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

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011.

or

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

For the transition period from _________________________ to _________________________________

Commission File Number: 0-17196

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

KANSAS	**48-0531200**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Commercial Street, Atchison Kansas	**66002**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

Common stock, no par value
18,091,937 shares outstanding
as of November 3, 2011

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as well as historical information. All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q regarding the prospects of our industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements are usually identified by or are associated with such words as “intend,” “plan”, “believe,” “estimate,” “expect,” “anticipate,” “hopeful,” “should,” “may,” “will”, “could”, “encouraged”, “opportunities”, “potential” and/or the negatives of these terms or variations of them or similar terminology. They reflect management’s current beliefs and estimates of future economic circumstances, industry conditions, Company performance and financial results and are not guarantees of future performance. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: (i) disruptions in operations at our Atchison facility, (ii) the availability and cost of grain and fluctuations in energy costs, (iii) the effectiveness of our hedging strategy, (iv) our ability to close the prospective acquisition of Lawrenceburg Distillers Indiana, LLC and to integrate the acquired operations into our own, (v) the competitive environment and related market conditions, (vi) the ability to effectively pass raw material price increases on to customers, (vii) the ability to effectively operate the Illinois Corn Processing, LLC (“ICP”) joint venture, (viii) our ability to maintain compliance with all applicable loan agreement covenants, (ix) our ability to realize operating efficiencies, (x) and actions of governments. For further information on these and other risks and uncertainties that may affect our business, see *Item 1A. Risk Factors* of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 and *Item 1A. Risk Factors* in Part II of this Quarterly Report.

METHOD OF PRESENTATION

All amounts in this quarterly report, except for share, bushels, gallons, pounds, mmbtu, per share, per bushel and per gallon amounts, are shown in thousands.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per-share amounts)

	Quarter ended	
	September 30, 2011	September 30, 2010
Net sales	**$ 76,138**	$ 56,978
Cost of sales (a)	**73,347**	46,624
Gross profit	**2,791**	10,354
Selling, general and administrative expenses	**5,074**	6,227
Other operating costs	**294**	562
Income (loss) from operations	**(2,577)**	3,565
Other income, net	**46**	3
Interest expense	**(114)**	(125)
Equity in earnings (loss) of joint ventures	**(2,830)**	1,589
Income (loss) before income taxes	**(5,475)**	5,032
Provision for income taxes	**34**	30
Net income (loss)	**(5,509)**	5,002
Other comprehensive income (loss), net of tax	**(3,520)**	28
Comprehensive income (loss)	**$ (9,029)**	$ 5,030
Per share data		
Total basic earnings (loss) per common share	**$ (0.31)**	$ 0.28
Total diluted earnings (loss) per common share	**$ (0.31)**	$ 0.28
Dividends per common share	**$ 0.05**	$ 0.05

(a) Includes related party purchases of $19,704 and $9,747 for the quarters ended September 30, 2011and 2010, respectively.

See accompanying notes to unaudited condensed consolidated financial statements

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

	September 30, 2011	June 30, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 986**	$ 7,603
Restricted cash	**8,168**	1,028
Receivables (less allowance for doubtful accounts: September 30, 2011-$63 and June 30, 2011 - $118)	**31,013**	27,844
Inventory	**18,987**	17,079
Prepaid expenses	**1,106**	1,201
Deposits	**26**	595
Derivative assets	**385**	598
Deferred income taxes	**2,575**	3,740
Refundable income taxes	**525**	525
Total current assets	**63,771**	60,213
Property and equipment, at cost	**166,323**	165,365
Less accumulated depreciation and amortization	**(104,434)**	(102,115)
Property and equipment, net	**61,889**	63,250
Investment in joint ventures	**9,718**	12,575
Other assets	**388**	445
Total assets	**$ 135,766**	$ 136,483
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	**$ 1,657**	$ 1,705
Revolving credit facility	**12,870**	4,658
Accounts payable	**16,029**	18,052
Accounts payable to affiliate, net	**4,620**	6,166
Accrued expenses	**4,916**	4,399
Derivative liabilities	**8,694**	2,852
Total current liabilities	**48,786**	37,832
Long-term debt, less current maturities	**7,276**	7,702
Deferred credit	**4,346**	4,498
Accrued retirement health and life insurance benefits	**6,617**	6,498
Other non current liabilities	**811**	1,015
Deferred income taxes	**2,575**	3,740
Total liabilities	**70,411**	61,285
Commitments and Contingencies – See Note 5		
Stockholders' Equity		
Capital stock		
Preferred, 5% non-cumulative; $10 par value; authorized 1,000 shares; issued and outstanding 437 shares	**4**	4
Common stock		
No par value; authorized 40,000,000 shares; issued 19,530,344 shares at September 30, 2011 and June 30, 2011, respectively; 18,074,437 and 17,905,767 shares outstanding at September 30, 2011 and June 30, 2011, Respectively	**6,715**	6,715
Additional paid-in capital	**6,715**	7,473
Retained earnings	**62,809**	69,224
Accumulated other comprehensive income (loss)	**(3,535)**	(15)
Treasury stock, at cost		
Common: 1,455,907 and 1,624,577 shares at September 30, 2011 andJune 30, 2011, respectively	**(7,353)**	(8,203)
Total stockholders' equity	**65,355**	75,198
Total liabilities and stockholders' equity	**$ 135,766**	$ 136,483

See accompanying notes to unaudited condensed consolidated financial statements

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

	Quarter Ended	
	September 30, 2011	September 30, 2010
Cash Flows from Operating Activities		
Net income (loss)	**$ (5,509)**	$ 5,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**2,387**	2,007
Loss on sale of assets	-	289
Share based compensation	**176**	313
Equity in (earnings) loss of joint ventures	**2,830**	(1,589)
Changes in operating assets and liabilities:		
Restricted cash	**(7,140)**	971
Receivables, net	**(3,169)**	(4,575)
Inventory	**(1,908)**	(2,622)
Prepaid expenses	**95**	(285)
Refundable income taxes	**-**	(22)
Accounts payable	**(2,670)**	(1,067)
Accounts payable to affiliate, net	**(1,546)**	(1,279)
Accrued expenses	**(389)**	(2,207)
Change in derivative valuation	**2,562**	(975)
Deferred credit	**(152)**	(140)
Accrued retirement health and life insurance benefits and other noncurrent liabilities	**(85)**	(28)
Other	**570**	(387)
Net cash used in operating activities	**(13,948)**	(6,594)
Cash Flows from Investing Activities		
Additions to property and equipment	**(384)**	(961)
Proceeds from the disposition of property and equipment	**61**	-
Net cash used in investing activities	**(323)**	(961)
Cash Flows from Financing Activities		
Purchase of treasury stock	**(84)**	-
Principal payments on long-term debt	**(474)**	(174)
Proceeds from revolving credit facility	**104,982**	62,335
Principal payments on revolving credit facility	**(96,770)**	(60,818)
Net cash provided by financing activities	**7,654**	1,343
Decrease in cash and cash equivalents	**(6,617)**	(6,212)
Cash and cash equivalents, beginning of year	**7,603**	6,369
Cash and cash equivalents, end of period	**$ 986**	$ 157

See accompanying notes to unaudited condensed consolidated financial statements

MGP INGREDIENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)
(Unaudited)

	Capital Stock Preferred	Issued Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, June 30, 2011	$ 4	$ 6,715	$ 7,473	$ 69,224	$ (15)	$ (8,203)	$ 75,198
Comprehensive income (loss):							
Net loss				(5,509)			(5,509)
Net losses from cash flow hedges					(3,613)		(3,613)
Gains from cash flow hedges reclassified to cost of sales					120		120
Translation adjustment on unconsolidated foreign subsidiary					(27)		(27)
Comprehensive income (loss)	-	-	-	(5,509)	(3,520)	-	(9,029)
Options exercised			1			(1)	-
Dividends paid				(906)			(906)
Share-based compensation			176				176
Stock plan shares issued from treasury, net of forfeitures			(935)			935	-
Stock shares repurchased						(84)	(84)
Balance, September 30, 2011	$ 4	$ 6,715	$ 6,715	$ 62,809	$ (3,535)	$ (7,353)	$ 65,355

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

Note 1. Accounting Policies and Basis of Presentation.

Basis of Presentation and Principles of Consolidation

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

These unaudited condensed consolidated financial statements as of and for the period ended September 30, 2011 should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Form 10-K Annual Report for the fiscal year ended June 30, 2011 filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Fiscal Year End Change

On August 25, 2011 the Company elected to change its fiscal year end from June 30 to December 31. The change will be effective at the start of calendar 2012. The Company will file a transition report for the period beginning July 1, 2011and ending December 31, 2011 on Form 10-K. The intent of the change was to align the Company's reporting of its financial results with those of its joint venture partners and to strengthen the Company's ability to gauge growing and harvesting conditions for seasonal grain crops. This change will also enable the Company's strategic planning process to better synchronize with the Company's key customers' product development and initiatives.

Use of Estimates

The preparation of the condensed consolidated 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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Derivative Instruments

The Company applies the provisions of Accounting Standards Codification ("ASC") 815 – *Derivatives and Hedging.* The Company uses derivative financial instruments primarily to offset exposure to market risk in commodity prices, primarily for corn and, in the current quarter, to a lesser extent, ethanol, which are key components in the Company's operations. The Company recognizes all derivatives as either assets or liabilities at their fair values. Accounting for changes in the fair value of a derivative depends on whether the derivative has been designated as a cash flow hedge and the effectiveness of the hedging relationship. Derivatives qualify for treatment as cash flow hedges for accounting purposes when there is a high correlation between the change in fair value of the hedging instrument ("derivative") and the related change in value of the underlying commitment ("hedged item"). For derivatives that qualify as cash flow hedges for accounting purposes, the change in fair value has no net impact on earnings, to the extent the derivative is considered effective, until the hedged item or transaction affects earnings. For derivatives that are not designated as hedging instruments for accounting purposes, or for the ineffective portion of a hedging instrument, the change in fair value affects current period net earnings. While management believes that each of these instruments are primarily entered into to effectively manage various market risks, none of the open derivative contracts entered into prior to July 1, 2011 were designated and accounted for as cash flow accounting hedges.

Effective July 1, 2011, management elected to restart hedge accounting for qualifying derivative contracts entered into on or after July 1, 2011. On the date a derivative contract is entered into, the Company designates the derivative as a hedge of variable cash flows to be paid with respect to certain forecasted cash purchases of corn used in the manufacturing process ("a cash-flow hedge"). This accounting requires linking all derivatives that are designated as cash-flow hedges to specific firm commitments or forecasted transactions. For cash flow hedging relationships entered into on and after July 1, 2011, to qualify for cash flow hedge accounting, the Company must formally document the hedging relationship and its risk management objective and strategy for undertaking the hedge transactions, the hedging instrument, the hedged item, the nature of the risk hedged, the hedging instrument's effectiveness in offsetting the hedged risk, and a description of the method utilized to measure ineffectiveness. The Company must also formally assess, both at the hedge's inception and an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the expected cash flows of hedged items. Changes in fair value of contracts that qualify as cash-flow hedges that are highly effective are marked to fair value as derivative assets or derivative liabilities with the offset recorded to other comprehensive income (loss)("OCI"). Gains and losses on commodity hedging contracts are reclassified from accumulated other comprehensive income ("AOCI") to current earnings when the finished goods produced using the hedged item are sold. The maximum term over which the Company hedges exposures to the variability of cash flows for commodity price risk is generally 12 months; however, the Company may choose to hedge qualifying exposures in excess of 12 months should market conditions warrant. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported in current period earnings.

The Company discontinues cash flow hedge accounting for a particular derivative instrument prospectively when (i) it is determined that the derivative is no longer considered to be highly effective in offsetting changes in the expected cash flows of the hedged item; (ii) the derivative is sold, terminated or exercised; (iii) the derivative is de-designated as a hedging instrument because it is unlikely that a forecasted transaction will occur; or (iv) management determines that designation of the derivative as a hedging instrument is no longer appropriate. When cash flow hedge accounting is discontinued, the Company continues to carry the derivative on the Condensed Consolidated Balance Sheet at its fair value, and gains and losses that were included in AOCI are recognized in current period earnings.

The Company classifies certain interest bearing cash accounts on deposit with and pledged to Company's broker for exchange-traded commodity instruments, which totaled $8,165 and $1,025 at September 30, 2011 and June 30, 2011, respectively, as restricted cash to reflect the fair market value of open contract positions relative to respective contract prices. The Company is also required to provide required margin in accordance with commodity exchange requirements, serving as collateral, which totaled $5,080 and $2,245 at September 30, 2011 and June 30, 2011.

Inventory

Inventory includes finished goods, raw materials in the form of agricultural commodities used in the production process and certain maintenance and repair items. Inventories are stated at the lower of cost or market on the first-in, first-out ("FIFO") method. Inventory consists of the following:

	September 30, 2011	June 30, 2011
Raw materials	**$ 2,532**	$ 2,248
Finished goods	**8,997**	8,407
Work in process	**2,416**	1,626
Maintenance materials	**3,238**	3,120
Other	**1,804**	1,678
Total	**$ 18,987**	$ 17,079

Investment in Joint Ventures

The Company applies the provisions of ASC 810 – *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* which includes a qualitative approach to identifying a controlling financial interest in a variable interest entity and determination of the primary beneficiary.

The Company accounts for its investment in non-consolidated subsidiaries under the equity method of accounting when the Company has significant influence, but does not have more than 50% voting control, and does not have the power to direct or control the activities of its non-consolidated subsidiaries. Under the equity method of accounting, the Company reflects its investment in non-consolidated subsidiaries within the Company's Condensed Consolidated Balance Sheets as "Investment in joint ventures"; the Company's share of the earnings or losses of the non-consolidated subsidiaries are reflected as "Equity in earnings (loss) of joint ventures" in the Condensed Consolidated Statements of Operations.

Revenue Recognition

Revenue from the sale of the Company's products is recognized as products are delivered to customers according to shipping terms and title has transferred. Income from various government incentive grant programs is recognized as it is earned.

Income Taxes

The effective tax rate for the first quarter ended September 30, 2011 and 2010 was (0.62) percent and 0.60 percent, respectively. The effective rate for both periods was substantially less than the expected rate primarily due to the expected utilization of available net operating losses. At this time, management is unable to conclude it is more likely than not that deferred tax assets will be realized. As a result of this analysis, the Company continues to record a full valuation allowance on net deferred tax assets. Management will continue to evaluate the available positive and negative evidence in future periods. If the Company is able to generate positive earnings, it is possible that all or a portion of the valuation allowance will be reversed which would positively impact income in the future periods.

Earnings (Loss) Per Share

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

Impairment

The Company tests its long-lived assets for impairment whenever events or conditions and circumstances indicate a carrying amount of an asset may not be recoverable. No events or conditions occurred during the quarterly period ended September 30, 2011 that required the Company to record an impairment.

Dividends

On August 25, 2011, the Board of Directors declared a dividend of $0.05 per common share, payable to common stockholders of record on September 15, 2011. The Company accrued the $906 dividend at September 30, 2011. The dividend was paid on October 13, 2011.

Reclassifications

In the quarter ended September 30, 2011 management reexamined its accounting for derivative instruments and started accounting for certain qualifying financial instruments as cash flow hedges for accounting purposes. In connection with this, management decided to change where it records the change in fair value of derivative instruments on the balance sheet. Historically the change in fair value of derivative instruments had been classified with inventory. The Company decided to present derivative assets and liabilities account captions on the face of the balance sheet and cease classifying the change in fair value of derivative instruments as inventory. Prior periods have been conformed to the current presentation. Net income and operating cash flows were not impacted by this balance sheet reclassification.

Note 2. Recently Issued Accounting Pronouncements.

Adopted by the Company during the current quarter

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures about Fair Value Measurements.* The Update requires entities to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, the Update requires entities to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The disclosures related to Level 1 and Level 2 fair value measurements became effective for interim and annual periods beginning after December 15, 2009 and was previously implemented by the Company. The disclosures related to Level 3 fair value measurements are effective for annual periods beginning after December 15, 2010 and for the interim periods within those annual periods. The implementation of the guidance contained in this Update did not have a material impact on the Company's condensed consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* to address diversity in practice regarding the presentation of pro forma revenue and earnings disclosures pertaining to business combinations. The Update requires that entities present combined pro forma disclosures for business combinations consummated in the current year, as if the business combination occurred at the beginning of the comparable prior annual reporting period. Additionally, the Update requires a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Update is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The implementation of the guidance in this Update affects future disclosures only, and will not have an impact on the Company's consolidated financial position, results of operation, or cash flows. This guidance will be applied, if the proposed acquisition of Lawrenceburg Distillers, LLC, as further described in *Note 10. Subsequent Events,* is closed.

Not yet adopted by the Company

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which was issued to enhance comparability between entities that report under U.S. GAAP and International Financial Reporting Standards, and to provide a more consistent method of presenting non-owner transactions that affect an entity's equity. ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in stockholders' equity and requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, which corresponds to the Company's first quarter of fiscal 2012. Early adoption of the new guidance is permitted and full retrospective application is required. The implementation of the guidance contained in this Update is not expected to have a material impact on the Company's consolidated financial statements.

Note 3. Investment in Joint Ventures.

The Company's investments accounted for on the equity method of accounting consist of the following: (1) 50 percent interest in Illinois Corn Processing, LLC ("ICP"), which operates a distillery, and (2) 50 percent interest in D.M. Ingredients, GmbH, ("DMI"), which produces certain specialty starch and protein ingredients.

Formation and Accounting Treatment of ICP Joint Venture

During fiscal year ended June 30, 2010, the Company completed a series of related transactions pursuant to which MGPI contributed its Pekin plant and certain maintenance and repair materials to a newly-formed company, ICP, and then sold 50 percent of the membership interest in ICP to Illinois Corn Processing Holdings, LLC ("ICP Holdings"), an affiliate of SEACOR Energy Inc. In connection with these transactions, MGPI entered into various agreements with ICP and ICP Holdings, including a Contribution Agreement, an LLC Interest Purchase Agreement, a Limited Liability Company Agreement and a Marketing Agreement. The formation of ICP, as well as a discussion of key contract terms and provisions for the above mentioned agreements, have been previously disclosed in *Note 3. Investment in Joint Ventures,* in Item 8 of Form 10-K for the fiscal year ended June 30, 2011. Certain contract terms are further discussed below under *"-Certain Rights of Joint Venture Partners and ICP's Lender."*

The Company does not have the power to direct or control the activities of ICP that most significantly determine the economic performance of this investment. These responsibilities are shared equally with the Company's joint venture partner. In addition, Management has determined that MGPI does not have the power to direct the activities of ICP that most significantly impact economic performance, or have an obligation to absorb losses or the right to receive benefits from ICP that could be significant to ICP, and accordingly MGPI should not consolidate ICP. The significant judgments and assumptions made by the Management in reaching this conclusion include consideration of 1) the economics to MGPI and SEACOR Energy, Inc. related to the marketing agreements, 2) the buy-out provisions by MGPI and SEACOR Energy, Inc. and 3) the financing provided by SEACOR Energy, Inc.'s affiliate. The Company has not provided other financial explicit or implicit support to ICP during the quarter ended September 30, 2011 and does not intend to provide financial or other support at this time, other than as discussed below under "- *Maximum Exposure to Loss."*

Certain Rights of Joint Venture Partners and ICP's lender

ICP experienced EBITDA losses in excess of $500 in the quarters ended December 31, 2009, March 31, 2010, December 31, 2010, June 30, 2011 and September 30, 2011. For the three consecutive quarters ending both September 30, 2011 and June 30, 2011, ICP experienced an EBITDA loss in excess of the $1,500 aggregate loss threshold amount described below permitted over any three consecutive quarters.

ICP's Limited Liability Company Agreement gives MGPI and its joint venture partner, ICP Holdings, a subsidiary of SEACOR Energy Inc., certain rights to shut down the Pekin plant if ICP operates at an EBITDA loss of $500 in any quarter. Such rights are conditional in certain instances but are absolute if EBITDA losses aggregate $1,500 over any three consecutive quarters or if ICP's net working capital is less than $2,500.

Losses of such nature are also events of default under ICP's term loan and revolving credit agreements with its lender, an affiliate (sister company) of SEACOR Energy, Inc., which, upon any requisite notice and/or lapse of time, would entitle the lender to impose a default rate of interest, foreclose on ICP's assets and, in the case of the working capital deficiency or successive losses, enforce the closure provisions referred to above.

Both SEACOR Energy Inc. and ICP's lender waived rights for covenant violations through September 30, 2011.

