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

FORM 8-K

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

Date of Report (Date of earliest event reported): October 4, 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. ☐

Item 8.01. Other Events

On April 1, 2021, MGP Ingredients, Inc. (the "Company", or "MGP") announced that it had completed the acquisition of Luxco, Inc. and its affiliates 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, the shareholders of HoldCo (the "Sellers"), and Donn S. Lux, as Sellers' Representative. On April 1, 2021, HoldCo merged with and into the Company, with the Company as the surviving corporation, and Luxco, Inc. and its affiliates became direct and indirect wholly-owned subsidiaries of the Company (the "Merger").

As exhibits 99.1 and 99.2 hereto, the Company is filing the unaudited combined financial statements of Luxco, Inc. and its affiliates for the quarters ended March 31, 2021 and 2020 and the unaudited pro forma combined financial information of the Company giving effect to the Merger as of and for the quarter ended March 31, 2021 and for the year to date period ended June 30, 2021. The pro forma combined financial information included in this Current Report on Form 8-K has been presented for informational purposes only. It does not purport to represent the actual results of operations that the Company and Luxco, Inc. and its affiliates 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.

The purpose of this Current Report on Form 8-K is to, among other things, file the unaudited combined financial statements and unaudited pro forma combined financial information discussed above, and to allow such financial information to be incorporated by reference into the Company's registration statements filed with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The unaudited combined financial statements of Luxco, Inc. and Affiliates for the quarters ended March 31, 2021 and 2020, are filed herewith as Exhibit 99.1

(b) Pro forma financial information.

The Unaudited Pro Forma Combined Balance Sheet of the Company as of March 31, 2021, the Unaudited Pro Forma Combined Statement of Income for the quarter ended March 31, 2021, the Unaudited Pro Forma Combined Statement of Income for year to date ended June 30, 2021, and the notes to the unaudited pro forma combined financial information, all giving effect to the Merger, are filed herewith as Exhibit 99.2

(d) Exhibits

Exhibit Number	Description
99.1	Unaudited combined financial statements of Luxco, Inc. and Affiliates for the quarter ended March 31, 2021 and 2020
99.2	Unaudited Pro Forma Combined Financial Statements for the quarter ended March 31, 2021, the Unaudited Pro Forma Combined Statement of Income for year to date ended June 30, 2021, and the accompanying notes thereto
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: October 4, 2021	By:	/s/ Brandon M. Gall
		Brandon M. Gall, Vice President, Finance and Chief Financial Officer

Luxco, Inc. and Affiliates

Combined Financial Statements

For the Three-Month Periods Ended March 31, 2021 and 2020

Luxco, Inc and Affiliates
March 31, 2021 and 2020

Contents

Combined Financial Statements

Luxco, Inc and Affiliates
Combined Balance Sheets
March 31, 2021 and 2020
(In Thousands)

Assets

	2021	2020
Current Assets		
Cash	$ 815	$ 2,688
Accounts receivable		
Trade, net of allowance	29,589	36,095
Other	473	630
Notes receivable	109	2,009
Inventories	36,193	32,009
Prepaid expenses	12,860	1,818
Total current assets	80,039	75,249
Investments and Long-Term Receivables		
Investment in whiskey, at cost	36,511	39,133
Investments in life insurance	—	5,465
Investment in joint venture	5,085	3,933
	41,596	48,531
Property and Equipment, At Cost	84,272	79,650
Less accumulated depreciation	26,912	23,879
	57,360	55,771
Other Assets		
Trademarks	92,927	95,562
Other intangible assets	1,567	1,654
Notes receivable	565	1,230
Due from shareholders	—	5,653
Other	304	335
	95,363	104,434
	$ 274,358	$ 283,985

See Notes to the Combined Financial Statements

Liabilities and Equity

	2021	2020
Current Liabilities		
Note payable to bank	$ 82,793	$ 83,478
Current maturities of long-term debt	3,069	25
Accounts payable		
Trade	14,316	14,087
Federal and state liquor taxes payable	4,908	7,819
Accrued liabilities		
Expenses, including payroll taxes and income taxes	1,082	2,723
Salaries, wages and commissions	1,411	1,325
Total current liabilities	107,579	109,457
Long-Term Liabilities		
Deferred compensation	533	387
Deferred consideration	—	1,274
Long-term debt	5,144	4,764
Interest rate swap agreement long-term	—	1,369
Deferred income taxes	1,483	1,386
	7,160	9,180
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	168,328	177,542
Members equity	26,410	23,504
Accumulated other comprehensive income (loss)		
Cumulative translation adjustment	266	(738)
Unrealized loss on interest swap agreement	—	(1,369)
Treasury stock, at cost		
Common; 15 A shares; 135 B shares	(35,309)	(35,309)
Total Luxco, Inc. and Affiliates equity	159,725	163,660
Noncontrolling interest	(106)	1,688
Total equity	159,619	165,348
Total liabilities and equity	$ 274,358	$ 283,985

