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

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

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

Date of Report (Date of earliest event reported): April 1, 2021

MGP Ingredients, Inc.
(Exact name of registrant as specified in its charter)

Kansas	**0-17196**	**45-4082531**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, no par value	MGPI	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

On April 1, 2021, MGP Ingredients, Inc. (the "Company", or "MGP") filed with the United States Securities and Exchange Commission (the "SEC") on Form 8-K (the "Initial 8-K") to report the completion of its previously-announced merger pursuant to the Agreement and Plan of Merger with London HoldCo, Inc. ("HoldCo"), Luxco Group Holdings, Inc., LRD Holdings LLC, LDL Holdings DE, LLC, and KY Limestone Holdings LLC (together with their subsidiaries, "Luxco" or "Luxco, Inc. and Affiliates"), the shareholders of HoldCo (the "Sellers"), and Donn S. Lux, as Sellers' Representative, pursuant to which the Company agreed to merge HoldCo with and into the Company with the Company surviving the merger.

The purpose of this amendment to the Initial 8-K is to provide the historical audited combined financial statements of Luxco required by Item 9.01(a) of Form 8-K and the pro forma financial information required by Item 9.01(b) of Form 8-K, which information was excluded from the Initial 8-K in reliance upon the instructions to such items.

The pro forma financial information included in this Current Report on Form 8-K/A has been presented for informational purposes only, as required by Form 8-K. It does not purport to represent the actual results of operations that the Company and Luxco would have achieved had the companies been combined during the period presented in the pro forma financial information and is not intended to project the future results of operations that the combined company may achieve after the merger.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The audited combined financial statements of Luxco, Inc. and Affiliates for the years ended December 31, 2020 and 2019, are filed herewith as Exhibit 99.1

(b) Pro forma financial information.

The Unaudited Pro Forma Combined Balance Sheet of the Company as of December 31, 2020, the Unaudited Pro Forma Combined Statement of Income for the year ended December 31, 2020 and the notes to the unaudited pro forma combined financial information, all giving effect to the merger of Luxco, are filed herewith as Exhibit 99.2

(d) Exhibits

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm
99.1	Audited combined financial statements of Luxco, Inc. and Affiliates for the years ended December 31, 2020 and 2019
99.2	Unaudited Pro Forma Combined Financial Statements for the year ended December 31, 2020 and the accompanying notesthereto
104	The cover page from this Current Report on Form 8-K, formatted in iXBRL (Inline Extensible Business Reporting Language)

SIGNATURES

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

		MGP INGREDIENTS, INC.
Date: June 16, 2021	By:	/s/ Brandon M. Gall
		Brandon M. Gall, Vice President, Finance and Chief Financial Officer

BKD
CPAs & Advisors

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The Board of Directors
MGP Ingredients, Inc.

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-196383, 333-196384, 333-196385) of our report dated April 28, 2021, relating to the December 31, 2020 combined financial statements of Luxco, Inc. and Affiliates appearing in this Current Report on Form 8-K/A of MGP Ingredients, Inc.

/s/ **BKD, LLP**

St. Louis, Missouri
June 16, 2021

Luxco, Inc. and Affiliates

Independent Auditor's Report and Combined Financial Statements

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors Luxco, Inc.
St. Louis, Missouri

We have audited the accompanying combined financial statements of Luxco, Inc. (a wholly-owned subsidiary of Luxco Group Holdings, Inc.) and its Affiliates (collectively the "Company"), which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of income and comprehensive income, equity and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Luxco, Inc. and its Affiliates as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, in 2020, the reporting entity changed to include LRD Holdings LLC, KY Limestone Holdings, LLC, LDL DE LLC, and Dos Primos Tequila, LLC, as part of its combined financial statements. Our opinion is not modified with respect to this matter.

BKD, LLP

St. Louis, Missouri April 28, 2021

Luxco, Inc and Affiliates
Combined Balance Sheets
December 31, 2020 and 2019
(In Thousands)

Assets

	2020	2019
Current Assets		
Cash	$ 2,826	$ 2,078
Debt investments	1,777	—
Accounts receivable		
Trade, net of allowance	31,295	35,487
Other	423	878
Notes receivable	182	3,009
Inventories	33,747	30,543
Prepaid expenses	2,073	2,563
Total current assets	72,323	74,558
Investments and Long-Term Receivables		
Investment in whiskey, at cost	38,096	39,021
Investments in life insurance	5,497	4,920
Investment in joint venture	4,978	3,091
	48,571	47,032
Property and Equipment, At Cost	84,099	79,792
Less accumulated depreciation	26,320	23,157
	57,779	56,635
Other Assets		
Trademarks	92,927	95,562
Other intangible assets	1,617	1,826
Notes receivable	2,893	1,255
Due from shareholders	—	5,653
Other	313	343
	97,750	104,639
	$ 276,423	$ 282,864

Liabilities and Equity

		2020		2019
Current Liabilities				
Note payable to bank	$	68,386	$	90,113
Current maturities of long-term debt		1,927		25
Interest rate swap agreement short-term		761		—
Accounts payable				
Trade		12,373		11,117
Federal and state liquor taxes payable		4,978		5,028
Accrued liabilities				
Expenses, including payroll taxes and income taxes		3,447		3,963
Salaries, wages and commissions		3,259		2,209
Distributions payable		6,279		190
Total current liabilities		101,410		112,645
Long-Term Liabilities				
Deferred compensation		533		387
Long-term debt		6,292		229
Interest rate swap agreement long-term		—		750
Deferred income taxes		1,475		1,439
Other long term liability		547		1,347
		8,847		4,152
Equity				
Class A voting common stock, $.10 par value; authorized and issued 30 shares		3		3
Class B non-voting common stock, $.10 par value; authorized and issued 270 shares		27		27
Retained earnings		174,237		171,360
Members equity		27,697		28,407
Accumulated other comprehensive loss				
Cumulative translation adjustment		209		(431)
Unrealized loss on interest swap agreement		(761)		(750)
Treasury stock, at cost				
Common; 15 A shares; 135 B shares		(35,309)		(35,309)
Total Luxco, Inc. and Affiliates equity		166,103		163,307
Noncontrolling interest		63		2,760
Total equity		166,166		166,067
Total liabilities and equity	$	276,423	$	282,864

Combined Statements of Income and Comprehensive Income

Years Ended December 31, 2020 and 2019 (In Thousands)