Maximum Exposure to Loss

The Company's portion of the remaining commitment related to ICP's acquisition, on January 29, 2010, of the existing steam facility that services the Pekin plant plus the Company's investment balance is the maximum exposure to loss. A reconciliation from the Company's investment balance in ICP to the Company's maximum exposure to loss is as follows:

	September 30, 2011	**June 30, 2011**
MGPI's investment balance in ICP	**$ 9,366**	$ 12,233
Plus:		
Funding commitment for capital improvements	**1,000**	1,000
MGPI's maximum exposure to loss related to ICP	**$ 10,366**	$ 13,233

Summary Financial Information

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

	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
ICP's Operating results:		
Net sales (a)	**$ 62,123**	$ 38,423
Cost of sales and expenses (b)	**67,858**	35,216
Net income (loss)	**$ (5,735)**	$ 3,207

(a) Includes related party sales to MGPI of $19,640 and $9,747 for the quarters ended September 30, 2011 and 2010, respectively.
(b) Includes depreciation and amortization of $1,375 and $1,389 for the quarters ended September 30, 2011 and 2010, respectively.

ICP's Balance Sheet:	**September 30, 2011**	June 30, 2011
Current assets	**$ 34,118**	$ 30,729
Noncurrent assets	**26,212**	27,474
Total assets	**$ 60,330**	$ 58,203
Current liabilities	**$ 16,960**	$ 7,105
Noncurrent liabilities	**24,638**	25,602
Equity	**18,732**	25,496
Total liabilities and equity	**$ 60,330**	$ 58,203

The Company's equity in earnings (loss) of joint ventures is as follows:

	September 30, 2011	September 30, 2010
ICP (50% interest)	**$ (2,867)**	$ 1,603
DMI (50% interest)	**37**	(14)
	$ (2,830)	$ 1,589

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

	September 30, 2011	June 30, 2011
ICP (50% interest)	**$ 9,366**	$ 12,233
DMI (50% interest)	**352**	342
	$ 9,718	$ 12,575

Note 4. Earnings (Loss) Per Share.

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

	Quarter Ended	
	September 30, 2011	September 30, 2010
Net income (loss) from continuing operations attributable to shareholders	**$ (5,509)**	$ 5,002
Amounts allocated to participating securities (nonvested shares)	**(368)**	320
Net income (loss) from continuing operations attributable to common shareholders	**$ (5,141)**	$ 4,682
Basic weighted average common shares(i)	**16,847,100**	16,675,744
Potential dilutive shares from stock options	**(ii)**	20,502
Diluted weighted average common shares(iii)	**16,847,100**	16,696,246
Earnings per share from continuing operations attributable to common shareholders		
Basic	**$ (0.31)**	$ 0.28
Diluted	**$ (0.31)**	$ 0.28

(i) Under the two-class method, basic weighted average common shares exclude outstanding nonvested participating securities consisting of restricted share awards of 1,212,551 and 1,138,970 at September 30, 2011 and 2010, respectively.
(ii) Stock options have not been included due to the loss experienced during the quarter.
(iii) Anti-dilutive units totaled 61,100 and 18,000 for the quarters ended September 30, 2011and 2010, respectively.

Note 5. Commitments and Contingencies.

Commitments

The Company purchases its corn requirements for its Atchison plant through a single elevator company. If the Company fails to purchase at least 13 million bushels each 12 months, it must pay the elevator company $0.04 per bushel for each bushel less than 13 million purchased. The elevator company may terminate the contract if the Company fails to purchase the specified minimums, in which case the Company would be obligated to pay the elevator company $260 plus the costs incurred by the elevator company in contracting with a different customer for the delivery of corn purchased for the Company pursuant to previously issued Company delivery orders. The Company has complied with its commitment under this agreement. The agreement automatically renews each year on August 31st.

The Company has commitments to purchase approximately 1,704,000 mmbtu of natural gas at fixed prices at various dates through November 2012. The commitment for these contracts at September 30, 2011 totaled approximately $7,633.

The Company has entered into a supply contract for flour for use in the production of protein and starch ingredients. The initial term of the agreement, as amended, expires October 23, 2015. The Company has commitments to purchase approximately 67,333,000 pounds of flour, which extend through December, 2012, aggregating approximately $13,877.

Contingencies

The Company is a party to various legal proceedings which are of an ordinary, routine nature and incidental to its business. Management considers that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the consolidated financial position or operations of the Company.

In January 2006 the Company entered a consent agreement with the Kansas Department of Health and Environment (the "KDHE") resolving past allegations relating to permits, emissions levels and compliance with pollution regulations. Prior to fiscal 2010 the Company made approximately $14,238 in capital expenditures to comply with the consent agreement and paid $66 in civil penalties for instances of non compliance. During the second half of fiscal 2010, due to increased production activity the Company anticipated that it would exceed the emissions cap imposed by the KDHE in the 2006 consent and began negotiating an amendment to the consent agreement with the KDHE. This amendment, which was approved by the KDHE in May 2010, required the Company to complete a closed-loop, process water cooling system project, resulting in significant volatile organic compounds reduction, in accordance with a scheduled timeline extending over an approximate seventeen month period ending on September 30, 2011. The Company agreed to pay a $5 per month penalty for any month that it exceeded the rolling 12-month emissions cap imposed in the consent agreement, as well as a $1 per day penalty for each day that the Company might have failed to file monthly progress reports or exceeded established completion dates for various stages of the project. The Company completed the project during July 2011. Based upon information available to management, no additional penalties were incurred that would otherwise have required accrual at September 30, 2011.

Note 6. Derivative Instruments and Fair Value Measurements.

Derivative Instruments. See *Note 1. Accounting Policies and Basis of Presentation – Derivative Instruments* for discussion on the Company's derivative instruments and the accounting thereof.

Certain commodities the Company uses in its production process are exposed to market price risk due to volatility in the prices for those commodities. The Company uses financial derivative instruments to reduce exposure to market risk in commodity prices, primarily corn, through a combination of forward purchases, long-term contracts with suppliers and exchange traded commodity futures and option contracts. Specifically, the Company will sell put options on commodity futures at exercise prices that are deemed attractive to the Company and use the premiums received to reduce the overall cost of inputs utilized in the production process. During the current quarter, the Company began to buy and sell derivative instruments to manage market risk associated with ethanol purchases, including ethanol futures and option contracts. These contracts were entered into to mitigate risks associated with our investment in ICP. Effective July 1, 2011, management elected to restart hedge accounting for qualifying derivative contracts entered into on and after July 1, 2011. As of September 30, 2011, the Company has certain exchange traded corn futures contracts designated as cash flow hedges. No ethanol futures or option contracts have been designated as hedges as of September 30, 2011.

Derivatives Not Designated as Hedging Instruments

The Company's production process involves the use of natural gas, which it purchases under contracts that require it to commit to the purchase of certain quantities on a monthly basis and allow the Company to lock in prices on such purchase quantities. Because the quantities involved have always been for amounts to be consumed within the normal production process, the Company has determined that these contracts meet the normal purchases and sales exception as defined under ASC 815, *Derivatives and Hedging,* and have excluded the fair value of these commitments from recognition within its condensed financial statements until the actual contracts are physically settled. See *Note 5. Commitments and Contingencies* for discussion on the Company's natural gas purchase commitments.

The following table provides the gain or (loss) for the Company's commodity derivatives not designated as hedging instruments and where it was recognized in the Condensed Consolidated Statements of Operations.

		Quarter Ended	
	Classified	**September 30, 2011**	September 30, 2010
Commodity derivatives	Cost of sales	**$ (1,016)**	$ 3,023

The Company uses corn futures contracts for the purchase of corn and also uses call and put options in order to mitigate the impact of potential changes in market conditions. Beginning July 1, 2011, the Company started entering into ethanol derivative contracts to fix the sales price of certain ethanol purchase contracts and mitigate the impact of potential changes in market conditions. At September 30, 2011, the Company had the follow open derivative contracts not designated as hedging instruments:

Corn futures	2,355,000 bushels, expiring no later than March, 2012
Corn call options	645,000 bushels, expiring no later than December, 2011
Corn put options	2,125,000 bushels, expiring no later than December, 2011
Ethanol futures	4,219,500 gallons, maturing through December, 2012
Ethanol call options	435,000 gallons, maturing through March, 2012

Derivatives Designated as Cash Flow Hedges

The Company, from time to time, uses futures or options contracts to fix the purchase price of anticipated volumes of corn to be purchased and processed in a future month. The Company's corn processing plants currently grind approximately 1,300,000 bushels of corn per month. The Company typically enters into cash flow hedges to cover between 70 percent and 80 percent of its monthly anticipated grind. Effective October 20, 2011, the Company's amended Credit Agreement requires it to hedge the input costs of 100 percent of all contracted sales of inventory, and not less than 40 percent of the input costs of inventory to be sold on the spot market, as further described in *Note 10. Subsequent Events.* At September 30, 2011, the Company had open exchange traded futures contracts to purchase 4,145,000 bushels of corn that qualified as cash-flow hedges, which have maturities that run through March, 2013.

	Amount of Gains (Losses) Recognized in OCI on Derivatives			**Amount of Gains (Losses) Reclassified from AOCI into Earnings**	
Derivatives in Cash Flow Hedging Relationship	**Quarter Ended September 30, 2011**	Quarter Ended September 30, 2010	**Location of Losses Reclassified from AOCI into Income**	**Quarter Ended September 30, 2011**	Quarter Ended September 30, 2010
Commodity derivatives	**$ (3,613)**	n/a	Cost of sales	**$ 120**	n/a

As of September 30, 2011, the Company recorded $3,493 of net losses in AOCI related to gains and losses from changes in fair value of commodity cash flow hedge transactions and reclassified a deminimus amount of net losses deferred in AOCI to cost of goods sold as a result of cash flow hedge ineffectiveness. The Company expects any losses ultimately realized to largely be offset by changes in the underlying cost of corn purchased. The actual amount of any losses realized for open derivative positions will be dependent on future prices.

Fair Value Measurements. In accordance with ASC 820, *Fair Value Measurements and Disclosures,* the fair value of an asset is considered the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

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

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were measured at fair value on a recurring basis as of September 30, 2011 and June 30, 2011, respectively. At September 30, 2011, $169 of corn derivative assets and $5,513 of corn derivative liabilities, both related to futures contracts, were included in Level 2 and at June 30, 2011, $298 of corn derivative assets and $2,125 of corn derivative liabilities, both related to futures contracts, were included in Level 2, as further described following the table below. Given that the fair value of the futures contracts held at September 30, 2011 and June 30, 2011 were based upon an observable proxy, the Company has classified these contracts as level 2 within the fair value hierarchy. Management believes that under specific circumstances the opening value on the next day the market was open, October 3, 2011 and July 1, 2011, represented better estimates of fair value.

The following table shows the fair value of the Company's derivatives (both designated and non-designated hedging instruments), where the derivatives are classified on the Condensed Consolidated Balance Sheets and the level, within the fair value hierarchy at both September 30, 2011 and June 30, 2011.

	Classified	Total	Fair Value Measurements Level 1	Level 2	Level 3
September 30, 2011					
Assets					
Corn Derivatives (a)	Derivative Assets	**$ 385**	**$ 216**	**$ 169**	**$ -**
Liabilities					
Corn Derivatives (a)	Derivative Liabilities	**$ (7,175)**	**$ (1,662)**	**$ (5,513)**	**$ -**
Ethanol Derivatives	Derivative Liabilities	**$ (1,519)**	**$ (1,519)**	**$ -**	**$ -**
June 30, 2011					
Assets					
Corn Derivatives (b)	Derivative Assets	$ 598	$ 300	$ 298	$ -
Liabilities					
Corn Derivatives (b)	Derivative Liabilities	$ (2,852)	$ (727)	$ (2,125)	$ -

(a) On September 30, 2011, the futures contracts market experienced significant volatility and had reached the maximum daily price allowed by the Chicago Board of Trade ("CBOT") and was closed prior to the normal closing of the market. Accordingly, the closing price was not considered to be indicative of the fair value of these futures contracts on September 30, 2011, and the Company used the CBOT's prices on the next business day for these futures contracts as the best indicator of fair value at September 30, 2011.

(b) On June 30, 2011, the futures contracts market experienced significant volatility and had reached the maximum daily price allowed by the CBOT and was closed prior to the normal closing of the market. Accordingly, the closing price was not considered to be indicative of the fair value of these futures contracts on June 30, 2011, and the Company used the CBOT's prices on the next business day for these futures contracts as the best indicator of fair value at June 30, 2011.

FASB ASC 825, *Financial Instruments,* requires the disclosure of the estimated fair value of financial instruments. The Company's short term financial instruments include cash and cash equivalents, accounts receivable, accounts payable and a revolving credit facility. The carrying value of the short term financial instruments approximates the fair value due to their short term nature. These financial instruments have no stated maturities or the financial instruments have short term maturities that approximate market.

The fair value of the Company's debt is estimated based on current market interest rates for debt with similar maturities and credit quality. The fair value of the Company's debt was $9,057 and $9,550 at September 30, 2011 and June 30, 2011, respectively. The financial statement carrying value was $8,933 and $9,407 at September 30, 2011 and June 30, 2011, respectively.

Note 7. Operating Segments.

The Company's operations are classified into three reportable segments: distillery products, ingredient solutions and other. The distillery products segment consists of food grade alcohol, along with fuel grade alcohol, commonly known as ethanol, and distillers feed, which are co-products of our distillery operations. Ingredient solutions consist of specialty starches and proteins, commodity starch and vital wheat gluten (commodity protein). The other segment products are comprised of plant-based polymers and composite resins manufactured through the further processing of certain of the Company's starch and wood particles.

Operating profit (loss) for each segment is based on net sales less identifiable operating expenses. Non-direct selling, general and administrative, Interest expense, investment income and other general miscellaneous expenses have been excluded from segment operations and classified as Corporate. Receivables, inventories and equipment have been identified with the segments to which they relate. All other assets are considered as Corporate.

	Quarter Ended	
	September 30, 2011	September 30, 2010
Sales to Customers		
Distillery products	**$ 60,537**	$ 42,519
Ingredient solutions	**15,414**	14,070
Other	**187**	389
Total	**76,138**	56,978
Depreciation and amortization		
Distillery products	**1,055**	1,087
Ingredient solutions	**599**	479
Other	**61**	61
Corporate	**672**	380
Total	**2,387**	2,007
Income (Loss) before Income Taxes		
Distillery products	**379**	8,082
Ingredient solutions	**1,592**	1,420
Other	**(112)**	(20)
Corporate	**(7,334)**	(4,450)
Total	**$ (5,475)**	$ 5,032

Identifiable Assets	**As of September 30, 2011**	As of June 30, 2011
Distillery products	**$ 64,157**	$ 56,903
Ingredient solutions	**36,941**	34,059
Other	**1,342**	1,415
Corporate	**33,326**	44,106
Total	**$ 135,766**	$ 136,483

Note 8. Employee Benefit Plans.

Post Retirement Benefits. The Company and its subsidiaries provide certain post-retirement health care and life benefits to certain retired employees. The liability for such benefits is unfunded. The Company historically used a June 30 measurement date for the plan; however, in conjunction with the Company's change in fiscal year end, the measurement date has been changed to December 31, beginning December 31, 2011.

The components of the Net Periodic Benefit Cost for the quarter periods ended September 30, 2011 and 2010, respectively, are as follows:

	Quarter Ended	
	September 30, 2011	September 30, 2010
Service cost	**$ 50**	$ 56
Interest cost	**76**	102
Prior service cost	**(4)**	(4)
Loss	**-**	22
Total post-retirement benefit cost	**$ 122**	$ 176

The Company previously disclosed in its financial statements for the year ended June 30, 2011, amounts expected to be paid to plan participants. There have been no revisions to these estimates and there have been no changes in the estimate of total employer contributions expected to be made for the six month period ending December 31, 2011.

Total employer contributions accrued for the quarter ended September 30, 2011 were $122.

Pension Benefits. The Company and its subsidiaries also provide defined retirement benefits to certain employees covered under collective bargaining agreements. Under the collective bargaining agreements, the Company's pension funding contributions are a function of the wages paid and are determined as a percentage of wages paid. The funding is divided between the defined benefit plans and a union 401(k) plan. It has been management's policy to fund the defined benefit plans in accordance with the collective bargaining agreements. The collective bargaining agreements allow the plans' trustees to develop changes to the pension plan to allow benefits to match funding, including reductions in benefits. The Company historically used a June 30 measurement date for the plans; however, in conjunction with the Company's change in fiscal year end, the measurement date has been changed to December 31, beginning December 31, 2011. The benefits under these pension plans are based upon years of qualified credited service; however benefit accruals under the Atchison plan were frozen as of October 15, 2009 and benefit accruals under the Pekin plan were frozen as of December 10, 2009.

The components of the Net Periodic Benefit Cost/(Income) for the quarter periods ended September 30, 2011 and 2010, respectively, are as follows:

	Quarter Ended	
	September 30, 2011	September 30, 2010
Service cost	**$ -**	$ -
Interest cost	**53**	59
Expected return on plan assets	**(59)**	(49)
Prior service cost	**-**	-
Recognition of net loss	**5**	34
Total pension benefit cost (income)	**$ (1)**	$ 44

The Company previously disclosed in its financial statements for the year ended June 30, 2011, the assumptions used to determine accumulated benefit obligation. During the quarter ended September 30, 2011, the Company made an additional employer contribution of $24 to the Atchison Plan to avoid falling below the 80 percent funding requirement of the Pension Protection Act of 2006.

The Company has made total employer contributions of $48 and $363 related to pension plan and union 401(k), respectively, for the quarter ended September 30, 2011.

Equity-Based Compensation Plans. The Company previously disclosed in its financial statements for the year ended June 30, 2011, a description of the Company's equity-based compensation plans.

The Company's equity based compensation plans provide for the awarding of shares of restricted common stock ("restricted stock" and "nonvested shares") for senior executives and certain salaried employees as well as outside directors. As of September 30, 2011, 1,212,551 shares of restricted common stock (net of forfeitures) remained outstanding under the Company's long-term incentive plans. Compensation expense related to these awards is based on the market price of the stock on the date the Board of Directors approved the grant and is amortized over the vesting period of the restricted stock award.

On August 25, 2011, the Company granted 256,000 shares of restricted stock (nonvested shares) with a fair value of $5.85 per share under the Company's 2004 Stock Incentive Plan. The value of those shares at the grant date, aggregating $1,498, will be amortized to expense over a five year vesting period.

No stock options were granted or expired during the quarter ended September 30, 2011. 2000 stock options were exercised during the quarter ended September 30, 2011 for proceeds of $11, which was recorded as a receivable at September 30, 2011.

42,763 shares of restricted stock became vested during the quarter ended September 30, 2011. 112,354 shares of restricted stock were forfeited during the quarter ended September 30, 2011. In conjunction with certain of these forfeitures, the Company granted 23,024 shares of restricted stock with a fair value of $6.00 per share under the Company's 2004 Stock Incentive Plan. The value of these shares at the grant date, aggregating $138, was fully expensed as these shares were immediately vested.

Note 9. Restructuring Cost Activity.

During fiscal 2009, the Company incurred certain restructuring activities, as previously disclosed in *Note 9. Restructuring Costs and Loss on Impairment of Assets*, in Item 8 of Form 10-K for the fiscal year ended June 30, 2011.

Activity related to the severance and early retirement costs was as follows:

	Quarter Ended			
		September 30, 2011		September 30, 2010
Balance at beginning of period	**$**	**512**	$	1,123
Provisions for severance and early retirement costs		**-**		-
Payments and adjustments		**(120)**		(170)
Balance at end of period	**$**	**392**	$	953

Activity related to the lease termination restructuring accrual and related costs was as follows:

	Quarter-Ended			
		September 30, 2011		September 30, 2010
Balance at beginning of period	**$**	**1,143**	$	1,562
Provision for additional expense		**-**		-
Payments and adjustments (a)		**(417)**		(156)
Balance at end of period	**$**	**726**	$	1,406

(a) Amount for the quarter ended September 30, 2011 includes a $274 adjustment recorded in *Other operating costs* as the Company sub-leased 30 rail-cars for the remaining contractual term under the Company's existing rail car leases that had not previously been assumed to be subleased.

Note 10. Subsequent Events.

Acquisition of Lawrenceburg Distillers Indiana, LLC

On October 20, 2011, MGPI of Indiana, LLC ("Purchaser" or "MGPII"), a Delaware limited liability company and wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "Agreement") with Lawrenceburg Distillers Indiana, LLC ("Seller" or "LDI"). LDI is an Indiana limited liability company and a subsidiary of Angostura US Holdings Limited, a Delaware corporation ("Parent"), which is also a party to the Agreement.

Under the Agreement, MGPII is to acquire (the "Acquisition") substantially all of the assets ("Assets") of LDI used or held for use by it in its alcohol beverage distillery business, which produces customized and premium grade whiskeys, gin, and grain neutral spirits, and related bulk barrel storage facilities, blending operations and a tank farm, all located in Greendale and Lawrenceburg, Indiana, and a grain elevator operation in Rushville, Indiana (the "Distillery Business"). MGPII will also assume certain specified liabilities described in the Agreement.