Combined Statements of Operations and Comprehensive Income (Loss)
Three Months Ended March 31, 2021 and 2020
(In Thousands)

	2021	2020
Gross Sales	$ 69,310	$ 71,644
Less federal excise taxes	24,940	28,915
Net Sales	44,370	42,729
Cost of Goods Sold	26,128	25,683
Gross Profit	18,242	17,046
Operating Expenses	19,800	10,589
Operating Income (Loss)	(1,558)	6,457
Other Income (Expenses)		
Interest income	28	20
Interest expense	(961)	(717)
Other	(126)	(126)
	(1,059)	(823)
Net Income (Loss)	(2,617)	5,634
Other Comprehensive Income (Loss)		
Net translation adjustment	57	(385)
Reclassification adjustment for realized loss on termination of interest rate swap agreement included in net income	599	—
Change in fair value of interest rate swap agreement	162	(619)
	818	(1,004)
Comprehensive Income (Loss)	$ (1,799)	$ 4,630
Amounts Attributable to Noncontrolling Interest		
Net income (loss)	$ (2,617)	$ 5,634
Less net income (loss) attributable to the noncontrolling interest	53	(111)
Net income (loss) attributable to Luxco, Inc. and Affiliates	$ (2,670)	$ 5,745
Comprehensive income (loss)	$ (1,799)	$ 4,630
Less comprehensive income (loss) attributable to the noncontrolling interest	53	(188)
Comprehensive income (loss) attributable to Luxco, Inc and Affiliates	$ (1,852)	$ 4,818

See Notes to the Combined Financial Statements

Luxco, Inc. and Affiliates

Combined Statements of Equity
Three Months Ended March 31, 2021 and 2020
(In Thousands)

	Common Stock Class A	Common Stock Class B	Retained Earnings	Members' Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Treasury Stock	Total
Balance, January 1, 2020	$ 3	$ 27	$ 171,360	$ 28,407	$ (1,181)	$ 2,760	$ (35,309)	$ 166,067
Net income (loss)	—	—	6,182	(437)	—	(111)	—	5,634
Distributions	—	—	—	(112)	—	8	—	(104)
Other comprehensive loss	—	—	—	—	(926)	(78)	—	(1,004)
Purchase of NCI - Limestone	—	—	—	(4,354)	—	(891)		(5,245)
Balance, March 31, 2020	$ 3	$ 27	$ 177,542	$ 23,504	$ (2,107)	$ 1,688	$ (35,309)	$ 165,348
Balance, January 1, 2021	$ 3	$ 27	$ 174,237	$ 27,697	$ (552)	$ 63	$ (35,309)	$ 166,166
Net income (loss)	—	—	(3,637)	967	—	53	—	(2,617)
Distributions	—	—	(2,272)	(2,338)	—	—	—	(4,610)
Contributions received	—	—	—	1,122	—	—	—	1,122
Other comprehensive income	—	—	—	—	818	—	—	818
Purchase of NCI - Limestone	—	—	—	(1,038)	—	(222)	—	(1,260)
Balance, March 31, 2021	$ 3	$ 27	$ 168,328	$ 26,410	$ 266	$ (106)	$ (35,309)	$ 159,619

See Notes to the Combined Financial Statements

Luxco, Inc. and Affiliates

Combined Statements of Cash Flows
Three Months Ended March 31, 2021 and 2020
(In Thousands)