	2020	2019
Gross Sales	$ 320,647	$ 285,251
Less federal excise taxes	122,251	113,141
Net Sales	198,396	172,110
Cost of Goods Sold	124,775	115,925
Gross Profit	73,621	56,185
Impairment Loss	5,035	3,630
Operating Expenses	44,704	40,392
Operating Income	23,882	12,163
Other Income (Expenses)		
Interest income	46	106
Interest expense	(2,399)	(3,368)
Donations	(467)	(328)
Other	(139)	(574)
	(2,959)	(4,164)
Income Before Income Taxes	20,923	7,999
Provision for Income Taxes	305	619
Net Income	20,618	7,380
Other Comprehensive Income (Loss)		
Net translation adjustment	680	147
Change in fair value of interest rate swap agreement	(11)	(541)
	669	(394)
Comprehensive Income	$ 21,287	$ 6,986
Amounts Attributable to Noncontrolling Interest		
Net income	$ 20,618	$ 7,380
Less net income (loss) attributable to the noncontrolling interest	(163)	481
Net income attributable to Luxco, Inc. and Affiliates	$ 20,781	$ 6,899
Comprehensive income	$ 21,287	$ 6,986
Less comprehensive income (loss) attributable to the noncontrolling interest	(123)	510
Comprehensive income attributable to Luxco, Inc. and Affiliates	$ 21,410	$ 6,476

Luxco, Inc. and Affiliates

Combined Statements of Equity
Years Ended December 31, 2020 and 2019
(In Thousands)

	Common Stock		Retained	Members'	Accumulated Other Comprehensive	Noncontrolling	Treasury	
	Class A	Class B	Earnings	Equity	Loss	Interest	Stock	Total
Balance, January 1, 2019	$ 3	$ 27	$ 164,425	$ 27,158	$ (758)	$ 2,568	$ (35,309)	$ 158,114
Contributions	—	—	—	1,354	—	—	—	1,354
Net income (loss)	—	—	7,004	(105)	—	481	—	7,380
Distributions	—	—	(69)	—	—	(318)	—	(387)
Other comprehensive income (loss)	—	—	—	—	(423)	29	—	(394)
Balance, December 31, 2019	3	27	171,360	28,407	(1,181)	2,760	(35,309)	166,067
Contributions	—	—	—	3,339	—	—	—	3,339
Net income (loss)	—	—	19,148	1,633	—	(163)	—	20,618
Distributions	—	—	(7,277)	(844)	—	(39)	—	(8,160)
Other comprehensive income	—	—	—	—	629	40	—	669
Purchase of NCI - Limestone	—	—	—	(4,354)	—	(891)	—	(5,245)
Purchase of NCI - Niche	—	—	—	(484)	—	(1,644)	—	(2,128)
Non-cash distribution to shareholders	—	—	(8,994)	—	—	—	—	(8,994)
Balance, December 31, 2020	$ 3	$ 27	$ 174,237	$ 27,697	$ (552)	$ 63	$ (35,309)	$ 166,166

Luxco, Inc. and Affiliates

Combined Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(In Thousands)

	2020	2019
Operating Activities		
Net income	$ 20,618	$ 7,380
Items not requiring (providing) cash		
Depreciation	5,271	5,458
Impairment of trademarks and amortization of intangible assets and deferred financing costs	5,312	3,906
Deferred compensation	267	251
Deferred income taxes	10	113
Equity in net loss of joint venture	917	638
Loss (gain) on disposal of property and equipment	156	(508)
Gain on forgiveness of Paycheck Protection Program Loan	(324)	—
Changes in		
Accounts receivable	4,891	(2,504)
Inventories	6,745	1,884
Prepaid expenses	491	(1,341)
Accounts payable	1,097	(313)
Accrued liabilities	(1,539)	(3,121)
Net cash provided by operating activities	43,912	11,843
Investing Activities		
Proceeds from payment of notes receivable	1,189	1,209
Advances to shareholders	(3,339)	(1,353)
Proceeds from sale of property and equipment	1,316	1,594
Purchase of trademark	(2,400)	—
Purchase of property and equipment	(7,778)	(7,705)
Proceeds from sale of held-to-maturity securities	1,200	—
Purchase of held-to-maturity securities	(2,977)	—
Payments for investment in whiskey	(8,889)	(5,144)
Purchase of joint venture	—	(2,214)
Purchase of noncontrolling interest	(6,278)	—
Contributions to joint ventures	(2,598)	—
Payments for investments in life insurance	(578)	(578)
Net cash used in investing activities	(31,132)	(14,191)
Financing Activities		
Repayments on line of credit	(348,752)	(275,246)
Proceeds from line of credit	327,062	278,056
Proceeds from issuance of long-term debt	8,314	—
Principal payments of long-term debt	(25)	(1,122)
Distributions paid	(2,071)	(196)
Contributions received	3,339	1,354
Net cash provided by (used in) financing activities	(12,133)	2,846
Effect of Exchange Rate Changes on Cash	101	(55)
Increase in Cash	748	443
Cash, Beginning of Year	2,078	1,635
Cash, End of Year	$ 2,826	$ 2,078

Combined Statements of Cash Flows Years Ended December 31, 2020 and 2019 (In Thousands)

	2020	2019
Supplemental Cash Flows Information		
Investment in whiskey converted to merchandise inventory	$ 9,815	$ 8,075
Non-cash distribution to shareholders	$ 8,994	$ —
Distributions payable	$ 6,279	$ 190
Deferred consideration from purchase of noncontrolling interest	$ 1,095	$ —
Interest paid	$ 2,399	$ 3,368
Income taxes paid (net of refunds)	$ 193	$ 80

(Continued)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The revenues of Luxco, Inc. (“Luxco”), a wholly-owned subsidiary of Luxco Group Holdings, Inc., and Affiliates (collectively the “Company”) are predominately earned from importing, bottling and rectifying of distilled spirits and wine. The Company sells to and extends unsecured credit to liquor distributors and state governments primarily throughout the United States.

Principles of Combination

During 2020, the reporting entity changed to include Luxco Group Holdings Inc. (“LGHI”), KY Limestone Holdings, LLC (“Limestone”), LDL DE LLC (“LDL”), Dos Primos Tequila, LLC (“DPTC”), and LRD Holdings LLC (“LRD”), (collectively “the Affiliates”), due to the pending sale of Luxco and the Affiliates. This change was made retrospectively to include the accounts of the Affiliates as of January 1, 2019.

Luxco and the Affiliates are affiliated through common ownership and management. All significant intercompany accounts and transactions have been eliminated in combination.

Investment in Joint Venture

Luxco holds 50 percent interests in DGL Destiladores, S.A. de CU (“DGL”) and Agricola LG, S DE RL DE CV (“Agricola”). The investments are accounted for under the equity method which includes the cost of the initial investment plus earnings (losses) of the investments.

Use of Estimates

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

Cash

At December 31, 2020, one of the Company’s U.S. cash accounts did exceed federally insured limits. The cash accounts exceeded federally insured limits by $2,233. Foreign cash accounts totaling $421 as of December 31, 2020, are guaranteed by the United Kingdom’s Financial Service Compensation Scheme up to $116.

Accounts and Notes Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Company has an unconditional right to receive. The Company provides a nominal allowance for doubtful accounts, which is based upon a review of outstanding receivables. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Notes receivable are stated at their outstanding principal amount. The Company has determined no allowance is necessary for uncollectible notes, based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the borrower.