LDI also operates a business engaged in the packaging, bottling and finished goods warehousing of alcoholic beverages in Greendale and Lawrenceburg, Indiana (the "Bottling and Packaging Business"). The Agreement excludes transfer of the assets relating to the Bottling and Packaging Business; those assets are to be sold by LDI to a third party unaffiliated with the Company or MGPII simultaneously with the closing of the sale of the Assets of the Distillery Business to MGPII (the "Closing"). The sale of the assets of the Bottling and Packaging Business to such third party is a material condition to the Closing of the sale of the Assets to MGPII and vice versa.

Closing of the Acquisition is also subject to the satisfaction of customary closing conditions, including, without limitation, obtaining various consents, transfer of permits and licenses, obtaining governmental authorizations relating to the Distillery Business and execution and delivery of specified ancillary agreements. Further, the Agreement includes customary representations, warranties and covenants of MGPII, Seller and Parent. The Closing is conditioned on the accuracy of the representations and warranties and compliance with the covenants set forth in the Agreement, in each case in all material respects.

The Agreement is subject to termination by either party if the Closing has not occurred by January 31, 2012, unless required governmental approvals have not been obtained by such date, in which case the last day to close the transaction is extended until April 30, 2012, unless otherwise agreed by the parties. There are no termination fees payable upon the termination of the Agreement. The Closing is anticipated to occur in the fourth quarter of calendar year 2011 or first quarter of calendar year 2012, subject to the satisfaction of the closing conditions.

MGPII is to pay LDI an amount in cash equal to the current assets minus current liabilities of the distillery assets, currently estimated at $15,000, as of the Closing date. A portion of the purchase price will be paid at Closing into two escrow amounts, one to fund a working capital true-up and one to fund possible future indemnification claims. Registrant expects to fund the purchase price through its financing with Wells Fargo Bank, National Association ("Wells Fargo"). Reference is made to the refinancing discussed below under *Third Amendment to Credit Agreements.*

Third Amendment to Credit Agreement

Effective October 20, 2011, the Company entered into a Third Amendment to Credit Agreement ("Third Amendment") with Wells Fargo. The Third Amendment modifies the Company's existing revolving credit facility under the Credit and Security Agreement between the Company and Wells Fargo dated July 21, 2009 (as amended from time to time, the "Credit Agreement") in several material respects, and summarized as follows:

- the maximum line of borrowings outstanding at any one time was increased from $25,000 to $45,000;
- the Maturity Date of the loans were extended to from July 20, 2012 to October 20, 2014;
- the floating interest rate applicable to outstanding borrowings was changed from the daily three month LIBOR plus an applicable margin ranging from 1.75% to 3.00%, based on the Company's Debt Coverage Ratio, to an annual rate equal to the sum of Daily One Month LIBOR plus an applicable margin ranging from 1.50% to 2.00%, based on the Company's balance sheet leverage ratio, adjustable on a quarterly basis;
- the annual minimum interest payment and prepayment fees have been removed;
- the Company and its subsidiaries have entered into various Guaranties and Security Agreements in favor of Wells Fargo;
- a new provision was added that requires the Company's balance sheet leverage ratio (meaning total liabilities divided by tangible net worth) to be no be greater than 1.75 to 1.0 as of each December 31, March 31, June 30 and September 30;

- a new adjusted net income provision (net income, adjusted for the following if not already accounted for in the calculation of net income: unrealized hedging gain/(loss), non-cash joint venture gain/(loss), and gain/(loss) from the sale or disposition of assets) provision has been added to replace the former stop loss provision; this net income provision requires adjusted net income to be no less than one dollar ($1.00), as of each December 31, March 31, June 30 and September 30, as determined based on the 12-month period then ending;

- a new provision was added that requires the fixed charge coverage ratio (as defined below) to not be less than 2.00 to 1.00, as of each December 31, March 31, June 30 and September 30, as determined based on the 12-month period then ending. The ratio is calculated as follows:

(a) the sum of:
(i) net profit
(ii) plus taxes
(iii) plus interest expense
(iv) plus depreciation and amortization expense
(v) minus dividends
(vi) minus non-cash joint venture gain/(loss)
(vii) minus non-cash unrealized hedging gain/(loss)
(viii)minus cash contributions to Joint Ventures
(ix) minus $7,000 in deemed per annum maintenance capital expenditures

divided by

(b) the sum of:
(i) current maturities of long term deb
(ii) plus capitalized lease payments and interest expense

- the provisions restricting the payment of dividends have been modified to provide that the Company will not declare or pay any dividends (other than dividends payable solely in stock of the Company) on any class of its stock in any fiscal year in an amount in excess of $2,000;

- the $8,000 limit on annual capital expenditures, which excludes capital expenditures made for the replacement and or upgrade of the water cooling system, has been removed;

- a new provision was added to restrict operating lease expenses in any fiscal year to not exceed $4,000;

- a new provision was added that requires the Company to hedge the input costs of 100 percent of all contracted sales of inventory, and not less than 40 percent of the input costs of inventory which will be sold on the spot market;

- a new provision was added to restrict the Company from pledging the fixed and real property assets to be acquired under the LDI transaction described above; and

- a new provision was added whereby the Company agreed not to undertake an acquisition unless the aggregate cash and non-cash consideration to be paid by the Company, excluding the acquisition described above, does not exceed $5,000 in the aggregate for all such permitted acquisitions. In all cases, after giving effect to any acquisition, including after the acquisition described above, the Company must have Availability (as defined in the Credit Agreement) of at least $10,000.

MGPII has guaranteed the Company’s debt under the credit facility.

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

(Dollar amounts in thousands, unless otherwise noted)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included in this Form 10-Q, as well as our audited consolidated financial statements and accompanying notes and *Management's Discussion and Analysis of Financial Condition and Results of Operations—General*, set forth in Items 8 and Item 7, respectively of our Form 10-K for the fiscal year ended June 30, 2011.

On August 25, 2011 we elected to change our fiscal year end from June 30 to December 31. The change will be effective at the start of calendar year 2012. We will file a transition report for the period beginning July 1, 2011and ending December 31, 2011 on Form 10-K. The intent of the change was to align the reporting of our financial results with those of our joint venture partners and to strengthen our ability to gauge growing and harvesting conditions for seasonal grain crops. This change will also enable our strategic planning process to better synchronize with our key customers' product development and initiatives. The discussion below compares results for the quarter ended September 30, 2011, which was the first quarter of the transition period ending December 31, 2011, to the quarter ended September 30, 2010, which was the first quarter of fiscal 2011.

RECENT INITIATIVES

Purchase of LDI

On October 20, 2011, our newly formed wholly-owned subsidiary, MGPI of Indiana, LLC, signed an agreement with LDI to acquire LDI's beverage alcohol distillery assets located in Lawrenceburg, Ind., and used in the production of customized and premium grade whiskeys, gins and grain neutral spirits.

The LDI Assets to be purchased include distillery assets, related bulk barrel storage facilities, blending operations and a tank farm. We will pay LDI cash equal to the current assets minus current liabilities of the distillery assets, currently estimated at $15,000, as of the closing date. The acquisition is subject to certain regulatory approvals, and is conditioned on the concurrent sale of the Bottling and Packaging assets to an unaffiliated third party and the satisfaction of other customary closing conditions. The purchase is expected to close in the fourth quarter of calendar year 2011 or the first quarter of calendar year 2012 and is expected to be funded through bank financing.

The acquisition would add significant new production capacity to our food grade alcohol area and enables us to begin producing premium bourbon and corn and rye whiskeys, while also increasing our gin and grain neutral spirits output.

Use of Hedge Accounting

Over the past three years, although we had used derivatives to economically hedge corn prices, we did not account for these derivative contracts as hedges for accounting purposes. As a result of this decision, for these contracts, changes in the market value of open positions have been marked to market through our statement of operations and affected our reported earnings, leaving us vulnerable to earnings volatility. Reducing this earnings volatility from commodity price swings has been at the forefront of our risk management strategy, and in early calendar 2011 the MGP Board of Directors made the decision to adopt hedge accounting, at which time we began the process of preparing to comply with the increased record keeping, resources and documentation requirements needed to meet these accounting standards.

Effective July 1, 2011, we elected to restart the use of hedge accounting for qualifying derivative contracts entered into on and after July 1, 2011. For further discussion related to the accounting policy and accounting requirements for our derivative instruments, see *Note 1. Accounting Policies and Basis of Presentation - Derivatives* and *Note 6. Derivative Instruments and Fair Value Measurements* set forth in Item I. Open contracts entered into prior to July 1, 2011 will continue to be marked to market through earnings and will wind down by March 2012.

The utilization of hedge accounting should mitigate a portion of our earnings volatility that has been experienced over the past few years. We benefited from the adoption during the current quarter as $3,613 of unrealized losses on derivative contracts were recorded to other comprehensive loss. Had we not restarted the use of hedge accounting, these unrealized losses would have been included in earnings during the period.

Water Cooling System Project

On June 10, 2010, our Board of Directors approved a major capital project designed to provide environmental benefits at our Atchison, Kansas distillery, while also enhancing our alcohol production capabilities. The project involved the installation of a new, state-of-the-art water cooling system to replace older equipment used to supply water for multiple components of the distillation process. This project began during the summer of fiscal 2010 and was completed during July of 2011 at a cost of approximately $10,000.

RESULTS OF OPERATIONS

General

Since the first quarter of fiscal 2009, we have made significant changes to our operations to improve our profitability. We have refocused our business on the production of value-added ingredients and distillery products and we have realigned our production efforts. For further discussion of these activities, events and changes made to improve our profitability, reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations – General*, in Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011. As a result of these actions, the current quarter revenues and the revenues for the comparable prior year period, across all segments, have declined from historic levels.

During fiscal 2011, we focused on the production of valued-added ingredients and distillery products, which led to an overall increase in sales over fiscal 2010. Despite this increase in sales, our gross margins declined during fiscal 2011 due to significant raw material cost increases. Throughout much of fiscal 2011, especially in our ingredients segment, our pricing was not commensurate with the increased cost of raw materials.

We continue to focus on a profitable sales mix by production of our value-added products with higher margins as well as pricing initiatives to better align our pricing with higher commodity prices. During the current quarter ended September 30, 2011, our sales increased over the period ended September 30, 201, but our return on sales declined in the distillery segment due to increased raw material costs. Our ingredient solutions segment was also impacted by increased costs of raw materials, but we had an improved sales mix which led to a slight improvement in return on sales.

Critical Accounting Policies and Estimates

Reference is made to *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies,* in Item 7 on Form 10-K for the fiscal year ended June 30, 2011, for a discussion of our critical accounting policies and the use of certain judgments and estimates in the preparation of our consolidated financial statements.

DEVELOPMENTS IN THE DISTILLERY PRODUCTS SEGMENT

As previously mentioned in *Results of Operations – General*, in order to become more efficient and effective and to improve our results, we have refocused our business on the production of our value-added products. During fiscal 2011, our results were affected by production shut-downs at our Atchison distillery during the second and fourth quarters as well as significant costs increases for raw materials. We also experienced production shutdowns and significant costs increases during the quarter ended September 30, 2011.

In alignment with the strategy described above, increased production volume at our ICP joint venture during the quarters ended September 30, 2011 and 2010 helped us to increase our sales of high quality food grade alcohol. Sales of food grade alcohol for the periods ending September 30, 2011 and 2010 approximated 82.8 percent and 86.9 percent of our total distillery products sales for the respective periods. Meanwhile, our sales of fuel grade alcohol approximated 5.4 percent and 5.0 percent of total distillery products sales for the same respective periods.

As discussed previously in the " *– Recent Initiatives"* section, we recently completed installation of a new, state-of-the-art water cooling system to replace older equipment used to supply water for multiple components of the distillation process and also entered into an agreement to purchase LDI.

DEVELOPMENTS IN THE INGREDIENT SOLUTIONS SEGMENT

As previously mentioned in *Results of Operations – General*, in order to become more efficient and effective and to improve our results, we have refocused our business on the production of our value-added products. Our results for the fiscal year ended June 30, 2011 were affected by significant cost increases for raw materials, as well as lower volume output due, in part, to temporary production interruptions at various times throughout the year. As we move forward, we continue to focus on a profitable sales mix by production of our value-added products with higher margins as well as pricing initiatives to better align our pricing with higher commodity prices.

By substantially exiting the commodity wheat gluten business and curtailing our commodity starch production, we have significantly reduced sales volumes of our lower margin protein and starch products. We continue to focus our manufacturing efforts on improving our consistency and capabilities for producing our higher-margin, specialty product lines. We are using an on-line Customer Relationship Management ("CRM") solution system that was implemented in fiscal 2009 to improve our ability to develop new sales of our product lines. Our commercialization functions are focused on increasing sales growth of our specialty products to the largest and most innovative producers of consumer packaged goods in the U.S.

On October 20, 2010, our Board of Directors approved a project to upgrade our protein and starch plant infrastructure. The upgrades primarily involved interior and exterior renovations to the facility, as well as the redesign of certain protein and starch processing equipment, at a cost of approximately $2,500. The upgrades should allow us to maintain high quality standards and increase our production efficiency. The project began in October 2010 and was completed during the latter half of fiscal 2011.

GENERAL

Consolidated earnings for the current quarter decreased by $10,511, or 210.1 percent, compared to the same period in fiscal 2011 with a net loss of $(5,509) on consolidated sales of $76,138 versus net income of $5,002 on consolidated sales of $56,978 in first quarter of fiscal 2010.

In our distillery products and ingredients solutions segments, we achieved both volume and overall pricing increases compared to the same period a year ago. Other segment sales declined slightly. While our pricing increased across the distillery products and ingredient solutions segments, these pricing increases were outpaced by the increased costs for corn and flour. Increased raw material costs had the most significant impact in our distillery products segment, where our return on sales decreased to 0.6 percent for the period ended September 30, 2011, from 19.0 percent for the period ended September 30, 2010. Although the ingredient solutions segment pricing was similarly outpaced by the increased cost of raw materials, an improved sales mix helped to increase the return on sales to 10.3 percent for the quarter ended September 30, 2011 from 10.1 percent for the quarter ended September 30, 2010. Also contributing to our overall decrease in earnings were unrealized losses on our open commodity derivatives contracts, losses related to our joint venture operations and production interruptions at our Atchison plant during the month of September, 2011. Our 50 percent owned joint venture, ICP, was similarly impacted by higher raw material costs and unrealized losses on open commodity derivative contracts, of which our share was 50 percent.

NET SALES

Net sales for the quarter ended September 30, 2011 increased $19,160, or 33.6 percent, compared to the quarter ended September 30, 2010. The increase was primarily attributable to increased net sales in the distillery products and ingredient solutions segments. Net sales in the distillery products segment as a whole increased primarily as a result of higher volumes of food grade alcohol along with higher average selling prices for the segment as a whole. We saw an increase in net sales in the ingredient solutions segment, driven primarily by increased volume of specialty starches and higher segment average selling prices. Net sales for our other segment decreased due to a lower volumes of our plant-based biopolymer products.

COST OF SALES

For the quarter ended September 30, 2011, cost of sales increased $26,723, or 57.3 percent, compared to the quarter ended September 30, 2010. Our higher overall costs were directly the result of higher corn and flour prices, the unfavorable impact of losses on open derivative commodity contracts not designated as cash flow hedges, and increased transportation costs related to a flood in Atchison, Kansas. We saw increases in the per-bushel cost of corn and the per-pound cost of flour, which averaged nearly 81.7 percent and 40.8 percent higher, respectively, than the quarter ended September 30, 2010. For the quarter ended September 30, 2011, cost of sales was 96.3 percent of net sales, which generated a gross profit margin of 3.7 percent. For the quarter ended September 30, 2010, cost of sales was 81.8 percent of net sales, which generated a gross margin of 18.2 percent.

Cost of sales was also impacted by changes in the fair value of open derivatives contracts not designated as cash flow hedges. For the quarter ended September 30, 2011, our open derivative commodity contracts not designated as cash flow hedges had a $2,586 unfavorable impact to cost of sales, compared to a $989 favorable impact for the year quarter ended September 30, 2010. These cost increases were partially offset by a decrease in the per-million cubic foot cost of natural gas, which decreased 10.4 percent compared to the same period a year ago.

We restarted hedge accounting for qualifying derivative contracts entered into on and after July 1, 2011 as further discussed in "*-Recent Initiatives" above* and in *Note 1. Accounting Policies and Basis of Presentation* set forth in *Item I, Financial Statements* of this Form 10-Q and incorporated herein by reference. For derivatives that qualify as hedges for accounting purposes, the change in fair value has no net impact on earnings, to the extent the derivative is considered effective, until the hedged transaction affects earnings. For derivatives that are not designated as hedging instruments for accounting purposes, or for the ineffective portion of a hedging instrument, the change in fair value affects current period net earnings. Had we not used hedge accounting for qualifying derivatives entered into on or after July 1, 2011, we would have recognized an additional $3,613 of unrealized losses in current period earnings.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the quarter ended September 30, 2011 decreased by $1,153, or 18.5 percent, compared to the quarter ended September 30, 2010. The decrease was primarily due to a decrease in the pro-rata cost related to the estimated annual employee incentive program partially offset by general compensation increases.

OTHER OPERATING COSTS

Other operating cost for the quarter ended September 30, 2011 decreased $268, or 47.7 percent, compared to the quarter ended September 30, 2010. The decrease was primarily due to the reduction in the loss on sale of assets, which was $0 for the quarter ended September 30, 2011 compared to $289 for the quarter ended September 30, 2010.

OTHER INCOME, NET

Other income, net, increased $43, or 1433.3 percent, for the quarter ended September 30, 2011 respectively, compared to the quarter ended September 30, 2010. This increase was principally attributable to changes in interest capitalized as well as to the effect of certain other non-recurring, non-operating revenue items.

INTEREST EXPENSE

Interest expense for the quarter ended September 30, 2011 decreased $11, or 8.8 percent, compared to the quarter ended September 30, 2010. This decrease was the result of lower loan balances on long-term debt as well as lower a lower interest rate on our credit facility, offset by an increase in the average daily balance compared to the same period in the prior year.

EQUITY IN EARNINGS (LOSS) OF JOINT VENTURES

ICP

On November 20, 2009, we completed a series of transactions whereby we contributed our Pekin plant to a newly-formed company, ICP, and then sold 50 percent of the membership interest in ICP to ICP Holdings, an affiliate of SEACOR Energy Inc., as further described in *Note 3. Investment in Joint Ventures* included under *Part I, Item 1, Financial Statements* of this Form 10-Q and incorporated by reference herein.

For the quarter ended September 30, 2011, ICP had a loss of $5,735. As a 50 percent joint venture member, our portion of the net loss was $2,867. ICP incurred a loss due to raw material price increases and unrealized losses on open derivative contracts. For the quarter ended September 30, 2010, ICP had earnings of $3,207. As a 50 percent joint venture member, our portion of the earnings was $1,603.

As further described in *Note 3. Investment in Joint Ventures*, ICP's Limited Liability Company Agreement gives us and our joint venture partner, ICP Holdings, a subsidiary of SEACOR Energy Inc., certain rights to shut down the Pekin plant if ICP operates at an EBITDA loss of $500 in any quarter. Such rights are conditional in certain instances but are absolute if EBITDA losses aggregate $1,500 over any three consecutive quarters or if ICP's net working capital is less than $2,500. ICP experienced EBITDA losses in excess of $500 in the quarters ended December 31, 2009, March 31, 2010, December 31, 2010, June 30, 2011 and September 30, 2011. For the three consecutive quarters ending both September 30, 2011 and June 30, 2011, ICP experienced an EBITDA loss in excess of the $1,500 aggregate loss threshold amount permitted over any three consecutive quarters. Losses of such nature are also events of default under ICP's term loan and revolving credit facility. Both SEACOR Energy Inc. and ICP's lender waived rights for covenant violations through September 30, 2011.

D.M Ingredients, GmbH (“DMI”)

On July 17, 2007, we completed a transaction with Crespel and Dieters GmbH & Co. KG for the formation and financing of a joint venture, DMI, located in Ibbenburen, Germany. DMI’s primary operation is the production of specialty ingredients for marketing by MGPI domestically and, through our partner and third parties internationally. We own a 50 percent interest in DMI, and account for it using the equity method of accounting. As of September 30, 2011, we had invested $571 in DMI since July 2007.

For the quarter ended September 30, 2011, DMI had earnings of $75. As a 50 percent joint venture member, our portion of the earnings was $38 for the quarter ended September 30, 2011. For the quarter ended September 30, 2010, DMI incurred a net loss of $28. As a 50 percent joint venture member, our equity in this loss $14 for the quarter ended September 30, 2010.

DMI’s functional currency is the European Union Euro. Accordingly, changes in the holding value of the Company’s investment in DMI resulting from changes in the exchange rate between the U.S. Dollar and the European Union Euro are recorded in other comprehensive income as a translation adjustment on unconsolidated foreign subsidiary net of deferred taxes.