	2021	2020
Operating Activities		
Net income (loss)	$ (2,617)	$ 5,634
Items not requiring (providing) cash		
Depreciation	1,281	1,331
Amortization of intangible assets and deferred financing costs	58	69
Deferred income taxes	7	—
Equity in net loss of joint venture	(107)	(343)
(Gain) loss on disposal of property and equipment	337	(123)
Investment in life insurance bonused to stockholder	5,594	—
Changes in		
Accounts receivable	1,745	(871)
Inventories	(818)	(1,857)
Prepaid expenses	(10,787)	726
Accounts payable	1,840	6,050
Accrued liabilities	(4,795)	(2,049)
Net cash provided by (used in) operating activities	(8,262)	8,567
Investing Activities		
Proceeds from sale of held-to maturity investments	1,777	—
Proceeds from payment of notes receivable	2,401	1,025
Proceeds from sale of property and equipment	183	482
Purchase of property and equipment	(1,341)	(1,101)
Purchase of noncontrolling interest	(1,260)	(5,245)
Contributions to joint ventures	—	(500)
Payments for investments in life insurance	(97)	(546)
Net cash provided by (used in) investing activities	1,663	(5,885)
Financing Activities		
Repayments on line of credit	(78,403)	(79,372)
Proceeds from line of credit	92,780	72,932
Principle payments of long-term debt	(6)	(6)
Proceeds from issuance of long-term debt	—	4,541
Contributions received	1,122	—
Distributions paid	(10,888)	(294)
Net cash provided by (used in) financing activities	4,605	(2,199)
Effect of Exchange Rate Changes on Cash	(17)	127
Increase (Decrease) in Cash	(2,011)	610
Cash, Beginning of Year	2,826	2,078
Cash, End of Year	$ 815	$ 2,688
Supplemental Cash Flows Information		
Investment in whiskey converted to merchandise inventory	$ 4,081	$ 2,022
Interest paid	$ 961	$ 717

See Notes to the Combined Financial Statements

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. ("LGHI"), 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.

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.

During the period ended March 31, 2021, the Company incurred and expensed transaction related professional fees and bonuses of approximately $9,000. Additionally, the company prepaid transaction related expenses of approximately $10,000 as of March 31, 2021.

Principles of Combination

During 2020, the reporting entity changed to include Luxco, KY Limestone Holdings, LLC ("KYLH"), LDL DE LLC ("LDL"), Dos Primos Tequila Company, LLC ("DPTC"), and LRD Holdings LLC ("LRD"), (collectively "the Affiliates"), due to the pending sale of Luxco and the Affiliates.

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

Interim Financial Statements

The accompanying unaudited combined financial statements of Luxco, Inc. and Affiliates have been prepared on an interim basis. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. These unaudited combined interim financial statements reflect, in the opinion of management, all material adjustments (which include only normally recurring adjustments) necessary to fairly state, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of the results that can be expected for any subsequent interim period or for a full year.

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 March 31, 2021, one of the Company's U.S. cash accounts did exceed federally insured limits. The cash accounts exceeded federally insured limits by $776. Foreign cash accounts totaling $380 as of March 31, 2021, are guaranteed by the United Kingdom's Financial Service Compensation Scheme up to $160.

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 LRD, 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 2021 and 2020, 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 gains and losses 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 March 31, 2021 and 2020, the Company has approximately $6,947 and $5,901 of its inventory and $10,246 and $13,663, 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 $14,372, and $14,878 as of March 31, 2021 and 2020, 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. For the periods ending March 31, 2021 and 2020, the Company import duty paid was $404 and $231, 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 March 31, 2021 and 2020 was $50 and $61, 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 were classified and recorded in the combined financial statements as held-to-maturity as management had the positive intent and ability to hold to maturity. The securities were 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

In conjunction with the merger on April 1, 2021, certain assets totaling $9,296 were transferred to stockholders through distributions.

Subsequent events have been evaluated through September 3, 2021, which is the date the combined financial statements were available to be issued.

Paycheck Protection Program (PPP) Loan

The Company received a PPP loan established by the CARES Act and has elected to account for the funding as loan in accordance with ASC Topic 470, *Debt*. Any forgiveness of the loan 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.

(In Thousands)

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.

Disaggregation of Revenue

The following table presents the Company's revenues disaggregated by the timing of such revenue recognized during the periods ended March 31, 2021 and 2020:

	2021	2020
Timing of revenue recognition		
At a point in time	$ 68,075	$ 70,366
Over a period of time	1,235	1,278
Total	$ 69,310	$ 71,644

Contract Balances

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

	2021	2020
Accounts receivable, beginning of year	$ 31,295	$ 35,487
Accounts receivable, end of year	$ 29,589	$ 36,095

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.

(In Thousands)

Accounting Policies

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..

Note 3: Inventories

	2021	2020
Raw materials	$ 13,751	$ 12,713
Finished goods	18,294	14,519
Federal tax and duty on inventories	4,148	4,777
	$ 36,193	$ 32,009

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 March 31, 2021 and 2020, merchandise in transit which had been shipped to the Company, but not received until subsequent dates totaled $800 and $1,453, respectively.