Inventory Pricing

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first- in, first-out method.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation. Depreciation is charged to expense using straight-line or accelerated methods over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	15 years
Office furniture and equipment	5-8 years
Equipment	8 years
Whiskey barrels	4 years
Leasehold improvements	10 years

Income Taxes

The LGHI stockholders have elected to have Luxco's income taxed as an "S" Corporation under provisions of the Internal Revenue Code and a similar section of certain state income tax law.
Therefore, taxable income or loss is reported to the individual stockholders for inclusion in their respective tax returns and no provision for federal income taxes is included in these statements. State and local income taxes and the related deferred tax assets and liabilities are provided for certain states and cities, which do not recognize an "S" Corporation tax status.

LDL's income from foreign operations is subject to corporate income tax and is provided for in the combined financial statements. Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax basis of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

The LRDH, KYLH, and DPTC members have elected to have their income taxed as a partnership under provisions of the Internal Revenue Code and similar sections of state income tax law.
Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal and state income taxes on United States income is included in these statements.

Excise Taxes

The Company is responsible for compliance with the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Treasury Department (the "TTB") regulations which includes making timely and accurate excise tax payments. The Company is subject to periodic compliance audits by the TTB. Individual states also impose excise taxes on alcohol beverages in varying amounts. The Company calculates its Federal excise tax expense based upon units shipped and on its understanding of the applicable excise tax laws.

Interest Rate Swap

The Company has elected the private company accounting alternative for certain interest rate swaps. The election to use the alternative accounting for interest rate swaps is made on a swap-by- swap basis. During 2020 and 2019, the Company had one interest rate swap in effect, for which it elected to apply the alternative accounting and use the simplified hedge accounting approach.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes the unrealized loss on the interest rate swap agreement and gains and losses from foreign currency transactions.

Translation of Foreign Currencies

Assets and liabilities of Niche Drinks Co Ltd ("Niche"), a wholly-owned subsidiary of LDL whose functional currency is other than the U.S. dollar are translated to U.S. dollars using the exchange rate in effect at the combined balance sheet date. Results of operations are translated using average rates during the year. Adjustments resulting from the translation process are included as a component of accumulated other comprehensive income (loss).

Foreign Assets

As of December 31, 2020 and 2019, the Company has approximately $6,983 and $7,212 of its inventory and $11,443 and $13,074, respectively, of its investment in whiskey held at its suppliers located in foreign countries.

Niche is located in Northern Ireland, United Kingdom. Total assets of Niche were $19,776, and $19,674 as of December 31, 2020 and 2019, respectively.

Tariffs

On October 18, 2019, import tariffs were enacted for select European Union (EU) products brought into the United States. Although involving several EU countries, Luxco is primarily impacted by its import of finished goods products from Northern Ireland which included both St. Brendan's Irish Cream and The Quiet Man Irish Whiskey. These products are subject to a 25 percent import duty on the customer invoice price which is paid at the time the excise tax is due to Customs and Border Patrol. As of December 31, 2020 and 2019, the Company import duty paid was $1,626 and $237, respectively.

Trademarks

Trademarks are tested annually for impairment. If the implied fair value of the trademarks are lower than their carrying amounts, an intangible impairment is indicated and the trademarks are written down to their implied fair value. Subsequent increases in trademark value are not recognized in the combined financial statements.

Intangible Assets

Intangible assets with finite lives related to Niche are being amortized on the straight-line basis over 10 years. Amortization expense for the periods ended December 31, 2020 and 2019, was approximately $248 and $245, respectively.

Deferred Financing Costs

Expenses associated with the acquisition of debt are capitalized. The Company amortizes financing costs over the life of the loan on a straight-line basis. These costs are included in other assets on the combined balance sheets.

Debt Investments

Debt securities held by the Company generally are classified and recorded in the combined financial statements as held-to-maturity as management has the positive intent and ability to hold to maturity. The securities are recorded at amortized cost, which approximates fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See Note 2 for additional information about the Company's revenue.

Subsequent Events

On January 22, 2021 the Company entered into a Merger Agreement with MGP Ingredients, Inc. The merger was executed on April 1, 2021. Purchase accounting for the transaction is in process.

Prior to the merger, certain excluded assets totaling $14,890 were transferred to shareholders through distributions or bonuses.

Subsequent events have been evaluated through April 28, 2021, which is the date the combined financial statements were available to be issued.

Paycheck Protection Program (PPP) Loan

The Company received PPP loans established by the CARES Act and has elected to account for the funding as loans in accordance with ASC Topic 470, *Debt*. Any forgiveness of the loans is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender. As a result of such audit, adjustments could be required to any gain recognized.

Economic Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may affect the financial position, results of operations and cash flows of the Company. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 2: Revenue from Contracts with Customers

Performance Obligations

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring distinct goods or providing services to customers. The Company’s revenue consists substantially of product sales and is reported net of incentives, returns and other allowances offered to customers. The Company recognizes revenue when performance obligations under the terms of contracts, generally purchase orders, with its customers are satisfied, which occurs when control passes to a customer to enable them to direct the use of and obtain benefit from a product. This typically occurs upon shipment, when a customer obtains legal title, obtains the risks and rewards of ownership, has received the goods according to the contractual shipping terms and is obligated to pay for the product. For certain international customers, deposits are required in advance of shipment. Contract bottling is recognized over a period of time, based upon the output method.

(In Thousands)

Contract Balances

The following table provides information about the Company's receivables from contracts with customers:

	2020	2019
Accounts receivable, beginning of year	$ 35,487	$ 33,849
Accounts receivable, end of year	$ 31,295	$ 35,487

Disaggregation of Revenue

The following table presents the Company's revenues disaggregated by the timing of such revenue recognized during the year ended December 31, 2020 and 2019:

	2020	2019
Timing of revenue recognition		
At a point in time	$ 315,548	$ 280,787
Over a period of time	5,099	4,464
Total	$ 320,647	$ 285,251

The Company has determined that the nature, amount, timing and uncertainty of revenues and cash flows are affected by the performance of the distilled spirits and wine industry and various customer payment practices.

Accounting Policies Elected

For shipping and handling activities, which are generally arranged by the Company, the Company is applying an accounting policy election, which allows an entity to account for shipping and handling activities as fulfillment activities rather than a promised good or service when the activities are performed, even if those activities are performed after the control of the good has been transferred to the customer. Therefore, the Company expenses shipping and handling costs at the time revenue is recognized. The Company classifies shipping and handling revenues in net sales and the related expenses in cost of sales in the combined statements of income.

The Company is also applying an accounting policy election, which allows an entity to exclude from revenue any amounts collected from customers on behalf of state governments, such as state excise taxes collected concurrent with revenue-producing activities. Therefore, revenue is presented net of state excise taxes.

(In Thousands)

Note 3: Accounts Receivable Other

	2020	2019
Advances to stockholders, officers and employees	$ 7	$ 42
Refundable federal excise taxes	290	553
Other	126	283
	$ 423	$ 878

Note 4: Inventories

	2020	2019
Raw materials	$ 12,562	$ 12,166
Finished goods	16,634	13,727
Federal tax and duty on inventories	4,551	4,650
	$ 33,747	$ 30,543

It has been the Company's consistent accounting practice to exclude merchandise in transit from inventories and accounts payable until the merchandise has actually been received. At December 31, 2020 and 2019, merchandise in transit which had been shipped to the Company, but not received until subsequent dates totaled $1,984 and $672, respectively.

