation, by laws, operating agreement, or other organizational documentation, or any indenture, agreement or undertaking to which such Loan Party is a party or by which such Loan Party or its property are bound; and

(d) all of the representations and warranties set forth in the Credit Agreement and the other Loan Documents, each as amended hereby, are true and correct in all material respects on and as of the date hereof, as if made on the date hereof, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects as of such date.

4. Conditions Precedent. The amendment contained herein shall only be effective upon the satisfaction of each of the following conditions precedent in a manner satisfactory to Agent:

(a) Agent shall have received counterparts of this Amendment, duly authorized, executed and delivered by sole Lender, Parent and each Borrower;

(b) Agent shall have received each of the documents listed on Exhibit A hereto with respect to the joinder of Thunderbird Real Estate Holdings, LLC, a Delaware limited liability company ("New Subsidiary") as a Loan Party; and

(c) No Default or Event of Default shall exist or have occurred and be continuing.

5. Post-Closing Covenant. Within ten (10) days from the date hereof (or such later date as Agent may agree in writing in its sole discretion), Borrowers shall cause to be delivered to Agent certificates of property insurance with respect to each property insurance policy of the Loan Parties, showing New Subsidiary as a named insured, Agent as certificate holder and lender's loss payee and otherwise in form and substance satisfactory to Agent. The failure of Borrowers to comply with the foregoing covenant shall constitute an immediate Event of Default.

6. Effect of this Amendment. Except as expressly set forth herein, no other amendments, changes or modifications to the Loan Documents are intended or implied, and in all other respects the Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof and no Loan Party shall be entitled to any other or further amendment by virtue of the provisions of this Amendment or with respect to the subject matter of this Amendment. To the extent of conflict between the terms of this Amendment and the other Loan Documents, the terms of this Amendment shall control. The Credit Agreement and this Amendment shall be read and construed as one agreement.

7. Governing Law. The validity, interpretation and enforcement of this Amendment and any dispute arising out of the relationship between the parties hereto whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Illinois but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of Illinois.

8. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

9. Reaffirmation and Confirmation. Parent and each Borrower hereby ratifies, affirms, acknowledges and agrees that the Credit Agreement and the other Loan Documents to which it is a party represent the valid, enforceable and collectible obligations of such Loan Party, and further acknowledges that there are no existing claims, defenses, personal or otherwise, or rights of setoff whatsoever with respect to the Credit Agreement or any other Loan Document. Parent and each Borrower hereby agrees that this Amendment in no way acts as a release or relinquishment of the Liens and rights securing payments of the Obligations. The Liens and rights securing payment of the Obligations are hereby ratified and confirmed by Parent and each Borrower in all respects.

10. Entire Agreement. This Amendment represents the entire agreement and understanding concerning the subject matter hereof among the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

11. Headings. The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment.

12. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall have the same force and effect as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall also deliver an original executed counterpart of this Amendment, but the failure to do so shall not affect the validity, enforceability, and binding effect of this Amendment.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their authorized officers as of the date and year first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent and as sole Lender

By:/s/ Brandi Whittington
Name: Brandi Whittington
Title: AVP / Authorized Signatory

MGP INGREDIENTS, INC.

By: /s/ Don Tracy
Name: Don Tracy
Title: CFO

MGPI PIPELINE, INC.

By: /s/ Don Tracy
Name: Don Tracy
Title: CFO

MGPI PROCESSING, INC.

By: /s/ Don Tracy
Name: Don Tracy
Title: CFO

MGPI OF INDIANA, LLC

By: /s/ Don Tracy
Name: Don Tracy
Title: CFO

Exhibit A

[Attach]

CLOSING checklist

LOANS BY

WELLS FARGO BANK, NATIONAL ASSOCIATION
AS ADMINISTRATIVE AGENT

TO

MGPI Processing, Inc., MGPI Pipeline, Inc. and MGPI of Indiana, LLC

Amendment No. 2 to Amended and Restated Credit Agreement

Closing Date: August 5, 2014

13. Parties:

(a) Wells Fargo Bank, National Association ("WF"), as Administrative Agent ("Agent")
150 S. Wacker Drive, Suite 2200
Chicago, Illinois 60606

(b) MGPI Processing, Inc. ("MGPI Processing"),
MGPI Pipeline, Inc. ("MGPI Pipeline"),
MGPI of Indiana, LLC ("MGPI Indiana"; together with MGPI Pipeline and MGPI Processing, "Borrowers")
100 Commercial Street
Atchison, Kansas 66002

(c) MGP Ingredients, Inc. ("Parent")
100 Commercial Street
Atchison, Kansas 66002

(d) Thunderbird Real Estate Holdings, LLC ("New Subsidiary")
100 Commercial Street
Atchison, Kansas 66002

14. Counsel to Parties:

(a) Counsel to Agent:

Goldberg Kohn Ltd.
55 East Monroe Street, Suite 3300
Chicago, Illinois 60603

(b) Counsel to Parent, Borrowers and New Subsidiary ("Loan Parties"):

Bryan Cave LLP
One Kansas City Place
1200 Main Street, Suite 3500
Kansas City, Missouri 64105