Note 4: Property and Equipment

The total cost basis of property and equipment at March 31, 2021 and 2020, was:

	2021	2020
Land and improvements	$ 5,727	$ 5,465
Machinery and equipment	17,853	16,830
Office furniture and equipment	3,119	2,969
Whiskey barrels	19,672	19,324
Leasehold improvements	3,376	3,285
Buildings and improvements	25,235	22,487
Transportation equipment	9,290	9,290
	$ 84,272	$ 79,650

(In Thousands)

Note 5: Notes Payable to Banks

Luxco has a $110,000 revolving line of credit that matures on September 16, 2021. There was $82,793 and $80,862 borrowed against this line at March 31, 2021 and 2020, 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 1.56 percent and 2.97 percent at March 31, 2021 and 2020, 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 March 31, 2021 and 2020.

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 2.59 and 3.10 percent at March 31, 2021 and 2020, respectively. On December 20, 2020, Niche obtained a temporary increase to $8,877 in availability through January 31, 2021. There was $0 and $2,616 borrowed against this line at March 31, 2021 and 2020 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 provided 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 March 31, 2020. The Company terminated its interest rate swap agreement in February 2021. The termination fee of $599 was reclassified out of accumulated other comprehensive income and is included in interest expense in the combined statement of operations and comprehensive income (loss) for the period ended March 31, 2021.

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:

		2021		2020
Fair value of interest rate swap agreement	$	—	$	(1,369)
Balance sheet location of fair value amount		N/A		Long-term liabilities
Gain (loss) recognized in other comprehensive income	$	162	$	(619)
Loss reclassified from accumulated other comprehensive income (loss) into net income(loss) (monthly settlement expense)	$	(77)	$	(95)
Reclassification adjustment for realized loss on termination of interest rate swap agreement included in net loss	$	(599)	$	—
Location of gain (loss) reclassified from accumulated other comprehensive income		Interest Expense		Interest Expense

(In Thousands)

Note 6: Long-Term Debt

Long-term debt at March 31, 2021 and 2020, consists of the following:

	2021	2020
Note payable to SBA, due April 20, 2022; payable in monthly principal installments of $380, plus interest at 1%.	$ 3,422	$ —
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	4,541
Note payable to Marion County Industrial Foundation, due June 2028; monthly installments of $3, plus interest at 4.5%.	194	216
Note payable to Lincoln Trail Area Development, due June 2028; monthly installments of $1, plus interest at 4.5%.	29	32
	8,213	4,789
Less current maturities	(3,069)	(25)
	$ 5,144	$ 4,764

Aggregate annual scheduled maturities of long-term debt, at March 31, 2021, are:

12 Months Ending	
March of 2022	$ 3,069
March of 2023	408
March of 2024	29
March of 2025	30
March of 2026	31
Thereafter	4,646
	$ 8,213

On April 20, 2020, Luxco received a loan in the amount of $3,422 pursuant to the PPP. 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. 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. As of March 31, 2021, equal monthly payments were scheduled to begin in August 2021 through April 2022. This loan was forgiven in June of 2021.

(In Thousands)

Note 7: Common Stock Agreement

Luxco has a restrictive-stock agreement, which places restrictions on transferability of 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 8: 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 March 31, 2021 and 2020, consisted of the following:

	2021	2020
KYLH	$ (2,291)	$ (2,823)
LDL	8,225	4,409
LRD	20,635	21,947
DPTC	(159)	(29)
	$ 26,410	$ 23,504

Note 9: 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 periods ended March 31, 2021 and 2020, totaled $52 and $42, respectively.

Niche has an employee pension plan for its employees. Contributions to the plan were approximately $28 and $26 for the periods ended March 31, 2021 and 2020, respectively.

Note 10: Operating Leases

The Company leases office, plant and warehouse facilities under noncancellable operating lease agreements with related parties as more fully explained in Note 11. The Company leases additional facilities under noncancellable operating leases that expire in various years through 2028. Rent expense under all leases were $437 and $431 for the periods ended March 31, 2021 and 2020, respectively.

(In Thousands)

Future minimum lease payments for these leases at March 31, 2021, were:

Q2 - Q4 of 2021	$	1,166
2022		366
2023		271
2024		276
2025		281
Thereafter		650
	$	3,010

Note 11: 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. Rent of $165 was paid during the first quarter 2021 and 2020.

Investments in life insurance represent premiums paid for life insurance policies to be reimbursed by related parties under promissory notes and split-dollar agreements. In March of 2021 all life insurance related assets were bonused out to a stockholder.