Note 5: Property and Equipment

The total cost basis of property and equipment at December 31, 2020 and 2019, was:

	2020	2019
Land and improvements	$ 5,612	$ 5,564
Machinery and equipment	17,829	16,997
Office furniture and equipment	3,113	2,962
Whiskey barrels	19,652	19,167
Leasehold improvements	3,376	3,285
Buildings and improvements	25,227	22,527
Transportation equipment	9,290	9,290
	$ 84,099	$ 79,792

(In Thousands)

Note 6: Acquired Trademarks

The changes in the carrying amount of trademarks for the years ended December 31, 2020 and 2019, were:

	2020	2019
Balance as of January 1	$ 95,562	$ 99,192
Purchase of Castle trademark	2,400	—
Impairment loss	(5,035)	(3,630)
Balance as of December 31	$ 92,927	$ 95,562

The fair value of the trademarks was estimated based upon multiples of the average gross profit and contribution margin of the respective trademarks. Certain product lines within the trademarks experienced contribution margins below the projected levels at the time of their acquisitions, resulting in an impairment loss of $5,035 and $3,630 for the years ended December 31, 2020 and 2019, respectively.

Note 7: Notes Payable to Banks

Luxco has a $110,000 revolving line of credit that matures on September 16, 2021. There was $65,116 and $85,913 borrowed against this line at December 31, 2020 and 2019, respectively. The line is collateralized by accounts receivable, inventory, equipment and trademarks. Interest varies with the one-month London Interbank Offered Rate (LIBOR) Index Rate, plus a margin of 1.20 percent to 1.70 percent, as defined, and is payable monthly. The interest rate was 1.60 percent and 3.15 percent at December 31, 2020 and 2019, respectively.

The credit agreement requires Luxco, among other things, to maintain certain financial ratios if the availability on the line is below 10 percent. This requirement did not apply as of December 31, 2020 and 2019.

Niche also has a credit agreement totaling $5,463, which has no stated maturity date. Interest varies at the bank's UK base rate plus 2.5 percent. The interest rate was 2.53 and 3.25 percent at December 31, 2020 and 2019, respectively. On December 20, 2020, Niche obtained a temporary increase to $8,877 in availability through January 31, 2021. There was $3,270 and $4,200 borrowed against this line at December 31, 2020 and 2019 respectively.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, Luxco entered into an interest rate swap agreement for a portion of its floating rate debt through September 1, 2021. The agreement provides for Luxco to receive interest from the counterparty at one month LIBOR plus a spread of 1.89 percent and to pay interest to the counterparty at a fixed rate of 2.63 percent on a notional amount of $40,000 as of December 31, 2020 and 2019.

Management has designated the interest rate swap agreement as a cash flow hedging instrument. Under the private company accounting alternative for interest rate swaps, Luxco may assume no hedge ineffectiveness. Changes in fair value are recognized in other comprehensive income. If Luxco determines the hedge criteria are no longer met, the simplified hedge accounting will no longer apply and Luxco will apply guidance in ASC Topic 815 on a prospective basis.

The table below presents certain information regarding Luxco's interest rate swap agreement designated as a cash flow hedge:

	2020	2019
Fair value of interest rate swap agreement	$ (761)	$ (750)
Balance sheet location of fair value amount	Current liabilities	Long-term liabilities
Loss recognized in other comprehensive income	$ (11)	$ (541)
Loss reclassified from accumulated other comprehensive loss into net income (monthly settlement expense)	$ (824)	$ (149)
Location of loss reclassified from accumulated other comprehensive income	Interest Expense	Interest Expense

(In Thousands)

Note 8: Long-Term Debt

Long-term debt at December 31, 2020 and 2019, consists of the following:

	2020	2019
Luxco note payable to SBA, due April 20, 2022; payable in monthly principal installments of $380, plus interest at 1%.	$ 3,422	$ —
Limestone note payable to the David Sherman Sr. Trust FBO Ann S. Lux dated November 16, 1981, due June 2029, interest payable annually at 0.43%	4,568	—
Limestone note payable to Marion County Industrial Foundation, due June 2028; monthly installments of $3, including interest at 4.5%.	199	221
Limestone note payable to Lincoln Trail Area Development, due June 2028; monthly installments of $1, including interest at 4.5%.	30	33
	8,219	254
Less current maturities	(1,927)	(25)
	$ 6,292	$ 229

Aggregate annual scheduled maturities of long-term debt, at December 31, 2020, are:

2021	$ 1,927
2022	1,549
2023	29
2024	30
2025	31
Thereafter	4,653
	$ 8,219

On April 20, 2020, Luxco received a loan in the amount of $3,422 pursuant to the PPP. Luxco expects the loan to be forgiven. Per the note agreement, the loan was originally payable in equal monthly principal and interest payments commencing in November 2020, with the final payment due in May 2022. Interest will accrue at a rate of 1.0 percent and is payable monthly. The note is guaranteed by the SBA. In October 2020, the *Paycheck Protection Program Flexibility Act of 2020* extended the deferral period for PPP borrower payments to 10 months after the end of the borrower's loan forgiveness covered period. Equal monthly payments are now scheduled to begin in August 2021 through April 2022. In addition, LRD received a PPP loan of $324 on April 16, 2020. This loan was forgiven in 2020.

(In Thousands)

Note 9: Common Stock Agreement

Luxco has a restrictive-stock agreement, which places restrictions on transferability of the Luxco's stock. The agreement also requires Luxco to make minimum distributions to the stockholders equal to the income taxes payable by the stockholders on their share of Luxco's taxable income.

Note 10: Equity

The common stock, treasury stock and retained earnings reported on the combined balance sheets represent the balances of Luxco, Inc. Combined members' equity at December 31, 2020 and 2019, consisted of the following:

	2020	2019
KY Limestone Holdings, LLC	$ (1,453)	$ 1,530
LDL DE, LLC	7,081	4,783
LRD Holding, LLC	22,306	22,094
Dos Primos Tequila Company, LLC	(237)	—
	$ 27,697	$ 28,407

Note 11: Employee Benefit Plans

The Company has a 401(k) plan covering substantially all non-union employees. The Plan provides for a discretionary company contribution of 2 percent of compensation plus a matching contribution not to exceed 1.5 percent of compensation. The Company also has a 401(k) plan covering all full-time union employees. The Plan provides for a matching contribution not to exceed 1 percent of compensation. The Company contributions to all domestic plans for the years ended December 31, 2020 and 2019, totaled $343 and $342, respectively.

Niche has an employee pension plan for its employees. Contributions to the plan were approximately $143 and $71 for the periods ended December 31, 2020 and 2019, respectively.