15. Closing Documents:

(a) Loan and Security Documents:

(i) Amendment No. 2 to Amended and Restated Credit Agreement

(ii) Joinder to Guaranty and Security Agreement, together with Schedules thereto (New Subsidiary)

(iii) UCC Financing Statement (New Subsidiary)

(iv) Pledged Interests Addendum (MGPI Processing)

(A) Irrevocable Proxy (MGPI Processing)

(B) Registration Page (New Subsidiary)

(v) Joinder to Intercompany Subordination Agreement (New Subsidiary)

(vi) Insurance deliveries:

(A) Certificates of insurance with respect to property, casualty and business interruption policies, showing New Subsidiary as a named insured, and Agent as certificate holder and lender's loss payee, with lender's loss payable clause in favor of Agent

(B) Certificates of insurance with respect to liability and other third party policies, showing New Subsidiary as a named insured, and Agent as certificate holder and additional insured party, including additional insured endorsement in favor of Agent

(b) Collateral Due Diligence:

(i) Summary of pre-closing UCC, tax, judgment and suit searches (New Subsidiary)

(ii) Summary of pre-closing IP searches (New Subsidiary)

(c) <u>Corporate Documents/Opinions:</u>

(i) Secretary's Certificate with respect to New Subsidiary's Certificate of Incorporation/Formation, Bylaws/Limited Liability Company Agreement, resolutions and incumbency of officers

(ii) Good Standing Certificates for New Subsidiary (Delaware)

(iii) Opinion of Counsel re joinder of New Subsidiary to Loan and Security Documents

MGP INGREDIENTS, INC.

AGREEMENT AS TO AWARD OF RESTRICTED STOCK UNITS

GRANTED UNDER THE

2014 EQUITY INCENTIVE PLAN

Date of Grant ("Date of Grant"):

In accordance with and subject to the terms and restrictions set forth in the MGP Ingredients, Inc. 2014 Equity Incentive Plan (the "Plan") and this Agreement, MGP INGREDIENTS, INC., a Kansas corporation (the "Company"), hereby grants to the employee participant named below (the "Participant") the number of Restricted Stock Units set forth below:

Participant:

Number of Restricted Stock Units Awarded:

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

1. Definitions. Unless otherwise defined in this Agreement, defined terms not explicitly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan.

2. Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. Issuance of Restricted Stock Units. Pursuant to action of the Board of Directors of the Company, as of the Date of Grant, the Company awards to the Participant the number of Restricted Stock Units identified above; provided, however, that the Restricted Stock Units hereby awarded are nontransferable by the Participant during the Vesting Period (defined below in Section 5). The Restricted Stock Units are being issued by the Company to the Participant as a Restricted Stock Unit award pursuant to the terms and provisions of the Plan, a true copy of which is attached hereto as Exhibit A and incorporated herein by reference.

4. Issuance of Shares of Stock. Subject to the provisions of Section 8 below, the Company shall issue to the Participant a number of whole shares of Stock equal to the number of vested Restricted Stock Units then held by the Participant rounded down to the nearest whole number, on a date (the "Settlement Date") within thirty (30) days following the date a Restricted Stock Unit becomes vested. Such shares of Stock shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 8 or any applicable law, rule or regulation. On the Settlement Date, the Company may pay to the Participant cash in lieu of any fractional share of Stock represented by a fractional Restricted Stock Unit subject to this Agreement in an amount equal to the Fair Market Value of such fractional share of Stock on the date the Restricted Stock Unit becomes vested.

Notwithstanding any other provision of this Agreement, or provisions of other compensation and benefits plans of the Company, any payments due under this Agreement upon or in connection with a termination of the Participant's employment that are subject to the provisions of Section 409A of the Code shall be deferred and paid (or commence, as the case may be) until the first day on which such payments may be made without subjecting the Participant to taxation pursuant to the provisions of Section 409A of the Code.

5. Vesting of Restricted Stock Units. Subject to the provisions of the Plan, the Restricted Stock Units shall vest in the Participant upon the Participant's completion of three (3) full years of service on _________ as ________ ("Vesting Period") commencing on _______. The Restricted Stock Units awarded to the Participant shall be forfeited to the Company if the Participant resigns as __________during his or her term and prior to the end of the Vesting Period.

6. Payment. On the date any Restricted Stock Units granted pursuant to the Agreement vest, the Company shall transfer a number of shares of Stock to the Participant (or such other person entitled to receive payment pursuant to this Agreement and the Plan) equal to the number of Restricted Stock Units that vest on such vesting date. The Participant shall not be required to make any additional payment of consideration upon settlement of a Restricted Stock Unit.