During the first quarter 2021 and 2020, 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 had a note receivable of $900 from the related party buyer of Meier's Wine Cellars, inc. ("Meier's"). The note was payable at $18 of principal per quarter and the interest was accrued at .58 percent and the maturity date originally was April 30, 2029. The note receivable had a balance of $0 and $675 at March 31, 2021 and 2020, respectively. This note was paid in full in February of 2021. 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 was payable quarterly and the principal was originally due upon the maturity date of April 30, 2023. The note receivable had a balance of $0 and $1,800 at March 31, 2021 and 2020, respectively. This note was paid in full in January of 2021.

The Company purchased finished good products from Meier's in the amount of $715 and $778 for the periods ended March 31, 2021 and 2020, respectively. Included in accounts payable at March 31, 2021 and 2020 was $313 and $270, respectively, owed to Meier's.

At March 31, 2020, the Company had an outstanding balance of $5,653 due from stockholders. Subsequently in 2020, the balance was included in a noncash distribution to the stockholders.

(In Thousands)

Note 12: 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 income (loss) of DGL and Agricola as of and for the periods ended March 31, 2021 and 2020, are summarized below:

	2021	2020
Total assets	$ 13,787	$ 9,520
Total liabilities	3,603	3,111
Total members' equity	$ 10,184	$ 6,409
Total revenues	$ 4,531	$ 2,411
Net income	$ 218	$ 207

At March 31, 2021 and 2020, the Company had accounts payable owed to DGL of $1,742 and $241 respectively, and accounts receivable due from DGL of $32 and $156, respectively.

Note 13: 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 March 31, 2021, the Company has a remaining commitment to purchase 2,708 original proof gallons. Calculated at the most recent contract price, the commitment for these purchases is approximately $6,851.

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 14: 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 March 31, 2020:

		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)
March 31, 2020				
Interest rate swap agreement	$ (1,369)	$ —	$ (1,369)	$ —

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.

Note 15: 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.

On January 1, 2020, KYLH, acquired 44 percent of the member's equity interest of Limestone, LLC ("Limestone"). The acquisition of the additional 44 percent, in conjunction with the previously acquired controlling interest of 50 percent means Limestone became 94 percent owned by KYLH. The total consideration paid for the acquisition of the purchase of the minority interest of Limestone was $5,245.

On January 1, 2021, and February 26, 2021 KYLH, acquired 3 percent and 3 percent, respectively, of the member's equity interest of Limestone. The acquisition of the additional 6 percent, in conjunction with the previously acquired controlling interest of 94 percent means Limestone became 100 percent owned by KYLH. The total consideration paid for the acquisition of the purchase of the minority interest of Limestone was $1,260.

Note 16: Internal Revenue Bond (IRB)

On December 22, 2017, LRD and its wholly-owned subsidiaries, LFL and Lux Row Distillers, LLC, 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 LRD. The proceeds from the sale to LRD ($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 LRD. As such, the bond sale proceeds were paid directly by LRD to LFL. LFL issued a payment for $34,000 to LRD 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 LRD on LFL's books and $1,000 due from LFL on LRD 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 17: Future Change in Accounting Principle

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. Prior to the new merger agreement, the new standard was 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 unaudited 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 statements of income for the quarter ended March 31, 2021 and year to date June 30, 2021 gives effect to the merger as if it had occurred on January 1, 2020 and the unaudited pro forma combined balance sheet as of March 31, 2021 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, subject to adjustment for fractional shares (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 March 31, 2021
(Dollars in thousands)