NET INCOME (LOSS)

As the result of the factors outlined above, we experienced a net loss of $5,509 on net sales of $76,138 in the quarter ended September 30, 2011 compared to $5,002 on net sales of $56,978 in the quarter ended September 30, 2010.

SEGMENT RESULTS

The following is a summary of revenues and pre-tax profits / (loss) allocated to each reportable operating segment for the quarterly periods ended September 30, 2011 and 2010. For additional information regarding our operating segments, see *Note 7. Operating Segments* included under *Part 1, Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference.

	Quarter Ended	
	September 30, 2011	September 30, 2010
Distillery products		
Net Sales	**$ 60,537**	$ 42,519
Pre-Tax Income	**379**	8,082
Ingredient solutions		
Net Sales	**15,414**	14,070
Pre-Tax Income	**1,592**	1,420
Other		
Net Sales	**187**	389
Pre-Tax Income (Loss)	**(112)**	(20)

DISTILLERY PRODUCTS

Total distillery products sales revenue for the quarter ended September 30, 2011 increased $18,018, or 42.4 percent, compared to the quarter ended September 30, 2010. This increase was primarily attributable to an increase in sales of high quality food grade alcohol of $13,156, or 35.6 percent. The increase in high quality food grade alcohol was due to a 25.8 increase in per unit pricing as well as 7.8 percent increase in volume for the same period. Also contributing to the increase in sales revenue were $3,715, and $1,146 increases in distillers feed revenue and fuel grade alcohol, respectively. While overall revenues for distillery products increased for the quarter ended September 30, 2011 as compared to the same quarter a year ago, return on sales decreased as previously described in *"-General"*. The decrease in our earnings was due to a significant increase in corn prices and unrealized losses on our hedging activities, partially offset by lower prices for natural gas and increased average prices for the segment as a whole. While our overall pricing has improved, corn price increases outpaced our sales price increases to our customers. For the quarter ended September 30, 2011, the per-bushel cost of corn averaged nearly 81.7 percent higher than the quarter ended September 30, 2010. The per-million cubic foot cost of natural gas averaged nearly 10.4 percent lower than the same period a year ago.

INGREDIENT SOLUTIONS

Total ingredient solutions sales revenue for the quarter ended September 30, 2011 increased by $1,344, or 9.6 percent, compared to the quarter ended September 30, 2010. Specialty starches saw a 21.6 percent increase in revenues compared to the same period a year ago due to both volume and per unit pricing increases. Revenues for specialty proteins for the quarter ended September 30, 2011 decreased 5.7 percent compared to the quarter ended September 30, 2010 due to a decrease in volume, partially offset by improved per unit pricing. Given that our focus remains on the production and commercialization of specialty ingredients, we have seen revenues for commodity starches and proteins remain low as a percentage of total segment sales; they totaled 13.2 percent and 12.7 percent of total segment sales for the quarters ended September 30, 2011 and 2010, respectively. In addition to the overall increase in revenues for the ingredient solutions segment, our margins saw a slight increase during the quarter ended September 30, 2011 compared to the quarter ended September 30, 2010. This was principally due to improved average selling prices, improved sales mix and lower natural gas prices partially offset by higher raw material costs for flour. Natural gas prices averaged approximately 10.4 percent lower compared to the first quarter of fiscal 2010. Flour costs, on the other hand, averaged approximately 40.8 percent higher per pound compared to the same period a year ago.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

Our principal uses of cash are for the cost of raw materials and energy used in our production processes, salaries, debt service obligations on our borrowings and capital expenditures. Under agreements that we made in March 2011 with a third party logistics company, that contracts with the transportation companies, fees are billed to us semiannually, on January 1st and July 1st of each calendar year for the previous six months. We have five business days to pay in full these transportation fees. Our principal sources of cash are revenues from the products we make and our revolving credit facility.

On August 25, 2011 the Board of Directors approved a dividend of $0.05 per common share. The $906 dividend was paid on October 13, 2011 to common stockholders of record on September 15, 2011.

On June 28, 2011, we financed a major portion of the new water cooling towers and related equipment being installed at our Atchison facility to U.S. Bancorp Equipment Finance, Inc. for proceeds of $7,335. The proceeds are included in cash as of June 30, 2011. We also entered into a lease with U.S. Bancorp for this same equipment and we will make monthly payments under the lease of approximately $110 for 72 months. The proceeds of $7,335 were treated as proceeds from issuance of long term debt.

On August 26, 2010, the Board of Directors declared a dividend of $0.05 per common share, payable to common stockholders of record on September 15, 2010. The $891 dividend was paid October 6, 2010.

We have budgeted $5,935 in routine capital expenditures over twelve month period beginning July 1, 2011 related to other improvements in and replacements of existing plant and equipment and information technology. This amount does not include a provision for the cost of relocating our Wheatex® production equipment if we are unable to renew the lease on our current production facility, which expires in August 2012. As of September 30, 2011, we had contracts to acquire capital assets of approximately $357.

We expect our sources of cash to be adequate to provide for budgeted capital expenditures and anticipated operating requirements; however we have not determined the possible costs of relocating the Wheatex® facility or means of financing such a move.

The following table is presented as a measure of our liquidity and financial condition:

	September 30, 2011	June 30, 2011
Cash and cash equivalents	**$ 986**	$ 7,603
Working capital	**14,985**	22,381
Amounts available under lines of credit	**12,130**	20,342
Credit facility, notes payable and long-term debt	**21,803**	14,065
Stockholders' equity	**65,355**	75,198

	Year to Date Ended	
	September 30, 2011	September 30, 2010
Depreciation and amortization	**$ 2,387**	$ 2,007
Capital expenditures	**384**	961
Cash flows from operations	**(13,948)**	(6,594)

CASH FLOW INFORMATION

Summary cash flow information follows for the quarters ended September 30, 2011 and 2010, respectively:

	Quarter Ended	
	September 30, 2011	September 30, 2010
Cash flows provided by (used for):		
Operating activities	**$ (13,948)**	$ (6,594)
Investing activities	**(323)**	(961)
Financing activities	**7,654**	1,343
Decrease in cash and cash equivalents	**(6,617)**	(6,212)
Cash and cash equivalents at beginning of year	**7,603**	6,369
Cash and cash equivalents at end of period	**$ 986**	$ 157

During the quarter ended September 30, 2011, our consolidated cash decreased $6,617 to $986 as compared to the quarter ended September 30, 2010, in which there was a $6,212 decrease. Decreased operating cash flow resulted primarily from an a decrease in earnings, an increase in restricted cash and other working capital changes as compared to the same period a year ago. Cash outflows related to capital expenditures during the quarter ended September 30, 2011 decreased compared to the quarter ended September 30, 2010, while proceeds from the disposition of property increased. During the quarter ended September 30, 2011, borrowings on debt exceeded payments on debt by $7,738 as compared to the quarter ended September 30, 2010, in which borrowings exceeded payments on debt by $1,343.

Operating Cash Flows. Summary operating cash flow information for the quarters ended September 30, 2011 and 2010, respectively, is as follows:

	Quarter Ended	
	September 30, 2011	September 30, 2010
Net income (loss)	**$ (5,509)**	$ 5,002
Depreciation and amortization	**2,387**	2,007
Loss on sale of assets	**-**	289
Share based compensation	**176**	313
Equity in (earnings) loss of joint ventures	**2,830**	(1,589)
Changes in operating assets and liabilities:		
Restricted cash	**(7,140)**	971
Receivables, net	**(3,169)**	(4,575)
Inventory	**(1,908)**	(2,622)
Prepaid expenses	**95**	(285)
Refundable income taxes	**-**	(22)
Accounts payable	**(2,670)**	(1,067)
Accounts payable to affiliate, net	**(1,546)**	(1,279)
Accrued expenses	**(389)**	(2,207)
Change in derivative valuation	**2,562**	(975)
Deferred credit	**(152)**	(140)
Accrued retirement health and life insurance benefits and other noncurrent liabilities	**(85)**	(28)
Other	**570**	(387)
Net cash used in operating activities	**$ (13,948)**	$ (6,594)

Cash flow from operations for the quarter ended September 30, 2011 decreased $7,354 to $(13,948) from $(6,594) for the quarter ended September 30, 2010. This decrease in operating cash flow was primarily the result of a decrease in earnings, an increase in our restricted cash requirement, and a larger period-over-period decrease in accounts payable as well as the timing of cash receipts and disbursements. Earnings decreased by $10,511 from $5,002 of net income for the quarter ended September 30, 2010 to a net loss of $5,509 for the quarter ended September 30, 2011. The increase in restricted cash of $8,111 was required to pledge additional cash to the broker for our exchange-traded commodity instruments, given the fair market value of our open market positions relative to the respective contract prices. Accounts payable decreased $2,670 for quarter ended September 30, 2011 compared to a decrease of $1,067 for the period ended September 30, 2010.

The above factors, which served to decrease operating cash flow, were partially offset by the following:

- An increase in the adjustment to reconcile net income to cash provided by operating cash flow related to equity in earnings (loss) of joint ventures of $2,830 for the quarter ended September 30, 2011 compared to $(1,589) for the quarter ended September 30, 2010
- For the quarter ended September 30, 2011, an increase in receivables of $3,169 compared to a decrease of $4,575 for the quarter ended September 30, 2010
- For the quarter ended September 30, 2011, a decrease in accrued expenses of $389 compared to a decrease of $2,207 for the quarter ended September 30, 2010
- For the quarter ended September 30, 2011, an increase in change in derivative valuation of $2,562 compared to a decrease of $975 for the quarter ended September 30, 2010

Investing Cash Flows. Net investing cash outflow for the quarter ended September 30, 2011 was $(323) compared to $(961) for the quarter ended September 30, 2010. During the quarter ended September 30, 2011, we made capital investments of $384 and had proceeds from the disposition of property and equipment of $61. During the quarter ended September 30, 2010, we made capital investments of $961.

Financing Cash Flows. Net financing cash flow for the quarter ended September 30, 2011 was $7,654 compared to $1,343 for the quarter ended September 30, 2010, for a net increase in financing cash flow of $6,311. During the quarter ended September 30, 2011, we had net borrowings of $8,212 under our operating line of credit compared to net borrowings of $1,517 for the quarter ended September 30, 2010. This net increase was partially offset by payments on long-term debt of $474 for the quarter ended September 30, 2011 compared to payments of $174 for the quarter ended September 30, 2010.

CAPITAL EXPENDITURES

For the quarter ended September 30, 2011, we made $1,031 of capital investments, of which $384 was a use of cash and $647 remained payable at September 30, 2011. The capital investments related to the water cooling system and production machinery and equipment.

In the summer 2010 we began work on a major capital project designed to provide environmental benefits at our Atchison, Kansas distillery while also enhancing alcohol production capabilities. The project involved the installation of a new, state-of-the art water cooling system to replace older equipment used to supply water for multiple components of the distillation process. It was completed during July 2011 at a cost of approximately $10,000.

We had been limited to annual capital expenditures of $8,000 by the revolving credit facility, but this excludes capital expenditures made for the replacement and or upgrade of the water cooling system described above. This limit was removed as further described below under "- *Line of Credit"*.

LINE OF CREDIT

On January 20, 2011 we entered a Second Amendment ("Second Amendment") to the Credit and Security Agreement with Wells Fargo Bank National Association ("Wells Fargo") (as amended, the "Credit Agreement"). The Second Amendment affected various provisions of our Credit Agreement, including those related to interest, minimum interest, amount of borrowings that we can make and covenants that we must meet.

The amount of borrowings which we may make is subject to borrowing base and availability maintenance limitations. As of September 30, 2011, after giving effect to the Second Amendment, our outstanding borrowings under this facility were $12,870, leaving $12,130 available for additional borrowings (before giving effect to the $5,000 availability maintenance requirements described in "Financial Covenants" below, which result in $7,130 available for additional borrowings). The borrowing base is the lesser of the maximum line amount or an amount based on specified percentages of eligible accounts receivable and inventories less specified reserves. The lender has discretion under the Credit Agreement to change the manner in which the borrowing base is determined, such as altering the advance rates applicable to accounts receivable and inventory or changing reserve amounts.

As previously described in *Note 10. Subsequent Events* of this Form 10-Q and herein incorporated by reference, we entered into a Third Amendment ("Third Amendment") to the Credit and Security Agreement with Wells Fargo. The Third amendment modified the Credit Agreement in several material respects and is summarized as follows:

- the maximum line of borrowings outstanding at any one time was increased from $25,000 to $45,000;

- the Maturity Date of the loans were extended to from July 20, 2012 to October 20, 2014;

- the floating interest rate applicable to outstanding borrowings was changed from the daily three month LIBOR plus an applicable margin ranging from 1.75% to 3.00%, based on our Debt Coverage Ratio, to an annual rate equal to the sum of Daily One Month LIBOR plus an applicable margin ranging from 1.50% to 2.00%, based on the our balance sheet leverage ratio, adjustable on a quarterly basis.

- the annual minimum interest payment and prepayment fees have been removed;

- we have entered into various Guaranties and Security Agreements in favor of Wells Fargo;

- a new provision was added that requires our balance sheet leverage ratio (meaning total liabilities divided by tangible net worth) to be no greater than 1.75 to 1.0 as of each December 31, March 31, June 30 and September 30;

- a new adjusted net income provision (net income, adjusted for the following if not already accounted for in the calculation of net income: unrealized hedging gain/(loss), non-cash joint venture gain/(loss), and gain/(loss) from the sale or disposition of assets) provision has been added to replace the former stop loss provision; this net income provision requires adjusted net income to be no less than one dollar ($1.00), as of each December 31, March 31, June 30 and September 30, as determined based on the 12-month period then ending;

- a new provision was added that requires the fixed charge coverage ratio (as defined below) to not be less than 2.00 to 1.00, as of each December 31, March 31, June 30 and September 30, as determined based on the 12-month period then ending. The ratio is calculated as follows:

(a) the sum of:
(x) net profit
(xi) plus taxes
(xii) plus interest expense
(xiii) plus depreciation and amortization expense
(xiv) minus dividends
(xv) minus non-cash joint venture gain/(loss)
(xvi) minus non-cash unrealized hedging gain/(loss)
(xvii) minus cash contributions to Joint Ventures
(xviii)minus $7,000 in deemed per annum maintenance capital expenditures

divided by

(b) the sum of:
(i) current maturities of long term debt
(ii) plus capitalized lease payments and interest expense

- the provisions restricting the payment of dividends have been modified to provide we will not declare or pay any dividends (other than dividends payable solely in stock of the Company) on any class of its stock in any fiscal year in an amount in excess of $2,000;

- the $8,000 limit on annual capital expenditures, which excludes capital expenditures made for thereplacement and or upgrade of the water cooling system, has been removed;

- a new provision was added to restrict operating lease expenses in any fiscal year to not exceed $4,000;

- a new provision was added that requires us to hedge the input costs of 100 percent of all contracted sales of inventory, and not less than 40 percent of the input costs of inventory which will be sold on the spot market;

- a new provision was added to restrict us from pledging the fixed and real property assets to be acquired under the LDI transaction described above; and

- a new provision was added whereby we agreed not to undertake an acquisition unless the aggregate cash and non-cash consideration to be paid, excluding the acquisition described above, does not exceed $5,000 in the aggregate for all such permitted acquisitions. In all cases, after giving effect to any acquisition, including after the acquisition described above, we must have Availability (as defined in the Credit Agreement) of at least $10,000.

FINANCIAL COVENANTS

Under the Credit Agreement as amended by the Second Amendment and as in effect at September 30, we were required to meet a stop loss provision, which restricted to $2,000 the amount of net loss we could incur in any one month and to $4,000 in any consecutive three month period (for this purpose, "net loss" means after-tax net loss from continuing operations including extraordinary losses but excluding extraordinary gains, unrealized gains and losses from hedging activities and non cash income or losses from joint ventures). We were required to maintain an average availability of not less than $5,000 (measured over the then trailing 30-day period), were limited in the amount of capital expenditures we could make annually to $8,000 (excluding capital expenditures made for the replacement and or upgrade of the Company's existing water cooling facility, which has been completed), and were required meet as of fiscal year end a minimum debt service coverage ratio of not less than 1.25 to 1.0. The ratio is calculated as:

(a) the sum of:

(i) funds from operations (net income plus depreciation and amortization, plus or minus increases or decreases in deferred income taxes and LIFO reserves, plus other non-cash items)
(ii) plus interest expense
(iii) minus non-cash income from investments in our joint ventures
(iv) plus non-cash losses from investments in our joint ventures
(v) minus unfinanced capital expenditures
(vi) minus dividends and distributions paid by us during the current test period
(vii) minus cash contributions into joint ventures by us during the current test period

divided by

(b) the sum of:

(i) current maturities of long term debt and
(ii) interest expense.

See "-*Line of Credit"* for new and modified financial covenants as a result of entering into the Third Amendment on October 20, 2011. These financial covenants include that we have a balance sheet leverage ratio of not greater than 1.75 to 1.0 as of the end of each quarter and that we maintain a fixed charge coverage ratio of not less than 2.00 to 1.00 on a trailing 12 month basis at the end of each quarter. We must also have adjusted net income of not less than one dollar ($1.00) on a trailing 12 month basis at the end of each quarter.

We also are required to hedge all of the input costs of our contracted sales of inventory and 40% of our input costs for of our inventory that will be sold on the spot market

The Credit Agreement also includes provisions that limit or restrict our ability to:

- incur additional indebtedness;
- pay dividends to stockholders or purchase stock;
- make investments or acquisitions
- dispose of assets;
- make capital expenditures;
- incur operating lease expenses
- create liens on our assets; or merge or consolidate; and
- increase certain salaries and bonuses.

We were in compliance with the covenants in the Credit Agreement at September 30, 2011.

The lender has significant lending discretion under the Credit Agreement; it may modify our borrowing base and various components thereof in its reasonable discretion, thereby affecting the amount of credit available to us. The lender may terminate or accelerate our obligations under the Credit Agreement upon the occurrence of various events in addition to payment defaults and other breaches, including such matters as over advances arising from reductions in the borrowing base, certain changes in the Board, failure to pay taxes when due, defaults under other material debt, lease or other contracts and our CEO ceasing to be actively engaged in our day to day business activities if we fail to hire a successor acceptable to the lender within 90 days.

WORKING CAPITAL

COMPARISON TO JUNE 30, 2011

Our working capital decreased $7,396 from June 30, 2011 to September 30, 2011. This decrease was primarily the result of unfavorable changes in the fair value of open derivative positions and an increase in borrowings under our line of credit, partially offset by increases in restricted cash, receivables and decreases in accounts payable and accounts payable to affiliate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Commodity Costs

We make our products primarily from flour and corn and, as such, are subject to market risk due to changes in commodity prices. We utilize long-term contracts with suppliers as well as derivative instruments, which we mark to market, to mitigate some of these risks. Our derivative instruments include a combination of forward purchases and exchange traded commodity futures and options contracts. The derivatives contracts trade on the Kansas City and Chicago Boards of Trade and the New York Mercantile Board of Exchange.

At September 30, 2011, we had open exchange traded futures contracts to purchase 6,500,000 bushels of corn through March 2013, at a weighted average contract price of $6.79 versus a weighted average market price of $5.97. At June 30, 2011, we had open net derivative contracts to purchase 3,850,000 bushels of corn at a weighted average contract price of $6.46 versus a weighted average market price of $5.98.

At September 30, 2011, the Company also has open exchange traded futures contracts to purchase 4,219,500 gallons of ethanol through December 2012, at a weighted average contract price of $2.52 per gallon versus a weighted average market price of $2.16 per gallon. We had no open ethanol contracts at June 30, 2011.

Our commodity price hedging instruments generally relate to contracted firm-priced business. Based on our overall commodity hedge exposure at September 30, 2011, a hypothetical 10 percent decline in market prices applied to the fair value of our corn and ethanol instruments would result in a corresponding decrease in the fair value of the exchange traded futures contracts of approximately $(4,792). It should be noted that any change in the fair value of the contracts, real or hypothetical, would be substantially offset by an inverse change in the value of the underlying hedged item.

For further discussion on the volatility of corn futures as of September 30, 2011 and June 30, 2011, respectively, see *Note 6. Derivative Instruments and Fair Value Measurements* set forth in *Item 1, Financial Statements* of this Form 10-Q and incorporated herein by reference.

Interest Rate Exposures

Our loan from Union State Bank – Bank of Atchison bears interest at 6% over the three year treasury index, adjusted quarterly. Our Credit Agreement with Wells Fargo Bank, as amended January 20, 2011, provides for interest at a variable rate equal to daily three month LIBOR plus applicable margin ranging from 1.75% to 3.0% (2.125% at September 30, 2011); the default rate is the daily three month LIBOR plus 6%, in the lender's discretion. Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease. The change in interest expense and earnings before income taxes would be dependent upon the weighted average outstanding borrowings during the reporting period following an increase in market interest rates. Based on weighted average outstanding borrowings at September 30, 2011, a 100 basis point increase over the non-default rates actually in effect at such date would increase our interest expense on an annualized basis by $68.