Note 12: Operating Leases

The Company leases office, plant and warehouse facilities under noncancellable operating lease agreements with related parties as more fully explained in Note 13. The Company leases additional facilities under noncancellable operating leases that expire in various years through 2028. Rent expense under all leases were $1,732 and $1,719 for the years ended December 31, 2020 and 2019, respectively.

(In Thousands)

Future minimum lease payments for these leases at December 31, 2020, were:

2021	1,569
2022	366
2023	271
2024	276
2025	281
Thereafter	650
	$ 3,413

Note 13: Related-Party Transactions

The facilities in which the Company maintains certain of its operations are leased from a partnership affiliated through common ownership under an operating lease agreement expiring on November 30, 2021. Annual rents of $660 were paid during the years 2020 and 2019.

Investments in life insurance represent premiums paid for life insurance policies to be reimbursed by related parties under promissory notes and split-dollar agreements.

During 2020 and 2019, Luxco purchased inventory from the affiliates as part of its normal operations. All significant intercompany accounts and transactions have been eliminated in combination.

The Company has a note receivable of $900 from the related party buyer of Meier’s Wine Cellars, inc. (“Meier’s”). The note is payable at $18 of principal per quarter and the interest is accrued at .58 percent and the maturity date is April 30, 2029. The note receivable has a balance of $620 and $700 at December 31, 2020 and 2019, respectively. The Company also converted $3,800 of an existing intercompany receivable into a note receivable from Meier’s at the time of the sale of Meier’s in 2017. Interest of .25 percent is payable quarterly and the principal is due upon the maturity date of April 30, 2023. The note receivable had a balance of $1,800 and $2,800 at December 31, 2020 and 2019, respectively.

The Company purchased finished good products from Meier’s in the amount of $2,925 and $2,400 for the years ended December 31, 2020 and 2019, respectively.

(In Thousands)

Note 14: Joint Venture Investments

The Company invested in a 50 percent ownership of DGL and Agricola. The investments are recorded under the equity method. The entire financial position and net loss of DGL and Agricola as of and for the periods ended December 31, 2020 and 2019, are summarized below:

	2020	2019
Total assets	$ 13,428	$ 9,345
Total liabilities	3,183	2,457
Total members' equity	$ 10,245	$ 6,888
Total revenues	$ 18,793	$ 4,990
Net loss	$ (1,833)	$ (1,276)

DGL recognizes its inventory at the lower of cost or net realizable value. There was a write down adjustment of $1,423 and $331 to DGL's inventory to net realizable value in 2020 and 2019, respectively.

Note 15: Commitments, Contingencies and Concentrations

Commitment to Purchase Whiskey

On January 1, 2019, the Company entered into a four-year contract expiring on December 31, 2023, with Canadian Lakes Distillers, to purchase whiskey through 2023. As of December 31, 2020, the Company has a remaining commitment to purchase 3,000 original proof gallons. Calculated at the most recent contract price, the commitment for these purchases is approximately $7,590.

Labor Agreement

Approximately 31 percent of Luxco's U.S. employees are covered by a collective bargaining agreement that expires February 29, 2024.

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

(In Thousands)

Note 16: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer an liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
US Treasury Bill	$ 1,777	$ 1,777	$ —	$ —
Interest rate swap agreement	$ (761)	$ —	$ (761)	$ —
December 31, 2019				
Interest rate swap agreement	$ (750)	$ —	$ (750)	$ —

(In Thousands)

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

		Fair Value Measurement Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Trademarks with impairment	$ 42,210	$ —	$ —	$ 42,210
December 31, 2019				
Trademarks with impairment	$ 41,388	$ —	$ —	$ 41,388

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring and nonrecurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Debt Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Trademarks

The fair value is estimated using internal calculations based on multiples of the average gross profit and contribution margin of the respective trademarks and, therefore, are classified within Level 3 of the valuation hierarchy.

(In Thousands)

Individual trademarks, or groups of trademarks, are only considered to be measured at fair value in a year in which an impairment loss is recognized. Three groups of trademarks and one group of trademarks were impaired at December 31, 2020 and 2019, respectively. Impairment losses related to these trademarks were recognized during 2020 and 2019.

Note 17: Acquisition of Minority Interests

On September 11, 2020, LDL, acquired 20 percent of the outstanding common stock of Niche. The acquisition of the additional 20 percent, in conjunction with the previously acquired 80 percent in 2018, means Niche is 100 percent owned by LDL.

Deferred consideration represents non-contingent payments of $548 to be paid on each of the first two anniversaries of the acquisition date.

The following table summarizes the consideration paid for the acquisition of the purchase of the minority interest of Niche.

Consideration		
Cash	$	1,033
Deferred consideration		1,095
	$	2,128

Additional deferred consideration payments related to the previously acquired 80 percent interest of Niche were made in April of $1,301, August of $1,246 and September of $1,033 during 2020 and in April 2019 of $1,354.

On January 1, 2020, KYLH LLC, acquired 44 percent of the member's equity interest of Limestone, LLC. The acquisition of the additional 44 percent, in conjunction with the previously acquired controlling interest of 50 percent means Limestone is 94 percent owned by KYLH LLC.

The total consideration paid for the acquisition of the purchase of the minority interest of Limestone was $5,245.

Note 18: Internal Revenue Bond (IRB)

On December 22, 2017, LRDH and its wholly-owned subsidiaries, LFL and LRD, engaged in an industrial revenue bond transaction (IRB) with the County of Nelson, Kentucky ("Nelson County"). LFL which owns the fixed real and personal property assets from initial construction transferred the fee interest in those assets to Nelson County and entered into a lease with Nelson County to use the fixed assets. Nelson County issued and sold industrial revenue bonds to LRDH. The proceeds from the sale to LRDH ($35,000) were used to acquire the project. Under the IRB transaction, Nelson County has

signed over its rights to receive payment on the bonds directly to LRDH. As such, the bond sale proceeds were paid directly by LRDH to LFL. LFL issued a payment for
$34,000 to LRDH as pre-payment of the amount due on the bonds. This left $1,000 outstanding on the bonds over the bond term. Upon full payment, the bonds will terminate in accordance with the terms of the IRB. This leaves $1,000 due to LRDH on LFL's books and $1,000 due from LFL on LRDH books, which is being amortized over the life of the bond. This IRB activity is eliminated in combination of the financial statements as it is intercompany activity.

Note 19: Future Change in Accounting Principles

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the combined balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement.
The new standard is effective for the Company's fiscal year beginning January 1, 2022. The Company is evaluating the impact the standard will have on the combined financial statements; however, the standard may have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Exhibit 99.2

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information combines the individual historical audited results of MGP Ingredients, Inc. (“MGP”, “our” or “the Company”) and Luxco, Inc. and its affiliated companies (“Luxco” or “Luxco Companies”) adjusted to give effect to the April 1, 2021 merger of Luxco. The unaudited pro forma combined statement of income for the year ended December 31, 2020 gives effect to the merger as if it had occurred on January 1, 2020 and the unaudited pro forma combined balance sheet as of December 31, 2020 gives effect to the merger as if it had occurred on that day.