	MGP Historical	Luxco Historical	Transaction Accounting Adjustments		Pro Forma Combined
Current Assets					
Cash and cash equivalents	$ 22,586	$ 815	$ 88,485	4(a)	$ 111,886
Receivables, net of allowance for credit losses	67,147	30,062	(108)	4(b)	97,101
Notes receivable	—	109	(109)	4(b)	—
Inventory	136,087	36,193	54,465	4(c)	226,745
Prepaid expenses	3,728	12,860	(1,314)	4(d)	15,274
Total current assets	229,548	80,039	141,419		451,006
Property, plant, and equipment, net	138,619	57,360	(16,151)	4(d)	179,828
Investments in whiskey, at cost	—	36,511	(36,511)	4(c)	—
Investments in joint venture	—	5,085	—		5,085
Operating lease right-of-use assets, net	4,606	—	—		4,606
Notes receivable	—	565	(565)	4(e)	—
Other assets	8,329	304	253	4(e)	8,886
Trade names	—	92,927	(92,927)	4(f)	—
Intangible assets	—	1,567	218,823	4(f)	220,390
Goodwill	—	—	216,698	4(g)	216,698
Total assets	$ 381,102	$ 274,358	$ 431,039		$ 1,086,499
Current Liabilities					
Notes payable to bank	$ —	$ 82,793	$ —		$ 82,793
Current maturities of long-term debt	2,400	3,069	(1,901)	4(h)	3,568
Accounts payable	28,545	14,316	8,768	4(i)	51,629
Federal and state liquor taxes payable	—	4,908	(4,908)	4(i)	—
Income taxes payable	5,941	—	—		5,941
Accrued expenses and other	18,117	1,082	1,564	4(j)	20,763
Salaries, wages and commissions	—	1,411	(1,411)	4(j)	—
Total current liabilities	55,003	107,579	2,112		164,694
Long-term debt, less current maturities	37,476	5,144	(1,744)	4(k)	40,876
Credit agreement - revolver	—	—	238,217	4(l)	238,217
Long-term operating lease liabilities	2,593	—	—		2,593
Deferred credits	1,394	—	—		1,394
Deferred compensation	—	533	(533)	4(m)	—
Other noncurrent liabilities	4,475	—	196	4(k)	4,671
Deferred income taxes	1,650	1,483	56,237	4(n)	59,370
Total liabilities	102,591	114,739	294,485		511,815

	MGP Historical	Luxco Historical	Transaction Accounting Adjustments		Pro Forma Combined
Stockholders' Equity					
Capital stock, Preferred	4	—	—		4
Common stock	6,715	30	(30)	4(o)	6,715
Members equity	—	26,410	(26,410)	4(o)	—
Additional paid-in capital	18,016	—	296,279	4(o)	314,295
Retained earnings	276,318	168,328	(168,328)	4(o)	276,318
Accumulated other comprehensive income (loss)	541	266	(266)	4(o)	541
Treasury stock, at cost	(23,083)	(35,309)	35,309	4(o)	(23,083)
Total stockholders' equity	278,511	159,725	136,554		574,790
Non-controlling interest	—	(106)	—		(106)
Total liabilities and stockholders' equity	$ 381,102	$ 274,358	$ 431,039		$ 1,086,499

See accompanying notes to unaudited pro forma combined financial statements

MGP INGREDIENTS, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
For the Quarter Ended March 31, 2021
(Dollars in thousands, except per share amounts)

	MGP Historical	Luxco Historical	Transaction Accounting Adjustments		Pro Forma Combined
Sales	$ 108,323	$ 44,370	$ (511)	5(a)	$ 152,182
Cost of sales	76,024	26,128	(223)	5(b)	101,929
Gross profit	32,299	18,242	(288)		50,253
Selling, general and administrative expenses	11,799	19,800	6,905	5(c)	38,504
Operating income	20,500	(1,558)	(7,193)		11,749
Interest expense, net	(488)	(961)	564	5(d)	(885)
Interest income	—	28	(28)	5(d)	—
Other income (loss), net	30	(126)	—		(96)
Income before income taxes	20,042	(2,617)	(6,657)		10,768
Income tax expense	4,615	—	(2,144)	5(e)	2,471
Net income	15,427	(2,617)	(4,513)		8,297
Income attributable to participating securities	146	—	—		146
Net income attributable to non-controlling interest	—	53	—		53
Net income attributable to Company	$ 15,281	$ (2,670)	$ (4,513)		$ 8,098
Basic and diluted weighted average common shares	16,928,003	—	5,007,833	5(f)	21,935,836
Basic and diluted Earnings Per Share	$ 0.90	$ —	$ —		$ 0.37

See accompanying notes to unaudited pro forma combined financial statements

MGP INGREDIENTS, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
For the Year to Date Ended June 30, 2021
(Dollars in thousands, except per share amounts)

	MGP Historical	Luxco Historical	Transaction Accounting Adjustments		Pro Forma Combined
	Year to Date Ended June 30, 2021	Quarter Ended March 31, 2021	Quarter Ended March 31, 2021		Year to Date Ended June 30, 2021
Sales	$ 283,262	$ 44,370	$ (511)	5(a)	$ 327,121
Cost of sales	194,136	26,128	(2,463)	5(g)	217,801
Gross profit	89,126	18,242	1,952		109,320
Selling, general and administrative expenses	40,963	19,800	166	5(h)	60,929
Operating income	48,163	(1,558)	1,786		48,391
Interest expense, net	(1,592)	(961)	564	5(d)	(1,989)
Interest income	—	28	(28)	5(d)	—
Other income (loss), net	(58)	(126)	—		(184)
Income before income taxes	46,513	(2,617)	2,322		46,218
Income tax expense	11,027	—	3,724	5(i)	14,751
Net income	35,486	(2,617)	(1,402)		31,467
Income attributable to participating securities	299	—	—		299
Net income (loss) attributable to non-controlling interest	(76)	53	—		(23)
Net income attributable to Company	$ 35,263	$ (2,670)	$ (1,402)		$ 31,191
Basic and diluted weighted average common shares	19,436,143	—	5,007,833	5(f)	21,980,283
Basic and diluted Earnings Per Share	$ 1.81	$ —	$ —		$ 1.43