See "*-Line of Credit"* for the modified interest rate as a result of entering into the Third Amendment of our credit agreement with Wells Fargo Bank on October 20, 2011.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures.

As of the end of the quarter ended September 30, 2011 our Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls.

There has been no change in the Company's internal control over financial reporting required by Exchange Act Rule 13a-15 that occurred during the fiscal quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect MGP Ingredients, Inc.'s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to Part I, Item 3, Legal Proceedings of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 and *Note 5. Commitments and Contingencies* for information on certain proceedings to which we are subject.

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

ITEM 1A . RISK FACTORS.

Our proposed acquisition of LDI's distillery and warehousing assets would involve significant risk, if consummated. Successful integration of LDI's distillery operations into our own will depend upon management's ability to manage both operations effectively. We estimate that our purchase price will be approximately $15,000 and that we will need to expend $3,000 to $5,000 or more in capital expenditures related to the acquired facilities over the next three years to make desired improvements or achieve desired savings. While we expect to benefit from revenue enhancements resulting from the acquisition, there is no assurance that we will be able to generate sufficient cash flow from the acquisition to service the debt that we expect to incur to finance the acquisition and subsequent capital expenditures. This, like any acquisition, may involve operating risks such as:

- the difficulty of assimilating and integrating the acquired operations into our current business;
- the difficulty of incorporating LDI employees into our corporate culture;
- the diversion or dilution of management resources or focus;
- the possibility that effective internal controls are not established and maintained at LDI;
- the risks of entering new product markets with which we have limited experience;
- the possibility that any debt or liabilities that we may incur or assume will prove to be more burdensome that we anticipated; and
- the possibility that the acquired operations do not perform as expected or do not increase our profits.

The proposed acquisition of LDI is subject to certain conditions, including the concurrent closing of the sale of LDI’s bottling and packaging business to an unaffiliated third party over whom we have no control.

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

During the quarter ended September 30, 2011 we made no repurchases of our stock.

ITEM 6. EXHIBITS

3.1 Articles of Incorporation of the Company, as amended (Incorporated by reference to Exhibit 3.1 of the Company's Report on Form 10-Q for the quarter ended September 30, 2004 (File number 0-17196))

3.2 Bylaws of the Company (Incorporated by reference to Exhibit 3.2 of theCompany's Report on Form 10-K for the fiscal year ended June 30, 2011.

*4.0 Third Amendment to Credit and Security Agreement dated October 20, 2011

*4.1 Amended and Restated Revolving Note dated October 20, 2011

*4.2 Continuing Guarantee dated October 20, 2011

*4.3 Third Party Security Agreement dated October 20, 2011

*10.1 Non-Employee Director Restricted Share Award Agreement effective October 22, 2010 of John Speirs. Similar agreements were made for the same number of shares with Michael Braude, John Byom, Cloud L. Cray, Gary Gradinger, Linda Miller, Karen Seaberg and Daryl Schaller.

*31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)

*31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)

*32.1 Certification of Chief Executive Officer furnished pursuant to Rule 13a 14(b) and 18 U.S.C. 1350

*32.2 Certification of Chief Financial Officer furnished pursuant to Rule 13a-4(b) and 18 U.S.C. 1350

*101 Interactive Data File

*Filed herewith

SIGNATURES

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

	MGP INGREDIENTS, INC.
Date: November 9, 2011	By /s/ Timothy W. Newkirk Timothy W. Newkirk, President and Chief Executive Officer
Date: November 9, 2011	By /s/Don Tracy Don Tracy Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 4

Execution Copy

AMENDMENT TO CREDIT AGREEMENT

This THIRD AMENDMENT TO CREDIT AND SECURITY AGREEMENT (this "**Third Amendment**") is made as of this 20th day of October, 2011 by and between MGP INGREDIENTS, INC., a Kansas corporation ("**Borrower**"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Lender**"). This Third Amendment amends that certain Credit and Security Agreement between Borrower and Lender dated July 21, 2009, as amended by a Consent dated December 31, 2009, as amended by Consent dated February 2, 2010, as amended by a First Amendment to Credit and Security Agreement dated as of June 30, 2010, and as amended by a Second Amendment to Credit and Security Agreement dated as of January 20, 2011 (as further modified, amended and restated, the "**Credit Agreement**").

WHEREAS, Borrower desires to increase the Maximum Line Amount from $25,000,000 to $45,000,000; and

WHEREAS, Lender is willing to amend the Credit Agreement to increase the Maximum Line Amount in conjunction with the modification of other terms, but only, in each case, on the terms and subject to the conditions set forth herein.

NOW THEREFORE, in consideration of the Recitals, the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower agree as follows:

1. Definitions and Rules of Interpretation. Capitalized terms used but not otherwise defined herein, including the Preamble and the Recitals, shall have the meanings assigned to them in the Credit Agreement. The rules of interpretation set forth in Section 1.2 of the Credit Agreement shall apply to this Third Amendment as if fully set forth herein.

2. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) The following definitions found in Section 1.1 of the Credit Agreement are amended and restated as follows:

"**Accounts Advance Rate**" means up to eighty percent (80%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time."

"**Borrowing Base**" means at any time the lesser of:

(a) The Maximum Line Amount; or

(b) Subject to change from time to time in the Lender's sole but reasonable discretion, the sum of:

(i) The product of the Accounts Advance Rate times Eligible Accounts; plus

(ii) The sum of (without duplication) (1) the product of the Eligible Starch Inventory Advance Rate times Eligible Starch Inventory, *plus* (2) the product of the Eligible Protein Inventory Advance Rate times Eligible

Protein Inventory, *plus* (3) the product of the Eligible Flour Inventory Advance Rate times Eligible Flour Inventory, *plus* (4) the product of the Eligible Corn Inventory Advance Rate times Eligible Corn Inventory, *plus* (5) the product of the Eligible Food Grade Alcohol Inventory Advance Rate times Eligible Food Grade Alcohol Inventory *plus* (6) the product of the Eligible Fuel Grade Alcohol Inventory Advance Rate times Eligible Fuel Grade Alcohol Inventory *plus* (7) product of the Eligible Finished Goods Inventory Advance Rate times Eligible Finished Goods Inventory *plus* (8) product of Eligible Barreled Alcohol Inventory Advance Rate times Eligible Barreled Alcohol Inventory *plus* (9) product of Account Value at Market Advance Rate times Account Value at Market; **provided** Eligible Inventory which is Rail Inventory shall not exceed more than $1,800,000 at any time; less

(iii) The Distilled Spirits Tax Reserve, less

(iv) The Rail Reserve."

"**Eligible Accounts**" means all unpaid Accounts of the Borrower or a Subsidiary arising from the sale or lease of goods or the performance of services, net of any credits, but excluding any such Accounts having any of the following characteristics:

(i) That portion of Accounts unpaid 90 days or more after the invoice date;

(ii) That portion of Accounts related to goods or services with respect to which the Borrower or a Subsidiary has received notice of a claim or dispute, which are subject to a claim of offset or a contra account, or which reflect a reasonable reserve for warranty claims or returns;

(iii) That portion of Accounts not yet earned by the final delivery of goods or that portion of Accounts not yet earned by the final rendition of services by the Borrower or Subsidiary to the account debtor, including with respect to both goods and services, progress billings, and that portion of Accounts for which an invoice has not been sent to the applicable account debtor;

(iv) Accounts constituting (i) proceeds of copyrightable material unless such copyrightable material shall have been registered with the United States Copyright Office, or (ii) proceeds of patentable inventions unless such patentable inventions have been registered with the United States Patent and Trademark Office;

(v) Accounts owed by any unit of government, whether foreign or domestic (except that there shall be included in Eligible Accounts that portion of Accounts owed by such units of government for which the Borrower or a Subsidiary has provided evidence satisfactory to the Lender that (A) the Lender has a first priority perfected security interest and (B) such Accounts may be enforced by the Lender directly against such unit of government under all applicable laws);

(vi) Accounts denominated in any currency other than United States dollars;

(vii) Accounts owed by an account debtor located outside the United States or Canada which are not (A) backed by a bank letter of credit naming the Lender as beneficiary or assigned to the Lender, in the Lender’s possession or control, and with respect to which a control agreement concerning the letter-of-credit rights is in effect, and acceptable to the Lender in all respects, in its sole but reasonable discretion, or (B) covered by a foreign receivables insurance policy acceptable to the Lender in its sole but reasonable discretion;

(viii) Accounts owed by an account debtor that is insolvent, the subject of bankruptcy proceedings or has gone out of business;

(ix) Accounts owed by an Owner, Subsidiary, Affiliate, Officer or employee of the Borrower or Subsidiary;

(x) Accounts not subject to a duly perfected security interest in the Lender’s favor or which are subject to any Lien in favor of any Person other than the Lender;

(xi) That portion of Accounts that has been restructured, extended, amended or modified;

(xii) That portion of Accounts that constitutes advertising, finance charges, service charges or sales or excise taxes;

(xiii) Accounts owed by an account debtor, regardless of whether otherwise eligible, to the extent that the aggregate balance of such Accounts exceeds fifteen percent (15%) of the aggregate amount of all Accounts;

(xiv) Accounts owed by an account debtor, regardless of whether otherwise eligible, if twenty five percent (25%) or more of the total amount of Accounts due from such debtor is ineligible under clauses (i), (ii), or (xi) above;

(xv) That portion of Accounts that constitutes COD or credit card sales; and

(xvi) Accounts, or portions thereof, otherwise deemed ineligible by the Lender in its sole but reasonable discretion.

“**Eligible Food Grade Alcohol Inventory Advance Rate**” means up to seventy percent (70%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.”

“**Eligible Inventory**” means all Inventory of the Borrower or a Subsidiary, valued at the lower of cost or market in accordance with GAAP; but excluding any Inventory having any of the following characteristics:

(i) Inventory that is: in-transit; located at any warehouse, job site or other premises not approved by the Lender in writing (and for which Lender has received an acceptable lien waiver); not subject to a duly perfected first priority security interest in the Lender’s favor (other than Liens on Inventory consisting

of distilled spirits arising under 26 USC 5004 which have reduced the Borrowing Base in accordance with its terms); subject to any lien or encumbrance that is subordinate to the Lender's first priority security interest; covered by any negotiable or non-negotiable warehouse receipt, bill of lading or other document of title; on consignment from any Person; on consignment to any Person or subject to any bailment unless such consignee or bailee has executed an agreement with the Lender;

(ii) Supplies, packaging, maintenance parts or sample Inventory, fabricated parts Inventory, or customer supplied parts or Inventory;

(iii) Work-in-process Inventory;

(iv) Inventory that is damaged, contaminated, discontinued, rejected, defective, obsolete, slow moving or not currently saleable in the normal course of the Borrower or a Subsidiary's operations, or the amount of such Inventory that has been reduced by shrinkage;

(v) Inventory that the Borrower or a Subsidiary has returned, has attempted to return, is in the process of returning or intends to return to the vendor thereof;

(vi) Inventory that is live;

(vii) Inventory manufactured by the Borrower or a Subsidiary pursuant to a license unless the applicable licensor has agreed in writing to permit the Lender to exercise its rights and remedies against such Inventory;

(viii) Inventory that is subject to a Lien in favor of any Person other than the Lender (other than Liens on Inventory consisting of distilled spirits arising under 26 USC 5004 which have reduced the Borrowing Base in accordance with its terms);

(ix) Inventory stored at (a) locations holding less than ten (10%) of the aggregate value of the Borrower's and Subsidiary's total Inventory, (b) the Pekin Plant, (c) the Flour Mill; provided that Inventory stored at the LDI Facility, shall not be excluded pursuant to this subsection (ix); and

(x) Inventory otherwise deemed ineligible by the Lender in its sole but reasonable discretion.

Notwithstanding anything contained herein to the contrary, for purposes of Eligible Inventory, "in-transit" shall not be deemed to include Rail Inventory located at the Rail Staging Area.

"**LIBOR**" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8th of one percent (1%)) determined pursuant to the following formula:

LIBOR = Base LIBOR / 100%- LIBOR Reserve Percentage

(a) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Lender for the purpose of calculating the effective Floating Rate for loans that reference Daily One Month LIBOR as the Inter-Bank Market Offered Rate in effect from time to time for one (1) month delivery of funds in amounts approximately equal to the principal amount of such loans. Borrower understands and agrees that Lender may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Lender in its discretion deems appropriate, including but not limited to the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(b) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Lender for expected changes in such reserve percentage during the applicable term of the Revolving Note."

"**Maturity Date**" means October 20, 2014."

"**Maximum Line Amount**" means $45,000,000 unless this amount is reduced pursuant to Section 2.10, in which event it means such lower amount."

(b) The following definitions are hereby added to Section 1.1 of the Credit Agreement as follows:

"**Account Value at Market**" means the value of the Eligible Swap Account as determined by (i) the amount shown as the "account value at market" on the most recent statement from ADM summarizing the ADM Account, or such other comparable term that may be used from time to time by ADM on ADM Account statements, or (ii) should Borrower enter into an Eligible Swap Account with a vendor other than ADM, the market value of the Eligible Swap Account as shown on the most recent account statement from such vendor."

"**Account Value at Market Advance Rate**" means up to ninety percent (90%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time."

"**Adjusted Net Income**" means Net Income, adjusted for the following if not already accounted for in calculation of Net Income: unrealized hedging gain/(loss), non-cash Joint Venture gain/(loss), and any gain/(loss) from the sale or disposition of fixed assets."

"**ADM**" means ADM Investor Services, Inc.

"**ADM Account**" means the account maintained by Borrower with ADM to accommodate Swap Contract transactions."

"**Acquisition**" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of fifty percent (50%) of the stock and stock equivalents of any Person or otherwise causing any Person to become a Subsidiary of the Borrower, or (c) a merger or consolidation or any other combination with another Person.

“**Affiliate**” or “**Affiliates**” means MGPI of Indiana, LLC, a Delaware limited liability company, D.M. Ingredients GmbH, Midwest Grain Pipeline, Inc. and any other Person controlled by, controlling or under common control with the Borrower, including any Subsidiary of the Borrower. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“**Balance Sheet Leverage Ratio**” means the Total Liabilities divided by Tangible Net Worth.”

“**Daily One Month LIBOR**” means, for any day, the rate of interest equal to LIBOR then in effect for delivery for a one (1) month period. When interest is determined in relation to Daily One Month LIBOR, each change in the interest rate shall become effective each Business Day that Lender determines that Daily One Month LIBOR has changed.”

“**Eligible Barreled Alcohol Inventory**” means all Inventory owned by Borrower consisting of barreled alcoholic beverages which is (a) acceptable to Lender in its sole but reasonable discretion determined in good faith for lending purposes, (b) Eligible Inventory in all respects.”

“**Eligible Barreled Alcohol Inventory Advance Rate**” means up to sixty five percent (65%), or such lesser rate as the Lender in its sole but reasonable discretion may deem appropriate from time to time.”

“**Eligible Swap Account**” means the ADM Account or such other account opened in compliance with Section 6.4(d).

“**Fixed Charge Coverage Ratio**” means the aggregate of net profit plus taxes, Interest Expense, depreciation, and amortization expenses, minus dividends, non-cash Joint Venture gain/(loss), non-cash unrealized hedging gain/(loss), cash contributions to Joint Ventures, and $7,000,000 in deemed per annum maintenance capital expenditure (for the avoidance of doubt, the $7,000,000 figure will be used in this calculation regardless of whether actual expenditures are more or less than such amount during the measuring period), all divided by the aggregate of the Current Maturities of Long Term Debt, capitalized lease payments, and interest expense, all as determined by reference to the most recently prepared financial statements provided by Borrower in accordance with Sections 6.1(a) and (b). ”

“**Floating Rate**” means a per annum interest rate equal to the sum of (i) Daily One Month LIBOR, which interest rate shall change whenever Daily One Month LIBOR changes, plus (ii) the applicable Margin (as defined in Section 2.6(b)).

“**Investments**” means (i) the purchase or acquisition, or any commitment to purchase or acquire any stock or stock equivalents, or any obligations or other securities of, or any interest in, any Person, including the establishment or creation of a Subsidiary, or (ii) make or purchase, or commit to make or purchase, any advance, loan, extension of credit or capital contribution to or any other investment in, any Person including the Borrower, any Affiliate of the Borrower or any Subsidiary of the Borrower. Notwithstanding anything herein to the contrary, “Acquisitions” shall not be deemed Investments.

“**Joint Venture**” means the joint venture between Borrower and Illinois Corn Processing (“ICP”), D.M. Ingredients GmbH, and any other joint venture entered into by Borrower that is not an Acquisition (as defined in this Agreement).”

“**LDI**” means Lawrenceburg Distillers Indiana, LLC.

“**LDI Facility**” means the real property formerly owned by LDI and acquired by the Borrower or a Subsidiary.”

“**Security Documents**” means this Agreement, the Patent and Trademark Security Agreement, mortgages and deeds of trust encumbering real property interests of Borrower from time to time, and any other document delivered to the Lender from time to time to secure the Indebtedness.”

“**Real Estate Collateral**” means all real estate owned by Borrower, except the KCK Facility, and the LDI Facility.

“**Tangible Net Worth**” means the aggregate of total stockholders’ equity less any intangible assets, as determined by reference to the most recently prepared financial statements provided by Borrower in accordance with Sections 6.1(a) and (b).”

“**Total Liabilities**” means the aggregate of current liabilities and non-current liabilities (including off balance sheet obligations), as determined by reference to the most recently prepared financial statements provided by Borrower in accordance with Sections 6.1(a) and (b).”

(c) The following definitions are hereby deleted in their entirety from Section 1.1 of the Credit Agreement:

“**Borrowing Base Reserve**”

“**Daily Three Month LIBOR**”

“**Debt Service Coverage Ratio**”

(d) Section 2.6(a) of the Credit Agreement is amended by amending and restating Section 2.6(a) as follows:

“(a) **Interest**. Except as provided in Section 2.6(d) and Section 2.6(g), the principal amount of each Advance shall bear interest at the Floating Rate.”

(e) Section 2.6(b) of the Credit Agreement is amended by amending and restating Section 2.6(b) as follows:

"(b) **Margins**. The "Margins," as referred to in Section 1.1 and elsewhere in this Agreement, shall be as indicated and adjusted each fiscal quarter of the Borrower on the basis of the Balance Sheet Leverage Ratio of the Borrower as of the end of the previous fiscal quarter, in accordance with the following table:

Balance Sheet Leverage Ratio	Margins
(i) Balance Sheet Leverage Ratio is determined by the Lender to be less than .50.	1.50%
(ii) Balance Sheet Leverage Ratio is determined by the Lender to be greater than or equal to .50, but less than 1.00.	1.75%
(iii) Balance Sheet Leverage Ratio is determined by the Lender to be greater than or equal to 1.00.	2.00%

Reductions and increases in the Margins will be made following receipt of the Borrower's financial statements required under Section 6.1. Each Margin change shall become effective on the first calendar day of the month to which the quarterly financial statements (including the Compliance Certificate) are due, as the Lender in its sole discretion deems appropriate. Notwithstanding the foregoing, (i) if the Borrower fails to deliver any financial statements in a timely manner as required under Section 6.1, the Lender may notify the Borrower of the Event of Default and increase any Margin to the highest Margin set forth above, in addition to imposing the Default Rate applicable under the terms of this Agreement, and (ii) no reduction in any Margin will be made if a Default Period exists at the time that such reduction would otherwise be made.

If amended or restated financial statements would change previously calculated Margins, or if the Lender determines that any financial statements have materially misstated the Borrower's financial condition, then the Lender may, using the most accurate information available to it, recalculate the financial test or tests governing the Margins and retroactively reduce or increase the Margins from the date of receipt of such amended or restated financial statements and charge or refund Borrower additional interest, which may be imposed on them from the beginning of the appropriate fiscal quarter to which the restated statements or recalculated financial tests relate or to the beginning of the fiscal quarter in which any Event of Default has occurred, as the Lender in its sole discretion deems appropriate."

(f) Section 2.7(c) of the Credit Agreement is amended by amending and restating Section 2.7(c) as follows:

"**Reserved**."

(g) Section 2.7(d) of the Credit Agreement is amended by amending and restating Section 2.7(d) as follows:

"(d) **Collateral Exam Fees**. The Borrower shall pay the Lender fees in connection with any collateral exams, audits or inspections conducted by or on behalf of the Lender of any Collateral or the Borrower's operations or business at the rates established from time to time by the Lender, together with any related out-of-pocket costs and expenses incurred by the Lender."