The transaction accounting adjustments for the acquisition consist of necessary adjustments to account for the merger. All amounts in this report, except for shares and unless otherwise noted, are shown in thousands. Subject to customary purchase price adjustments, the aggregate preliminary consideration paid by the Company in connection with the merger was $237,500 in cash (less assumed indebtedness) and 5,007,833 shares of common stock of the Company (the “Company Shares,” and together with the cash portion, the “Merger Consideration”), which on April 1, 2021 were valued at $296,213. The cash portion of the Merger Consideration, the repayment of assumed debt, and the transaction-related expenses were financed with a $242,300 borrowing under the Company’s existing $300,000 Credit Agreement, dated February 14, 2020, by and among the Company, the lenders a party thereto and Wells Fargo Bank, National Association, as administrative agent, swingline lender and issuing lender. The assumptions and estimates for the preliminary adjustments to the unaudited pro forma combined financial information, are described in the accompanying notes, which should be read together with the unaudited pro forma combined financial information.

The unaudited pro forma combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the operating results for the future periods. The unaudited pro forma combined financial information does not purport to represent what our consolidated results of operation or consolidated financial condition would have been had the merger actually occurred on the dates indicated and does not intend to project the future consolidated results of operation or consolidated financial condition.

MGP INGREDIENTS, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
As of December 31, 2020
(Dollars in thousands)

	MGP Historical	Luxco Historical	Transaction Accounting Adjustments		Pro Forma Combined
Current Assets					
Cash and cash equivalents	$ 21,662	$ 2,826	$ (2,826)	4(a)	$ 21,662
Receivables, net of allowance for credit losses	56,966	31,718	41	4(b)	88,725
Notes receivable	—	182	(182)	4(b)	—
Debt investments	—	1,777	(1,777)	4(a)	—
Inventory	141,011	33,747	56,261	4(c)	231,019
Prepaid expenses	2,644	2,073	(6)	4(d)	4,711
Total current assets	222,283	72,323	51,511		346,117
Property, plant, and equipment, net	131,992	57,779	(14,816)	4(e)	174,955
Investments in whiskey, at cost	—	38,096	(38,096)	4(c)	—
Investments in life insurance	—	5,497	(5,497)	4(a)	—
Investments in joint venture	—	4,978	—		4,978
Operating lease right-of-use assets, net	5,151	—	—		5,151
Notes receivable	—	2,893	(2,893)	4(f)	—
Other assets	7,149	313	(735)	4(f)	6,727
Trade names	—	92,927	(92,927)	4(g)	—
Intangible assets	—	1,617	213,573	4(g)	215,190
Goodwill	—	—	235,018	4(h)	235,018
Total assets	$ 366,575	$ 276,423	$ 345,138		$ 988,136
Current Liabilities					
Notes payable to bank	$ —	$ 68,386	$ (68,386)	4(i)	$ —
Current maturities of long-term debt	1,600	1,927	(1,927)	4(i),4(j)	1,600
Interest rate swap agreement short-term	—	761	(761)	4(i)	—
Accounts payable	30,273	12,373	4,820	4(j)	47,466
Federal and state liquor taxes payable	—	4,978	(4,978)	4(j)	—
Income taxes payable	704	—	—		704
Accrued expenses and other	20,752	3,447	9,485	4(k)	33,684
Salaries, wages and commissions	—	3,259	(3,259)	4(k)	—
Distributions payable	—	6,279	(6,279)	4(k)	—
Total current liabilities	53,329	101,410	(71,285)		83,454
Long-term debt, less current maturities	38,271	6,292	(6,292)	4(i)	38,271
Credit agreement - revolver	—	—	238,217	4(l)	238,217
Long-term operating lease liabilities	3,057	—	—		3,057
Deferred credits	2,196	—	—		2,196
Deferred compensation	—	533	(533)	4(a)	—
Other noncurrent liabilities	4,898	547	—		5,445
Deferred income taxes	2,298	1,475	54,921	4(m)	58,694
Total liabilities	104,049	110,257	215,028		429,334

	MGP Historical	Luxco Historical	Transaction Accounting Adjustments		Pro Forma Combined
Stockholders' Equity					
Capital stock, Preferred	4	—	—		4
Common stock	6,715	30	(30)	4(n)	6,715
Members equity	—	27,697	(27,697)	4(n)	—
Additional paid-in capital	15,503	—	296,213	4(n)	311,716
Retained earnings	262,943	174,237	(174,237)	4(n)	262,943
Accumulated other comprehensive income (loss)	486	(552)	552	4(n)	486
Treasury stock, at cost	(23,125)	(35,309)	35,309	4(n)	(23,125)
Total stockholders' equity	262,526	166,103	130,110		558,739
Non-controlling interest	—	63	—		63
Total liabilities and stockholders' equity	$ 366,575	$ 276,423	$ 345,138		$ 988,136

See accompanying notes to unaudited pro forma combined financial statements

MGP INGREDIENTS, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
For the Year Ended December 31, 2020
(Dollars in thousands, except per share amounts)

	MGP Historical	Luxco Historical	Transaction Accounting Adjustments		Pro Forma Combined
Sales	$ 395,521	$ 198,396	$ (1,892)	5(a)	$ 592,025
Cost of sales	296,715	124,775	4,035	5(b)	425,525
Gross profit	98,806	73,621	(5,927)		166,500
Selling, general and administrative expenses	44,565	44,704	13,139	5(c)	102,408
Impairment loss	—	5,035	—		5,035
Operating income	54,241	23,882	(19,066)		59,057
Interest expense, net and other	(1,640)	(2,399)	(302)	5(d)	(4,341)
Donations	—	(467)	467	5(c)	—
Interest income	—	46	(46)	5(d)	—
Other income, net	—	(139)	139	5(d)	—
Income before income taxes	52,601	20,923	(18,808)		54,716
Income tax expense	12,256	305	2,187	5(e)	14,748
Net income	40,345	20,618	(20,995)		39,968
Income attributable to participating securities	261	—	—		261
Net income attributable to common shareholders and used in Earnings Per Share calculation	$ 40,084	$ 20,618	$ (20,995)		$ 39,707
Amounts attributable to non-controlling interest					
Net Income	$ 40,345	$ 20,618	$ (20,995)		$ 39,968
Less: Net income (loss) attributable to non-controlling interest	—	(163)	—		(163)
Net income attributable to Company	$ 40,345	$ 20,781	$ (20,995)		$ 40,131
Basic and diluted weighted average common shares	16,937,125	—	5,007,833	5(f)	21,944,958
Basic and diluted Earnings Per Share	$ 2.37	$ —	$ —		$ 1.81

See accompanying notes to unaudited pro forma combined financial statements

MGP INGREDIENTS, INC.
NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise noted)

Note 1. Description of the Transaction

On January 22, 2021, the Company entered into a definitive agreement to acquire Luxco, and subsequently completed the merger on April 1, 2021. Luxco is a leading branded beverage alcohol company across various categories, with a more than 60-year business heritage. Following the merger, the Luxco Companies became wholly-owned subsidiaries of the Company. The aggregate preliminary consideration paid by the Company in connection with the merger was $237,500 in cash (less assumed indebtedness) and 5,007,833 shares of common stock of the Company, subject to adjustment for fractional shares (the “Company Shares,” and together with the cash portion, the “Merger Consideration”). The Company Shares were valued at $296,213 on the closing date and represent approximately 22.8 percent of the Company’s outstanding common stock immediately following the closing of the merger. The cash portion of the Merger Consideration, the repayment of assumed debt, and transaction-related expenses were financed with a $242,300 borrowing under the Credit Agreement which was drawn down on April 1, 2021.