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 included a preliminary estimated purchase price adjustment related to, among other things, net working capital, acquired cash and assumed debt. In September 2021, the parties finalized the purchase price adjustment, which decreased the cash consideration paid by approximately $608 and increased the stock consideration by an additional 1,373 shares from the preliminary amounts that were paid at closing.

Note 2. Basis of Presentation

The unaudited pro forma combined balance sheet as of March 31, 2021 and the unaudited pro forma combined statement of incomes for the quarter ended March 31, 2021 and for the year to date ended June 30, 2021 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 condensed consolidated balance sheet, the Luxco combined balance sheet and gives effect to the transaction as if it had occurred on March 31, 2021. The unaudited pro forma combined statements of income were prepared using the MGP condensed consolidated statements of income, the Luxco 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 unaudited financial statements and related notes included in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 which was filed with the SEC on May 5, 2021, the Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 which was filed with the SEC on August 4, 2021, and the historical 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	$	149,396
Value of MGP Common Stock issued at close [a]		296,279
Fair value of total consideration transferred	$	445,675

Recognized amounts of identifiable assets acquired:		
Cash	$	479
Receivables		29,675
Inventory		90,854
Prepaid expenses		1,454
Property, plant and equipment, net		41,279
Investments in joint venture		5,085
Intangible assets [b]		219,500
Other assets		4,257
Total assets		392,583
Current maturities of long-term debt [c]		87,497
Accounts payable		14,453
Federal and state liquor taxes payable		8,352
Accrued expenses and other		2,832
Other noncurrent liabilities		196
Deferred income taxes		57,720
Total liabilities		171,050
Goodwill		224,142
Total	$	445,675

(a) The Company issued 5,007,833 shares of MGP Common Stock which was valued at $59.15 per share on April 1, 2021. The value of MGP Common Stock includes the working capital adjustment of an additional 1,373 shares.
(b) Intangible assets acquired includes trade names with an estimated fair value of $178,100 and distributor relationships with an estimated fair value of $41,400.
(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.

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 to cash reflects transaction accounting adjustments for (i) the elimination of entities not included as part of the merger, (ii) cash provided by additional borrowing under the existing credit facility, and (iii) the cash portion of the consideration paid, net of assumed debt.

Elimination of entities not included in merger	$	(336)
Cash provided from additional borrowings under the existing credit facility		238,217
Cash consideration paid, net of assumed debt		(149,396)
	$	88,485

(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, and (ii) the elimination of receivables owed by Luxco to the Company as of March 31, 2021.

Reclassification of Notes receivable	$	109
Elimination of receivables owed by Luxco to the Company		(217)
	$	(108)

(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	$	36,511
Reclassification of barrel inventory		14,649
Purchase accounting adjustment to fair value		3,305
	$	54,465

(d) 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) reclassification of a portion of Luxco's historical construction in progress from prepaid expenses into Property, plant and equipment, net, (iii) the elimination of Property, plant, and equipment related to entities not acquired as part of the merger, and (iv) the purchase accounting adjustment to historical Property, plant, and equipment acquired by the Company to the estimated fair values.

Reclassification of barrel inventory	$	(14,649)
Reclassification of construction in progress		1,314
Elimination of entities not included in merger		(10,155)
Purchase accounting adjustment to fair value		7,339
	$	(16,151)

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	$	30,750
Transportation equipment		109
Machinery and equipment		8,489
Construction in progress		1,861
Estimated fair value of property, plant and equipment acquired	$	41,209

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

(e) The adjustment to Other assets includes the (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, (iii) reclassification adjustment to move Luxco's historical Notes receivable balance into Other assets, (iv) elimination of Luxco's historical goodwill, and (v) additional merger related asset acquired.