(h) Section 2.7(f) of the Credit Agreement is amended by amending and restating Section 2.7(f) as follows:

"(f) **Letter of Credit Fees**. The Borrower shall pay to the Lender a fee with respect to each Letter of Credit that has been issued which shall be calculated on a per diem basis at an annual rate equal to Margin applicable of the date of issuance of the Letter of Credit, multiplied by the Aggregate Face Amount, from and including the date of issuance of the Letter of Credit until the date that the Letter of Credit terminates or is returned to the Lender, which fee shall be due and payable monthly in arrears on the first day of each month and on the date that the Letter of Credit terminates or is returned to the Lender; provided, however, effective as of the first day of the fiscal month in which any Default Period begins through the last day of such Default Period, or any shorter time period that the Lender may determine, in the Lender's sole but reasonable discretion and without waiving any of its other rights and remedies, such fee shall increase to five percent (5.0%) of the Aggregate Face Amount. The foregoing fee shall be in addition to any other fees, commissions and charges imposed by Lender with respect to such Letter of Credit."

(i) Section 2.7(h) of the Credit Agreement is amended by amending and restating Section 2.7(h) as follows:

"**Reserved**."

(j) Section 2.8(c) of the Credit Agreement is amended by amending and restating Section 2.8(c) as follows:

"(c) **Computation of Interest and Fees.** Interest accruing on the outstanding principal balance of the Advances and fees hereunder outstanding from time to time shall be computed on the basis of actual number of days elapsed in a year of 360 days. Borrower acknowledges this calculation will result in a higher effective per annum interest rate than is otherwise stated in this Agreement."

(k) Section 2.10 of the Credit Agreement is amended by amending and restating Section 2.10 as follows:

"Voluntary Prepayment; Reduction of Maximum Line Amount; Termination of the Credit Facility by the Borrower. Except as otherwise provided herein, the Borrower may prepay the Advances in whole at any time or from time to time in part. The Borrower may terminate the Credit Facility or reduce the Maximum Line Amount at any time if it gives the Lender at least 90 days advance written notice prior to the proposed Termination Date.

Any reduction in the Maximum Line Amount shall be in multiples of $100,000, and with a minimum reduction of at least $500,000. If the Borrower terminates the Credit Facility or reduces the Maximum Line Amount to zero, all Indebtedness shall be immediately due and payable, and if the Borrower gives the Lender less than the required 90 days advance written notice, then the interest rate applicable to borrowings evidenced by Revolving Note shall be the Default Rate for the period of time commencing 90 days prior to the proposed Termination Date through the date that the Lender actually receives such written notice. If the Borrower does not wish the Lender to consider renewal of the Credit Facility on the next Maturity Date, then the Borrower shall give the Lender at least 90 days written notice prior to the Maturity Date that it will not be requesting renewal. If the Borrower fails to give the Lender such timely notice, then the interest rate applicable to borrowings evidenced by the Revolving Note shall be the Default Rate for the period of time commencing 90 days prior to the Maturity Date through the date that the Lender actually receives such written notice."

(l) Section 5.7 of the Credit Agreement is amended by amending and restating Section 5.7 as follows:

"Litigation
. There are no actions, suits or proceedings pending or, to the Borrower's knowledge, threatened against or affecting the Borrower or any of its Affiliates or the properties of the Borrower or any of its Affiliates before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely to the Borrower or any of its Affiliates, would result in a final judgment or judgments against the Borrower or any of its Affiliates in an amount in excess of $2,500,000, apart from those matters specifically listed in Schedule 5.7 as of the Funding Date or after the Funding Date, which have not been disclosed to Lender in writing."

(m) Section 6.1(f) of the Credit Agreement is amended by amending and restating Section 6.1(f) as follows:

" (f) **Litigation**. Immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting the Borrower (i) of the type described in Section 5.14(c) or (ii) which seek a monetary recovery against the Borrower in excess of $2,500,000."

(n) Section 6.2 of the Credit Agreement is amended by amending and restating Section 6.2 as follows:

"Section 6.2 Financial Covenants

.

(a) **Balance Sheet Leverage Ratio**. The Borrower's Balance Sheet Leverage Ratio shall not be greater than 1.75 to 1.0 as of each December 31, March 31, June 30, and September 30 through the term of this Agreement.

(b) **Adjusted Net Income**. The Borrower's Adjusted Net Income shall be not less than $1.00, as of each December 31, March 31, June 30, and September 30 through the term of this Agreement, as determined based on the 12-month period then ending.

(c) **Fixed Charge Coverage Ratio**. The Borrower's Fixed Charge Coverage Ratio shall not be less than 2.00 to 1.00, as of each December 31, March 31, June 30, and September 30 through the term of this Agreement, as determined based on the 12-month period then ending."

(o) A new Section 6.3(a)(ix) is hereby added as follows:

"(ix) Liens arising out of any credit arrangements with Wells Fargo Equipment Finance, Inc."

(p) Section 6.4(d) of the Credit Agreement is amended by amending and restating Section 6.4(d) as follows:

"(d) Swap Contracts solely to the extent such Swap Contracts: (i) are (or were) entered into by Borrower in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by Borrower, and not for purposes of speculation or taking a "market view"; (ii) do not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party; and (iii) such Swap Contracts are entered into utilizing the ADM Account, or an account with a vendor other than ADM, provided that Lender has provided its reasonable prior approval for Borrower to open an account with the a vendor other than ADM, and Lender has entered into a commodity account control agreement and any other agreements Lender deems necessary, all in form and substance at the reasonable discretion of the Lender."

(q) Section 6.6(g) of the Credit Agreement is amended by amending and restating Section 6.6(g) as follows:

"(g) Investments so long as (a) such Investment is undertaken in accordance with all applicable laws; (b) no Default or Event of Default exists immediately prior to, or would exist immediately after, giving effect to such Investment; (c) the aggregate cash and non cash consideration to be paid by Borrower for such Investment does not exceeded an aggregate of $15,000,000 at any one time; and (d) upon Lender's request, within a reasonable time of such Investment, Borrower shall pledge to Lender the ownership interests in any purchased entity."

(r) Section 6.7 of the Credit Agreement is amended by amending and restating Section 6.7 as follows:

"Dividends and Distributions. The Borrower will not declare or pay any dividends (other than dividends payable solely in stock of the Borrower) on any class of its stock, or make any payment on account of the purchase, redemption or other retirement of any shares of such stock, or other securities or evidence of its indebtedness or make any distribution in respect thereof, either directly or indirectly; provided Borrower may otherwise declare and pay dividends (but not purchase,

redeem, retire, or otherwise acquire any shares of any class of Borrower's stock) if the aggregate value of cash and other property distributed as a dividend (excluding stock of the Borrower) does not exceed $2,000,000 in any fiscal year."

(s) Section 6.19 of the Credit Agreement is amended by amending and restating Section 6.19 as follows:

"Consolidation and Merger; Asset Acquisitions. The Borrower will not consolidate with or merge into any Person, or permit any other Person to merge into it, or undertake an Acquisition, provided the Borrower may make such Acquisitions so long as (a) such Acquisition is undertaken in accordance with all applicable laws; (b) no Default or Event of Default exists immediately prior to, or would exist immediately after, giving effect to such acquisition; (c) the aggregate cash and non cash consideration to be paid by Borrower for any such Acquisition, other than the Acquisition of LDI, does not exceed $5,000,000 in the aggregate for all such permitted Acquisitions; (d) after giving effect to such acquisition, the Availability shall be not less than $10,000,000; and (e) with respect to the Acquisition of LDI, any Subsidiary which will own the assets of LDI after the Acquisitions (including if it is a to-be-formed Subsidiary), such Subsidiary has executed a subsidiary guaranty, security agreements, commodity account control agreement, and other loan documents in form and substance acceptable the Lender in its reasonable discretion, taking into account the specific terms hereof regarding the LDI Acquisition, prior to or concurrently with the closing of the LDI Acquisition."

(t) A new Section 6.36 is hereby added as follows:

"Section 6.36. Lease Expenditures. The Borrower shall not incur operating lease expenses in any fiscal year in excess of an aggregate of $4,000,000.00."

(u) A new Section 6.37 is hereby added as follows:

"Section 6.37. Hedging Requirements. The Borrower and any Subsidiary shall hedge the input costs of one hundred percent (100%) of all contracted sales of Inventory, and not less than forty percent (40%) of the input costs of Inventory which will be sold on the spot market."

(v) A new Section 6.38 is hereby added as follows:

"Section 6.38. Banking Relationship. The Borrower and any Subsidiary shall at all times while this Agreement is in place, maintain its primary depository, treasury, and operating bank accounts with the Lender."

(w) A new Section 6.39 is hereby added as follows:

"Section 6.39. LDI Facility. The Borrower shall ensure that neither the Borrower nor any Subsidiary allow any lien, encumbrance, mortgage, or other security interest to attach to the LDI Facility without the prior approval of the Lender."

(x) Section 8.13 of the Credit Agreement is hereby amended by amending and restating Section 8.13 as follows:

“Section 8.13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas, but giving effect to the federal laws applicable to national banks.”

(y) Section 8.16 of the Credit Agreement is hereby added as follows:

“Section 8.16. Arbitration.

(a) **Arbitration**. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, oficers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any wayarising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their egotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) **Governing Rules**. Any arbitration proceeding will (i) proceed in a location in Kansas selected by the American Arbitration Association (“AAA”); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon in accordance with the AAA’s commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA’s optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the “Rules”). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) **No Waiver of Provisional Remedies, Self-Help and Foreclosure**. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) **Arbitrator Qualifications and Powers**. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single

arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Kansas or a neutral retired judge of the state or federal judiciary of Kansas, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Kansas and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Kansas Rules of Civil Procedure, or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) **Discovery**. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) **Class Proceedings and Consolidations**. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) **Payment of Arbitration Costs and Fees**. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) **Real Property Collateral**. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of the State of Kansas, thereby agreeing that all indebtedness and obligations of the parties, and all

mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable.

(i) **Miscellaneous**. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties."

(z) The form of the Compliance Certificate attached as Exhibit B to the Credit Agreement is replaced with the form of Compliance Certificated attached as Exhibit A to this Third Amendment.

(aa) Schedule 6.3 of the Credit Agreement is replaced with the Schedule 6.3 attached as Exhibit B to this Third Amendment.

(bb) Schedule 6.4 of the Credit Agreement is replaced with the Schedule 6.4 attached as Exhibit C to this Third Amendment.

3. Conditions Precedent to Effectiveness of Third Amendment. This Third Amendment shall not be effective unless and until each of the following conditions precedent shall have been satisfied or waived in the sole and absolute discretion of Lender:

(a) Lender Agent shall have received on or prior to the date hereof each of the following, each dated the date hereof unless otherwise agreed by Lender, in form and substance satisfactory to Lender:

(i) this Third Amendment duly executed by Borrower and Lender;

(ii) An Amended and Restated Note in the face amount of $45,000,000 in favor of Lender in the amount;

(iii) a copy of certificates attesting to the good standing of Borrower in each jurisdiction where any Constituent Document of Borrower is on file with any governmental authority and in any jurisdiction where Borrower is qualified to do business as a foreign entity or where such qualification is necessary (and, if appropriate in any such jurisdiction, related tax certificates);

(iv) a certificate of the secretary or other officer of Borrower in charge of maintaining books and records of Borrower certifying (A) that each officer of Borrower certified to Lender on the date hereof as authorized to execute and deliver any Loan Document continues to be so authorized, (B) that there have been no changes to the

Constituent Documents of Borrower delivered on the date hereof and certified to Lender on the date hereof as complete and correct, and (C) as to the resolutions of Borrower's board of directors or other appropriate governing body approving and authorizing the execution and delivery of this Third Amendment;

(v) a certificate of a responsible officer of Borrower to the effect that, as of the date hereof, (A) each representation set forth in Article V of the Credit Agreement is true and accurate, and (B) the representations set forth in this Third Amendment are true and correct;

(vi) a Post-Closing Agreement substantially in the form attached hereto as Exhibit D;

(vii) a Subsidiary Guaranty executed by the Subsidiaries;

(viii) Subsidiary Security Agreements executed by each Subsidiary;

(ix) Amendments to such Security Documents as Lender may request; and

(x) such other documents and information as any Lender may reasonably request.

(b) The Borrower shall have paid to Lender all expenses and costs of Lender (including, without limitation, the commitment fee, and the attorney fees of counsel for Lender and expenses of counsel for Lender) in connection with the preparation, negotiation, execution and approval of this Third Amendment and any and all other Loan Documents, instruments and things contemplated hereby, whether or not such transactions are consummated, together with all other expenses and costs incurred by Lender chargeable to Borrower pursuant to the terms of the Credit Agreement which are unpaid at such time.

(c) The Borrower shall have received all consents and authorizations required pursuant to any material contractual obligation with any other Person and shall have obtained all permits of, and effected all notices to and filings with, any governmental authority, in each case, as may be necessary in connection with this Third Amendment.

4. Ratification; Estoppel; Reaffirmation.

(a) Borrower does hereby reaffirm the Credit Agreement and other Loan Documents, and ratify the Credit Agreement and other Loan Documents, as amended, modified and supplemented.

(b) Borrower does hereby reaffirm to Lender each of the representations, warranties, covenants and agreements set forth in the Credit Agreement and the other Loan Documents with the same force and effect as if each were separately stated herein and made as of the date hereof to Lender.

(c) The Borrower further represents and warrants that, as of the date hereof, there are no counterclaims, defenses or offsets of any nature whatsoever to the Loans or any of the Loan Documents and that, as of the date hereof no default has occurred or exists under any of the Loan Documents.

(d) Borrower does hereby ratify, affirm, reaffirm, acknowledge, confirm and agree that the Credit Agreement and other Loan Documents, as amended, modified and supplemented hereby by this Third Amendment, represent the valid, enforceable and collectible obligations of Borrower.

5. Release. Borrower does hereby release, remise, acquit and forever discharge Lender and Lender's employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporation, and related corporate divisions (all of the foregoing hereinafter called the "**Released Parties**"), from any and all action and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of or in any way connected to this Third Amendment, the Loan Agreement and the Other Agreements (all of the foregoing hereinafter called the "**Released Matters**"). Borrower acknowledges that the agreements in this paragraph are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters. Borrower represents and warrants to Lender that it has not purported to transfer, assign or otherwise convey any right, title or interest of Borrower in any Released Matter to any other Person and that the foregoing constitutes a full and complete release of all Released Matters.

6. Governing Law. The terms and conditions of this Third Amendment, the Credit Agreement and all of the other Loan Documents shall be governed by the applicable laws of the State of Kansas.

7. Counterparts. This Third Amendment may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument. Counterpart signature pages to this Third Amendment transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

8. No Cancellation. This Third Amendment evidences the same indebtedness as evidenced by the Credit Agreement and other Loan Documents (as modified hereby). This Third Amendment is secured by the Collateral as provided in the Credit Agreement including all amendments and modifications thereto. All future advances made to the Borrower or the Guarantors in the good faith judgment of the lender for the purpose of protecting Lender's interests in the collateral will also be secured by this Third Amendment. This Third Amendment is an extension, modification and amendment of the prior documents and the execution hereof does not evidence a cancellation of the indebtedness evidenced by the prior documents.

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9. Entire Agreement. The following notice is included in compliance with K.S.A. 16-117 and K.S.A. 16-118:

"THIS WRITTEN AGREEMENT IS THE FINAL EXPRESSION OF THE CREDIT AGREEMENT BETWEEN THE PARTIES HERETO AS THE SAME EXISTS TODAY AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR OR CONTEMPORANEOUS ORAL AGREEMENT BETWEEN THE PARTIES HERETO. THE FOLLOWING SPACE (WHICH THE PARTIES HERETO AGREE IS SUFFICIENT SPACE) IS PROVIDED FOR THE PLACEMENT OF NONSTANDARD TERMS, IF ANY (IF THERE ARE NO NONSTANDARD TERMS TO BE ADDED, STATE "NONE"):

NONE

____

____

____

BY SIGNING BELOW, THE PARTIES HERETO HEREBY AFFIRM THAT THERE IS NO UNWRITTEN ORAL CREDIT AGREEMENT BETWEEN THEMSELVES WITH RESPECT TO THE SUBJECT MATTER OF THIS WRITTEN CREDIT AGREEMENT.

10. ARBITRATION. ANY DISPUTE ARISING OUT OF THIS THIRD AMENDMENT SHALL BE SUBJECT TO AND GOVERNED BY THE ARBITRATION PROVISIONS LOCATED IN SECTION 8.16 OF THE CREDIT AGREEMENT, AS AMENDED BY THIS THIRD AMENDMENT.

[*Signatures follow on next page*]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Third Amendment as of the date first above written.

100 Commercial Street
Atchison, KS 66002
Telecopier: (913) 360-5661

Attention: Dick Larson
e-mail: dick.larson@mgpingredients.com

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President

By: /s/ Don Tracy
Name: Don Tracy
Its: Chief Financial Officer

Wells Fargo Bank, National Association
7500 College Boulevard, Suite 200
Overland Park, KS 66210
Telecopier: (913)234-2901
Attention: Jeffrey Farrell
e-mail: Jeffrey.D.Farrell@wellsfargo.com

**WELLS FARGO BANK,
NATIONAL ASSOCIATION**

By: /s/ Jeffrey Farrell
Jeffrey Farrell, Vice President

EXHIBIT A

Compliance Certificate

(Attached)

COMPLIANCE CERTIFICATE

To: Wells Fargo Bank, National Association
Date: **[__________________, 20____]**
Subject: Financial Statements

In accordance with our Credit and Security Agreement dated July 21, 2009(as amended from time to time, the "Credit Agreement"), attached are the financial statements of MGP INGREDIENTS, INC., a Kansas corporation (the "Borrower") dated **[_________________, 20__ _]**(the "Reporting Date") and the year-to-date period then ended (the "Current Financials"). All terms used in this certificate have the meanings given in the Credit Agreement.

A. Preparation and Accuracy of Financial Statements. I certify that the Current Financials have been prepared in accordance with GAAP, subject to year-end audit adjustments, and fairly present the Borrower's financial condition as of the Reporting Date.

B. Name of Borrower; Merger and Consolidation Related Issues. I certify that:

(Check one)

[ ] The Borrower has not, since the date of the Credit Agreement, changed its name or jurisdiction of organization, nor has it consolidated or merged with another Person.

[ ] The Borrower has, since the date of the Credit Agreement, either changed its name or jurisdiction of organization, or both, or has consolidated or merged with another Person, which change, consolidation or merger: was consented to in advance by Lender in writing, and/or is more fully described in the statement of facts attached to this Certificate.

C. Events of Default. I certify that:

(Check one)

[ ] I have no knowledge of the occurrence of a Default or an Event of Default under the Credit Agreement, except as previously reported to the Lender in writing.

[ ] I have knowledge of a Default or an Event of Default under the Credit Agreement not previously reported to the Lender in writing, as more fully described in the statement of facts attached to this Certificate, and further, I acknowledge that the Lender may under the terms of the Credit Agreement impose the Default Rate at any time during the resulting Default Period.

D. Litigation Matters. I certify that:

(Check one)

[ ] I have no knowledge of any material adverse change to the litigation exposure of the Borrower or any of its Affiliates or of any Guarantor.

[ ] I have knowledge of material adverse changes to the litigation exposure of the Borrower or any of its Affiliates or of any Guarantor not previously disclosed in Schedule 5.7, as more fully described in the statement of facts attached to this Certificate.

E. Financial Covenants. I further certify that:

(Check and complete each of the following)

1 . **Minimum Balance Sheet Leverage Ratio**. Pursuant to Section 6.2(a) of the Credit Agreement, as of the Reporting Date, the Borrower's Debt Service Coverage Ratio was [______ _]to 1.00, which satisfies does not satisfy the requirement that such ratio be not less than **1.75 to 1.00.**

2 . **Minimum Adjusted Net Income**. Pursuant to Section 6.2(b) of the Credit Agreement, as of the Reporting Date, the Borrower's Adjusted Net Income was [_____], which satisfies does not satisfy the requirement that the Adjusted Net Income be not less than $1.00**.**

3 . **Minimum Fixed Charge Coverage Ratio**. Pursuant to Section 6.2(c) of the Credit Agreement, as of the Reporting Date, the Borrower's Fixed Charge Coverage Ratio was [______ _]to 1.00, which satisfies does not satisfy the requirement that such ratio be not less than 2.00 to 1.00.

4. **Rail Invoices**. The Borrower has paid all Rail Invoices as such Rail Invoices became due.

5. **Tax Due on Alcohol Inventory**. During the one month period ending on the Reporting Date, Borrower has produced [______________] proof gallons of food and fuel grade alcohol. The Borrower has paid all taxes arising from the Borrower's production or possession of Inventory which consists of food and fuel grade alcohol except for taxes in the amount of [$___________] which are set forth in detail on a schedule attached hereto.

Attached are statements of all relevant facts and computations in reasonable detail sufficient to evidence Borrower's compliance with the financial covenants referred to above, which computations were made in accordance with GAAP.