The preliminary Merger Consideration will increase or decrease to the extent that actual closing date working capital exceeds or is less than a $46,000 working capital target. In addition, the preliminary Merger Consideration will be increased for any acquired cash. In connection with the closing of the merger on April 1, 2021, the preliminary purchase price adjustments increased the cash consideration paid by approximately $311 and increased stock consideration by approximately $395. As of the date of this report, the final purchase price adjustment has not been determined by the Company. Any further purchase price adjustment is anticipated to be paid in a combination of cash and Company common stock.

Note 2. Basis of Presentation

The unaudited pro forma combined balance sheet as of December 31, 2020 and the unaudited pro forma combined statement of income for the year ended December 31, 2020 are based on the historical financial statements of MGP and the combined financial statements of Luxco. The unaudited pro forma combined balance sheet was prepared using the MGP audited consolidated balance sheet, the Luxco audited combined balance sheet and gives effect to the transaction as if it had occurred on December 31, 2020. The unaudited pro forma combined statement of income was prepared using the MGP audited consolidated statement of income, the Luxco audited combined statement of income and gives effect to the transaction as if it had occurred on January 1, 2020.

The unaudited pro forma combined financial statements were accounted for using the acquisition method in accordance with business combination accounting guidance as provided by Financial Accounting Standards Board Accounting Standards Codification 805, Business Combinations (“ASC 805”). Under the acquisition method of accounting, the Company allocates the purchase price of a business acquisition based on the fair value of the identifiable tangible and intangible assets. Goodwill is recognized to the extent that the purchase consideration exceeds the assets acquired and liabilities assumed. The Company uses its best estimate and third party valuation specialists to determine the fair value of the assets acquired and liabilities assumed. During the measurement period, which can be up to one year after the acquisition date, the Company can make adjustments to the fair value of the assets acquired and liabilities assumed, with the offset being an adjustment to goodwill.

The unaudited pro forma combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the operating results for the future periods. The unaudited pro forma combined financial statements were based on Transaction Accounting Adjustments and do not reflect any operating efficiencies, synergies or cost savings that the Company may achieve, or any additional operating expenses that may be incurred with respect to the combined company.

The unaudited pro forma combined financial statements should be read in conjunction with MGP’s historical audited financial statements and related notes included in the Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 25, 2021, and the historical audited combined financial statements of Luxco which are included in Exhibit 99.1 of this filing on Form 8-K.

Note 3. Estimated Merger Consideration and Preliminary Purchase Price Allocation

The transaction was accounted for as a business combination in accordance with ASC 805, and as such, assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date. The fair value of the assets and liabilities in the unaudited pro forma combined financial statements are based upon a preliminary assessment of fair value and may change as valuations for certain tangible assets, intangible assets and contingent liabilities are finalized and the associated income tax impacts are determined. The Company expects to finalize the purchase price allocation as soon as practicable, but no longer than one year from the acquisition date.

The following table summarizes the preliminary allocation of the consideration paid for Luxco to the preliminary estimated fair value of the assets acquired and liabilities assumed at the acquisition date, with the excess recorded to goodwill.

Consideration:		
Cash, net of assumed debt	$	150,003
Value of MGP Common Stock issued at close (a)		296,213
Fair value of total consideration transferred	$	446,216
Recognized amounts of identifiable assets acquired:		
Receivables	$	29,675
Inventory		90,954
Prepaid expenses		1,454
Property, plant and equipment, net		40,502
Investments in joint venture		5,085
Intangible assets (b)		214,300
Other assets		1,429
Total assets		383,399
Current maturities of long-term debt (c)		87,497
Accounts payable		18,753
Accrued expenses and other		2,805
Other noncurrent liabilities		784
Deferred income taxes		56,396
Total liabilities		166,235
Goodwill		229,052
Total	$	446,216

(a) The Company issued 5,007,833 shares of MGP Common Stock which was valued at $59.15 per share on April 1, 2021.
(b) Intangible assets acquired includes trade names with an estimated fair value of $176,500 and distributor relationships with an estimated fair value of $37,800.
(c) The fair value of Luxco's debt that was assumed by MGP in the transaction and repaid on the closing date.

The preliminary purchase price allocation above, which is as of the acquisition date of April 1, 2021, has been used to prepare the transaction accounting adjustments in the unaudited pro forma combined balance sheet and unaudited pro forma combined statement of income. Any differences between caption balances in this preliminary purchase price allocation and the unaudited pro forma balance sheet is due to additional Luxco balance sheet activity that occurred between December 31, 2020 and April 1, 2021.

Note 4. Notes to Unaudited Pro Forma Combined Balance Sheet

The following is a description of the preliminary transaction accounting adjustments reflected in the unaudited pro forma combined balance sheet.

(a) The adjustment reflects the elimination of Luxco's historical December 31, 2020 account balance as it was not acquired as part of the merger.

(b) The adjustment to Receivables, net of allowance for credit losses reflects transaction accounting adjustments for (i) reclassification of Luxco's historical Notes receivable balance into Receivables, net to align with MGP's presentation, (ii) elimination of accounts receivables related to entities not acquired as part of the merger, and (iii) the elimination of receivables owed by Luxco to the Company as of December 31, 2020.

Reclassification of Notes receivable	$	182
Elimination of entities not included in merger		(7)
Elimination of receivables owed by Luxco to the Company		(134)
	$	41

(c) The adjustment to Inventory reflects (i) the reclassification of Investments in whiskey, at cost into Inventory to align with MGP's presentation, (ii) the reclassification of Luxco's historical barrel inventory from Property, plant, and equipment, net into Inventory to align with MGP's presentation, and (iii) the purchase accounting adjustment to value inventories at fair value. The fair value of work-in-process and finished goods inventory was determined using the comparative sales method and raw materials was determined using the replacement cost method.

Reclassification of Investment in whiskey, at cost	$	38,096
Reclassification of barrel inventory		14,476
Purchase accounting adjustment to fair value		3,689
	$	56,261

(d) Reflects the elimination of Prepaid expenses related to entities not acquired as part of the merger.

(e) Reflects (i) the reclassification of Luxco's historical barrel inventory from Property, plant, and equipment, net into Inventory to align with MGP's presentation, (ii) the elimination of Property, plant, and equipment related to entities not acquired as part of the merger, and (iii) the purchase accounting adjustment to historical Property, plant, and equipment acquired by the Company to the estimated fair values.