Reclassification of MGP's trade names	$	(890)
Reclassification of MGP's Goodwill		(2,738)
Reclassification of Luxco's Notes receivable		565
Elimination of Luxco's historical goodwill		(289)
Additional merger asset acquired		3,605
	$	253

(f) 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		125,006
	$	218,823

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 $178,100 and are classified as indefinite lived intangible assets. The distributor relationships have an estimated fair value of $41,400 and will be amortized using the straight line method over the remaining useful life of 20 years.

(g) 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.

(h) Reflects the elimination of the short term portion of the Paycheck Protection Program loan that was not acquired as part of the merger agreement.

(i) 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) additional merger related liability acquired, (iii) preliminary estimate for working capital adjustment, and (iv) the elimination of payables owed by Luxco to the Company as of March 31, 2021.

Reclassification of Federal and state liquor taxes payable	$	4,908
Additional merger liability acquired		3,605
Preliminary estimate for working capital adjustment		472
Elimination of payables owed by Luxco to the Company		(217)
	$	8,768

(j) The adjustment to Accrued expenses reflects (i) the reclassification of Luxco's historical Salaries, wages and commission into Accrued expenses to align with MGP's presentation, (ii) reclassification of a portion of other debt obligations from Long-term debt, less current maturities into other non-current liabilities, and (iii) additional accrued expenses related to the preliminary estimate for working capital adjustment.

Reclassification of Salaries, wages and commissions	$	1,411
Reclassification of other debt obligations		27
Preliminary estimate for working capital adjustment		126
	$	1,564

(k) The adjustment to Long-term debt, less current maturities reflects (i) the reclassification of a portion other debt obligations from Long tern debt, less current maturities into Accrued expenses, (ii) reclassification of notes payable from Long-term debt, less current maturities into other non-current liabilities, and (iii) the elimination of the long-term portion Paycheck Protection Program loan that was not acquired as part of the merger agreement.

Reclassification of other debt obligations	$	(27)
Reclassification of Notes payable		(196)
Elimination of Paycheck Protection Program Loan		(1,521)
	$	(1,744)

(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) Reflects the elimination of Luxco's historical March 31, 2021 account balance as it was not acquired as part of the merger.

(n) The adjustment to Deferred Income taxes reflects the transaction accounting adjustment for additional deferred tax liability of $56,237 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.

(o) 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 as well as the additional working capital adjustment of an additional 1,373 shares.

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 quarter ended March 31, 2021, 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 barrel inventory to the estimated fair value, and (iii) the elimination of Cost of sales associated with MGP sales to Luxco for the quarter ended March 31, 2021, which would be considered intercompany and eliminated in consolidation.

Additional depreciation of Property, plant and equipment	$	259
Additional Cost of sales - finished goods barrel inventory		27
Elimination of intercompany Cost of sales		(509)
	$	(223)

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

Elimination of entities not included in merger	$	(344)
Amortization on intangible assets		510
MGP merger related costs		6,739
	$	6,905

Merger related costs of $5,022 were included in MGP and Luxco’s historical Selling, general and administrative expense on the unaudited pro forma combined statement of income for the quarter ended March 31, 2021. 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 includes (i) the reclassification of Luxco’s historical Other income, net and Interest income balance into Interest expense, net, (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.

Interest income	$	28
Elimination of entities not included in merger		253
Elimination of Luxco historical interest expense		961
MGP additional interest expense		(678)
	$	564

(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 23.0% for the quarter ended March 31, 2021. 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 quarter ended March 31, 2021 and the year to date ended June 30, 2021.

(g) 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 barrel inventory to the estimated fair value, (iii) the elimination of Cost of sales related to the purchase accounting adjustment of finished goods to the estimated fair value, which would be recognized during the first quarter following the merger, and (iv) the elimination of Cost of sales associated with MGP sales to Luxco, which would be considered intercompany and eliminated in consolidation.

Additional depreciation of Property, plant and equipment	$	259
Additional Cost of sales - finished goods barrel inventory		27
Elimination Cost of sales - finished goods inventory		(2,240)
Elimination of intercompany Cost of sales		(509)
	$	(2,463)

(h) The adjustment to Selling, general and administrative expenses reflects (i) the elimination of expenses related to entities not part of the merger agreement, and (ii) the additional amortization related to the purchase accounting adjustment of Intangible assets to the estimated fair value.

Elimination of entities not included in merger	$	(344)
Amortization on intangible assets		510
	$	166

Merger related costs of $11,761 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 to date ended June 30, 2021. The merger related costs will not affect the Company’s statement of income beyond one year after the acquisition.

(i) 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 31.9% for the year to date ended June 30, 2021. The tax rates used are not necessarily indicative of the effective tax rate of the combined company.