MGP INGREDIENTS, INC.
a Kansas corporation

By: ______________________________
Its Chief Financial Officer

EXHIBIT B

Schedule 6.3

[Permitted Liens]

EXHIBIT C

Schedule 6.4

[Permitted Indebtedness and Guaranties]

EXHIBIT D

post-closing agreement

MGP INGREDIENTS, INC.
1300 Main St., Atchison, Kansas 66002

October 20, 2011

Wells Fargo Bank, National Association
7500 College Boulevard, Suite 200
Overland Park, KS 66210
Att'n: MGP Ingredients, Inc. Account Manager

Re: Post Closing Items

Ladies and Gentlemen:

Reference is made to that certain THIRD AMENDMENT TO CREDIT AND SECURITY AGREEMENT (the "**Third Amendment**") made as of the 20th day of October, 2011 by and between MGP INGREDIENTS, INC., a Kansas corporation ("**Borrower**"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Lender**"), which amends that certain Credit and Security Agreement between Borrower and Lender dated July 21, 2009, as amended by a Consent dated December 31, 2009, as amended by Consent dated February 2, 2010, as amended by a First Amendment to Credit and Security Agreement dated as of June 30, 2010, and as amended by a Second Amendment to Credit and Security Agreement dated as of January 20, 2011 (as further modified, amended and restated, the "**Credit Agreement**").

To induce you to extend credit to Borrower, pursuant to the Credit Agreement and in recognition that you are not waiving any of your rights under the Credit Agreement, the undersigned agrees to deliver to you, at the address set forth above, or see to the resolution of the following, as the case may be, all in form and substance reasonably satisfactory to you and your legal counsel, within thirty (30) days after the date hereof unless otherwise noted:

1. To obtain such releases, subordinations, consents, or other documents reasonably required by Lender to ensure that Liens (other than the Liens created by the Loan Documents) encumbering the assets of the Borrower and Subsidiaries are limited to those shown on Schedules 6.3 and 6.4 of the Credit Agreement, as amended by the Third Amendment.

2. To deliver an amendment, in form and content acceptable to Lender, to that certain Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of February 15, 2010, in favor of Lender, encumbering certain real property in Atchison County, Kansas, and recorded in book 582, page 552 of the official records of the Recorder of Deeds.

3. To deliver an amendment, in form and content acceptable to Lender, to that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of August 19, 2009, in favor of Lender, encumbering certain real property in Atchison County, Kansas, and recorded in book 577, page 39 of the official records of the Recorder of Deeds.

[balance of page intentionally left blank]

The undersigned agrees that our failure to perform any of the aforementioned obligations under this letter agreement (the '**Post Closing Agreement**") shall entitle you, if you so elect, to declare an Event of Default under the Credit Agreement. This Post Closing Agreement is a Loan Document as defined in the Credit Agreement.
Very truly yours,

BORROWERS:
MGP INGREDIENTS, INC.
A KANSAS CORPORATION

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President & CEO

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

Exhibit 4.1

AMENDED AND RESTATED REVOLVING NOTE

$45,000,000 October 20th, 2011

For value received, the undersigned, MGP INGREDIENTS, INC., a Kansas corporation (the “Borrower”), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (the “Lender”), on the Termination Date referenced in the Credit and Security Agreement dated July 21, 2009, that was entered into by the Lender and the Borrower (as amended from time to time, the “Credit Agreement”), at Lender’s office located at 7500 College Boulevard, Suite 200 Overland Park, KS 66210, or at any other place designated at any time by the holder hereof, in lawful money of the United States of America and in immediately available funds, the principal sum of FORTY FIVE MILLION AND NO/100 DOLLARS ($45,000,000) or the aggregate unpaid principal amount of all Revolving Advances made by the Lender to the Borrower under the Credit Agreement, together with interest on the principal amount hereunder remaining unpaid from time to time, computed on the basis of the actual number of days elapsed and a 360-day year, from the date hereof until this Amended and Restated Revolving Note (the “Revolving Note”) is fully paid at the rate from time to time in effect under the Credit Agreement.

This Revolving Note amends and restates the Revolving Note dated July 21, 2009 executed by Borrower in favor of Lender. All references in the Credit Agreement to the Revolving Note shall refer to this Revolving Note, and this Revolving Note is subject to the terms of the Credit Agreement, which provides, among other things, for acceleration hereof. Principal and interest due hereunder shall be payable as provided in the Credit Agreement, and this Revolving Note may be prepaid only in accordance with the terms of the Credit Agreement. This Revolving Note is secured, among other things, pursuant to the Credit Agreement and the Security Documents as therein defined, and may now or hereafter be secured by one or more other security agreements, mortgages, deeds of trust, assignments or other instruments or agreements.

The Borrower shall pay all costs of collection, including reasonable attorneys’ fees and legal expenses if this Revolving Note is not paid when due, whether or not legal proceedings are commenced.

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

MGP INGREDIENTS, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Its: President

By: /s/ Don Tracy
Name: Don Tracy
Its: Chief Financial Officer

Exhibit 4.2

CONTINUING GUARANTY

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION

1. GUARANTY; DEFINITIONS. In consideration of any credit or other financial accommodation heretofore, now or hereafter extended or made to MGP INGREDIENTS, INC., a Kansas corporation, ("Borrowers"), or any of them, by WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"), and for other valuable consideration, the undersigned MGPI OF INDIANA, LLC, a Delaware limited liability company and MIDWEST GRAIN PIPELINE, INC., a Kansas corporation (collectively, the "Guarantor"), jointly and severally unconditionally guarantees and promises to pay to Bank, or order, on demand in lawful money of the United States of America and in immediately available funds, any and all Indebtedness of any of the Borrowers to Bank. The term "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Borrowers, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether any of the Borrowers may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable. This Guaranty is a guaranty of payment and not collection.

2. SUCCESSIVE TRANSACTIONS; REVOCATION; OBLIGATION UNDER OTHER GUARANTIES. This is a continuing guaranty and all rights, powers and remedies hereunder shall apply to all past, present and future Indebtedness of each of the Borrowers to Bank, including that arising under successive transactions which shall either continue the Indebtedness, increase or decrease it, or from time to time create new Indebtedness after all or any prior Indebtedness has been satisfied, and notwithstanding the death, incapacity, dissolution, liquidation or bankruptcy of any of the Borrowers or Guarantor or any other event or proceeding affecting any of the Borrowers or Guarantor. This Guaranty shall not apply to any new Indebtedness created after actual receipt by Bank of written notice of its revocation as to such new Indebtedness; provided however, that loans or advances made by Bank to any of the Borrowers after revocation under commitments existing prior to receipt by Bank of such revocation, and extensions, renewals or modifications, of any kind, of Indebtedness incurred by any of the Borrowers or committed by Bank prior to receipt by Bank of such revocation, shall not be considered new Indebtedness. Any such notice must be sent to Bank by registered U.S. mail, postage prepaid, addressed to its office at 7500 College Blvd., Suite 200, Overland Park, KS 66210, or at such other address as Bank shall from time to time designate. Any payment by Guarantor shall not reduce Guarantor's maximum obligation hereunder unless written notice to that effect is actually received by Bank at or prior to the time of such payment. The obligations of Guarantor hereunder shall be in addition to any obligations of Guarantor under any other guaranties of any liabilities or obligations of any of the Borrowers or any other persons heretofore or hereafter given to Bank unless said other guaranties are expressly modified or revoked in writing; and this Guaranty shall not, unless expressly herein provided, affect or invalidate any such other guaranties.

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3. OBLIGATIONS JOINT AND SEVERAL; SEPARATE ACTIONS; WAIVER OF STATUTE OF LIMITATIONS; REINSTATEMENT OF LIABILITY. The obligations hereunder are joint and several and independent of the obligations of Borrowers, and a separate action or actions may be brought and prosecuted against Guarantor whether action is brought against any of the Borrowers or any other person, or whether any of Borrowers or any other person is joined in any such action or actions. Guarantor acknowledges that this Guaranty is absolute and unconditional, there are no conditions precedent to the effectiveness of this Guaranty, and this Guaranty is in full force and effect and is binding on Guarantor as of the date written below, regardless of whether Bank obtains collateral or any guaranties from others or takes any other action contemplated by Guarantor. Guarantor waives the benefit of any statute of limitations affecting Guarantor's liability hereunder or the enforcement thereof, and Guarantor agrees that any payment of any Indebtedness or other act which shall toll any statute of limitations applicable thereto shall similarly operate to toll such statute of limitations applicable to Guarantor's liability hereunder. The liability of Guarantor hereunder shall be reinstated and revived and the rights of Bank shall continue if and to the extent for any reason any amount at any time paid on account of any Indebtedness guaranteed hereby is rescinded or must otherwise be restored by Bank, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Bank in its sole discretion; provided however, that if Bank chooses to contest any such matter at the request of Guarantor, Guarantor agrees to indemnify and hold Bank harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Bank in connection therewith, including without limitation, in any litigation with respect thereto.

4. AUTHORIZATIONS TO BANK. Guarantor authorizes Bank either before or after revocation hereof, without notice to or demand on Guarantor, and without affecting Guarantor's liability hereunder, from time to time to: (a) alter, compromise, renew, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; (b) take and hold security for the payment of this Guaranty or the Indebtedness or any portion thereof, and exchange, enforce, waive, subordinate or release any such security; (c) apply such security and direct the order or manner of sale thereof, including without limitation, a non-judicial sale permitted by the terms of the controlling security agreement, mortgage or deed of trust, as Bank in its discretion may determine; (d) release or substitute any one or more of the endorsers or any other guarantors of the Indebtedness, or any portion thereof, or any other party thereto; and (e) apply payments received by Bank from any of the Borrowers to any Indebtedness of any of the Borrowers to Bank, in such order as Bank shall determine in its sole discretion, whether or not such Indebtedness is covered by this Guaranty, and Guarantor hereby waives any provision of law regarding application of payments which specifies otherwise. Bank may without notice assign this Guaranty in whole or in part. Upon Bank's request, Guarantor agrees to provide to Bank copies of Guarantor's financial statements.

5. REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Bank that: (a) this Guaranty is executed at Borrowers' request; (b) Guarantor shall not, without Bank's prior written consent, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all or a substantial or material part of Guarantor's assets other than in the ordinary course of Guarantor's business; (c) Bank has made no representation to Guarantor as to

the creditworthiness of any of the Borrowers; and (d) Guarantor has established adequate means of obtaining from each of the Borrowers on a continuing basis financial and other information pertaining to Borrowers' financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect Guarantor's risks hereunder, and Guarantor further agrees that Bank shall have no obligation to disclose to Guarantor any information or material about any of the Borrowers which is acquired by Bank in any manner.

6. GUARANTOR'S WAIVERS.

(a) Guarantor waives any right to require Bank to: (i) proceed against any of the Borrowers or any other person; (ii) marshal assets or proceed against or exhaust any security held from any of the Borrowers or any other person; (iii) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from any of the Borrowers or any other person; (iv) take any other action or pursue any other remedy in Bank's power; or (v) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any obligations or evidences of indebtedness held by Bank as security for or which constitute in whole or in part the Indebtedness guaranteed hereunder, or in connection with the creation of new or additional Indebtedness.

(b) Guarantor waives any defense to its obligations hereunder based upon or arising by reason of: (i) any disability or other defense of any of the Borrowers or any other person; (ii) the cessation or limitation from any cause whatsoever, other than payment in full, of the Indebtedness of any of the Borrowers or any other person; (iii) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of any of the Borrowers which is a corporation, partnership or other type of entity, or any defect in the formation of any such Borrower; (iv) the application by any of the Borrowers of the proceeds of any Indebtedness for purposes other than the purposes represented by Borrowers to, or intended or understood by, Bank or Guarantor; (v) any act or omission by Bank which directly or indirectly results in or aids the discharge of any of the Borrowers or any portion of the Indebtedness by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Bank against any of the Borrowers; (vi) any impairment of the value of any interest in any security for the Indebtedness or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (vii) any modification of the Indebtedness, in any form whatsoever, including any modification made after revocation hereof to any Indebtedness incurred prior to such revocation, and including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; or (viii) any requirement that Bank give any notice of acceptance of this Guaranty. Until all Indebtedness shall have been paid in full, Guarantor shall have no right of subrogation, and Guarantor waives any right to enforce any remedy which Bank now has or may

hereafter have against any of the Borrowers or any other person, and waives any benefit of, or any right to participate in, any security now or hereafter held by Bank. Guarantor further waives all rights and defenses Guarantor may have arising out of (A) any election of remedies by Bank, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Indebtedness, destroys Guarantor's rights of subrogation or Guarantor's rights to proceed against any of the Borrowers for reimbursement, or (B) any loss of rights Guarantor may suffer by reason of any rights, powers or remedies of any of the Borrowers in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging Borrowers' Indebtedness, whether by operation of law or otherwise, including any rights Guarantor may have to a fair market value hearing to determine the size of a deficiency following any foreclosure sale or other disposition of any real property security for any portion of the Indebtedness.

7. BANK'S RIGHTS WITH RESPECT TO GUARANTOR'S PROPERTY IN BANK'S POSSESSION. In addition to all liens upon and rights of setoff against the monies, securities or other property of Guarantor given to Bank by law, Bank shall have a lien upon and a right of setoff against all monies, securities and other property of Guarantor now or hereafter in the possession of or on deposit with Bank, whether held in a general or special account or deposit or for safekeeping or otherwise, and every such lien and right of setoff may be exercised without demand upon or notice to Guarantor. No lien or right of setoff shall be deemed to have been waived by any act or conduct on the part of Bank, or by any neglect to exercise such right of setoff or to enforce such lien, or by any delay in so doing, and every right of setoff and lien shall continue in full force and effect until such right of setoff or lien is specifically waived or released by Bank in writing.

8. SUBORDINATION. Any Indebtedness of any of the Borrowers now or hereafter held by Guarantor is hereby subordinated to the Indebtedness of Borrowers to Bank. Such Indebtedness of Borrowers to Guarantor is assigned to Bank as security for this Guaranty and the Indebtedness and, if Bank requests, shall be collected and received by Guarantor as trustee for Bank and paid over to Bank on account of the Indebtedness of Borrowers to Bank but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty. Any notes or other instruments now or hereafter evidencing such Indebtedness of any of the Borrowers to Guarantor shall be marked with a legend that the same are subject to this Guaranty and, if Bank so requests, shall be delivered to Bank. Bank is hereby authorized in the name of Guarantor from time to time to file financing statements and continuation statements and execute such other documents and take such other action as Bank deems necessary or appropriate to perfect, preserve and enforce its rights hereunder.

9. REMEDIES; NO WAIVER. All rights, powers and remedies of Bank hereunder are cumulative. No delay, failure or discontinuance of Bank in exercising any right, power or remedy hereunder shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of this Guaranty, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing.

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10. COSTS, EXPENSES AND ATTORNEYS' FEES. Guarantor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in- house counsel), expended or incurred by Bank in connection with the enforcement of any of Bank's rights, powers or remedies and/or the collection of any amounts which become due to Bank under this Guaranty, and the prosecution or defense of any action in any way related to this Guaranty, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Guarantor or any other person or entity. All of the foregoing shall be paid by Guarantor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

11. SUCCESSORS; ASSIGNMENT. This Guaranty shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Guarantor may not assign or transfer any of its interests or rights hereunder without Bank's prior written consent. Guarantor acknowledges that Bank has the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, any Indebtedness of Borrowers to Bank and any obligations with respect thereto, including this Guaranty. In connection therewith, Bank may disclose all documents and information which Bank now has or hereafter acquires relating to Guarantor and/or this Guaranty, whether furnished by Borrowers, Guarantor or otherwise. Guarantor further agrees that Bank may disclose such documents and information to Borrowers.

12. AMENDMENT. This Guaranty may be amended or modified only in writing signed by Bank and Guarantor.

13. APPLICATION OF SINGULAR AND PLURAL. In all cases where there is but a single Borrower, then all words used herein in the plural shall be deemed to have been used in the singular where the context and construction so require; and when there is more than one Borrower named herein, or when this Guaranty is executed by more than one Guarantor, the word "Borrowers" and the word "Guarantor" respectively shall mean all or any one or more of them as the context requires.

14. UNDERSTANDING WITH RESPECT TO WAIVERS; SEVERABILITY OF PROVISIONS. Guarantor warrants and agrees that each of the waivers set forth herein is made with Guarantor's full knowledge of its significance and consequences, and that under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any waiver or other provision of this Guaranty shall be held to be prohibited by or invalid under applicable public policy or law, such waiver or other provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such waiver or other provision or any remaining provisions of this Guaranty.

15. GOVERNING LAW. This Guaranty shall be governed by and construed in accordance with the laws of the State of Kansas.

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16. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise, in any way arising out of or relating to this Guaranty and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in Kansas selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Kansas or a neutral retired judge of the state or federal judiciary of Kansas, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter

of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Kansas and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Kansas Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed this Guaranty or any other contract, instrument or document relating to any Indebtedness, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Real Property Collateral. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of Kansas, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration

proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the documents between the parties or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the documents or any relationship between the parties.

IN WITNESS WHEREOF, the undersigned Guarantors have executed this Guaranty as of October 20th, 2011.

MGPI OF INDIANA, LLC
a Delaware limited liability company

By: MGP Ingredients, Inc., a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President & CEO

By: _________________________
Name: _______________________
Title: ________________________

MIDWEST GRAIN PIPELINE, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President

Exhibit 4.3

THIRD PARTY SECURITY AGREEMENT

1. GRANT OF SECURITY INTEREST. In consideration of any credit or other financial accommodation heretofore, now or hereafter extended or made to MGP INGREDIENTS, INC. ("Borrowers"), or any of them, by WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"), and for other valuable consideration, as security for the payment of all Indebtedness of Borrowers to Bank, the undersigned MIDWEST GRAIN PIPELINE, INC. and MGPI OF INDIANA, LLC (collectively, "Owner") hereby grants and transfers to Bank a security interest in all of the property of Owner described as follows (collectively, the "Collateral"):

(a) all accounts, deposit accounts, contract rights, chattel paper (whether electronic or tangible), instruments, promissory notes, documents, general intangibles, payment intangibles, software, letter of credit rights, health-care insurance receivables and other rights to payment of every kind now existing or at any time hereafter arising;

(b) all inventory, goods held for sale or lease or to be furnished under contracts for service, or goods so leased or furnished, raw materials, component parts, work in process and other materials used or consumed in Owner's business, now or at any time hereafter owned or acquired by Owner, wherever located, and all products thereof, whether in the possession of Owner, any warehousemen, any bailee or any other person, or in process of delivery, and whether located at Owner's places of business or elsewhere;

(c) all warehouse receipts, bills of sale, bills of lading and other documents of every kind (whether or not negotiable) in which Owner now has or at any time hereafter acquires any interest, and all additions and accessions thereto, whether in the possession or custody of Owner, any bailee or any other person for any purpose;

(d) all money and property heretofore, now or hereafter delivered to or deposited with Bank or otherwise coming into the possession, custody or control of Bank (or any agent or bailee of Bank) in any manner or for any purpose whatsoever during the existence of this Agreement and whether held in a general or special account or deposit for safekeeping or otherwise;

(e) all right, title and interest of Owner under licenses, guaranties, warranties, management agreements, marketing or sales agreements, escrow contracts, indemnity agreements, insurance policies, service or maintenance agreements, supporting obligations and other similar contracts of every kind in which Owner now has or at any time hereafter shall have an interest;

(f) all goods, tools, machinery, furnishings, furniture and other equipment and fixtures of every kind now existing or hereafter acquired, and all improvements, replacements, accessions and additions thereto and embedded software included therein, whether located on any property owned or leased by Owner or elsewhere, including without limitation, any of the foregoing now or at any time hereafter located at or installed on the land or in the improvements at any of the real property owned or leased by Owner, and all such goods after they have been severed and removed from any of said real property; and

(g) all motor vehicles, trailers, mobile homes, manufactured homes, boats, other rolling stock and related equipment of every kind now existing or hereafter acquired and all additions and accessories thereto, whether located on any property owned or leased by Owner or elsewhere; together with whatever is receivable or received when any of the foregoing or the proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all rights to payment, including returned premiums, with respect to any insurance relating to any of the foregoing, and all rights to payment with respect to any claim or cause of action affecting or relating to any of the foregoing (collectively, “Proceeds”). The word “Indebtedness” is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Borrowers, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether Borrowers may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

2. CONTINUING AGREEMENT; REVOCATION; OBLIGATION UNDER OTHER AGREEMENTS. This is a continuing agreement and all rights, powers and remedies hereunder shall apply to all past, present and future Indebtedness of each of the Borrowers to Bank, including that arising under successive transactions which shall either continue the Indebtedness, increase or decrease it, or from time to time create new Indebtedness after all or any prior Indebtedness has been satisfied, and notwithstanding the death, incapacity, dissolution, liquidation or bankruptcy of any of the Borrowers or Owner or any other event or proceeding affecting any of the Borrowers or Owner. This Agreement shall not apply to any new Indebtedness created after actual receipt by Bank of written notice of its revocation as to such new Indebtedness; provided however, that loans or advances made by Bank to any of the Borrowers after revocation under commitments existing prior to receipt by Bank of such revocation, and extensions, renewals or modifications, of any kind, of Indebtedness incurred by any of the Borrowers or committed by Bank prior to receipt by Bank of such revocation, shall not be considered new Indebtedness. Any such notice must be sent to Bank by registered U.S. mail, postage prepaid, addressed to its office at 7500 College Boulevard, Suite 200, Overland Park, Kansas 66210, or at such other address as Bank shall from time to time designate. The obligations of Owner hereunder shall be in addition to any obligations of Owner under any other grants or pledges of security for any liabilities or obligations of any of the Borrowers or any other person heretofore or hereafter given to Bank unless said other grants or pledges of security are expressly modified or revoked in writing; and this Agreement shall not, unless expressly herein provided, affect or invalidate any such other grants or pledges of security.