Reclassification of barrel inventory	$	(14,476)
Elimination of entities not included in merger		(7,748)
Purchase accounting adjustment to fair value		7,408
	$	(14,816)

The following tables summarize the estimated fair value and estimated useful life of Luxco's Property, plant and equipment:

		Estimated Fair Value
Land, buildings and improvements	$	33,271
Transportation equipment		112
Machinery and equipment		8,981
Construction in progress		599
Estimated fair value of property, plant and equipment acquired	$	42,963

	Estimated useful life
Buildings and improvements	10 - 30 years
Transportation equipment	5 years
Machinery and equipment	3 - 10 years

(f) The adjustment to Other assets includes (i) reclassification adjustment to move MGP's historical Trade names balance out of Other assets, (ii) reclassification adjustment to move MGP's historical Goodwill balance out of Other assets, and (iii) reclassification adjustment to move Luxco's historical Notes receivable balance into Other assets.

Reclassification of MGP's trade names	$	(890)
Reclassification of MGP's Goodwill		(2,738)
Reclassification of Luxco's Notes receivable		2,893
	$	(735)

(g) Reflects (i) the reclassification of MGP's and Luxco's historical Trade names balance into Intangible assets, and (ii) the purchase accounting adjustment to historical Intangible assets acquired by the Company to the estimated fair values.

Reclassification of MGP's trade names	$	890
Reclassification of Luxco's trade names		92,927
Fair value adjustment to Intangible assets		119,756
	$	213,573

The historical trade names and distributor relationships acquired by the Company have been adjusted to the estimated fair values using the income approach. Management and a third party valuation team performed a preliminarily valuation analysis to determine the fair value of each trade name and distributor relationship. The trade names have an estimated fair value of $176,500 and are classified as indefinite lived intangible assets. The distributor relationships have an estimated fair value of $37,800 and will be amortized using the straight line method over the remaining useful life of 20 years.

(h) Reflects the reclassification adjustment to move MGP's historical Goodwill balance of $2,738 from Other assets into Goodwill. Additionally, the Goodwill adjustment reflects the purchase price paid in excess of the preliminary estimated fair value of assets acquired and liabilities assumed. See Note 3 for further details on the purchase price allocation and goodwill.

(i) Reflects the repayment of Luxco's debt which was assumed by MGP in the transaction and repaid on the closing date.

(j) The adjustment to Accounts payable reflects (i) the reclassification adjustment to move Luxco's historical Federal and state liquor taxes payable into Accounts payable to align with MGP's presentation, (ii) the reclassification adjustment to move Luxco's historical current note payable from Current maturities of long-term debt into Accounts payable to align with MGP's presentation, (iii) the elimination of Accounts payable related to entities not acquired as part of the merger agreement, and (iv) the elimination of payables owed by Luxco to the Company as of December 31, 2020.

Reclassification of Federal and state liquor taxes payable	$	4,978
Reclassification of current notes payable		26
Elimination of entities not included in merger		(50)
Elimination of payables owed by Luxco to the Company		(134)
	$	4,820

(k) The adjustment to Accrued expenses reflects (i) the reclassification of Luxco's historical Salaries, wages and commission, and Distributions payable balances into Accrued expenses to align with MGP's presentation, and (ii) the elimination of accrued expenses related to entities not part of the merger agreement.

Salaries, wages and commissions	$	3,259
Distributions payable		6,279
Elimination of entities not included in merger		(53)
	$	9,485

(l) The cash portion of the Merger Consideration, the repayment of assumed debt and MGP's transaction related expenses were financed with borrowings under the Company's existing Credit Agreement.

(m) The adjustment to Deferred Income taxes reflects the transaction accounting adjustment for additional deferred tax liability of $54,921 as a result of purchase accounting. The deferred taxes recorded represents the difference between the book basis and tax basis of acquired assets and assumed liabilities on the transaction date based upon our preliminary allocation of fair value.

(n) The adjustment reflects the elimination of the Luxco stockholder's equity balances on the Luxco's historical combined balance sheet as a result of purchase accounting. Additionally, the adjustment reflects the issuance 5,007,833 shares of MGP's Common Stock, subject to adjustment for fractional shares, which on April 1, 2021 were valued at $296,213.

Note 5. Notes to Unaudited Pro Forma Combined Statement of Income

The following is a description of preliminary transaction accounting adjustments reflected in the unaudited pro forma combined statement of income.

(a) The adjustment to Sales reflects the transaction accounting adjustment for MGP sales to Luxco for the year ended December 31, 2020, which would be considered intercompany sales and eliminated in consolidation.

(b) The adjustment to Cost of sales reflects transaction accounting adjustments for (i) the additional depreciation expense related to the purchase accounting adjustment of acquired Property, plant and equipment to the estimated fair value, (ii) the additional costs related to the purchase accounting adjustment of finished goods inventory to the estimated fair value, and (iii) the elimination of Cost of sales associated with MGP sales to Luxco for the year ended December 31, 2020, which would be considered intercompany and eliminated in consolidation.

Additional depreciation of Property, plant and equipment	$	3,060
Additional Cost of sales - finished goods inventory (including barrel inventory)		2,647
Elimination of intercompany Cost of sales		(1,672)
	$	4,035

(c) The adjustment to Selling, general and administrative expenses reflects (i) the reclassification of Luxco's historical Donation balance into Selling, general and administrative expenses, (ii) the elimination of expenses related to entities not part of the merger agreement, (iii) the additional amortization related to the purchase accounting adjustment of Intangible assets to the estimated fair value, and (iv) the transaction accounting adjustment of additional merger transaction costs.

Donations	$	467
Elimination of entities not included in merger		(1,027)
Amortization on intangible assets		1,859
Luxco merger related costs		3,731
MGP merger related costs		8,109
	$	13,139

Merger related costs of $1,185 were included in MGP and Luxco's historical Selling, general and administrative expense on the unaudited pro forma combined statement of income for the year ended December 31, 2020. The merger related costs will not affect the Company's statement of income beyond one year after the acquisition.

(d) The adjustment to Interest expense, net and other includes (i) the reclassification of Luxco's historical Other income, net and Interest income balance into Interest expense, net and other, (ii) the elimination of other income, net related to entities not part of the merger agreement, (iii) the elimination of interest expense related to Luxco's debt balances, and (iv) the additional interest expense incurred from the draw down on the MGP Credit Agreement.

Other income, net	$	(139)
Interest income		46
Elimination of entities not included in merger		(181)
Elimination of Luxco historical interest expense		2,399
MGP additional interest expense		(2,427)
	$	(302)

(e) The adjustment reflects the tax effect of the transaction accounting adjustments, which is estimated to be the combined federal and state statutory tax rate of 26.9%. The tax rates used are not necessarily indicative of the effective tax rate of the combined company.

(f) The pro froma combined basic and diluted weighted average shares outstanding has been calculated using the historical weighted average shares outstanding of MGP common stock and the additional 5,007,833 shares issued in connection with the merger for the year ended December 31, 2020.