7. Forfeiture. If the Participant's employment with the Company, or an Affiliate thereof, is terminated, other than by reason of the Participant's death or disability (within the meaning of Section 22(e)(3) of the Code) or upon a Change in Control, then any Restricted Stock Units that have not previously vested shall be forfeited by the Participant to the Company. The Participant shall thereafter have no right, title or interest whatever in such Restricted Stock Units. If the Participant ceases to be an employee by reason of disability (as defined in the Social Security eligibility provisions, 42 U.S.C. Section 421, and the regulations promulgated thereunder) or death prior to the vesting of any shares of Stock pursuant to Section 5 hereof, the Participant or the Participant's estate shall become immediately vested, as of the date of such disability or death, in the shares of Stock. No transfer by will or by laws of descent and distribution of any shares of Stock which vest by reason of Participant's death shall be effective to bind the Company, unless the Company shall have been furnished with written notice of such transfer and a copy of the will or such other evidence as the Company may deem necessary to establish the validity of the transfer.

8. Restrictions on Grant of the Restricted Stock Units and Issuance of Shares of Stock. The grant of the Restricted Stock Units and issuance of shares of Stock upon settlement of the Restricted Stock Units shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities, including requirements as amended after grant of the Restricted Stock Units. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the shares of Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Restricted Stock Unit shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Restricted Stock Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

9. Tax Withholding. At the time the Restricted Stock Units are granted, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from the Restricted Stock Units such number of shares of Stock, valued at their Fair Market Value on the date so used, as may be required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Restricted Stock Units or the issuance of shares of Stock in settlement thereof. The Company shall reduce the number of shares issued to the Participant on the Settlement Date by the number of shares required to cover the tax withholding as of such date, such shares to be valued at their Fair Market Value on the date the Restricted Stock Units become vested. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Company have been satisfied by the Participant.

10. Restriction on Transfer. The Participant may not sell, assign, transfer, pledge, hypothecate, or otherwise dispose of any Restricted Stock Units to any other person or entity during the Vesting Period. Any disposition or purported disposition made in violation of this Section 10 shall be null and void, and the Company shall not recognize or give effect to such disposition on its books and records.

11. Fractional Shares. The Company shall not be required to issue fractional shares upon the settlement of a Restricted Stock Unit.

12. Employment. This Agreement shall not give the Participant any right to continued employment with the Company or any Affiliate, and the Company or any Affiliate employing the Participant may terminate such employment or otherwise treat the Participant without regard to the effect it may have upon the Participant or any Restricted Stock Units under this Agreement.

13. Other Benefit and Compensation Programs. Neither the Restricted Stock Units nor the shares of Stock into which the Restricted Stock Units are settled shall be deemed a part of the Participant's regular, recurring compensation for purposes of the termination, indemnity, or severance pay law of any country and shall not be included in, nor have any effect on, the determination of benefits under any other Participant benefit plan, contract, or similar arrangement provided by the Company or any Affiliate unless expressly so provided by such other plan, contract, or arrangement, or unless the Committee determines that the Restricted Stock Units, or a portion thereof, should be included to accurately recognize that the Restricted Stock Unit grant has been made in lieu of a portion of competitive cash compensation, if such is the case.

14. Rights as a Stockholder, Director, Participant or Consultant. The Participant shall have no rights as a stockholder with respect to any shares of Stock which may be issued in settlement of this grant until the date of the issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) or, if elected by the Company, the book entry representing such shares. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued or such entry is made on the books, as applicable, except as determined in the discretion of the Committee.

15. Legends. The Company may at any time place legends or notations on the respective book entries, as applicable, referencing any applicable federal, state or foreign securities law restrictions on all certificates or book entries representing shares of Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates, if issued by the Company, representing shares acquired pursuant to this grant in the possession of the Participant in order to carry out the provisions of this Section 15.

16. Interpretation of This Agreement. All decisions and interpretations made by the Committee with regard to any question arising under this Agreement or the Plan shall be binding and conclusive upon the Company, any Affiliate and the Participant. In the event that there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

17. Certificate Registration. Any certificate for the shares as to which the Restricted Stock Unites are settled, if issued by the Company, shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

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

19. Miscellaneous. This Agreement is entered into pursuant to the Plan and is subject to all of the terms and conditions contained in the Plan. A copy of the Plan is on file with the Company; and, by acceptance hereof, the Participant agrees and accepts this Agreement subject to the terms of the Plan. This Agreement shall be binding upon and inure to the benefit of any successor of the Company. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas. This Agreement contains all terms and conditions with respect to the subject matter hereof and no amendment, modification or other change hereto shall be of any force or effect unless and until set forth in a writing executed by the Participant and the Company.

IN WITNESS WHEREOF, this Instrument has been executed as of this ___ day of ____, 201_.

MGP INGREDIENTS, INC.

By:_______________________

Exhibit 31.1

CERTIFICATION

I, Augustus C. Griffin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MGP Ingredients, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2014

/s/ Augustus C. Griffin

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Don Tracy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MGP Ingredients, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2014

/s/ Don Tracy

Vice President, Finance and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

OF

PERIODIC REPORT

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarter endedSeptember 30, 2014 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Dated: November 12, 2014

/s/ Augustus C. Griffin

Augustus C. Griffin
President and Chief Executive Officer

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

Exhibit 32.2

CERTIFICATION

OF

PERIODIC REPORT

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarter endedSeptember 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Dated: November 12, 2014

/s/ Don Tracy

Don Tracy

Vice President, Finance and Chief Financial Officer

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