3. OBLIGATIONS JOINT AND SEVERAL; SEPARATE ACTIONS; WAIVER OF STATUTE OF LIMITATIONS; REINSTATEMENT OF LIABILITY. The obligations hereunder are joint and several and independent of the obligations of Borrowers, and a separate action or actions may be brought and prosecuted against Owner whether action is brought against any of the Borrowers or any other person, or whether any of the Borrowers or any other person is joined in any such action or actions. Owner acknowledges that this Agreement is absolute and unconditional, there are no conditions precedent to the effectiveness of this Agreement, and this Agreement is in full force and effect and is binding on Owner as of the date written below,

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regardless of whether Bank obtains collateral or any guaranties from others or takes any other action contemplated by Owner. Owner waives the benefit of any statute of limitations affecting Owner's liability hereunder or the enforcement thereof, and Owner agrees that any payment of any Indebtedness or other act which shall toll any statute of limitations applicable thereto shall similarly operate to toll such statute of limitations applicable to Owner's liability hereunder. The liability of Owner hereunder shall be reinstated and revived and the rights of Bank shall continue if and to the extent that for any reason any amount at any time paid on account of any Indebtedness secured hereby is rescinded or must be otherwise restored by Bank, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Bank in its sole discretion; provided however, that if Bank chooses to contest any such matter at the request of Owner, Owner agrees to indemnify and hold Bank harmless from and against all costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection therewith, including without limitation, in any litigation with respect thereto.

4. OBLIGATIONS OF BANK. Any money received by Bank in respect of the Collateral may be deposited, at Bank's option, into a non-interest bearing account over which Owner shall have no control, and the same shall, for all purposes, be deemed Collateral hereunder.

5. REPRESENTATIONS AND WARRANTIES.

(a) Owner represents and warrants to Bank that: (i) Owner's legal name is exactly as set forth on the first page of this Agreement, and all of Owner's organizational documents or agreements delivered to Bank are complete and accurate in every respect; (ii) Owner is the owner and has possession or control of the Collateral and Proceeds; (iii) Owner has the right to grant a security interest in the Collateral and Proceeds; (iv) all Collateral and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except the lien created hereby or as otherwise agreed to by Bank, or as heretofore disclosed by Owner to Bank, in writing; (v) all statements contained herein and, where applicable, in the Collateral are true and complete in all material respects; (vi) no financing statement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, is on file in any public office; (vii) where Collateral consists of rights to payment, all persons appearing to be obligated on the Collateral and Proceeds have authority and capacity to contract and are bound as they appear to be, all property subject to chattel paper has been properly registered and filed in compliance with law and to perfect the interest of Owner in such property, and all such Collateral and Proceeds comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable Federal Reserve Regulation Z and any State consumer credit laws; and (viii) where the Collateral consists of equipment, Owner is not in the business of selling goods of the kind included within such Collateral, and Owner acknowledges that no sale or other disposition of any such Collateral, including without limitation, any such Collateral which Owner may deem to be surplus, has been consented to or acquiesced in by Bank, except as specifically set forth in writing by Bank.

(b) Owner further represents and warrants to Bank that: (i) the Collateral pledged hereunder is so pledged at Borrowers' request; (ii) Bank has made no representation to Owner as to the creditworthiness of any of the Borrowers; and (iii) Owner has established adequate means of obtaining from each of the Borrowers on a continuing basis financial and other information pertaining to Borrowers' financial condition. Owner agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect Owner's risks hereunder, and Owner further agrees that Bank shall have no obligation to disclose to Owner any information or material about any of the Borrowers which is acquired by Bank in any manner.

6. COVENANTS OF OWNER.

(a) Owner agrees in general: (i) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (ii) to permit Bank to exercise its powers; (iii) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; (iv) not to change Owner's name, and as applicable, its chief executive office, its principal residence or the jurisdiction in which it is organized and/or registered without giving Bank prior written notice thereof; (v) not to change the places where Owner keeps any Collateral or Owner's records concerning the Collateral and Proceeds without giving Bank prior written notice of the address to which Owner is moving same; and (vi) to cooperate with Bank in perfecting all security interests granted herein and in obtaining such agreements from third parties as Bank deems necessary, proper or convenient in connection with the preservation, perfection or enforcement of any of its rights hereunder.

(b) Owner agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (i) that Bank is authorized to file financing statements in the name of Owner to perfect Bank's security interest in Collateral and Proceeds; (ii) where applicable, to insure the Collateral with Bank named as loss payee, in form, substance and amounts, under agreements, against risks and liabilities, and with insurance companies satisfactory to Bank; (iii) where applicable, to operate the Collateral in accordance with all applicable statutes, rules and regulations relating to the use and control thereof, and not to use any Collateral for any unlawful purpose or in any way that would void any insurance required to be carried in connection therewith; (iv) not to remove the Collateral from Owner's premises except in the ordinary course of Owner's business; (v) to pay when due all license fees, registration fees and other charges in connection with any Collateral; (vi) not to permit any lien on the Collateral or Proceeds, including without limitation, liens arising from repairs to or storage of the Collateral, except in favor of Bank; (vii) not to sell, hypothecate or dispose of, nor permit the transfer by operation of law of, any of the Collateral or Proceeds or any interest therein, except sales of inventory to buyers in the ordinary course of Owner's business; (viii) to permit Bank to inspect the Collateral at any time; (ix) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (x) if requested by Bank, to receive and use reasonable diligence to collect Collateral consisting of accounts and other rights to payment and Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Collateral and Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (xi) not to commingle Collateral or Proceeds, or collections thereunder, with other property: (xii) to give only normal

allowances and credits and to advise Bank thereof immediately in writing if they affect any rights to payment or Proceeds in any material respect; (xiii) from time to time, when requested by Bank, to prepare and deliver a schedule of all Collateral and Proceeds subject to this Agreement and to assign in writing and deliver to Bank all accounts, contracts, leases and other chattel paper, instruments, documents and other evidences thereof; (xiv) in the event Bank elects to receive payments of rights to payment or Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto; and (xv) to provide any service and do any other acts which may be necessary to maintain, preserve and protect all Collateral and, as appropriate and applicable, to keep all Collateral in good and saleable condition, to deal with the Collateral in accordance with the standards and practices adhered to generally by users and manufacturers of like property, and to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims.

7. POWERS OF BANK. Owner appoints Bank its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them, whether or not any of the Borrowers or Owner is in default: (a) to perform any obligation of Owner hereunder in Owner's name or otherwise; (b) to give notice to account debtors or others of Bank's rights in the Collateral and Proceeds, to enforce or forebear from enforcing the same and make extension or modification agreements with respect thereto; (c) to release persons liable on Proceeds and to give receipts and acquittances and compromise disputes in connection therewith; (d) to release or substitute security; (e) to resort to security in any order; (f) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Bank's interest in the Collateral and Proceeds; (g) to receive, open and read mail addressed to Owner; (h) to take cash, instruments for the payment of money and other property to which Bank is entitled; (i) to verify facts concerning the Collateral and Proceeds by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (j) to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or relating to Proceeds; (k) to prepare, adjust, execute, deliver and receive payment under insurance claims, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return, and to apply such amounts received by Bank, at Bank's sole option, toward repayment of the Indebtedness or replacement of the Collateral; (1) to exercise all rights, powers and remedies which Owner would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; (m) to enter onto Owner's premises in inspecting the Collateral; (n) to make withdrawals from and to close deposit accounts or other accounts with any financial institution, wherever located, into which Proceeds may have been deposited, and to apply funds so withdrawn to payment of the Indebtedness; (o) to preserve or release the interest evidenced by chattel paper to which Bank is entitled hereunder and to endorse and deliver any evidence of title incidental thereto; and (p) to do all acts and things and execute all documents in the name of Owner or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder.

8. OWNER'S WAIVERS.

(a) Owner waives any right to require Bank to: (i) proceed against any of the Borrowers or any other person; (ii) marshal assets or proceed against or exhaust any security held from any of the Borrowers or any other person; (iii) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from any of the Borrowers or any other person; (iv) take any other action or pursue any other remedy in Bank's power; or (v) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any obligations or evidences of indebtedness held by Bank as security for or which constitute in whole or in part the Indebtedness secured hereunder, or in connection with the creation of new or additional Indebtedness.

(b) Owner waives any defense to its obligations hereunder based upon or arising by reason of: (i) any disability or other defense of any of the Borrowers or any other person; (ii) the cessation or limitation from any cause whatsoever, other than payment in full, of the Indebtedness of any of the Borrowers or any other person; (iii) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of any of the Borrowers which is a corporation, partnership or other type of entity, or any defect in the formation of any such Borrower; (iv) the application by any of the Borrowers of the proceeds of any Indebtedness for purposes other than the purposes represented by Borrowers to, or intended or understood by, Bank or Owner; (v) any act or omission by Bank which directly or indirectly results in or aids the discharge of any of the Borrowers or any portion of the Indebtedness by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Bank against any of the Borrowers; (vi) any impairment of the value of any interest in security for the Indebtedness or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (vii) any modification of the Indebtedness, in any form whatsoever, including any modification made after revocation hereof to any Indebtedness incurred prior to such revocation, and including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; or (viii) or any requirement that Bank give any notice of acceptance of this Agreement. Until all Indebtedness shall have been paid in full, Owner shall have no right of subrogation, and Owner waives any right to enforce any remedy which Bank now has or may hereafter have against any of the Borrowers or any other person and waives any benefit of, or any right to participate in, any security now or hereafter held by Bank. Owner further waives all rights and defenses Owner may have arising out of (A) any election of remedies by Bank, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Indebtedness, destroys Owner's rights of subrogation or Owner's rights to proceed against any of the Borrowers for reimbursement, or (B) any loss of rights Owner may suffer by reason of any rights, powers or remedies of any of the Borrowers in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging Borrowers' Indebtedness, whether by operation of law or otherwise, including any rights Owner may have to a fair market value hearing to determine the size of a deficiency following any foreclosure sale or other disposition of any real property security for any portion of the Indebtedness.

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9. AUTHORIZATIONS TO BANK. Owner authorizes Bank either before or after revocation hereof, without notice to or demand on Owner, and without affecting Owner's liability hereunder, from time to time to: (a) alter, compromise, renew, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; (b) take and hold security, other than the Collateral and Proceeds, for the payment of the Indebtedness or any portion thereof, and exchange, enforce, waive, subordinate or release the Collateral and Proceeds, or any part thereof, or any such other security; (c) apply the Collateral and Proceeds or such other security and direct the order or manner of sale thereof, including without limitation, a non-judicial sale permitted by the terms of the controlling security agreement, mortgage or deed of trust, as Bank in its discretion may determine; (d) release or substitute any one or more of the endorsers or guarantors of the Indebtedness, or any portion thereof, or any other party thereto; and (e) apply payments received by Bank from any of the Borrowers to any Indebtedness of any of the Borrowers to Bank, in such order as Bank shall determine in its sole discretion, whether or not such Indebtedness is covered by this Agreement, and Owner hereby waives any provision of law regarding application of payments which specifies otherwise. Bank may without notice assign this Agreement in whole or in part.

10. PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS. Owner agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Owner to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Owner to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of this Agreement, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

11. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness, or (ii) any other agreement between any of the Borrowers and Bank, including without limitation any loan agreement, relating to or executed in connection with any Indebtedness; (b) any representation or warranty made by Owner herein shall prove to be incorrect in any material respect when made; (c) Owner shall fail to observe or perform any obligation or agreement contained herein; (d) any impairment of the rights of Bank in any Collateral or Proceeds, or any attachment or like levy on any property of Owner; and (e) Bank, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value.

12. REMEDIES. Upon the occurrence of any Event of Default, Bank shall have and may exercise without demand any and all rights, powers, privileges and remedies granted to a secured party upon default under the Kansas Uniform Commercial Code or otherwise provided by law, including without limitation, the right (a) to contact all persons obligated to Owner on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank, and (b) to sell, lease, license, or otherwise dispose of any or all Collateral. All

rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales or other dispositions, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auctions, are all commercially reasonable since differences in the prices generally realized in the different kinds of dispositions are ordinarily offset by the differences in the costs and credit risks of such dispositions. While an Event of Default exists: (a) Owner will deliver to Bank from time to time, as requested by Bank, current lists of all Collateral and Proceeds; (b) Owner will not dispose of any Collateral or Proceeds except on terms approved by Bank; (c) at Bank's request, Owner will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank; and (d) Bank may, without notice to Owner, enter onto Owner's premises and take possession of the Collateral. With respect to any sale or other disposition by Bank of any Collateral subject to this Agreement, Owner hereby expressly grants to Bank the right to sell such Collateral using any or all of Owner's trademarks, trade names, trade name rights and/or proprietary labels or marks. Owner further agrees that Bank shall have no obligation to process or prepare any Collateral for sale or other disposition.

13. DISPOSITION OF COLLATERAL AND PROCEEDS; TRANSFER OF INDEBTEDNESS. In disposing of Collateral hereunder, Bank may disclaim all warranties of title, possession, quiet enjoyment and the like. Any proceeds of any disposition of any Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness in such order of application as Bank may from time to time elect. Upon the transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred, Bank shall retain all rights, powers, privileges and remedies herein given.

14. NOTICES. All notices, requests and demands required under this Agreement must be in writing, addressed to Bank at the address specified in Section 2 hereof and to Owner at the address of its chief executive office (or principal residence, if applicable) specified below or to such other address as any party may designate by written notice to each other party, and shall be deemed to have been given or made as follows: (a) if personally delivered, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

15. COSTS, EXPENSES AND ATTORNEYS' FEES. Owner shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated

costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the perfection and preservation of the Collateral or Bank's interest therein, and (b) the realization, enforcement and exercise of any right, power, privilege or remedy conferred by this Agreement, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Owner or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. All of the foregoing shall be paid by Owner with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

16. SUCCESSORS; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Owner may not assign or transfer any of its interests or rights hereunder without Bank's prior written consent. Owner acknowledges that Bank has the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, any Indebtedness of Borrowers to Bank and any obligations with respect thereto, including this Agreement. In connection therewith, Bank may disclose all documents and information which Bank now has or hereafter acquires relating to Owner and/or this Agreement, whether furnished by Borrowers, Owner or otherwise. Owner further agrees that Bank may disclose such documents and information to Borrowers.

17. AMENDMENT. This Agreement may be amended or modified only in writing signed by Bank and Owner.

18. APPLICATION OF SINGULAR AND PLURAL. In all cases where there is but a single Borrower, then all words used herein in the plural shall be deemed to have been used in the singular where the context and construction so require; and when there is more than one Borrower named herein or when this Agreement is executed by more than one Owner, the word "Borrowers" and the word "Owner" respectively shall mean all or any one or more of them as the context requires.

19. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

20. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas.

21. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to this Agreement and its negotiation, execution,

collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in Kansas selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Kansas or a neutral retired judge of the state or federal judiciary of Kansas, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Kansas and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator

deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Kansas Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed this Agreement or any other contract, instrument or document relating to any Indebtedness, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Real Property Collateral. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of Kansas, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the documents between the parties or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the documents or any relationship between the parties.

Owner warrants that Midwest Grain Pipeline, Inc. is an organization registered under the laws of Kansas and MGPI of Indiana, LLC is an organization registered under the laws of Delaware.

Owner warrants that its chief executive office (or principal residence, if applicable) is located at the following address: 100 Commercial Street, Atchison, KS 66002.

Owner warrants that the Collateral (except goods in transit) is located or domiciled at the locations leased or owned by the Borrower or Owner

IN WITNESS WHEREOF, this Agreement has been duly executed as of October 20th, 2011.

MIDWEST GRAIN PIPELINE, INC.
a Kansas corporation

By: /s/ Timothy W. Newkirk
Name: Timothy W. Newkirk
Title: President
Name: Timothy W. Newkirk
Title: President & CEO

By: __________________
Name: ________________
Title: _________________

MGPI OF INDIANA, LLC
a Delaware limited liability company

By: MGP Ingredients, Inc. a Kansas corporation

By: /s/ Timothy W. Newkirk

Exhibit 10.1

MGP INGREDIENTS, INC.
AGREEMENT AS TO AWARD OF RESTRICTED SHARES
GRANTED UNDER THE NON-EMPLOYEE
DIRECTORS' RESTRICTED STOCK PLAN

Date of Grant: **October 21, 2011**
Time of Grant: Close Market

Restricted Shares

In accordance with and subject to the terms and restrictions set forth in the MGP Ingredients, Inc. Non-Employee Directors' Restricted Stock Plan (the "Plan") and this Agreement, MGP INGREDIENTS, INC., a Kansas corporation (the "Company"), hereby grants to the Director named below ("Participant") the number of Restricted Shares of Common Stock of the Company as set forth below:

Participant: **John Speirs**
Number of Restricted Shares under the Plan: **2,066**

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

1. Issuance of Restricted Shares. The shares described above are being issued by the Company to the Participant as restricted shares pursuant to the terms and provisions of the Plan, a true copy of which is attached hereto as Exhibit A and incorporated herein by reference. Upon the execution of this Agreement, the Company shall issue in the Participant's name the aggregate number of restricted shares described above, subject to the provisions of the Plan requiring that such certificate or certificates be held in the custody of the Company.

2. Vesting in Restricted Shares. Subject to the provisions of the Plan, restricted shares shall vest in the Participant upon the Participant's completion of three (3) full years of service on the Board of Directors of the Company ("Vesting Period") commencing on October 21, 2011. The restricted shares issued to the Participant shall be forfeited to the Company if the Participant resigns as a director during his or her term and prior to the end of the Vesting Period. The restricted shares are subject to accelerated vesting as provided in the Plan.

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

4. Legend on Certificates. In order that all potential transferees and others shall be put on notice of this Agreement and so long as the risk of forfeiture exists under the Plan, each certificate evidencing ownership of the restricted shares issued pursuant to the Plan (and any replacements thereto) shall bear a legend in substantially the following form:

"The shares evidenced by this Certificate have been issued pursuant to the MGP Ingredients, Inc. Non-Employee Directors' Restricted Stock Plan and a related agreement (the "Agreement") between the Company and the registered holder. The holder's rights are subject to the restrictions, terms and conditions of the Plan, which restricts the transfer of the shares and subjects them to forfeiture to the Company under the circumstances referred to in the Agreement. This legend may be removed when the holder's rights to the shares vest under the Plan."

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

IN WITNESS WHEREOF, this Instrument has been executed as of this 26th day of October, 2011.

MGP INGREDIENTS, INC.

By:

Timothy W. Newkirk
President and Chief Executive Officer

ACKNOWLEDGEMENT

I understand and agree that the Restricted Shares to be acquired by me are subject to the terms, provisions and conditions hereof and of the Plan, to all of which I hereby expressly assent. This Agreement shall be binding upon and inure to the benefit of the Company, myself, and our respective successors and legal representatives.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and may not be modified, amended, renewed or terminated, nor may any term, condition or breach of any term or condition be waived, except in writing signed by the parties sought to be bound thereby. Any waiver of any term, condition or breach shall not be a waiver of any term or condition of the same term or condition for the future or any subsequent breach. In the event of the invalidity of any part or provision of this Agreement, such invalidity shall not affect the enforceability of any other part or provision of this Agreement.

Signed this 27th day of October, 2011.

Signature of Participant

Exhibit 31.1

CERTIFICATION

I, Timothy W. Newkirk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGP Ingredients, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2011

/s/ Timothy W. Newkirk
Timothy W. Newkirk
President and Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, Don Tracy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGP Ingredients, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2011

/s/ Don Tracy
Don Tracy
Vice President, Finance & Chief Financial Officer
Principal Financial Officer

Exhibit 32.1

CERTIFICATION

OF

PERIODIC REPORT

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2011 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Dated: November 9, 2011

/s/ Timothy W. Newkirk
Timothy W. Newkirk
President and Chief Executive Officer

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

Exhibit 32.2

CERTIFICATION

OF

PERIODIC REPORT

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Dated: November 9, 2011

/s/ Don Tracy
Don Tracy
Vice President, Finance and Chief Financial Officer

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